

CIE Automotive, S.A.

Audit Report,
Annual Accounts at 31 December 2020
and Management Report for 2020



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the annual accounts

To the shareholders of CIE Automotive, S.A.:

Report on the annual accounts

Opinion

We have audited the annual accounts of CIE Automotive, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in Note 2.1 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Recovery of investments in group companies and associates Investments in group companies and associates account for a significant percentage of the Company's net assets (Notes 5 and 6 to the accompanying annual accounts). Equity instruments and long-term and short-term loans granted to Group companies at the year-end amount to €1,075,394 thousand, €1,218,621 thousand and €21,182 thousand, respectively. As indicated in Note 3.5 to the accompanying annual accounts, Management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments recognised on the balance sheet. Determining the recoverable value of these investments is mainly based on estimates of the value of future cash flows. The estimation of future cash flows requires significant judgement by Management, including, among other things, expectations regarding income and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Company in its analysis are summarised in Note 6 to the accompanying annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of investments in group companies and associates.	First, we gained an understanding of the process used by the Company to assess the valuation of investments and analyse their recoverability and the impairment tests performed by Management, and verified that the criteria used to perform these tests are consistent with those established in applicable reporting regulations. For cash flows, we verified not only the calculations made but also the projected annual cash flows of those group companies, based on the plans and budgets approved by Group Management, against those actually obtained, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them using available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's experts team. As a result of our analyses and tests performed, we consider that Management's conclusion concerning the absence of impairment of investments, the estimates made and the information disclosed in the accompanying annual accounts are adequately supported and are consistent with the information currently available.

Other information: Management Report

Other information comprises only the management report for the 2020 financial year, the formulation of which is the responsibility of the Company's directors, and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the annual accounts

The Company's directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of CIE Automotive, S.A., in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. for the 2020 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for 2020 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated February 24, 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on April 29, 2020 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2020.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.

Services provided

Services provided to the Company and its subsidiaries for services other than the audit of the accounts are detailed in Note 26 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jose Antonio Simón Maestro (15886)

February 24, 2021



MANAGING HIGH VALUE ADDED
PROCESSES

**Annual Accounts and Management Report
for the year ended 2020**



This 2020 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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BALANCE SHEET AT DECEMBER 31, 2020
(Thousand euro)

		At December 31	
	Note	2020	2019
NON-CURRENT ASSETS			
Intangible assets	4	16,813	19,547
Property, plant and equipment		1,169	1,317
Non-current investments in group companies and associates	5-6	2,294,015	2,299,329
Equity instruments		1,075,394	1,075,394
Credits to companies		1,218,621	1,223,935
Non-current financial investments	5	30,861	34,223
Equity instruments		81	81
Credits to third parties		30,747	34,122
Other financial assets		33	20
Deferred tax assets	15	16,841	17,159
Total non-current assets		2,359,699	2,371,575
CURRENT ASSETS			
Trade and other receivables	5-7	16,091	31,792
Receivables from Group companies and associates		15,754	31,403
Other receivables		12	42
Current tax assets		325	347
Current investments in group companies and associates	5-6	21,182	16,673
Credits to companies		21,182	16,673
Current financial investments	5	18,207	18,443
Credits to third parties		1,402	1,603
Other financial assets		16,805	16,840
Prepaid expenses		200	199
Cash and cash equivalents	5-9	22,528	2,627
Total current assets		78,208	69,734
TOTAL ASSETS		2,437,907	2,441,309

BALANCE SHEET AT DECEMBER 31, 2020
(Thousand euro)

At December 31			
	Note	2020	2019
EQUITY			
Capital and reserves		339,250	437,578
Share capital	10	30,637	32,250
Share premium	10	152,171	152,171
Reserves	11	113,173	188,774
Profit/(loss) for the year	12	73,907	112,113
Interim dividend	12	(30,638)	(47,730)
Valuation adjustments	8	(8,771)	(9,026)
Hedging transactions		(8,771)	(9,026)
Total equity		330,479	428,552
NON-CURRENT LIABILITIES			
Non-current provisions	14	28,309	33,009
Long-term payables	5-8-13	1,368,480	1,276,698
Bank borrowings		1,350,880	1,256,802
Derivatives		17,600	19,896
Group companies and associates, non-current	5-13	152,569	220,345
Other non-current payables	5-13	49,963	10,432
Other non-current payables		49,963	10,432
Total non-current liabilities		1,599,321	1,540,484
CURRENT LIABILITIES			
Current provisions		1,263	1,263
Short-term employee benefits	14	1,263	1,263
Current borrowings		457,293	407,027
Bank borrowings	5-13	179,193	107,827
Commercial paper program	5-13	278,100	299,200
Group companies and associates, current	5-13	4,142	1,850
Trade and other payables	5-13	45,409	62,133
Trade payables		5,979	5,699
Other payables		30,638	47,730
Fixed asset suppliers		292	384
Accrued wages and salaries		4,468	4,467
Current tax liabilities		4,032	3,853
Total current liabilities		508,107	472,273
TOTAL EQUITY AND LIABILITIES		2,437,907	2,441,309

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020
(Thousand euro)

		Year ended December 31	
CONTINUING OPERATIONS	Note	2020	2019
Revenue	16	124,010	176,173
Services rendered and other income		124,010	176,173
Other operating income	16	187	140
Non-trading and other operating income		187	140
Employee benefit expense	16	(17,290)	(14,570)
Wages and salaries		(16,447)	(13,736)
Social security		(843)	(834)
Other operating expenses	16	(4,245)	(16,159)
Taxes		(58)	(79)
Other expenses		(4,187)	(16,080)
Depreciation and amortization		(3,570)	(3,491)
OPERATING PROFIT		99,092	142,093
Finance income	18	1,782	1,729
Finance expense	18	(28,989)	(24,679)
Change in fair value of financial instruments	18	2,036	(554)
Net exchange differences	18	(34)	(42)
FINANCIAL RESULTS		(25,205)	(23,546)
PROFIT BEFORE TAX		73,887	118,547
Income tax	17	20	(6,434)
PROFIT FOR THE YEAR		73,907	112,113

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

A) STATEMENTS OF RECOGNISED INCOME AND EXPENSE (Thousand euro)

	Note	2020	2019
Profit for the year	12	73,907	112,113
Income and expense recognised directly in equity			
Cash flow hedges	8	336	(1,299)
Tax effect	15	(81)	312
		255	(987)
TOTAL RECOGNISED INCOME AND EXPENSE		74,162	111,126

B) TOTAL STATEMENT OF CHANGES IN EQUITY (Thousand euro)

	Share capital (Note 10)	Treasury shares (Note 10)	Share premium (Note 10)	Reserves (Note 11)	Profit for the year (Note 12)	Interim dividend (Note 12)	Valuation adjustments (Note 8)	Total
Beginning balance, 2019	32,250	-	152,171	(59,106)	327,860	(39,990)	(8,039)	405,146
Total recognised income and expense	-	-	-	-	112,113	-	(987)	111,126
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	247,880	(327,860)	39,990	-	(39,990)
Interim dividend (Note 12)	-	-	-	-	-	(47,730)	-	(47,730)
Closing balance, 2019	32,250	-	152,171	188,774	112,113	(47,730)	(9,026)	428,552
Total recognised income and expense	-	-	-	-	73,907	-	255	74,162
Transactions with shareholders and owners:								
Distribution of profit	-	-	-	18,177	(112,113)	47,730	-	(46,206)
Interim dividend (Note 12)	-	-	-	-	-	(30,638)	-	(30,638)
Acquisition of treasury shares (Note 10)	-	(95,391)	-	-	-	-	-	(95,391)
Reduction of share capital (Note 10)	(1,613)	95,391	-	(93,778)	-	-	-	-
Closing balance, 2020	30,637	-	152,171	113,173	73,907	(30,638)	(8,771)	330,479

CASH FLOW STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020
(Thousand euro)

		Year ended December 31	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES	19		
Profit for the year before tax		73,887	118,547
Adjustments		(48,653)	(58,920)
Changes in working capital		16,402	(10,089)
Other cash flows from operating activities		51,436	69,376
Cash flows from/(used in) operating activities		93,072	118,914
CASH FLOWS FROM INVESTING ACTIVITIES	20		
Payments for investments		(701)	(756,678)
Proceeds from disposals		3,872	4,231
Cash flows from/ (used in) investing activities		3,171	(752,447)
CASH FLOWS FROM FINANCING ACTIVITIES	21		
Proceeds from and payment of financial liabilities		112,985	710,759
Dividends and payments on other equity instruments		(189,327)	(79,980)
Cash flows from /(used in) financing activities		(76,342)	630,779
NET INCREASE IN CASH AND CASH EQUIVALENTS		19,901	(2,754)
Cash and cash equivalents at beginning of period		2,627	5,381
Cash and cash equivalents at end of period	9	22,528	2,627



1. General information

CIE Automotive Group and activity

CIE Automotive, S.A., Parent Company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

The business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, on the global automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are located in the following territories: Spain (Álava/Araba, Barcelona, Cádiz, Gipuzkoa, Orense, Pontevedra, Navarre and Bizkaia), Germany, France, Portugal, the Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

The Company's registered office is located at "Alameda Mazarredo 69, 8º piso", Bilbao.

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U.; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at December 31, 2020, together with the information concerning them, is disclosed in the Appendix I to these Annual Accounts.

These Annual Accounts were prepared by the Board of Directors on February 23, 2021.

Impacts of the Covid-19 pandemic

After the declaration of the pandemic, almost all of the countries, including those where the global automobile manufacturers are located, have carried out restrictive measures resulting in a global industrial stoppage that has directly affected car production and sales.

The decrease in global vehicle production worldwide has surpassed 15% in 2020, with a first half-year with a decrease of more than 30% and with a second semester at similar levels to the same period in 2019. Considering the representation of the different geographical areas in the CIE Group's sales, the weighted drop in production in the CIE market has been greater than 40% during the first semester, overcoming in the second half-year, with a total annual decline in the CIE market by above 20%.

This unprecedented market situation has led to a considerable decrease in sales and therefore in the Group's net income, especially in the second quarter of the year, which has been progressively improving until the period-end closing in December, resulting in production levels similar to those of 2019 and therefore, with normalized quarterly results.



The Group's efficient and flexible business model has permitted to, although with restrictions in some countries and productions far below their recurrent levels, to achieve an outstanding net profit of €185.2 million. Likewise, the Group's results reflect a positive gross operating income (EBITDA) in all its segments as well as positive cash generation from continuing operations for the year 2020. April and May were the months were the most impacted months of the year. In June, the Group generated a positive net income, despite being its production in lower levels than the usual. Revenue, EBITDA, and the net income for the last quarter of 2020, already overperformed those for the same period of 2019.

As of December 31, 2020, the Group has a liquidity reserve amounting to €1,477 million (Note 27.1.b), which it has kept similar levels throughout all the year, and which has guaranteed to continue with the necessary payments for the continuity of the business throughout the period without any liquidity tensions. Likewise, the contractual clauses of all financial contracts have been modified, avoiding a possible breach of the covenants of said financing.

As of the end of the year 2020 and the preparation of these Annual Accounts, the Directors of CIE Automotive, S.A. do not consider any existing risk related to the going concern of the Group, considering its solvency and liquidity position.

Acquisition of CIE Golde

In September 2018 CIE Automotive, S.A. released the submission of a final binding offer for the acquisition of the roof systems design and assembly business of US group Inteva Products Inc ('Inteva').

After the completion of the consultation process with the competent bodies and the obtaining of the pertinent authorizations from the antitrust authorities in April 2019, on May 6, 2019, the Group proceeded to complete the acquisition.

The price of the operation amounted to USD 755 million (enterprise value) which after cash and working capital adjustments involved a payment at that date of USD 809.3 million, equivalent to €724.7 million, pending the definitive calculation of cash and working capital figures in opening balances. Throughout the second half of the year, the calculations were completed and the agreements with the selling party were closed. On December 31, 2019 the outstanding amount amounts to USD 19 million (€17.2 million) that has been paid in January 2020. After this last payment, there is no outstanding amount to be paid.

The acquired roof system business, which has been renamed as CIE Golde, is formed by twelve manufacturing facilities and six R&D centers in seven different countries (USA, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

The integration of CIE Golde enables CIE Automotive Group to reinforce its commitment for the comfort systems in the automotive, adapting to sector trends, and becoming one of the three leading global manufacturers of car roof systems, significantly increasing its footprint in this market, and well positioned in Asia, one of the markets with the greatest potential.

Changes in the scope of consolidation

2020

On September 25, 2019, the Group announced the signature of a contract for the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts €77.1 million. On January 9, 2020 the Group, through its subsidiary CIE Berriz, S.L., and once the conditions precedent were met, has proceeded to acquire the entire capital stock of the companies of the Italian Group Somaschini S.p.A, Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL. This group has 3 production plants, two in Bergamo (Italy) and one in Indiana (USA). The acquisition cost, once adjusted the debt, has amounted to €52.6 million.

On June 4, 2020, the Group acquired a 49% of the share capital of the held for sale company Recogida de Aceites y Grasas Maresme, S.L. for one euro, reaching the 100% shares of its share capital.



During the 2020, in several operations carried out between March and September, the Group acquired 14,887,962 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €22,617 thousand. The Group's interest increased from 56.32% to 60.18%.

Likewise, the following corporate operations have been carried out:

- On the accounting date of January 1, 2020, the merger between the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. (absorbing company) and Cortes de Precisión de México S. de R.L. de C.V. (absorbed company) was carried out.
- On February 18, 2020, the Czech company Praga Service, s.r.o. was liquidated.
- On April 1, 2020, the merger of the Brazilian companies Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (absorbing company) with its subsidiary company Autocromo Cromação de Plásticos Ltda (absorbed company) was carried out.
- On July 30, 2020 and August 1, 2020 the British companies Stokes Forging Dudley Ltd. And Stokes Forging Ltd. were liquidated.
- On August 1, 2020, the merger of the Italian companies CIE Immobiliare Italia, SRL and Immobiliare Somaschini, SRL (absorbed companies) with Somaschini, S.p.A. (absorbing company).

2019

In January 2019, the companies CIE Automotive Goian, S.L.U. and Advanced Comfort Systems Wuhan Co. Ltd., of Spanish and Chinese nationalities respectively, after their creation at the end of the 2018 fiscal year, were incorporated into the scope of consolidation. The first of them has its main activity the transformation of automotive parts through forging technology. While in the case of the second, its main activity consists the manufacture of roof systems for vehicles.

On March 28, 2019, the Group sold the company Bionor Berantevilla, S.L.U., as well as the assets belonging to Biosur Transformación, S.L.U. for an amount of €18.7 million.

In March 2019, the Group signed an agreement for the acquisition, through its Indian subsidiary Mahindra CIE Automotive, Ltd, of all the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. (hereinafter AEL) for an amount of 8,759 million rupees (approximately 111,7 million euros).

On April 9, 2019, once the conditions were fulfilled, the Group closed the acquisition by paying 8,137 million rupees, equivalent to €103.8 million. A contingent liability of 600 million rupees was also recorded (€7.6 million), corresponding to the fair value of future income from subsidies that AEL will receive under the incentive program that local authorities approved in 2013.

AEL operates in the manufacture of components and sub-assemblies for the automotive sector market (for two- and four-wheel vehicles) in high pressure aluminium injection and gravity injection technologies.

On April 5, 2019, CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U., both direct subsidiaries of CIE Automotive, S.A., were created.

As explained before, on May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L.U. and CIE Automotive USA, Inc, proceeded to acquire 100% shares of Inteva's roof business, with an acquisition cost of €741.7 million.

On June 21, 2019 the Group carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. with the objective of taking advantage of all the productive assets of the acquired companies, so that they complement the productive activities of the Group in Mexico and allow the physical and commercial expansion in the future. The enterprise value was USD 65.5 million (approximately €58 million).



In September 2019, once the suspensive conditions were fulfilled, the acquisition was completed. The acquisition cost, after the adjustment for the indebtedness, was USD 42.4 million (approximately €37.3 million), fully paid at the acquisition date.

The acquired facilities are located in Celaya (Guanajuato) and provide Tier 1 companies in the automotive sector.

On July 18, 2019, the Mexican nationality company CIE Plásticos de México, S.A. de C.V. was established; which main activity is the manufacture of plastic parts and components for vehicles.

In October 2019, the merge of the companies BillForge Pvt Ltd. and Mahindra CIE Automotive Ltd. was carried out, being the last one the absorbing one. This transaction had no impact on the Consolidated Annual Accounts.

Consolidated Annual Accounts of CIE Automotive Group

Under the Spanish Royal Decree 1,815/1,991 of December 20, the Company is obliged to present Consolidated Annual Accounts.

On February 23, 2021, the Company authorized the issuance of the Consolidated Annual Accounts of CIE Automotive, S.A. and its subsidiaries for the year ended December 31, 2020, which presented profit for the year attributable to owners of the parent of €185,225 thousand and equity, including profit for the year and non-controlling interests, of €994,974 thousand (2019: €287,475 thousand and €1,234,974 thousand, respectively).

Those Consolidated Annual Accounts were prepared under the International Financial Reporting Standards adopted by the European Union (IFRS-EU). Appendix II, attached, includes the Group's consolidated 2020 and 2019 balance sheets and income statements under IFRS-EU.

The Consolidated Annual Accounts include all CIE Automotive Group companies defined under Article 42 of Spain's Code of Commerce, each of which is consolidated using the appropriate method. All the subsidiaries under control of CIE Automotive Group have been incorporated into the consolidation using the global integration method. The list of CIE Automotive Group companies is attached to these annual accounts as Appendix I.

2. Basis of presentation

2.1 Fair presentation

The accompanying Annual Accounts were prepared from the Company's accounting records and are presented in accordance with the Spanish General Accounting Plan, enacted by Spanish Royal Decree 1,514/2007, as amended by Royal Decree 1,159/2010, of September 17, and Royal Decree 602/2016 of December 2, in order to give a true and fair view of the Company's equity and financial position at the year end and of its financial performance and cash flows for the year then ended. These annual accounts were authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2019 annual accounts were approved at the Annual General Meeting held on April 29, 2020.

2.2 Key sources of estimation uncertainty

The preparation of the Annual Accounts requires the Company to make certain estimates and judgments concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events considered being reasonable under current circumstances.

The resulting accounting estimates will, by definition, seldom match the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments in group companies and associates

The Company annually tests if investments in the equity of group companies and associates have suffered an impairment applying, according to the accounting policy described in Note 3.5.d). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimations.

This analysis is based on comparing the book value of each holding with the recoverable value associated with each of its direct holdings, and which in most cases correspond to holding companies whose main activity consists of holding of participations in the legal companies of the plants that make up the Group. This analysis is carried out considering the cost of the shares to be recovered from the shares at the lowest level at which they are found. In cases where the equity value of the investment is less than the share held by its direct participating company, the Company verifies that the value in use of each of the companies exceeds the cost of shares.

For the analysis of the value recovery of its holdings, the Company considers the value in use of each of its direct investees, understanding the value in use as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the shares (equity value).

The hypotheses used, as well as the results obtained from the analysis carried out as of December 31, 2020 and 2019 are included in Note 6.c.

As of December 31, 2020, within the context of the Covid-19 pandemic, updated market projections on future global vehicle production have been considered, as well as the health related restrictions in force in the geographies where the Group operates. The impact of such factors has not modified the conclusions regarding the recoverability of investments in group companies and associates.

Fair value of derivatives or other financial instruments

The fair value of unlisted financial instruments (for example, derivatives from outside official market) is determined by using valuation techniques. The Company exercises judgment in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date. The Company used discounted cash flow analysis to measure financial instruments that are not traded on active markets.

Income tax

The legal status of the tax regulations applicable to the Company mean that estimates are employed and the final quantification of tax is uncertain. Tax is calculated based on Management's best estimates, always taking into account prevailing tax legislation and foreseeable legislative changes (Note 17).

When the final tax result differs from the amounts initially recognised, such differences will have an effect on income tax and provisions for deferred taxes in the year in which they are identified.

If the final outcome (on judgment areas) differs by 10% not favourable from management estimates, deferred assets would decrease and income tax would increase by approximately €3.4 million (2019: €0.02 million), and if these variation were favourable these deferred assets would increase and income would decrease by approximately €0.3 million (2019: €1.7 million).

The result of this sensitivity analysis is conditioned by Management's estimates of the consolidated tax base of the basque foral group, that in 2020 it has estimated a decrease in the tax base due to the use of tax incentives that were not previously applicable.

As of December 31, 2020, within the context of the Covid-19 pandemic, updated market projections on future global vehicle production have been taken into consideration, as well as the health related restrictions in force. The impact of such factors has been, therefore, considered in the estimation of recoverability of tax losses and credits recognized by the Company.



Employee benefits

In order to quantify the impact of the profit-sharing and bonus schemes of which its current employees are beneficiaries, the Company makes estimates with respect to the amounts of benefits payable and the number of beneficiaries.

Any change in the number of employees that ultimately benefits from these remuneration schemes or in the assumptions used would have an impact on the carrying amounts of the related provisions and on the income statement.

In addition, the Company makes estimates to measure the benefits payable in respect of employees benefiting from share-based payments or from additional incentives approved based on the value of the shares.

These estimates are reviewed at the end of each reporting period and the related provisions are adjusted to reflect the best estimates as of the year end.

As of December 31, 2020 and 2019 no shared-based payments benefits to employees exist.

2.3 Aggregation

For clarity, the items presented in the balance sheet, income statement, statement of changes in equity and cash flow statement are grouped together and, where necessary, a breakdown is included in the relevant notes to the accounts.

2.4 Presentation currency

The Annual Accounts are expressed in thousand euros, unless otherwise indicated.

3. Accounting policies

The principal accounting policies applied in the preparation of these Annual Accounts are set out below.

3.1. Intangible assets

Goodwill

Goodwill is the excess at the acquisition date of the cost of a business combination over the fair value of the identifiable net assets acquired in the transaction. As a result, goodwill is only recognised when it is acquired for consideration and represents the future economic benefits arising from assets acquired in a business combination that are not individually identified and separately recognised.

Goodwill recognized separately is amortized on a straight-line basis over its estimated useful life, being valued at acquisition cost less accumulated amortization, and, if applicable, the accumulated amount of recognized impairment corrections. The useful life is determined separately for each of the CGUs groups to which it has been assigned and is estimated to be 10 years (unless proven otherwise). At least annually, it is analyzed if there are indications of impairment of the value of the cash-generating units groups to which goodwill has been assigned, and if there is one, its eventual deterioration is checked.

The valuation adjustments for impairment recognized in goodwill are not reversed in subsequent years.

Computer applications

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the assets' estimated useful lives (between 4 to 6 years).

Software maintenance expenses are recognised when incurred. Costs directly related to the production of identifiable and unique computer programs controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of the relevant overheads.

Computer software development costs recognised as assets are amortized over their estimated useful lives, which do not exceed 6 years and the time it begins to be amortized once is capitalized is no longer than one year.

Patents

Patents are carried at cost less accumulated amortization and corrections for impairment of recognized value. Amortization is calculated using the straight-line method to allocate the cost over its estimated useful life (10 years).

3.2. Property, plant and equipment

Property, plant and equipment are recognised at acquisition price or production cost less accumulated depreciation and accumulated impairment losses recognised.

Own work capitalized is calculated by summing the acquisition cost of consumable materials and the direct and indirect costs attributable to the production of these assets.

Costs incurred to extend, modernize or improve property, plant and equipment are only recognised as an increase in the value of the asset when the capacity, productivity or useful life of the asset is extended and always it is possible to ascertain or estimate the carrying amount of the assets that have been replaced in inventories.

Maintenance expenses are charged to the income statement during the year in which they are incurred.

Depreciation of property, plant and equipment, with the exception of land, which is not depreciated, is calculated systematically using the straight-line method over the assets' estimated useful lives based on the actual decline in value brought about by operation, use and possession. The estimated useful lives are as follows:

	Estimated useful life years
Buildings	25 to 33
Furniture and other facilities	10
Other fixed assets	4 to 6

The residual value and useful lives of assets are reviewed and adjusted, if necessary, at each balance sheet date.

If an asset's carrying amount is greater than its estimated recoverable amount, its carrying amount is written down immediately to its recoverable amount (Note 3.3).

Gains and losses on the sale of property, plant and equipment are calculated by comparing the revenue obtained with the carrying amount and are recognised in the income statement. Retirements and disposals are accounted for by eliminating the item's cost and the corresponding accumulated depreciation charge.

3.3. Impairment of non-financial assets

Depreciable assets are tested for impairment whenever there is any indication that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, understood this one as the asset's fair value less the higher of costs to sell or value in use. For the purposes of assessing impairment losses, assets are grouped together at the lowest level for which there are separately identifiable cash flows (Cash Generating Units groups). Non-financial assets, other than goodwill, which are impaired, are reviewed at the balance sheet date for possible reversal of the loss.

3.4. Exchanges of assets

Whenever an item of property, plant and equipment, an intangible asset or an investment property is acquired by means of an exchange having a commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary consideration awarded, barring better evidence supporting the value of the asset received and up to the limit of the latter. For such purposes, the Company considers that an exchange is commercial in nature when the configuration of the cash flows from the fixed assets received differs from the configuration of the cash flows from the asset given up or when the present value of the cash flows after tax from the activities affected by the exchange is altered. In addition, any of the previous differences must be significant with respect to the fair value of the assets exchanged.

If the exchange is not commercial in nature or the fair value of the assets of the transaction cannot be determined, the asset received is measured at carrying amount plus the monetary consideration delivered, up to the fair value of the asset received if lower and provided that it is available.

3.5. Financial assets

- a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. They are included in current assets except for maturities of more than 12 months from the balance sheet date that are classified as non-current assets. Loans and receivables are included in 'Loans to companies', 'Loans to third parties' and 'Trade and other receivables' in the balance sheet.

Financial assets are initially carried at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost. Accrued interests are recognised at the effective interest rate, which is the discount rate that brings the instrument's carrying amount into line with all estimated cash flows to maturity. Trade receivables falling due in less than one year are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

At year end at least, the necessary value adjustments are made for impairment losses when there is objective evidence that not all amounts due will be collected.

The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate prevailing at the date of initial recognition. Value adjustments, and reversals, where applicable, are recognised in the income statement.

- b) Held-to-maturity investments: Held-to-maturity financial assets are securities representing debt with fixed payments or payments that may be determined and have a fixed maturity date, are traded on an active market and with respect to which Company management has the effective intention and capacity to hold to maturity. If the Company sells an immaterial amount of held-to-maturity financial assets, the entire category would be reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing in less than 12 months of the balance sheet date that are classified as current assets.

The measurement criteria applied to these investments are the same as for loans and receivables.

- c) Financial assets held for trading and other financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss include all assets held for trading acquired for sale in the short term or as part of a portfolio of identified financial instruments that are managed together with a view to generating short term returns and financial assets designated within this category by management upon initial recognition based on the determination that so doing results in more meaningful disclosures. Derivatives are also classified as held for trading unless they constitute financial guarantee contracts or are designated as hedging instruments (Note 3.6).

These instruments are initially recognised and subsequently measured at fair value and any changes in fair value are recognised in the income statement. Transaction costs that are directly attributable to the acquisition of these assets are expensed currently.

- d) Investments in equity of group companies, jointly controlled entities and associates: These assets are measured at cost, less any accumulated impairment losses. However, if the Company held an investment in these entities before they were classified as a group company, jointly controlled entity or associate, cost is deemed the carrying amount of that investment prior to the classification change. Prior measurement adjustments recognised directly in equity are kept in equity until the investments are derecognised.

If there is objective evidence that the carrying amount of these investments may not be recoverable, the Company recognizes the corresponding impairment losses, calculated as the difference between the investment's carrying amount and recoverable amount, deemed to be the higher of fair value less costs to sell and the present value of projected cash flows from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee's equity, adjusted for any unrealized capital gains at the measurement date. Impairment losses and any subsequent reversals are recognised in the income statement in the year in which they arise.

- e) Available-for-sale financial assets: This category includes debt securities and equity instruments that have not been classified in any of the preceding categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

They are measured at fair value insofar as fair value can be determined reliably and changes in fair value, if any, are recognised directly in equity until the asset is sold or deemed impaired, at which point the accumulated fair value adjustments recognised in equity are reclassified in profit or loss. If fair value cannot be reliably determined, these assets are measured at cost less any impairment losses.

Available-for-sale financial assets are written down if there is objective evidence of impairment as a result of a reduction or delay in estimated future cash flows in the case of debt instruments acquired or the possible inability to recoup the asset's carrying amount in the case of investments in equity instruments. The impairment loss recognised is the difference between the asset's cost/amortized cost, less any impairment loss previously recognised in the income statement, and the fair value on the measurement date. In the case of equity investments measured at cost because their fair value cannot be determined reliably, impairment losses are calculated in the same way as for equity investments in group companies, jointly controlled entities and associates.

Whenever there is objective evidence of impairment, the Company reclassifies any cumulative fair value losses previously recognised in equity to profit or loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value using valuation techniques. These include the use of recent arm's length transactions between knowledgeable, willing parties, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market observable inputs and relying as little as possible on subjective judgments.

Financial assets are derecognised when substantially all the risks and rewards of ownership of the financial asset have been transferred. Specifically in relation to accounts receivable, this transfer is generally deemed to take place when the risks of insolvency and non-payment have been transferred.

Financial assets designated as hedged items are subject to hedge accounting measurement rules (Note 3.6).

3.6. Derivative financial instruments and accounting hedge

Financial derivatives are measured at fair value upon initial recognition and for subsequent measurement purposes. The method used to recognize the resulting gain or loss depends on whether the derivative has been designated as a hedging instrument, and if so, the nature of the hedge.

The Company designates certain derivatives as either:

- a) Fair value hedges: Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
- b) Cash flow hedges: The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised temporarily in equity. These amounts are recycled to profit or loss in the year(s) in which the hedged forecast transaction affects profit or loss, unless the hedge corresponds to a forecast transaction that ultimately results in the recognition of a non-financial asset or liability, in which case the gains or losses previously deferred in equity are included in the initial cost of the asset when it is acquired or liability when it is assumed.

The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

- c) Hedges of net investments in foreign operations: In the case of hedges of net investments in unincorporated joint ventures and foreign branches, changes in the fair value of the derivatives attributable to the risk hedged are recognised temporarily in equity and are recycled to profit or loss in the year(s) in which the net investment in the foreign operation is disposed of.

Hedges of net investments in foreign operations consisting of subsidiaries, jointly controlled entities or associates are treated as fair value hedges in respect of the foreign currency component of the hedge.

Hedging instruments are measured and recognised by nature to the extent that they are not or cease to be effective hedges. In the event that derivatives do not qualify for hedge accounting, the related fair value gains and losses are recognised immediately in the income statement.

3.7. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.8. Equity

The Company's share capital is represented by ordinary shares.

Costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

If the Company purchases treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, is included in equity.

3.9. Financial liabilities

Debts and payables

This includes trade and non-trade payables. These payables are classed as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months as from the balance sheet date.

Payables are initially recognised at fair value, adjusted for directly attributable transaction costs, and subsequently measured at amortized cost using the effective interest method. The effective interest rate is the discount rate that brings the carrying amount of the instrument into line with the expected flow of forecast future payments to maturity of the liability.

Nonetheless, trade payables falling due in less than one year without a contractual interest rate are carried at their face value at both initial recognition and subsequent measurement, provided that the effect of not discounting flows is not significant.

In the event of renegotiation of existing debts, it is considered that there are no substantial changes in financial liabilities when the new loan lender is the same as the one that granted the initial loan and the current value of the cash flows, including net commissions, does not differ by more than 10% from the present value of the cash flows pending payment of the original liability calculated under the same method.

In the case of convertible bonds, the Company determines the fair value of the liability component using the rate of interest for similar non-convertible bonds. This figure is recorded as a liability on the basis of the amortized cost until it is settled upon conversion or maturity. Other income obtained is allocated to the conversion option and is recognised in equity.



3.10. Current and deferred income tax

The Company files its taxes under the consolidated tax system as the parent of a group of companies (Note 17). The subsidiaries included in the Company's consolidated tax group for tax return purposes, according to Bizkaia provincial tax laws, in 2020 are as follows:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- PIA Forging Products, S.L.U.
- Industrias Amaya Tellería, S.L.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Goiaín, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.

Income tax expense (income) is that amount of income tax that accrues during the period. It includes both current and deferred tax expense (income).

Income tax is calculated on the basis of accounting profit adjusted for any permanent differences between profit for accounting and tax purposes. Tax credits available at the consolidated tax group level, arising mainly from corporate investing activities, are analyzed annually for future utilization and offset and are recognised as a function of current expectations regarding their utilization. This analysis not only encompasses estimable taxable income but also expectations regarding the use of tax credits granted (Note 15).

Both current and deferred tax expense (income) are recognised in the income statement. However, the tax effect of items recognised directly in equity is recognised in equity.

Current tax assets and liabilities are measured at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.



Deferred taxes are calculated, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not accounted for if it arises from initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor tax base. Deferred income tax is determined implementing applicable legislation and the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

3.11. Employee benefit

a) Profit-sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to its shareholders after certain adjustments as well as other ratios of a financial nature. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

b) Termination benefits

Termination benefits are paid to employees as a result of a decision to terminate employment contracts before the normal retirement age or when employees voluntarily agree to resign in return for such benefits. They include benefits agreed under redundancy plans that terminate employment contracts before the normal retirement age. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

c) Share-based payments

At December 31, 2020 the Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix I).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiaries.

The fair value of the employee services received in exchange for the grant of such shares/ options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.



Likewise, at the General Meeting of shareholders, held on April 24, 2018, the concession for the CEO of a long-term incentive was approved based on the evolution of the share price of CIE Automotive, S.A. (Note 23).

The total cost of this incentive is recognized as personnel costs, in the period in which the conditions to reach it must be met.

3.12. Provisions and contingent liabilities

The Company recognises provisions when it has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the best estimate of the expenditure required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expenses.

Provisions due within one year or for which the effect of the time value of money is not material are not discounted.

When some of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised separately when, and only when, it is virtually certain that reimbursement will be received.

Contingent liabilities, meanwhile, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying Notes as warranted.

3.13. Business combinations

Mergers, spin-offs and non-monetary contributions of businesses among entities under common control are recognised following the rules for accounting for related-party transactions (Note 3.18).

Mergers and spin-offs that are not common control transactions and business combinations arising from the acquisition of all of the assets and liabilities of a company or a portion thereof that constitutes one or more businesses are recognised using the acquisition method.

The Company recognises business combinations arising from the acquisition of shares or equity interests in another company in accordance with the rules for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5.d).

3.14. Joint operations

Jointly-controlled entities

Investments in jointly-controlled entities are recognised and measured in keeping with the criteria for accounting for investments in Group companies, jointly-controlled entities and associates (Note 3.5.d).

3.15. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in exchange for the goods delivered and services rendered in the course of the Company's ordinary activities, less returns, discounts and value added tax.

The Company recognises revenue when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the specific conditions applicable to each of its activities are met. The amount of revenue cannot be measured reliably until all of the contingencies associated with the sale have been resolved. The Company's estimates are based on historical data, taking into account customer and transaction types, as well as the specific terms of each contract.



According to the interpretation published by the ICAC in its official journal in September 2009 (interpretation no. 79), companies classified as 'industrial holding companies', such as CIE Automotive, S.A., must present dividends, interest income and management fees from their investments in Group companies, jointly controlled entities and associates within revenue in their income statements.

a) Sales of services

The Company invoices CIE Automotive Group companies for sales commission, for providing general management and administration services, as well as services in the field of IT, according to contracts with each.

Service revenue is recognised in the financial year in which the services are provided with reference to the outcome of the transaction in question and on the basis of the actual level of service performed as a percentage of total services performable.

Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Dividend income

Dividend income is recognised as revenue in the income statement when the right to receive payment is established. Notwithstanding the foregoing, dividend pay-outs from profits generated prior to the acquisition date are not recognised as revenue but are rather deducted from the carrying amount of the investment.

3.16. Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3.17. Foreign currency transactions

a) Functional and presentation currency

The Company's Annual Accounts are presented in euro, which is both its functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign currency gains and losses resulting from the settlement of transactions and translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement, unless they are deferred in equity as eligible cash flow hedges and eligible net investment hedges (Note 3.6).

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

3.18. Related-party transactions

As a general rule, intragroup transactions are initially recognised at fair value. If the price agreed differs from fair value, the difference is recognised based on the economic substance of the transaction. Subsequent measurement follows prevailing accounting rules.

Notwithstanding the foregoing, in mergers, spin-offs and non-monetary business contributions, the assets and liabilities constituting the acquired business are measured at the amount at which they would be recognised in the Consolidated Annual Accounts of the group or subgroup after the transaction.

When the parent of the group or subgroup of the subsidiary does not intervene, the annual accounts used for this purpose are those of the highest-level Spanish-parented group or subgroup to recognize the assets and liabilities.

In these cases, any difference between the acquiree's net assets and liabilities, adjusted for grants, donations and bequests received, valuation adjustments and any equity (capital or share premium) issued by the acquiring company, is recognised in reserves.

3.19. Dividend distribution

The payment of dividends to shareholders is recognised, to the extent outstanding, as a liability in the annual accounts in the year in which the dividends are approved by the shareholders in General Meeting or declared by the Board of Directors.

4. Intangible assets

The movement schedule in intangible assets during the period is as follows:

	Computer applications	Patents	Goodwill	Total
Cost				
Balance at January 1, 2019	18,241	1,000	27,718	46,959
Additions	773	-	-	773
Balance at December 31, 2019	19,014	1,000	27,718	47,732
Additions	643	-	-	643
Balance at December 31, 2020	19,657	1,000	27,718	48,375
Accumulated amortization				
Balance at January 1, 2019	(16,471)	(100)	(8,316)	(24,887)
Additions	(426)	(100)	(2,772)	(3,298)
Balance at December 31, 2019	(16,897)	(200)	(11,088)	(28,185)
Additions	(505)	(100)	(2,772)	(3,377)
Balance at December 31, 2020	(17,402)	(300)	(13,860)	(31,562)
Carrying amount				
Balance at January 1, 2019	1,770	900	19,402	22,072
Balance at December 31, 2019	2,117	800	16,630	19,547
Balance at December 31, 2020	2,255	700	13,858	16,813

a) Goodwill

The goodwill arose in 2011 as a result of the reverse merger between the Company and its parent INSSEC.

The goodwill is allocated to the Company's cash-generating units (CGUs) groups by management unit and operating market. Goodwill is allocated to the Brazilian and European operations as was the case at INSSEC.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by Management covering normally a five-year period. Cash flows beyond this five-year period are extrapolated using estimated growth rates. Note 6.c) details the key assumptions used to calculate the value in use of the various CGUs groups in a manner that is consistent with the overall situation of CIE Automotive Group's operating markets as well as the businesses' projected performance.

CIE Automotive Group has verified that neither its goodwill nor its investments in group companies (Note 6) suffered any impairment loss in either 2020 or 2019.

b) Fully-amortised intangible assets

At December 31, 2020 there are fully-amortized items of intangible assets still in use with an original cost of €16,004 thousand (2019: €15,720 thousand).

5. Analysis of financial instruments

5.1 Analysis by category

The carrying amounts of the Company's financial instruments by each category of financial assets and liabilities, which does not include balances with public administrations, are as follows:

Thousand euro	Equity instruments		Credits		Derivatives and others	
	2020	2019	2020	2019	2020	2019
Financial assets						
Non-current						
- Balances with group companies						
- Investments in group companies (Note 6.a)	1,075,394	1,075,394	-	-	-	-
- Credits to group companies (Note 6.d)	-	-	1,218,621	1,223,935	-	-
- Other investments (Note 5.4)	81	81	-	-	-	-
- Credits to third parties (Note 5.5)	-	-	30,747	34,122	-	-
- Other financial assets	-	-	-	-	33	20
	1,075,475	1,075,475	1,249,368	1,258,057	33	20
Current						
- Trade and other receivables (Note 7)	-	-	15,766	31,445	-	-
- Credits to group companies (Note 6.d)	-	-	21,182	16,673	-	-
- Credits to third parties (Note 5.5)	-	-	1,402	1,603	-	-
- Other financial assets (Note 5.6)	-	-	-	-	16,805	16,840
- Cash and other cash equivalents (Note 9)	-	-	-	-	22,528	2,627
	-	-	38,350	49,721	39,333	19,467

Thousand euro	Debts and payables		Derivatives and others	
	2020	2019	2020	2019
Financial liabilities				
Non-current				
- Borrowings received (Note 13)	1,350,880	1,256,802	-	-
- Other current financial liabilities (Derivatives) (Notes 8 and 13)	-	-	17,600	19,896
- Borrowings from group companies (Note 13)	152,569	220,345	-	-
- Other debts (Note 13)	49,963	10,432	-	-
	1,553,412	1,487,579	17,600	19,896
Current				
- Borrowings received (Note 13)	179,193	107,827	-	-
- Commercial paper program (Note 13)	278,100	299,200	-	-
- Borrowings from group companies (Note 13)	4,142	1,850	-	-
- Trade and other payables (Note 13)	41,377	58,280	-	-
	502,812	467,157	-	-

The financial assets except the “Investments in group companies”, “Other investments”, “Cash and other cash equivalents” and some credits to third parties are “Credits and other receivables”.

On the other hand, financial liabilities are “Debit and other payables”, except Derivatives.

5.2 Classification by maturity

The maturity schedule for financial instruments having fixed or determinable maturities is as follows:

	Financial assets						Total
	2021	2022	2023	2024	2025	Subsequent years	
Investments in group companies and associates:							
Credits to group companies (*)	21,182	-	-	-	-	1,218,621	1,239,803
Other financial investments:							
Trade and other receivables	15,766	-	-	-	-	-	15,766
Credits to third parties	1,402	22,947	-	-	-	7,800	32,149
Other financial assets	16,805	-	-	-	-	33	16,838
	55,155	22,947	-	-	-	1,226,454	1,304,556

	Financial liabilities						Total
	2021	2022	2023	2024	2025	Subsequent years	
Borrowings from group companies and associates	4,142	-	-	-	-	152,569	156,711
Other financial liabilities:							
Bank borrowings	179,193	183,153	328,141	350,181	334,123	155,282	1,530,073
Commercial paper program	278,100	-	-	-	-	-	278,100
Derivatives	-	-	6,059	-	11,541	-	17,600
Other liabilities	-	-	-	-	-	49,963	49,963
Trade and other payables	41,377	-	-	-	-	-	41,377
	502,812	183,153	334,200	350,181	345,664	357,814	2,073,824

(*) The long-term loans extended to group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed one year before its maturity for additional periods of one year unless it exists a cancellation previous to the established maturity (Note 6.d).

5.3 Credit quality of financial assets

Financial assets that have not expired are not impaired. Management perceives no risk of impairment whatsoever as the Company's financial assets mainly relate to balances due from CIE Automotive group companies and associates that present no indications of credit risk.

5.4 Other investments

The Company at December 31, 2020 and 2019 has under this heading the investment in Fundación CIE I+D+I as Funding Trustee, having given an initial (and unchanged) endowment of €60 thousand.

5.5 Credits to third parties

	Balante at 01.01.19	Additions	Profit/(Loss) adjustment	(Collections)	Balante at 31.12.19	Additions	Profit/(Loss) adjustment	(Collections)	Balante at 31.12.20
Credits to employees (Notes 16.c and 23)	27,409	-	489	(2,876)	25,022	-	300	(2,375)	22,947
Advances (Note 24)	11,700	-	-	(1,300)	10,400	-	-	(1,300)	9,100
Other	237	103	-	(37)	303	-	(201)	-	102
	39,346	103	489	(4,213)	35,725	-	99	(3,675)	32,149

5.6 Other current financial assets

The Company records an account receivable with possibility of immediate availability with INSSEC DOS which balance at December 31, 2020 and 2019 stood at €16,800 thousand.

6. Investments and credits to group companies

a) Investments in group companies, jointly-controlled entities and associates

The main group companies owned directly by the Company (not listed) are as follows:

Name and registered office	Legal structure	Activity	% of total voting rights held directly	
			2020	2019
Group companies and jointly-controlled entities				
CIE Berriz, S.L. (Bizkaia)	S.L.	Holding company	100%	100%
CIE Automotive Boroa, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	100%
CIE Roof Systems, S.L.U. (Bizkaia)	S.L.U.	Holding company	100%	100%
Autokomp Ingeniería, S.A.U. (Bizkaia)	S.A.U.	Services and installations	100%	100%
Advanced Comfort Systems Ibérica, S.L.U. (Orense)	S.L.U.	Manufacture of automotive components	100%	100%
Advanced Comfort Systems France, S.A.S. (France)	S.A.S.	Manufacture of automotive components	100%	100%



The amounts of capital, reserves and profit for the year and other relevant information, as taken from the individual annual accounts of the respective group companies and jointly controlled entities, at December 31, 2020 and 2019, are as follows:

	Equity				Operating profit	Profit/(loss) for the year	Carrying amount of investment in parent	Dividends received (Note 24)
Company	Capital	Share premium	Reserves	Other equity instruments				
2020:								
CIE Berriz, S.L.	60,101	-	201,789	-	96,309	72,749	251,874	44,134
Advanced Comfort Systems Ibérica, S.L.U.	450	2,803	2,998	-	781	657	8,528	2,664
Advanced Comfort Systems France, S.A.S.	3,100	-	30,112	(75)	(919)	(478)	57,132	-
Autokomp Ingeniería, S.A.U.	180	-	1,084	-	(1)	(927)	4,804	-
CIE Automotive Boroa, S.L.U.	368,535	368,525	704	-	11,180	8,495	737,060	6,336
CIE Roof Systems, S.L.U.	10	-	10,861	-	3,005	(6,367)	15,996	-
TOTAL							1,075,394	53,134
2019:								
CIE Berriz, S.L.	60,101	-	226,028	-	24,833	19,849	251,874	70,000
Advanced Comfort Systems Ibérica, S.L.U.	450	2,803	4,498	-	1,482	1,164	8,528	1,142
Advanced Comfort Systems France, S.A.S.	3,100	-	28,054	(77)	2,567	2,058	57,132	-
Autokomp Ingeniería, S.A.U.	180	-	2,577	-	(500)	(1,493)	4,804	-
CIE Automotive Boroa, S.L.U.	368,535	368,525	-	-	6,908	7,040	737,060	-
CIE Roof Systems, S.L.U.	10	-	15,986	-	2,086	(5,125)	15,996	-
TOTAL							1,075,394	71,142

b) Movements in investments in CIE Automotive group companies

The movements in 2020 and 2019 are summarized below:

	Balance at 01.01.19	Additions/ (Disposals)	Balance at 31.12.19	Additions/ (Disposals)	Balance at 31.12.20
Investments in group companies and jointly controlled entities					
CIE Berriz, S.L.	251,874	-	251,874	-	251,874
Autokomp Ingeniería, S.A.U.	2,101	2,703	4,804	-	4,804
Advanced Comfort Systems Ibérica, S.L.U.	8,528	-	8,528	-	8,528
Advanced Comfort Systems France, S.A.S.	57,132	-	57,132	-	57,132
CIE Automotive Boroa, S.L.U.	-	737,060	737,060	-	737,060
CIE Roof Systems, S.L.U.	-	15,996	15,996	-	15,996
	319,635		1,075,394	-	1,075,394

The additions for the year 2019 corresponded to the creation of the companies CIE Automotive Boroa, S.L.U and CIE Roof Systems, S.L.U for €737,060 and €15,996 thousand, respectively. Furthermore, in 2019 the Company made contributions from partners in the company Autokomp Ingeniería, S.A.U. for an amount of €2,703 thousand.

As of December 31, 2020 and 2019, the Company does not maintain provisions for impairment of its holdings.

c) Analysis of impairment of investments in group companies and associates

c.1 Application methodology

The impairment analysis of each investment held by the Company is carried out individually both at the level of the Company itself and at lower levels. In the case of investee companies whose activity is the holding of the Group's subsidiaries, their value in use is determined by adding the value in use of their shares, since an individualized value in use of the same does not It would, in no case, reflect your economic reality. The value in use of each of its direct investees is understood as the present value of the future cash flows derived from each investment and its corresponding subsidiaries, reduced by the net financial debt contributed by each of the participations (equity value).

c.2 Hypotheses used

Sales projection and margins

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

The margins applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average^(*) of the margins projected by each company for the period of the projections has been as follows:

Companies	2020	2019
CIE Berriz, S.L.	19.99%	19.96%
Autokomp Ingeniería, S.A.U.	18.61%	18.67%
Advanced Comfort Systems Ibérica, S.L.U.	9.68%	9.74%
Advanced Comfort Systems France, S.A.S.	18.62%	17.82%
CIE Roof Systems, S.L.U.	14.69%	12.61%

^(*) The average of the detailed margins is the result of dividing the sum of the EBITDAS by the sum of the sales of the years that make up the projection period.

The company CIE Automotive Boroa, S.L.U., incorporated in 2019, has as its activity the financing of different companies of the Group, without it having any subsidiary; and the recovery of the cost of this holding is directly related to the flows generated by the Group companies to which it has granted financing. In addition, at December 31, 2020 and 2019, the equity value of the same exceeded the cost of the participation that the Company had recognized.

Calculation of residual value

The residual value is calculated by applying the "normalized annual cash flow", which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2020 and 2019 in the CGUs and groups of CGUs, which are reported by segment, have been as follows:

	2020	2019
North America	2.0%	2.0%
Brazil	4.5%	4.5%
Asia	4.4%-7.0%	4.0%-7.0%
Mahindra CIE Europe	1.5%	1.5%
Rest of Europe	1.5% -3.0%	1.5% -2.7%

The Company estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

The methodology for calculating the discount rate consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

The discount rates applied to cash flow projections were as follows:

	2020	2019
North America	6.66% - 10.45%	7.09% - 10.16%
Brazil	12.01%	11.10%
Asia	7.31% - 11.57%	7.27% - 11.89%
Mahindra Europe	4.66% - 6.30%	4.88% - 6.96%
Rest of Europe	4.66% - 11.95%	5.32% - 11.63%

c.3 Results of the impairment test

The value in use resulting from the impairment assessment are, to their lowest recoverable level, higher than the net book value of the total non-financial assets recognized by the Group, thus no impairment has been recorded in 2020 and 2019. For those investments in group companies whose equity value is lower than the net book value recorded, the Group has verified that there is sufficient margin for their recoverability.

d) Credits to CIE Automotive Group companies

The loans extended to CIE Automotive Group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates benchmarked to Euribor. Cancellation of the loans must be notified by the parties with one year's notice, which is why €1,218,621 thousand is recognized as non-current loans at the 2020 year end (2019: €1,223,935 thousand) (Note 5).

These receivable balances and those payable (Note 13) arise mainly from the Company's role as a financing center for Group companies.

The opening balance of current loans to group companies includes the interest due on these credit accounts as well as income tax due from CIE Automotive Group companies under the consolidated tax regime in an aggregate amount of €21,182 thousand (2019: €16,673 thousand) (Note 5).

The detail of the non-current credits to other group companies at December 31, 2020 and 2019 is as follows:

	31.12.20	31.12.19
Alcasting Legutiano, S.L.U.	586	1,565
Autokomp Ingeniería, S.A.U.	60,722	59,605
Biosur Transformación, S.L.U.	8,892	-
CIE Berriz, S.L.	918,243	967,736
CIE Automotive Goiain, S.L.U.	13,372	7,510
CIE Mecauto, S.A.U.	8,919	5,601
CIE Praga Louny, a.s.	2,669	4,658
CIE Galfor, S.A.U.	23,629	37,539
Participaciones Internacionales Autometal Dos, S.L.U.	145,047	118,762
Plasfil Plásticos da Figueira, S.A.	4,475	7,276
Componentes de Automoción Recytec, S.L.U.	18,977	10,216
Other	13,090	3,467
	1,218,621	1,223,935

7. Trade and Other receivables

	2020	2019
Current loans and receivables		
- Receivables from group companies and associates	15,754	31,403
- Other receivables	12	42
	15,766	31,445

The balances recognised as receivable from CIE Automotive Group companies reflect balances from certain subsidiaries that do not have a credit account with the parent are as follows:

	31.12.20	31.12.19
Century Plastics, LLC	-	7,904
Machine, Tool and Gears, Inc.	2,703	8,425
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	1,661	1,523
Pintura y Ensamblajes de México, S.A. de C.V.	876	967
Forjas de Celaya, S.A. de C.V.	835	536
CIE Celaya, S.A.P.I. de C.V.	1,700	1,540
Advanced Comfort Systems Shanghai Co. Ltd.	1,307	1,053
Autometal, S.A.	708	2,320
Jardim Sistemas Automotivos e Industriais, S.A.	56	187
Metalúrgica Nakayone, Ltda.	1,127	865
Nugar, S.A. de C.V.	1,360	3,285
Other	3,421	2,798
	15,754	31,403

The carrying amounts of loans and receivables approximate their fair value as they are due in the short term.

The credit risk on trade and other accounts receivable is managed by classifying each of the Company's customers by their credit risk.

Credit risk arising on trade receivables is not concentrated.

Receivables that have passed their nominal due date but that are within the usual collection periods established with the various customers and debtors are not considered past due. All receivables exceeding the established collection agreements had been provided for at December 31, 2020 and 2019. Trade receivables not impaired relate to customers and debtors that have no recent history of default. All trade and other receivables are due within twelve months of the balance sheet date.

The accounts included in 'Credits and other receivables' have not been impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Company does not maintain any guarantee as insurance.

8. Derivative financial instruments

	Liabilities	
	2020	2019
Interest rate swaps:		
- Cash-flow hedges	11,541	11,877
Equity Swap:		
- Non cash-flow hedges	6,059	8,019
	17,600	19,896

Derivatives are classified as a current asset or liability.

After being tested for effectiveness, all of the Company's hedging derivatives were considered effective at December 31, 2020 and 2019 (Note 3.6).

Equity swap

On August 6, 2018, the Company arranged a new derivative related to the share market price of CIE Automotive, S.A. The underlying of the operation with 2 million shares, with starting value of €25.09 per share and expiration in 2023. The valuation of this derivative amounts to €6,059 thousand negative at December 31, 2020 (€8,019 thousand negative at December 31, 2019).

Swaps (interest rate and other)

The notional amounts of the outstanding interest rate swap contracts at December 31, 2020 amount to €373 million (2019: €380 million), the part of the balance was designated as a hedging instrument.

In 2020 and 2019 fixed interest rates, without margin, vary between 0.16% and 0.93% and the main reference floating rate is the Euribor. Gains/losses recognised in equity under 'Adjustments for value changes' on interest rate swaps at December 31, 2020 will be transferred to the income statement on a consistent basis until the relevant bank loans are repaid.

9. Cash and cash equivalents

	2020	2019
Cash	20,519	694
Cash equivalents	2,009	1,933
	22,528	2,627

Other liquidity assets correspond to investments of cash surplus, maturing in less than three months or with immediate availability.

10. Share capital and share premium

a) Share capital

The share capital of CIE Automotive, S.A. at December 31, 2019 was represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market. On November 25, 2020, there is a decrease of the share capital of 1,612,500 euros through the amortization of 6,450,000 treasury shares. The share capital of CIE Automotive, S.A. at December 31, 2020 is represented by 122,550,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

The companies that hold a direct or indirect interest of more than 10% are as follows:

	31.12.2020	31.12.2019
Acek Desarrollo y Gestión Industrial, S.L.	^(*) 15.690%	^(*) 14.909%
Corporación Financiera Alba, S.A.	12.730%	10.129%
Elidoza Promoción de Empresas, S.L.	10.890%	10.000%

(*) 5.790% directly and indirectly, through Risteel Corporation, B.V., the remaining 9.900% in 2020 (5.508% directly and indirectly, through Risteel Corporation, B.V., the remaining 9.401% in 2019)

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €22.06 at December 31, 2020 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement of treasury shares during the periods ended December 31, 2020 and December 31, 2019 is broken down in the following table:

	December 31, 2020		December 31, 2019	
	Number of shares	Amount (Thousand euro)	Number of shares	Amount (Thousand euro)
Opening balance	-	-	-	-
Acquisitions	6,450,000	95,391	-	-
Decrease of share capital	(6,450,000)	(95,391)	-	-
Ending balance	-	-	-	-

The balance of treasury shares existing in CIE Automotive, S.A. as of December 31, 2020 and 2019 amounted to 0 titles, after the share capital decrease carried out by the Parent Company against treasury shares acquired during the fiscal year 2020.

Moreover, the mandate conferred at the shareholders' Meeting of April 29, 2020, whereby the parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until April 29, 2025.

11. Reserves and retained earnings

a) Reserves

	2020	2019
Legal and statutory reserves:		
- Legal reserve	6,450	6,450
	6,450	6,450
Other reserves:		
- Voluntary reserves	40,420	116,021
- Merger reserve	66,303	66,303
	106,723	182,324
	113,173	188,774

Legal reserve

In accordance with Article 274 of the Spanish Companies Act, the 10% of profits must be endowed to the legal reserve until it reaches at least 20% of the share capital. In 2020 and 2019, the legal reserve reaches the established minimum limit.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

Merger reserve

The amount of merger reserve contains the equity effect on CIE Automotive S.A. of the merger agreement between the Company and INSSEC in 2011 and the equity effect of the merger among CIE Berriz, S.L, CIE Inversiones e Inmuebles, S.L.U. and CIE Automotive Bioenergía, S.L.U. in 2012.

The merger reserve is available for distribution.

12. Profit /(loss) for year

a) Proposed distribution of profit

The proposed distribution of 2019 profit to be put before the shareholders in General Meeting, along with that approved at the Annual General Meeting of April 29, 2020 in respect of 2019 profit is shown below:

	2020	2019
<u>Available for distribution</u>		
Profit for the period	73,907	112,113
	73,907	112,113
<u>Distribution:</u>		
Interim dividend	30,638	47,730
Final dividend	30,638	47,730
Voluntary reserves	12,631	16,653
	73,907	112,113

b) Dividends paid

On December 16, 2020, the Board of Directors approved the payment of an interim dividend charged to the profit of the year 2020 for an amount of €0.25 per share, which has meant a total of €30,638 thousand. Payment has been effective on January 7, 2021.

The amount to distribute did not exceed the profit obtained by the parent company since the last financial year, deducting the income tax estimation, according to Article 277 of Spain Corporate Enterprise Act.



The provisional accounting statement of the parent company at November 30, 2020, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

Provisional cash-flow statement	Thousand euros
Profit forecast:	
- Available net profit for 2020	77,115
To deduct:	
- Legal reserve	-
Maximum amount to distribute	77,115
Amount distribution proposal	61,276
Treasury forecast for one year	103,563
Interim dividend	(30,638)

On April 29, 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which has amounted to a total of €46,206 thousand. The payment has been effective on July 6, 2020.

On December 4, 2019, the Board of Directors has approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has been effective on January 3, 2020.

On May 8, 2019, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2018 fiscal year, approving the distribution of a complementary dividend of €0.31 gross per share entitled to a dividend, which has amounted to a total of €39,990 thousand. The payment has been effective on July 3, 2019.

On December 12, 2018, the Board of Directors has approved the payment of an interim dividend from 2018 profit of €0.31 gross per share carrying dividend rights, implying a total payout of €39,990 thousand. Payment has been effective on January 4, 2019.

13. Debts and payables

	2020	2019
Non-current debts and payables		
- Bank borrowings (Notes 5 and 13.a)	1,350,880	1,256,802
- Derivatives (Note 8)	17,600	19,896
CIE Automotive Group companies and associates, non-current (Note 13.c)	152,569	220,345
Other non-current payables		
- Other non-current payables (Note 13.d)	49,963	10,432
	1,571,012	1,507,475
Current debts and payables		
- Bank borrowings (current portion of non-current borrowings) (Notes 5 and 13.a)	179,193	107,827
- Commercial paper program (Note 13.b)	278,100	299,200
- Payables to CIE Automotive Group companies (Note 13.c)	4,142	1,850
- Trade payables	5,979	5,699
- Fixed asset suppliers	292	384
- Accrued wages and salaries	4,468	4,467
- Dividend payable (Note 12)	30,638	47,730
	502,812	467,157

a) Bank loans and credit facilities

The exposure to interest rate changes deriving from long term bank borrowings is as follows:

	Balance at December 31	More than 1 year	More than 5 years
At December 31, 2020			
Total borrowings	1,530,073	1,195,598	155,282
Effect of interest rate swaps (Note 8)	(373,333)	(384,211)	-
Exposure	1,156,740	811,387	155,282
At December 31, 2019			
Total borrowings	1,364,629	1,114,464	142,338
Effect of interest rate swaps (Note 8)	(380,000)	(373,333)	-
Exposure	984,629	741,131	142,338

Non-current borrowings mature as follows:

	2020	2019
Between 1 and 2 years	183,153	102,393
Between 3 and 5 years	1,012,445	1,012,071
Over 5 years	155,282	142,338
	1,350,880	1,256,802

The effective interest rates at the balance sheet dates were customary market rates (Euribor + a market spread) and there were no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels. Bank loans and credit facilities generated a weighted average annual rate of interest of 1.25% (2019: 0.85%).

The Company has the following undrawn credit lines:

	2020	2019
Maturing within one year	204,456	90,345
Maturing in more than one year	384,192	238,154
	588,648	328,499

The carrying amounts of non-current borrowings approximate their fair value.

The carrying amounts of current borrowings approximate their fair value as the effect of discounting is not significant.

The carrying amounts of the Company's borrowings are all denominated in euro.

During 2020 the Company repaid € 364.7 million under these financing agreements (2019: €511.6 million) and raised new funding in the amount of €526.5 million (2019: €982.2 million).

On July 28, 2014 the Company entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the syndicated financing in effect. The subsequent novations related to this financing were the following:

- On April 13, 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date to the end of April 2020.
- On July 14, 2016, the Company signed a second novation with respect to the syndicated financing arranged in 2014. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On June 6, 2017, the Company signed a third novation with respect to the syndicated agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.



- On April 27, 2018, the Company signed a fourth novation of this syndicated finance agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On April 12, 2019, the Company signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On February 27, 2020, the Company requested the extension of the maturity date until April 13, 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.

The drawn amount as of December 31, 2020 amounts to €345 million (2019: €480 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On July 14, 2016 a new loan was arranged with several financial institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. The drawn amount of this loan as of December 31, 2020 amounts to €68 million (2019: €77 million).

In 2014 and 2018, the Company signed financing agreements with the European Investment Bank (EIB) in order to finance various research and development projects in the automotive components sector, and last due in 2031. As of December 31, 2020, the outstanding amount of such loans amounted to €99 million (December 31, 2019: €113 million). Additionally, in September 2020 the Company signed a novation agreement with the European Investment Bank (EIB) of €40 million, with maturity in 2030 and which is fully drawn as of December 31, 2020.

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market.

During the first half of 2020, the Company signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as the current one.

It should be noted that, in addition to and after the sign-off of such contractual documents, the Company has signed agreements (given their different typology, in the form of deeds of non-extinctive modifying novation, amendment agreements, accession agreements, etc.) that imply a novation of the different agreements that make up its structural financing, establishing, in line with what has already been agreed, that certain covenants will not be enforceable until after June 30, 2021. Likewise, it has been agreed that the first certification (with a binding obligation) of compliance with the aforementioned financial ratios will be made with the audited Consolidated Annual Accounts of the Group as of December 31, 2021. In these new agreements, in addition to these references to compliance with covenants, the new requirements mentioned in the previous paragraph have been included, maturities have also been modified, the guarantors have been modified, and other standard updates for these type of finance agreements have been made.

In this way, and as a consequence of signing the aforementioned documents, the Company complies, as of December 31, 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different lenders as of that date.



During the first semester of the 2020, a series of financing contracts were signed with various financial entities and guaranteed by the Official Credit Institute (ICO) for a maximum amount of €442 million, and they are within the national program of injection of liquidity to mitigate the economic impacts caused by the Covid-19 pandemic. These financing accrue a market interest rate. As of December 31, 2020, the balance drawn on this financing amounts €297 million.

Moreover, and throughout 2019, CIE Automotive, S.A. formalized loans with different Spanish financial institutions for an amount of €420 million, all of them denominated in euros. As of December 31, 2020, the balance of these loans amounts to €408 million.

b) Commercial Paper Program

On July 19, 2018, the Company made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On July 18, 2019, the program was renewed increasing the maximum amount to €300 million. On March 18, 2020, the maximum amount was increased to €400 million euros and on July 21, 2020 the program was renewed. As of December 31, 2020, the drawn balance amounts to €278 million (€299 million as of December 31, 2019).

c) Payables to group companies

The payables with group companies take the form of unlimited 5-year current credit accounts that are tacitly renewed at maturity for additional successive or equal periods of 5 years. They accrue interest at market rates benchmarked to Euribor. The cancellation must be notified between the parts with a year of anticipation, for that reason is registered as non-current debts, €152,569 thousand (2019: €220,345 thousand).

These payable balances, as well as the receivable balance to receive (Note 6), arise principally from the action of the Company as financing management center for the Group companies.

The breakdown of non-current payables to group companies, at December 31, 2020 and 2019 is as follows:

	2020	2019
CIE Udalbide, S.A.U.	2,882	4,310
Egaña 2, S.L.	-	6,536
Gameko Fabricación de Componentes, S.A.	19,612	17,640
Inyectametal, S.A.	8,787	19,690
Mecanizaciones del Sur-Mecatur, S.A.	938	3,691
Nova Recyd, S.A.U.	6,032	6,912
Orbelan Plásticos, S.A.	2,796	4,179
CIE Plasty CZ, s.r.o.	7,308	7,322
CIE Compiègne, S.A.S.	15,924	15,898
Recyd, S.A.U.	923	4,207
CIE Zdanice, s.r.o.	12,045	17,313
CIE Unitools Press CZ, a.s.	4,904	6,401
Grupo Componentes Vilanova, S.L.	-	1,004
Componentes de Dirección Recylan S.L.U.	4,630	3,100
CIE Legazpi, S.A.U.	-	2,723
Industrias Amaya Tellería, S.A.U.	23,225	30,032
MAR SK, s.r.o.	17,300	16,441
Advanced Comfort Systems France, S.A.S.	8,992	9,007
Advanced Comfort Systems Ibérica, S.A.U.	4,350	6,000
CIE Roof Systems, S.L.U.	2,141	26,756
Biosur Transformación, S.L.U.	4,277	3,265
Alurecy, S.A.U.	1,837	2,655
Other less significant balances	3,666	5,263
	152,569	220,345

The balance included in the epigraph debts with group companies in the short term includes the interests of the credit accounts and debts with subsidiaries of the group associated with the liquidation of the tax of companies in regime of fiscal consolidation for amount of €4,142 thousand (2019: €1,850 thousand).

d) Other long-term debts

At December 31, 2020 this heading includes mainly the granted loan in December 2019 with COFIDES, which at December 31, 2020 held a balance of €49,807 thousand, being fully classified in the long term (2019: €10,276 thousand classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

The breakdown of trade payables settled during 2020 and 2019 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of July 5, is as follows:

	Days	
	2020	2019
Average payment period to suppliers	57	56
Paid operations ratio	63	60
Outstanding operations ratio	48	49
	Thousand euros	
	2020	2019
Payments made	9,971	9,376
Outstanding payments	5,982	5,699

14. Provisions

As of December 31, 2020 and 2019 the Company has provisions relating the hedge of various non-operating risks and other contingencies.

15. Deferred taxes

The analysis of deferred taxes is as follows:

	2020	2019
Deferred tax assets:		
- Deductible temporary differences	5,274	5,252
- Tax credits (capex)	11,567	11,907
	16,841	17,159
Deferred tax liabilities:		
- Taxable temporary differences	-	-
Deferred taxes (net)	16,841	17,159

The deductible temporary differences derive from the year-end fair value of the Company's cash flow hedges and the different timing of expense recognition for accounting and tax purposes, among other factors. These differences will revert when the hedging instruments are settled and when the aforementioned expenses become deductible for tax purposes.

The net movement in the deferred income tax account in 2020 and 2019 is as follows:

	2020	2019
Opening balance	17,159	14,910
(Charged)/credited to the income statement (Note 17)	(237)	1,937
Tax recognised directly in equity	(81)	312
Closing balance	16,841	17,159

The movements in deferred tax assets in 2020 and 2019 are as follows:

Deferred tax assets	Hedges	Provisions & other	Tax credits (capex)	Total
Balance at January 1, 2019	2,496	1,675	10,739	14,910
(Charged)/credited to the income statement	-	769	1,168	1,937
(Charged)/credited to equity	312	-	-	312
Balance at December 31, 2019	2,808	2,444	11,907	17,159
(Charged)/credited to the income statement	-	103	(340)	(237)
(Charged)/credited to equity	(81)	-	-	(81)
Balance at December 31, 2020	2,727	2,547	11,567	16,841

Deferred taxes charged to equity in 2020 and 2019 corresponds to cash flow hedges.

Deferred tax assets are recognised for tax-loss carryforwards to the extent that the realization of the related tax benefit through future taxable profits is probable.

At December 31, 2020 the Company had the following tax losses that were generated by CIE Automotive tax group of which the Company is parent (Note 3.10):

Year generated	Amount
2010	274
2011	1,027
2012	10
2013	16,094
2018	12,433
2019	264
2020 (forecast)	366
	30,468

The amounts recorded in the previous table take into account the exit of the company Bionor Berantevilla, S.L.U. from the Tax Group, which took the tax bases pending compensation, in the proportion in which it helped its generation. Additionally, the competent Tax Administration regularized the amount of the negative tax base generated in fiscal year 2010.

The tax-loss carryforwards are allocated to each of the companies that contributed to generating them, for the purpose of their possible recognition as deferred tax assets, an amounting to €7,312 thousand. Of the mentioned tax-loss carryforwards correspond to CIE Automotive, S.A. a total of €13,798 thousand, which represents a deferred tax asset of €3,311 thousand.

At December 31, 2020, the Company does not maintain tax losses pending compensation generated previous to its integration to the fiscal Group.

In addition, the amounts and years of generation of individual tax credits (deriving from various items and including those recognised as tax assets) pending of offset are as follows:

Year generated	Amount
1996	134
1997	86
1998	102
1999	83
2000	2,660
2001	238
2002	34
2003	45
2004	323
2005	30
2006	7,209
2007	2,595
2008	1,829
2009	586
2010	92
2011	118
2012	118
2013	241
2014	267
2015	29
2016	122
2017	242
2018	123
2019	253
2020 (forecast)	112
	17,671

From the aforementioned tax credits, an amount of €5,103 thousand derive from the merged company Instituto Sectorial de Promoción y Gestión de Empresas, S.A. (INSSEC) and those are considered tax credits earned before the fiscal group.

The applicable tax legislation for the current year imposes a 30-year time limit on tax credits and tax-loss carryforwards generated, also stipulating that the 30-year period commences as from 1 January 2014 for tax credits and tax-loss carryforwards existing prior to that date.

16. Income and expense

a) Revenue

Revenue breaks down as follows:

	2020	2019
Rendering of services	51,282	84,229
Dividend income (Note 6.a)	53,134	71,142
Interest on loans	19,594	20,802
	124,010	176,173



a.1) Rendering of services

The geographic breakdown of revenue from the core business of rendering corporate services to CIE Automotive Group companies (Note 1 and Appendix I), totaling €51,282 thousand (2019: €84,229 thousand), based on the locations of the receiving companies, is as follows:

Mercado	2020	2019
Spain	30%	29 %
America	60%	60 %
Rest of the world	10%	11 %
	100%	100 %

a.2) Dividends received from CIE Automotive Group companies

The Company received in 2020 a dividend from the subsidiary Advanced Comfort Systems, Ibérica, S.L.U. for its distribution of results for the year 2019 amounting to €1,164 thousand.

In year 2020, the Company has also received dividends charged to available reserves of its subsidiaries CIE Berriz, S.L., CIE Automotive Boroa, S.L.U. and Advanced Comfort Systems Ibérica, S.L.U. for amounts of €44,134 thousand, €6,336 thousand and €1,500 thousand respectively. The distribution of the dividend was approved at each of the corresponding General Shareholders' Meetings during the month of December 2020. These dividends have been collected by the Company during the year 2020.

The General Meeting of Partners of the dependent CIE Berriz, S.L. held on December 23, 2019 approved the distribution of dividends charged to available reserves for €70,000 thousand. These dividends were collected by the Company in 2019. Likewise, a dividend has been received from the subsidiary Advanced Comfort Systems, Ibérica, S.L.U. for its distribution of results in the amount of €1,142 thousand.

a.3) Interest income on loans to CIE Automotive Group companies

At December 31, 2020 the Company accrued interest income on credits to CIE Automotive Group companies for an amount of €19,594 thousand (2019: €20,802 thousand).

b) Other operating income

The breakdown of this heading is as follows:

	2020	2019
Operating grants	-	15
Income from sundry services	187	125
	187	140

c) Employee benefit expense

	2020	2019
Wages and salaries	16,097	13,715
Termination benefits	350	21
Social security costs		
- Social security	843	834
	17,290	14,570

The average number of employees by category during the year was as follows:

	Headcount	
	2020	2019
Executives	9	9
University graduates and specialists	54	51
	63	60

The gender distribution of the Company's personnel and Board of Directors members at the year-end is as follows:

	2020			2019		
	Woman	Men	Total	Woman	Men	Total
Directors	3	11	14	2	11	13
Executives	4	4	8	4	4	8
University graduates and specialists	23	32	55	22	28	50
	30	47	77	28	43	71

Likewise, there were no persons employed in 2020 and 2019 with a disability greater than or equal to 33%, however, the Company has subcontracted Lantegi Batuk Foundation, an entity qualified as a special employment center, having obtained the corresponding approval by the Basque Service of Employment - Lanbide.

Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the company's share capital, granting said employees a loan with a maturity date of December 31, 2022, with an interest rate of zero. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from January 1, 2018 to December 31, 2022. The total amount of these loans, which meet the conditions to be considered as "full recourse", are valued at fair value, are classified under the heading "Non-current financial investments" of the balance sheet, and as of December 31, 2020 amount to €23 million (2019: €25.0 million) (Note 5).

d) Other operating expenses

Other operating expenses are broken down as follows:

	2020	2019
Travel expenses	347	1,262
Repairs and maintenance	1,251	1,139
Independent professional services and other services	3,129	4,577
Leases	456	369
Insurance premiums	1,584	751
Other	(2,522)	8,061
	4,245	16,159

17. Income tax and tax matters

As mentioned in the section covering measurement standards (Note 3.10), CIE Automotive, S.A. is authorized to file consolidated tax returns with certain subsidiaries.

As certain transactions are treated differently for income tax purposes with respect to how they are treated in preparing the annual accounts, taxable income for the year differs from accounting profit.

The reconciliation of net income and expenses for the year to taxable income as per the Company's individual tax return is set forth below:

	2020			2019		
	Increases	Decreases	Net	Increases	Decreases	Net
Profit /(loss) for year			73,907			112,113
Income tax			(20)			6,434
Permanent differences	3,229	(79,326)	(76,097)	4,292	(123,712)	(119,420)
Temporary differences:						
- originated in current year	5,128	-	5,128	7,050	-	7,050
- originated in previous year	-	(4,700)	(4,700)	-	(3,840)	(3,840)
Individual taxable income tax base			(1,782)			2,337

The calculation of tax income is disclosed in the following table:

	2020	2019
Individual taxable income tax base	(1,782)	2,337
Tax Group taxable base	(1,782)	2,337
Current tax payable	(428)	561
Tax base not compensated	4	-
Current tax	(424)	561

The breakdown of income tax expense is as follows:

	2020	2019
Current tax	(424)	561
Deferred tax (Note 15)	(103)	(769)
Tax credits (Note 15)	340	(1,168)
	(187)	(1,376)
Correction of prior-year income tax	55	(60)
Income tax withholdings (retained abroad)	112	108
Register of provisions and other	-	7,762
Total	(20)	6,434

No corporate income tax was payable to the Tax Administration in 2020 and 2019 (Note 15).

The periods not prescribed under prevailing legislation are opened to inspection by the tax authorities, which are the years between 2016 and 2020.

As a result, among other things, of the different interpretations of current tax law, additional liabilities could arise as a result of an inspection. In any event, the Directors consider that any such liabilities that may arise will not have a significant impact on the Annual Accounts for 2020 or 2019.

The corporate income tax legislation applicable to the Company in 2020 is that relating to Bizkaia Regional Regulation 11/2013, December 5; modified by the Foral Regulation 2/2018, of March 12.

18. Finance income/expense

	2020	2019
Finance income:		
Other finance income	1,782	1,729
	1,782	1,729
Finance expense:		
Borrowings from group companies (Note 24)	(2,566)	(2,575)
Third-party borrowings	(26,200)	(21,992)
Other finance expense	(223)	(112)
	(28,989)	(24,679)
Change in fair value of financial instruments:		
Gains/(losses) recognised regarding financial instruments	2,036	(554)
	2,036	(554)
Net exchange differences	(34)	(42)
Finance income/expense	(25,205)	(23,546)

19. Cash flows from operating activities

	2020	2019
Profit for the year before tax	73,887	118,547
Adjustments for:		
- Depreciation	3,570	3,491
- Change in provisions	(4,700)	5,987
- Finance income (Note 18), dividend income and interest income from CIE Automotive Group companies (Note 16)	(74,510)	(93,673)
- Finance expense (Note 18)	28,989	24,679
- Exchange rate differences (Note 18)	34	42
- Change in fair value of financial instruments (Note 18)	(2,036)	554
	(48,653)	(58,920)
Changes in working capital:		
- Trade and other receivables	16,034	(10,400)
- Trade and other payables	368	311
	16,402	(10,089)
Other cash flows from operating activities:		
- Interests paid	(22,778)	(21,296)
- Dividends received	53,134	71,142
- Interests received	21,080	19,530
	51,436	69,376
Cash flows from operating activities	93,072	118,914

20. Cash flows from investing activities

	2020	2019
Payments for investments:		
- Group companies and associates (Note 6.b)	-	(755,759)
- Intangible assets	(643)	(773)
- Property, plant and equipment	(45)	(13)
- Other financial assets	(13)	(133)
	(701)	(756,678)
Proceeds from disposals:		
- Property, plant and equipment	-	3
- Other financial assets	3,872	4,228
	3,872	4,231
Cash flows from investing activities	3,171	(752,447)

21. Cash flows from financing activities

	2020	2019
Proceeds from and repayments of financial liabilities:		
- Issuance:		
- Bank borrowings (Note 13)	526,500	982,240
- Commercial paper program (Note 13)	-	208,200
- Net change in other debts (Note 13)	39,500	6,750
- Net change of the credits to/from Group companies and associates (*)	-	25,186
- Repayment and depreciation of:		
- Bank borrowings (Note 13)	(364,671)	(511,617)
- Net change in other borrowings (Note 13)	(21,100)	-
- Net change in loans to/from Group companies and associates (*)	(67,244)	-
	112,985	710,759
Payment of dividends and remuneration of other equity instruments:		
- Sale/(Acquisition) of treasury shares (Note 10.c)	(95,391)	-
- Payment of dividends (Note 12.b)	(93,936)	(79,980)
	(189,327)	(79,980)
Cash flows from financing activities	(76,342)	630,779

(*) Corresponds to the net movement on current account balances with CIE Automotive Group companies, i.e., including asset and liability balances, arising from overall Group financing arrangements.

22. Contingencies

Contingent liabilities

The Company had not extended any guarantees or pledges other than those disclosed at December 31, 2020 and 2019 (Note 13).

23. Director and key management compensation

a) Compensation paid to the members of the Board of Directors

Total compensation accrued by the members of the Board of Directors has amounted to €5,535 thousand (2019: €6,782 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements, apart from the indicated in Note 24. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

The Company has entered into no commitments relating to pensions or other types of complementary retirement remuneration with senior management personnel.

b) Compensation and loans to Key Management personnel

The total compensation accrued by key management personnel in 2020, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €5,382 thousand (2019: €5,296 thousand).

As explained in Note 16, the Board of Directors of CIE Automotive S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the company's capital stock. The total nominal amount of the loans to members of the Senior Management, pending collection as of December 31, 2020 is €7,486 thousand (2019: €8,547 thousand).

The Company has entered into no commitments related to pensions or other types of complementary post-employment benefits with Key Management personnel.

c) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Company, during 2020 the administrators who have occupied charges in the Board of Directors during have complied with the obligations foreseen in the article 228 of the restated text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

d) Complementary long-term incentive based on the increase in value of the shares of CIE Automotive, S.A.

At the General Shareholders' Meeting held on April 24, 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of 9 years (reference periods), with a base price of €21.30 per share and the closing value of the average of the contribution corresponding to a quarter of the periods predetermined within the established period, in the terms approved by the General Shareholders' Meeting.

24. Transactions with group companies and related parties

The Company is the ultimate parent company of Group (Appendix I).

The breakdown of the transactions conducted with group companies in 2020 and 2019 is provided below:

	2020	2019
Services rendered:	124,010	176,173
- Dividends received (Note 16)	53,134	71,142
- Services (Note 16)	51,282	84,229
- Financial services (Note 16)	19,594	20,802
Interest:		
- Financial (Note 18)	(2,566)	(2,575)

Closing balances at the 2020 and 2019 year ends derived from the transactions described above are set out in Notes 5, 6, 7 and 13.c) above.

A breakdown of movements in non-current credit lines and loans granted to and received from companies of CIE Automotive Group in 2020 and 2019 is provided in Note 6.d) and Note 13.c).

As of December 31, 2020, there are advances made to related parties for an amount of €9,100 thousand (2019: €10,400 thousands) (Notes 5.5 and 23.a).

In 2020, no provision was required for the impairment of loans granted to group companies (neither in 2019).

25. Information on the environment

Environmental activity refers to any transaction, the main purpose of which is to minimize damage to the environment or enhance environmental protection efforts. Because of its holding company structure, the Company is not materially exposed to environmental risk.

The Company did not incur any expenses of an environmental nature in either 2020 or 2019.

The Company is not aware of the existence of any environmental protection related contingencies or liabilities and did not deem it necessary to recognize any provision for liabilities or charges of an environmental nature.

26. Auditor fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. for the audit services of the Company's accounts (including the Company's consolidated annual accounts) and other assessment services amounted to €216 thousand in 2020 (2019: €301 thousand). Other services rendered by PricewaterhouseCoopers, S.L. have amounted to €64 thousand in 2020 (2019: €143 thousand), and mainly refer to agree upon procedures related to covenant compliance, review of the Spanish SCIIF report related to Internal Control Management on Financial Information and verification of non-financial indicators.

In addition, fees charged during the year by other firms that use the PricewaterhouseCoopers trademark for other services rendered to the Company amounting €93 thousand (2019: €79 thousand).

27. Financial risk management

27.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market risk

(i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection /payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope are also subject to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.



CIE Automotive Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Company has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at December 31, 2020, the euro had been depreciated/appreciated by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €228/€187 million (2019: increased/decreased by €230/€188 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had depreciated/appreciated by 10% in 2020 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €15.4/€12.6 million higher/lower, respectively (2019: €18.7/€15.3 million higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of December 31, 2020, the euro had been devalued / revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		Profit after tax (million euros)	
	Devalued euro 10%	Revalued euro 10%	Devalued euro 10%	Revalued euro 10%
Chinese yuan	76	(63)	5.8	(4.7)
US dollar	54	(44)	5.7	(4.7)
Indian rupee	53	(43)	0.9	(0.7)
Brazilian real	21	(17)	0.9	(0.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group convert the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2020 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, the Group's profit after tax for the year would have been €1,227 thousand lower/higher (2019: €1,056 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €798/802 thousand, respectively (2019: €1,093/1,277 thousand increase/decrease, respectively).

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centers and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services. However, as of May/June, industrial activity began to gradually recover and in the automotive sector, world vehicle production recovered drastically, reaching levels in the last quarter of 2020, with production levels 2.5% higher than the same period of 2019 (prior to the pandemic).

When preparing these Annual Accounts, the Group does not expect that the remaining period of the pandemic will impact again in the same way as it did in the second quarter of 2020, given that no new scenarios of industrial stoppage are considered. Regarding the demand for vehicles during the period of the economic crisis, the management updates the market estimates on a monthly basis in each of the geographical areas in which it operates and carries out, making use of the flexibility of the management model, the necessary measures to adapt to the expected demands.

Additionally, there are recent independent external reports that support the theory that collective transport or the use of shared cars may begin to lose steam, in favor of the recovery of the use of private vehicles, either out of fear or as a precautionary measure of the drivers, turning this fact into a market opportunity.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt of the Group at December 31, 2020 and 2019 as follows:

Thousand euro	31.12.2020	31.12.2019
Cash and cash equivalents	565,561	514,691
Other current financial assets	105,176	104,223
Undrawn lines of credit	806,494	501,105
Liquidity buffer	1,477,231	1,120,019
Bank borrowings	2,248,031	2,120,967
Other current financial liabilities	17,630	19,914
Cash and cash equivalents	(565,561)	(514,691)
Other current financial assets	(105,176)	(104,223)
Net debt	1,594,924	1,521,967

Additionally, as of December 31, 2020, Shanghai Golde Automotive Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method, has a net treasury of €39 million (2019: €33.3 million).

Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2021 will allow facing all year payments without increasing net financial debt.

Group's treasury department monitors Group's liquidity needs provisions in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ('covenants') established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Group's amounts payables to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2020: €28 million; 2019: €25 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at December 31, 2020 of €806 million of undrawn credit lines and loans (2019: €501 million) at the consolidated CIE Automotive Group level.

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at December 31, 2020 as compared with December 31, 2019, stating the relative significance of each item:

Thousand euro	31.12.2020	31.12.2019
Inventories	370,632	416,120
Trade and other receivables	344,831	356,918
Other current assets	38,290	25,751
Current tax assets	58,739	56,373
Current operating assets	812,492	855,162
Other current financial assets	60,811	55,100
Cash and other cash equivalents	565,561	514,691
CURRENT ASSETS	1,438,864	1,424,953
Trade and other payables	851,328	858,894
Current tax liabilities	61,219	64,215
Current provisions	116,108	66,736
Other current liabilities	165,855	184,663
Current operating liabilities	1,194,510	1,174,508
Short-term bank borrowings	586,694	524,755
Other current financial liabilities	30	19
CURRENT LIABILITIES	1,781,234	1,699,282
TOTAL WORKING CAPITAL	(342,370)	(274,329)

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short- and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work has been performed to control and reduce collection periods for trade and other receivables, as well as to optimize accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the needs operational while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ('covenants') established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

As a result of the above, it may be confirmed that there is no liquidity risk at the Company.

In Note 5 it is disclosed the maturity of third-party resources and other non-current liabilities of the Company.

There are no restrictions to the use of cash/other cash equivalents.

In the context of the risks derived from the Covid-19 pandemic, the Group has estimated that the existing liquidity reserve as of December 31, 2020 is sufficient to meet any future payment.



c) Credit risk

Group's credit risks are managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

The Company does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

27.2 Hedge accounting

The Group determines the effectiveness of the hedge at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate hedge between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

a) Fair value hedges of a recognised asset or liability or a firm commitment

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.



This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

c) Net investment hedges

As of December 31, 2020 and December 31, 2019, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment.

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by CIE Automotive Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be adequately offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective and prospective basis.

Based on the underlying asset and the type of hedge, CIE Automotive also uses the Variance Reduction and the Linear Regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: CIE Automotive Group uses several tools to measure and manage derivative-related risk. The valuation of derivative instruments is carried out internally; these valuations are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialized financial analytics libraries are used for this purpose.

27.3 Valuation method (fair value estimation)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The listed market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

27.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.



Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which as shown in the consolidated annual accounts. Total capital employed is calculated as 'equity', as shown in the consolidated annual accounts, plus net debt.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50. In fiscal year 2020, mainly due to the impact of the currency translation on the Group's equity, and the acquisition of treasury shares, the leverage ratio has risen to 0.62; not assuming a significant deviation or modifying the defined strategy.

The gearing ratios at December 31, 2020 and 2019 are as follows:

Thousand euro	2020	2019
Borrowings	2,248,031	2,120,967
Financial liabilities	17,630	19,914
Less: Cash, cash equivalents and financial assets	(670,737)	(618,914)
Net debt	1,594,924	1,521,967
Equity	994,974	1,234,974
Total capital used	2,589,898	2,756,941
Gearing ratio	0.62	0.55

At December 31, 2020 and 2019, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 13).

During the first half of 2020, the Company signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as the current one.

In this way, and as a consequence of signing the aforementioned documents, the Group complies, as of December 31, 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different financial institutions as of that date.

28 Events after the balance sheet date

As of the date of preparation of these Annual Accounts, there have been no significant events subsequent to the end of the year 2020 that could alter or have any effect on the Annual Accounts for the period ended on December 31, 2020.

Company	Parent Company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
CIE Berriz, S.L. ⁽¹⁾	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Belgium Forge, N.V. (dormant)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecatur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Inyctametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. ⁽¹⁾	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
CIE Stratis-Tratamentos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (without activity)	CIE Berriz, S.L.	Waste management and recoveries	Bizkaia	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Biosur Transformación, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. ⁽¹⁾ (dormant) ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity) ⁽²⁾	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Reciclado de Residuos Grasos, S.L.U. ⁽²⁾	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. ⁽²⁾	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	100.00%
Biodiesel Mediterráneo, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Slovakia	-	100.00%



APPENDIX I LIST OF SUBSIDIARIES AND ASSOCIATES

Company	Parent Company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L	Manufacture of automotive components	Brazil	-	100.00%
GAT México, S.A. de C.V.	CIE Berriz, S.L	Manufacture of automotive components	Mexico	-	100.00%
SC CIE Matricon, S.A.	CIE Berriz, S.L	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L	Manufacture of automotive components	China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L	Manufacture of automotive components	Russia	-	100.00%
CIE Automotive Goian, S.L.U.	CIE Berriz, S.L	Manufacture of automotive components	Álava/Araba	-	100.00%
Somaschini, S.p.A. ^{(1) (6) (*)}	CIE Berriz, S.L	Manufacture of automotive components	Italy	-	100,00%
Somaschini Automotive, SRL ^{(1) (*)}	Somaschini, SPA	Manufacture of automotive components	Italy	-	100,00%
Somaschini International, Inc ^{(1) (*)}	Somaschini Automotive, SRL	Holding company	USA	-	100,00%
Somaschini North America, LLC ⁽¹⁾	Somaschini International, Inc	Manufacture of automotive components	USA	-	100,00%
Somaschini Realty, LLC ⁽¹⁾	Somaschini International, Inc	Real estate company	USA	-	100,00%
Autometal, S.A. ^(*)	CIE Berriz, S.L	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. ⁽⁴⁾	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. ^(*)	Autometal, S.A.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas S.A.	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal ML Cromação, Pintura e Injeção de Plásticos Ltda	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
CIE Autometal de México, S.A. de C.V. ^(*)	CIE Berriz, S.L	Holding company	Mexico	-	100.00%
Pintura y Ensamblés de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V. ^(*)	CIE Autometal de México, S.A. de C.V.	Scrap	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Maquinados de Precisión de México S. de R.L. de C.V. ⁽⁵⁾	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Plásticos México S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Automotive, USA Inc ^(*)	CIE Autometal de México, S.A. de C.V.	Facilities	USA	-	100.00%
CIE Investments USA, Inc.	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Century Plastics, LLC ^(*)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real estate company	USA	-	100.00%
Newcor, Inc ^(*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real estate company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%

Company	Parent Company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
Clifford Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Golde South Africa, LLC	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Golde Auburn Hills, LLC	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U. ^(*)	CIE Berriz, S.L.	Holding company	Bizkaia	-	100.00%
PIA Forging Products, S.L.U.	Participaciones Internacionales Autometal Dos S.L.U.	Holding company	Bizkaia	-	100.00%
Mahindra CIE Automotive Ltd. ^{(*) (3)}	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of automotive components	India	-	60.18%
Stokes Group Limited ⁽²⁾	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	60.18%
CIE Galfor, S.A.U. ^(*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Orense	-	60.18%
Mahindra Forgings Europe AG ^(*)	CIE Galfor, S.A.U.	Holding company	Germany	-	60.18%
Gesensschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Gipuzkoa	-	60.18%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	60.18%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Orense	-	15.05%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	60.18%
BillForge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Mexico	-	60.18%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	60.18%
Aurangabad Electricals, Ltd. ^(*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	60.18%
Aurangabad Deutschland GmbH	Aurangabad Electricals, Ltd.	Manufacture of automotive components	Germany	-	60.18%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	18.05%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S.^(*)	CIE Automotive, S.A.	Manufacture of automotive components	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd. ^(*)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	China	-	100.00%
Advanced Comfort Systems Wuhan Co. Ltd.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	China	-	100.00%
Autokomp Ingeniería, S.A.U.^(*)	CIE Automotive, S.A.	Facilities	Bizkaia	100.00%	-
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	China	-	50.00%
Componentes Automotivos Taubaté, Ltda. ^(*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
CIE Automotive Boroa, S.L.U.	CIE Automotive, S.A.	Finance services	Bizkaia	100.00%	-
CIE Roof Systems, S.L.U.^(*)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Golde Holding, BV ^(*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%

Company	Parent Company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
Golde Wuhan Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde Shandong Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	China	-	100.00%
Golde USA, LLC ⁽¹⁾	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%
Inteva Products Barbados, Ltd. ⁽¹⁾	Golde USA, LLC	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd.	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Changchun Co., Ltd.	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd.	Inteva Products Barbados, Ltd	Manufacture of automotive components	China	-	100.00%
Golde Netherlands, BV ⁽¹⁾	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India Pvt Ltd.	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Gemany, GmbH	Golde Netherlands, BV	Technology center / Manufacture of automotive components	Germany	-	100.00%
Golde Oradea, SRL	Golde Netherlands, BV	Manufacture of automotive components	Romania	-	100.00%
Golde Lozorno, Spol.	Golde Netherlands, BV	Manufacture of automotive components	Slovakia	-	100.00%
Golde Mexico Holdings, LLC ⁽¹⁾	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S. de R.L. de C.V.	Golde Mexico Holdings, LLC	Manufacture of automotive components	Mexico	-	100.00%
SIR S.A.S. ⁽¹⁾	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. ⁽¹⁾	SIR S.A.S.	Manufacture of automotive components	China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd.	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of automotive components	China	-	50.00%

(1) Companies added to consolidation scope in 2020 together with their subsidiaries.

(2) Discontinued companies at December 31, 2020

(3) Merged in 2019 with BillForge Pvt. Ltd.

(4) Merged in 2020 with Autocromo Cromação de Plásticos Ltda.

(5) Merged in 2020 with Cortes de Precisión de México S. de R.L. de C.V.

(6) Merged in 2020 with Immobiliare Somaschini S.p.A. and CIE Immobiliare Italia SRL.

(*) Parent of all investees listed subsequently in the table.

CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2020
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	31.12.2020	31.12.2019
Property, plant and equipment	1,475,982	1,523,483
Intangible assets	1,771,764	1,802,685
Goodwill	1,738,622	1,765,521
Other intangible assets	33,142	37,164
Non-current financial assets	44,365	49,123
Investments in joint ventures and associates	45,404	66,195
Deferred tax assets	180,331	170,446
Other non-current assets	23,992	24,969
Non-current assets	3,541,838	3,636,901
Inventories	370,632	416,120
Trade debtors and other accounts receivable	441,860	439,042
Trade and other receivables	344,831	356,918
Other current assets	38,290	25,751
Current tax assets	58,739	56,373
Other current financial assets	60,811	55,100
Cash and cash equivalents	565,561	514,691
Current assets	1,438,864	1,424,953
Disposal group assets classified as held-for-sale	2,869	5,132
TOTAL ASSETS	4,983,571	5,066,986

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2020
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	31.12.2020	31.12.2019
Capital and reserves attributable to the Parent company's shareholders	646,803	841,568
Share capital	30,637	32,250
Treasury shares	-	-
Share premium	152,171	152,171
Retained earnings	874,853	874,406
Interim dividend	(30,638)	(47,730)
Translation differences	(380,220)	(169,529)
Non-controlling interests	348,171	393,406
TOTAL EQUITY	994,974	1,234,974
Deferred income	12,647	9,791
Non-current provisions	208,881	231,958
Non-current borrowings	1,661,337	1,596,212
Other non-current financial liabilities	17,600	19,895
Deferred tax liabilities	141,653	129,027
Other non-current liabilities	162,442	141,861
Non-current liabilities	2,191,913	2,118,953
Current borrowings	586,694	524,755
Trade creditors and other payables	912,547	923,109
Trade and other payables	851,328	858,894
Current tax liabilities	61,219	64,215
Other current financial liabilities	30	19
Current provisions	116,108	66,736
Other current liabilities	165,855	184,663
Current liabilities	1,781,234	1,699,282
Disposal group liabilities classified as held-for-sale	2,803	3,986
TOTAL LIABILITIES	3,975,950	3,822,221
TOTAL EQUITY AND LIABILITIES	4,983,571	5,066,986

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020
PREPARED UNDER INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS-EU)

Thousand euro	Year ended December 31	
	2020	2019
OPERATING REVENUE	2,942,680	3,566,781
Revenue	2,882,494	3,461,052
Other operating income	90,021	114,227
Change in inventories of finished goods and work in progress	(29,835)	(8,498)
OPERATING EXPENSES	(2,659,260)	(3,139,704)
Consumption of raw materials and secondary materials	(1,673,383)	(2,047,839)
Employee benefit expense	(561,193)	(623,235)
Depreciation, amortisation and impairment	(147,814)	(167,282)
Other operating expenses	(276,870)	(301,348)
OPERATING PROFIT	283,420	427,077
Finance income	11,470	16,891
Finance costs	(52,237)	(55,651)
Net exchange differences	4,358	6,824
Share of profit/(loss) from joint ventures and associates	5,755	7,753
PROFIT BEFORE TAX	252,766	402,894
Income tax	(57,786)	(89,784)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	194,980	313,110
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	266	941
PROFIT FOR THE YEAR	195,246	314,051
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(10,021)	(26,576)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT	185,225	287,475
Basic and diluted earnings per share from continuing operations (in euro)	1.48	2.22
Basic and diluted earnings per share from discontinued operations (in euro)	0.00	0.01

CIE AUTOMOTIVE, S.A.

CIE Automotive, S.A., parent company of CIE Automotive Group, came into existence in 2002 as a result of the merger of two business groups, Egaña and Aforasa. Following the merger between Acerías y Forjas de Azcoitia, S.A. (transferee) and Egaña, S.A. (transferor), the former took CIE Automotive, S.A. as its registered name. Since then, CIE Automotive, S.A. has become a financially solid Group with global presence.

The shares of CIE Automotive, S.A. are traded on the continuous market of Madrid and Bilbao Stock Exchanges.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive (hereinafter called, "CIE" or "the Group" interchangeably) is an industrial group specialist in high value-added processes, which develops its activities in Automotive components business.

The business of Automotive components encompassed the design, production and distribution of integral services, components and sub-assemblies for the global Automotive market. This is CIE Automotive's main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

1.2 Mission, Vision, and Values

Mission

CIE Automotive is a supplier of components, assemblies and subassemblies to the global automotive market using complementary technologies and a range of associated processes and with an integrated vision of the entire value chain.

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 and we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

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

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service.

Values

Honesty, fairness and integrity are the basis of all our values.

At CIE Automotive we attach importance to people:

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

At CIE Automotive we attach importance to the climate change:

- Taking a preventative approach.
- Promoting circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources

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 through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

Corporate policies

To develop its mission and advance in its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies that are mandatory for all members of the organization and which have been updated mostly between 2019 and February 2021.

This ethical framework is developed in these series of corporate policies developed by each of the responsible departments that are structured as:

Environmental, Social and Governance Policies (ESG)

- ESG
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

Governance policies

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditors relations policy

1.3 Business units - Automotive components

CIE Automotive is a supplier of completeness services, components and sub-assemblies for the Automotive market.

The Group develops all its line of products across seven basic processes or technologies: machining, tube stamping and shaping, forging, plastic, aluminium injection moulding, steel foundry and roof systems. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and steering set, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle's manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent approximately 70% and 30%, respectively.

Since its creation in 1996, CIE Automotive's progress as a supplier of components and sub-assemblies for the Automotive industry has been driven by cycles of economic prosperity and hampered by other crises, such as the current one, that the Group has overcome and passed thanks to the features that define its business model: multilocation, commercial diversification, multitechnology, investments control and de-centralised management.

This model has been enriched in recent years by the incorporation of ESG criteria, which now make up the sixth pillar of its business model.

2. EVOLUTION OF THE BUSINESS OF CIE AUTOMOTIVE S.A. IN 2020

The Company CIE Automotive, S.A., as the parent company of the CIE Group, has as main income the render of services to the different subsidiaries of the Group, the interests received from the financing provided to the Group's subsidiaries and the income from dividends received from these subsidiaries.

The main variation of the turnover of CIE Automotive, S.A. is originated by the decrease in the render of services to subsidiary companies for €33 million, which have been directly affected by the production in the operating plants within the context of the Covid 19 pandemic and a decrease in the number of dividends received from their subsidiaries for an amount of €18 million.

Regarding the rest of operating income and expenses, they have experienced a variation of €9 million, mainly related to the net movement of provisions.

The main variation in financial result, the net impact of which amounts to €1.7 million of higher expenses compared to 2019, and which corresponds to a negative variation of €4.3 million of higher financial expenses accrued in the year, compensated by the income recognized mainly by the equity swap of €2.6 million.

2.1 Summary of the year

2020 has been a year of the consolidation of the new perimeter of CIE Automotive, to which the Italian Somaschini joined in January. In addition, CIE increased its stake in the MCIE group throughout the year to 60.18% of the capital.

The evolution of the Company's turnover has been directly affected by the business impact of the Covid-19 pandemic in the different subsidiaries of the Group. In this sense, by geographical areas, the summary of the year 2020 is the following:

Europe:

This is CIE Automotive's main market. The Group has 43 manufacturing facilities in eleven countries: Spain, France, Germany, Italy, Portugal and the UK in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has one factory in Morocco. In this market, it combines the productive plants of the MCIE group, with a strong link to the industrial vehicles, and the historical CIE plants, linked to the passenger vehicles.

CIE Automotive's sales in Europe decreased by 18.2% to €1,194.8 million, in the context of a 22.1% drop in production. However, margins remained high both at CIE Automotive's traditional plants, linked to light vehicles, and at MCIE Europe plants, mainly linked to trucks. The plants in the traditional market achieve an EBITDA of 13.3% and an EBIT of 6.9%, while those of Mahindra CIE present an EBITDA margin of 7.8% and an EBIT margin of 3.0%.

North America:

CIE Automotive has production centres in 20 locations in Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia. Its evolution is the most profitable of the Group and its growth potential, one of the largest worldwide, has EBITDA margins of 20.5% and an EBIT margin of 15.8%.

Brazil:

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron smelting, aluminum injection and machining, being especially competitive in plastic, body-color and chrome paint technology. In Brazil, one of the key markets in recent decades for its projection, the Group has production centres in 15 plants. In the same context of strong contraction due to the pandemic and other factors that had already been pressing the market, the company has achieved sales of €186 million, 24% less than in 2019 compared to -32% in the market, with a margin EBITDA of 15.7% and EBIT of 10.7%.

Asia:

Following the businesses acquired in 2019 and CIE's commitment to the Indian market with the acquisition in 2020 of an additional 4% of its share in Mahindra CIE Automotive, Ltd, the Group owns 32 plants in Asia, a joint-venture and a technology center. The Group's presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., which gave rise to the Mahindra CIE group. The presence in China was strongly reinforced in 2020 with the incorporation of the companies from Golde's roof business. India is one of the engines of development in the region and China, the world's leading car producer.

In the same context of a declining economy, with a Chinese market with recovered production dropping 4% and an Indian market falling above 23%, CIE has experienced an increase of 34% and a contraction of 17% respectively. The joint EBITDA margin of this segment stands at 14.6%.

2.2 Predictable evolution of the Company

The evolution of the businesses in future years is directly subject to the evolution of the geographic markets in which the subsidiaries of CIE Automotive, S.A. operate. In this sense, and as detailed in the Consolidated Management Report, it is not expected that 2021 and future years will be impacted in the same way as 2020 by the stoppage of industrial activity in the geographies where the Group operates.

With a view to 2021, and taking into account the market recovery, the Group will rely on the axes of its business model in order to achieve the following strategic objectives:

- Consolidate the incorporations of recent years
- Ensure the standardization of productions according to market forecasts
- Maximize the efficiency of margins and returns in all geographic areas
- Maintain its high level of operating cash generation by reducing the leverage ratio.

2.3 Business Strategy and COVID-19 Action Plan

The unprecedented events in 2020 that have led to a sharp contraction in the Automotive market have highlighted the effectiveness of CIE's business model. A resilient, solid and flexible model, with the experience of the best team and the necessary technological capacity to face the challenges that arise.

Our business model has been, without any doubt, key to overcome the challenges of 2020 supported by the following axes:

- A geographical diversification to provide a global service and mitigate stoppages in the different regions.
- A diversified and wealthy portfolio of clients has helped us mitigate the decreasing demand.
- Multi-technology to supply changes needed in the trend towards electrification.

- The focus on the efficiency of processes.
- The strict financial discipline of controlling fixed costs adapted to variable volumes, focused on liquidity and cash generation.
- Decentralized management in each geographic area and division, making the most appropriate decisions in each circumstance with a common strategy (lean structure).
- Long-term investment in human capital.
- The appliance of an opportunistic M&A strategy criteria without losing sight of the need to carefully select and closely control all types of investments.
- The clear industrial vocation with financial mentality.
- Keeping the reputation level and Group's image.
- The progress on the digitalisation front towards Industry 4.0 factories.

CIE Automotive's business strategy is focused on profitability and cash flow generation. To achieve these priority goals in circumstances as adverse as those of 2020, the Group defined and deployed a COVID-19 Action Plan. This temporary worldwide initiative revolved around four axes:

- 1) Labor flexibility: applying measures according to each regulation and motivating teleworking in the positions where possible.
- 2) War economy: maximum reduction of fixed costs and essential investment limitation.
- 3) Liquidity and financing: absolute approach to the efficient management of working capital.
- 4) Productive planning: availability of seals in all centers to guarantee fluidity of supply to our customers.

ESG Strategy

The Group integrates social, labor, environmental, and respect for human rights concerns into its management model and strategy in order to generate shared value for the company and its stakeholders. CIE Automotive brings shared value to the company and its stakeholders by integrating social responsibility criteria into its business model, strategy and daily activity.

After the compliance in 2019 of the 2019-2020 CSR Strategic Plan, which deepened the systematization and standardization of CSR management throughout the Group, improving measurement, communication and reporting systems, and establishing an ESG (Environmental, Social and Governance) work methodology for each department, in 2020 CIE continues to advance its ESG strategy.

In 2020 it reinforces its commitment to Environmental, Social and Good Governance values through the development of a new scorecard for all plants with 79 ESG indicators. In addition, it has provided training to employees, has updated its corporate documents to include sustainability criteria and has conducted surveys of its stakeholders to find out their concerns and base its reporting on them.

3. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website www.cieautomotive.com, in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report may be consulted on the website of the National Securities Market Commission after being published by the Group:

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452>

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452>

4. FINANCIAL RISK MANAGEMENT

CIE Automotive has a Policy of Identification and Management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces - between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risk identification, risk analysis, risk evaluation, risk treatment, risk supervision and updating and acting against non-compliance.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favorable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavorable environment.

a) Market Risk

(i) Foreign Exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

CIE Automotive Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at December 31, 2020, the euro had been declined/revalued by 10% with respect to all other functional currencies, all other variables remaining constant, equity would have increased/decreased by €228/€187 million (2019: increased/decreased by €230/€189 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had declined/revalued by 10% in 2020 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €15.4/€12.6 million higher/lower, respectively (2019: €18.7/€15.3 million higher/lower), mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of December 31, 2020, the euro had been devalued / revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		Profit after tax (million euros)	
	Devalued euro 10%	Revalued euro 10%	Devalued euro 10%	Revalued euro 10%
Chinese yuan	76	(63)	5.8	(4.7)
US dollar	54	(44)	5.7	(4.7)
Indian rupee	53	(43)	0.9	(0.7)
Brazilian real	21	(17)	0.9	(0.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2020 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, the Group's profit after tax for the year would have been €1,227 thousand lower/higher (2019: €1,056 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €798/802 thousand, respectively (2019: €1,093/1,277 thousand increase/decrease, respectively).

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centers and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services. However, as of May/June, industrial activity began to gradually recover and in the Automotive sector, world vehicle production recovered drastically, reaching levels in the last quarter of 2020, with production levels 2.5% higher than the same period of 2019 (prior to the pandemic).

When preparing these Annual Accounts, the Group does not expect that the remaining period of the pandemic will impact again in the same way as it did in the second quarter of 2020, given that no new scenarios of industrial stoppage are considered. Regarding the demand for vehicles during the period of the economic crisis, the Management updates the market estimates on a monthly basis in each of the geographical areas in which it operates and carries out, making use of the flexibility of the management model, the necessary measures to adapt to the expected demands.

Additionally, there are recent independent external reports that support the theory that collective transport or the use of shared cars may begin to lose steam, in favor of the recovery of the use of private vehicles, either out of fear or as a precautionary measure of the drivers, turning this fact into a market opportunity.

b) Liquidity Risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt.

Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2020 will allow facing all year recurrent payments without increasing net financial debt.

Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Group's amounts payables to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2020: €28 million; 2019: €25 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at December 31, 2020 of €806 million of undrawn credit lines and loans (2019: €501 million) at the consolidated CIE Automotive Group level.

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the operational needs while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary.

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss.

An analysis of the maturity or receivables that are overdue by 60 days, which are not impaired is provided in Note 9.

The Company does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

5. TRADING WITH TREASURY SHARES

The balance of treasury shares in the existing portfolio of the Parent company at the end of 2020 and 2019 amounted to 0 shares, after the capital reduction carried out by the Parent company against treasury shares acquired during the 2020 financial year.

Moreover, the mandate conferred at the Shareholder's Meeting of April 29, 2020, whereby the Parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until April 29, 2025.

6. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2020 and 2019 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of July 5, is as follows:

	Days	
	2020	2019
Paid operations ratio	57	56
Outstanding operations ratio	63	60
Average payment period to suppliers	48	49

	Thousand euros	
	2020	2019
Payments made	9,971	9,376
Outstanding payments	5,982	5,699

A series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

7. STOCK EXCHANGE INFORMATION

IBEX35

After a 2018 marked by the volatility of the share in its first year on IBEX35 and a 2019 affected by the negative growth of the markets, the geopolitical convulsions and the uncertainty of the sector, in 2020 the stock could not avoid suffering the effects of COVID-19.

In 2020, the maximum and minimum prices of the share amounted to 22.52 and 9.71 euro per share, respectively, in a year that is also exceptional in the behavior of the stock markets. At the end of the year the share was trading at 22.06 euro.

In the context of the pandemic and the associated crisis, during the first 9 months of the year the share price was negatively affected, recovering this situation in the last quarter of the year to a year-on-year growth of 5%.

The lag between the evolution of the business and the value of its share throughout the year may be due to the carry-over effect of all the stock exchanges, the increasing use of automatic decision-making systems that do not consider either the historical performances of the Group or its potential growth and profitability or the speculative effect of short positions.

Dividend

CIE Automotive has been loyal to politics of remuneration to shareholders, based on distribute one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2020 of €0.25 per share. The disbursement was effective on January 7, 2021.

8. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

As of the date of preparation of these Annual Accounts, there have been no significant events subsequent to the end of the year 2020 that could alter or have any effect on the Annual Accounts for the period ended on December 31, 2020.



ISSUER'S IDENTIFYING INFORMATION

Reference financial year closing date:

[12/31/2020]

Tax ID

[A-20014452]

Company Name:

[**CIE AUTOMOTIVE, S. A.**]

Registered office:

[ALAMEDA MAZARREDO, 69, 8º (BILBAO) VIZCAYA]

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
11/25/2020	30,637,500. 00	122,550,000	122,550,000

Indicate if there are different classes of shares associated with different rights:

[] Yes
[✓] No

See notes in section A. 9 on the capital reduction due to the share buyback plan implemented in the year in question.

A.2. Details of the direct and indirect significant shareholdings at end-of-year, excluding directors:

Shareholder name or company name	% voting rights assigned to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S. A.	0. 00	12. 73	0. 00	0. 00	12. 73
ADDVALIA CAPITAL, S. A.	5. 26	0. 00	0. 00	0. 00	5. 26
MAHINDRA & MAHINDRA LTD	0. 00	7. 83	0. 00	0. 00	7. 83
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	5. 79	9. 90	0. 00	0. 00	15. 69
ELIDOZA PROMOCION DE EMPRESAS, S. L.	10. 89	0. 00	0. 00	0. 00	10. 89
ALANTRA MULTI ASSET SGIIC, S. A.	0. 00	3. 55	0. 00	0. 00	3. 55

ALANTRA EQMC ASSET MANAGEMENT, S. G. I. I. C. , S. A. and ALANTRA MULTI ASSET SGIIC, S. A. reached an agreement to exercise in concert the voting rights of the shares they hold in the investment entities they manage (EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC; MERCER INVESTMENT FUND (sub-fund of MERCER QIF COMMON CONTRACTUAL FUND); QMC III IBERIAN CAPITAL FUND FIL).

Details of indirect holdings:

Indirect holder name or company name	Direct holder name or company name	% voting rights assigned to the shares	% voting rights through financial instruments	% of total voting rights
CORPORACION FINANCIERA ALBA, S. A.	ALBA EUROPE SARL	12. 73	0. 00	12. 73
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	7. 83	0. 00	7. 83
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	RISTEEL CORPORATION, B. V.	9. 89	0. 00	9. 89
ALANTRA MULTI ASSET SGIIC, S. A.	CONCERTED ACTION	3. 55	0. 00	3. 55

Indicate the most significant shareholding movements from the year:

Most significant movements

The proposed changes are due to the amortization of the company's treasury stock due to the implementation of the plan to buy them back, which ended the capital reduction analyzed in section A. 1 of this report, registered in the Commercial Registry of Bizkaia on November 25, 2020.

A.3. Fill out the following tables on the members of the company's board who have voting rights from the shares in the company:

Board member name or company name	% voting rights assigned to the shares		% voting rights through financial instruments		% of total voting rights	% of voting rights that <u>may be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERMIN DEL RIO SANZ DE ACEDO	0. 02	0. 00	0. 00	0. 00	0. 02	0. 00	0. 00
ANTONIO MARIA PRADERA JAUREGUI	0. 00	10. 53	0. 00	0. 00	10. 53	0. 00	0. 00
JESUS MARIA HERRERA BARANDIARAN	1. 42	0. 00	0. 00	0. 00	1. 42	0. 00	0. 00

total % of total voting rights held by the board

11.97

Details of indirect holdings:

Board member name or company name	Direct holder name or company name	% voting rights assigned to the shares	% voting rights through financial instruments	% of total voting rights	% of voting rights that <u>may</u> be transferred through financial instruments
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S. L.	10. 53	0. 00	10. 53	0. 00

Grupo Inversiones INSSEC, S. L. directly holds 5. 265% of the company's shares and indirectly holds (through Inversiones, Estrategia y Conocimiento Global CYP, S. L.) another 5. 265% of the company's shares. Grupo Inversiones INSSEC, S. L. and Inversiones, Estrategia y Conocimiento Global CYP, S. L. are both companies controlled by Antonio María Pradera Jáuregui.

- A.4. Indicate any family, commercial, contractual, and corporate relations between the holders of the significant shareholdings, insofar as they are known to the company, except where barely relevant or if they derive from ordinary business, and except for those reported in section A. 6:

Related name or company name	Type of relation	Brief description
No information		

- A.5. Indicate any family, commercial, contractual, and corporate relations between the holders of the significant shareholdings and the company and its group, unless they are barely relevant or if they derive from the ordinary course of business:

Related name or company name	Type of relation	Brief description
No information		

- A.6.** Describe any relations, unless they are barely relevant for the parties, between the shareholders who are significant or represented on the board and the directors, or their representatives, in the case of legal entity directors.

If applicable, explain how the significant shareholders are represented. Specifically, indicate any directors who were appointed in representation of significant shareholders, who were nominated by significant shareholders, or who are related to significant shareholders and entities of their group, specifying the nature of the relationships uniting them. In particular, if applicable indicate the existence, identity, and position of Board members or representatives of directors, of the listed company, who in turn are Board members, or its representatives, in companies that hold significant shareholdings in the listed company or in entities of the group of those significant shareholders:

Related board member name or company name or representative	Related shareholder name or company name	Name of the company of the group of the significant shareholder	Description of relation/position
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S. A.	CORPORACION FINANCIERA ALBA, S. A.	Santos Martínez-Conde Gutiérrez Barquín is an "other external" director of Corporación Financiera Alba, S. A.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	Juan María Riberas Mera is the individual representative of one of the joint directors of ACEK Desarrollo y Gestión Industrial, S. L.
ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	Antonio María Pradera Jáuregui is chairman and CEO of Inversiones, Estrategia y Conocimiento Global CYP, S. L.
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S. L.	GRUPO INVERSIONES INSSEC, S. L.	Antonio María Pradera Jáuregui is sole director of Grupo Inversiones Inssec, S. L.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S. L.	ELIDOZA PROMOCION DE EMPRESAS, S. L.	Goizalde Egaña Garitagoitia, proprietary director, is director of Elidoza Promoción de Empresas, S. L.

Related board member name or company name or representative	Related shareholder name or company name	Name of the company of the group of the significant shareholder	Description of relation/position
MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S. A.	ADDVALIA CAPITAL, S. A.	Maria Teresa Salegui Arbizu, proprietary director, is the individual representative of Addvalia Capital, S. A.
FRANCISCO JOSÉ RIBERAS MERA	ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	Francisco José Riberas Mera is director of Inversiones, Estrategia y Conocimiento Global CYP, S. L.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	Francisco José Riberas Mera is the individual representative of one of the joint directors of ACEK Desarrollo y Gestión Industrial, S. L.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy is CFO and IT director of Mahindra & Mahindra Ltd, in addition to sitting on its Executive Committee.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Shriprakash Shukla directs the subsidiary Aerospace & Defence of the Mahindra Group, heads Mahindra Sanyo Special Steels Private Limited and sits on the Executive Committee of Mahindra & Mahindra Ltd.
JACOBO LLANZA FIGUEROA	ALANTRA MULTI ASSET SGIIC, S. A.	ALANTRA MULTI ASSET SGIIC, S. A.	Jacobo Llanza Figueroa is chairman of the board and CEO of ALANTRA MULTI ASSET SGIIC, S. A.

A.7. Indicate if the communicated has been notified of any shareholder agreements that might affect it pursuant to sections 530 and 531 of the Spanish Companies Act [*Ley de Sociedades de Capital*]. If so, describe them briefly and indicate the shareholders bound by the agreement:

☐ Yes

☒ No

Indicate if the company is aware of the existence of concerted actions between its shareholders. If so, describe them briefly:

☒ Yes

☐ No

Participants in concerted action	% of share capital affected	Brief description of the agreement	Agreement expiration date if any
ALANTRA MULTI ASSET SGIIC, S. A. , ALANTRA EQMC ASSET MANAGEMENT, SGIIC, S. A.	3. 55	According to the notification (form 1) available at the CNMV website with entry number 2018139166, ALANTRA MULTI ASSET SGIIC, S. A. and Alantra EQMC Asset Management SGIIC, S. A. (management companies of the Alantra Group) have a common policy for their shares in the investment companies they manage.	It is not specified in the notification.

Expressly indicate if there were any changes or ruptures to those agreements, covenants, and concerted actions during the year:

A.8. Indicate if there are any individuals or legal entities who exercise or may exercise control over the company pursuant to section 5 of the Spanish Security Markets Act [*Ley del Mercado de Valores*]. If so, identify them:

☐ Yes

☒ No

A.9. Fill out the following tables on the company's treasury stock:

At end-of-year:

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

(*) Through:

Name or company name of the direct holder of the stake	Number of direct shares
No information	

Explain any significant variations that occurred during the year:

Explain any significant variations
As a result of a stock buyback program approved by the general meeting held on April 29, 2020, the number of shares held as treasury stock of the company varied throughout the year (as periodically reported publicly), until six million four hundred and fifty thousand (6,450,000) shares acquired through the program were finally redeemed, reducing its capital by one million six hundred and twelve thousand five hundred euros (EUR 1,612,500). Subsequently and in implementation of the purpose of the share buyback program, the capital was reduced by one million six hundred and twelve thousand five hundred euros (EUR 1,612,500), as registered in the Commercial Registry of Bizkaia on November 25, 2020.

A.10. Details the conditions and term of the current mandate that the shareholders meeting gave to the board to issue, buy back or transfer treasury stock:

The mandate conferred by the General Meeting held on April 29, 2020 that empowered the Company's Board to acquire shares in the Company at any time and as many times it deems appropriate, by any means permitted by law, including using profits from the year and unrestricted reserves, as well as to subsequently dispose of or redeem the shares, all in accordance with and subject to the limits set forth in section 146 and related provisions of the Companies Act, is in force until April 29, 2025, inclusive.
Likewise, the mandate conferred by the General Shareholders Meeting held on April 29, 2020 is in force until April 29, 2025, inclusive, by virtue of which, in accordance with section 297(1)(b) of the Companies Act, it may increase the share capital, without prior consultation with the General Shareholders' Meeting, up to the amount of EUR 16,125,000, with the ability to exercise that power, up to the indicated amount, on one or several occasions, deciding in each case whether it is appropriate or convenient, and the amount and conditions that it considers appropriate.

A.11. Estimated floating capital:

	%
Estimated floating capital	32.08

A.12. Indicate whether there are any restrictions (in the by-laws, legislation or otherwise) on the transferability of securities and any restrictions on voting rights. In particular, the existence of any type of restrictions that may hinder taking of control of the company by acquiring its shares in the market must be reported, as well as any authorization and prior notice rules regarding acquisitions and transfers of the company's financial instruments that may be applicable to it under sectoral regulations.

☐ Yes
☒ No

A.13. Indicate whether the General Meeting resolved to adopt measures to neutralize a public takeover bid pursuant to Spanish Act 6/2007.

☒ Yes
☐ No

If so, explain the approved measures and the conditions in which the restrictions would become ineffective.

Explain the approved measures and the conditions in which ineffective

At its meeting of April 23, 2008, the Company's general meeting passed the following resolution from item six on the agenda:

"SIX. - Approval of the non-application of limitations to the actions of the governing and management bodies of the Company and its Group on the terms of section 60 *bis* (2) of Spanish Securities Market Act [*Ley 24/1988, del Mercado de Valores*] and section 28(5) of Spanish Royal Decree 1066/2007, of 27 July.

Pursuant to section 60 *bis* (2) of Securities Market Act Market and section 28(5) of Spanish Royal Decree 1066/2007, of July 27, 2007, on the rules governing public offers for the acquisition of securities [*Real Decreto 1066/2007, sobre el régimen de las ofertas públicas de adquisición de valores*], resolved to approve that the limitations on the actions of those bodies referred to in section 60 *bis* (2), and section 28(5) of Royal Decree 1066/2007, of July 27, 2007, will not apply to the governing and management bodies of the company and its group in the event that the company is the object of a public takeover offer formulated by an entity that does not have its registered office in Spain and that is not subject to those rules or equivalent ones, including those referring to the rules necessary for adopting decisions by the general meeting, or, by an entity controlled by it, directly or indirectly, in accordance with section 4 of Securities Market Act Market. "

A.14. Indicate whether the company has issued securities that are not traded on an EU regulated market.

☐ Yes
☒ No

If so, indicate the various share classes and for each share class, the rights and obligations conferred:

B. GENERAL MEETING

B.1. Indicate and, if applicable, provide details, if there are differences with the rules in the Companies Act on constituting quorums of the general meeting:

☒ Yes
☐ No

	quorum % difference from the % established in section 193 of the Companies Act for general cases	quorum % difference from the % established in section 194 of the Companies Act for the special cases of section 194 of the Companies Act
Quorum required on the 1 st call	50.00	50.00
Quorum required on the 2 nd call	0.00	25.00

Description of the differences

For general cases, article 13 of the Company's bylaws establishes that the general meeting, whether ordinary or extraordinary, will be validly constituted on first call when the shareholders present or represented by proxy hold at least 50% of the subscribed capital with voting rights. Therefore, a higher quorum is established for the meeting to be convened on first call in the case of general cases than the quorum specified in section 193 of the Companies Act (i. e. 25%).

No differences are established either with respect to the quorum for the second call for general cases or with respect to the quorum for the special cases provided for in section 194 of the Companies Act.

B.2. Indicate and, if applicable provide details, if there are differences with the rules in the Companies Act on adopting corporate resolutions:

☐ Yes
☒ No

B.3. Indicate the rules applicable to amending the company's bylaws. In particular, specify the majorities required to amend the bylaws, and any rules on protecting shareholder rights when amending the bylaws.

The rules on amending the company's bylaws are those set forth in the Companies Act (with the particularity set forth in section B. 1 above), and there are no majorities in the bylaws other than those legally applicable or rules for protecting shareholders other than those established in the general regulations.

- B.4.** Indicate the attendance figures from the general meetings held during the reference year of this report and from the two preceding years:

General meeting date	Attendance figures				
	% present in person	% represented by proxy	% voting remotely		Total
			Electronic vote	Other	
4/24/2018	86.37	8.55	0.00	0.00	94.92
of which are floating capital	22.48	8.55	0.00	0.00	31.03
5/08/2019	63.55	4.40	0.00	0.00	67.95
of which are floating capital	11.73	4.40	0.00	0.00	16.13
4/29/2020	58.46	23.15	0.00	0.00	81.61
of which are floating capital	17.33	7.08	0.00	0.00	24.41

- B.5.** Indicate whether the general meetings held during the year had items on their agenda that were not approved by the shareholders for any reason:

☐ Yes
☒ No

- B.6.** Indicate if there are any restrictions in the bylaws establishing the minimum number of shares necessary to attend the general meeting or vote remotely:

☐ Yes
☒ No

- B.7.** Indicate if it has been established that certain decisions, aside from those established by law, that entail acquisitions, disposals, or contributions of essential assets to other companies or other similar corporate operations, must be approved by the general meeting:

☐ Yes
☒ No

- B.8.** Indicate the address, and method for accessing on the corporate website, of the corporate governance information and other information on general meetings that must be made available to shareholders on the Company's website:

The corporate website where information can be accessed on corporate governance and other information on general meetings is <https://cieautomotive.com/web/investors-website>.

C. STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1. Board of directors

C.1.1 Maximum and minimum number of directors specified in the bylaws and the number set by the general meeting:

Maximum number of board members	15
Minimum number of board members	6
Number of board members set by the general meeting	14

C.1.2 Fill out the following table with the Board members:

Board member name or company name	Representative	Director category	Position on the board	Date first appointed	Date of last appointment	Election procedure
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN		Proprietary director	BOARD MEMBER	4/24/2018	4/24/2018	GENERAL MEETING RESOLUTION
JUAN MARÍA RIBERAS MERA		Proprietary director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
FERMIN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	12/21/2005	4/29/2020	GENERAL MEETING RESOLUTION
ANTONIO MARIA PRADERA JAUREGUI		Proprietary director	CHAIRMAN	6/24/2002	4/29/2020	GENERAL MEETING RESOLUTION
CARLOS SOLCHAGA CATALÁN		Independent director	INDEPENDENT COORDINATING DIRECTOR	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
JESUS MARIA HERRERA BARANDIARAN		Executive	CEO	1/21/2013	4/29/2020	GENERAL MEETING RESOLUTION

Board member name or company name	Representative	Director category	Position on the board	Date first appointed	Date of last appointment	Election procedure
ÁNGEL MANUEL OCHOA CRESPO		Independent director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
FRANCISCO JOSÉ RIBERAS MERA		Proprietary director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
VANKIPURAM PARTHASARATHY		Proprietary director	BOARD MEMBER	10/04/2013	4/29/2020	GENERAL MEETING RESOLUTION
SHRIPRAKASH SHUKLA		Proprietary director	BOARD MEMBER	6/25/2015	4/29/2020	GENERAL MEETING RESOLUTION
GOIZALDE EGAÑA GARITAGOITIA		Proprietary director	DEPUTY CHAIR	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
JACOBO LLANZA FIGUEROA		Proprietary director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
MARIA TERESA SALEGUI ARBIZU		Proprietary director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
ARANTZA ESTEFANÍA LARRAÑAGA		Independent director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION

Total number of board members

14

Indicate any directors who resigned or were removed by the general meeting during the reporting period:

Board member name or company name	Director category at time of removal	Date of last appointment	Date removed	Specialized committees the director sat on	Indicate if the director was removed due to term expiring
ADDVALIA CAPITAL, S. A.	Proprietary director	4/26/2016	4/29/2020	Audit and Compliance Committee and Corporate Social Responsibility Committee (now ESG Committee)	NO
QMC DIRECTORSHIPS, S. L.	Proprietary director	4/26/2016	4/29/2020		NO
ELIDOZA PROMOCION DE EMPRESAS, S. L.	Proprietary director	4/26/2016	4/29/2020	Corporate Social Responsibility Committee (now ESG Committee)	YES

Cause of removal, if before the end of the term of office and other observations; information on whether the director sent a letter to the other members of the board and, in the case of removals of non-executive directors, an explanation or opinion on the director removed by the general meeting.

To clarify, it should be noted that the above removals were not removals as such; rather they were directors whose term expired and was not renewed, since they were designated to replace those who had been their individual representatives.

C.1.3 Fill out the following tables on the members of its board and their various categories:

EXECUTIVE DIRECTORS		
Board member name or company name	Position in the company's organizational chart	Profile
FERMIN DEL RIO SANZ DE ACEDO	Executive director	He holds a Licentiate in Business Administration and Management (San Sebastián). He began his professional career as a tax advisor in 1975 and founded Norgestión (a consulting firm specializing in Mergers and Acquisitions, tax, and financial law). He worked there until 2008. He was in charge of the ADEGI section the (Entrepreneurs Association of Guipuzcoa) as well as a member of the Committee of Confederations of Entrepreneurs of the Basque Country (CONFEBASK). He acted as chairman of the company Autometal S. A.

EXECUTIVE DIRECTORS

Board member name or company name	Position in the company's organizational chart	Profile
		He sat on the boards of Fegemu S. A. , Viveros San Antón, S. A. and Global Dominion Access S. A.
JESUS MARIA HERRERA BARANDIARAN	CEO	He holds a licentiate in Economics and Business Administration from the University of the Basque Country, with a Master's Degree in Internationalization from Euroforum. He joined CIE Automotive in 1991 as Financial and HR Director at CIE Orbelan. In 1995 he was appointed deputy manager and in 1998 he took over the general management of the company. In 2000 he took over CIE Brazil, as well as CIE Plasfil in 2002. That year he was appointed worldwide director of CIE Plastics until 2005, when he took over responsibility for the general management of CIE America. Since 2010, he has been CEO of Autometal S. A. In 2011, and he was appointed COO of the entire group, although a year later he took over as CEO of CIE Automotive. In 2013, the Board appointed him CEO of CIE Automotive. He is also on the board of Global Dominion Access, S. A.

Total number of executive board members	2
% of total on board	14. 29

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S. A.	He is a Civil Engineer, with a Master's in Management and Business Administration from the ICADE and a Diploma in Nuclear Technology from the ICAI. He has worked at several engineering and financial companies: 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 sat on the boards of numerous companies in a wide range of business sectors, both listed and unlisted. He sits on the boards of Corporación Financiera Alba, S. A. , Banca March, S. A. , Acerinox, S. A. , Indra Sistemas, S. A. , Bolsas y Mercados Españoles, SHMSF, S. A. , BME. (BME), Artá Partners, S. A. , Artá Capital SGEER, S. A. , Deyá Capital SCR, S. A. and Deyá Capital IV SCR, S. A.

JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	He holds a licentiate in Law and in Economics and Business Sciences from the Pontifical University of Comillas (ICADE E-3). He began his career at the Gonvarri Group in 1992 in the Business Development Division, and was later made its

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
		CEO. In 2005, he was the creating force behind ACEK Renovables, where he became Executive Chairman in 2007. Since 2010, he has been the chairman of Gonvarri Steel Industries and the co-chair of ACEK, the family holding company. He is also a sponsor of the Fundación Juan XXIII.
ANTONIO MARIA PRADERA JAUREGUI	ANTONIO MARIA PRADERA JAUREGUI	With a degree in Civil Engineering from Madrid Polytechnic University, in 1979 he began his career as a director at Banco Bilbao, where he remained until 1985. In 1988 he was appointed Executive Director of Nerisa, where he remained until 1993, when he moved to SEAT as Director of Strategy. He played an important role in the creation of INSSEC in 1995, of which he was CEO until 2010. He has been the Executive Chairman of CIE Automotive since 2002, where he has held positions in Strategic Management and Financial Design, as well as at Global Dominion Access, S. A. Since May 2015, he has been a director of Tubacex and since June 2015, of Corporación Financiera Alba. On December 31, 2017, he stepped down from his executive position at CIE Automotive, reinforcing the company's good governance practices.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	He holds a licentiate in Law (1987) and a licentiate in Economics and Business Sciences (1988) from the Pontifical University of Comillas (ICADE E-3) in Madrid. He began his professional career holding different positions in the Gonvarri Group, as Director of Corporate Development and later as CEO. In 1997 he created Gestamp and since then he has been its Executive Chairman, over time forming what Gestamp is today. He is a member of the Boards of Directors of Telefónica and General de Alquiler de Maquinaria (GAM). He also sits on the boards of other Gestamp companies and companies of the family holding company Acek, including Acek Energías Renovables, Inmobiliaria Acek and Sideacero in the Gonvarri Group. He is also chairman of the Instituto de Empresa Familiar and participates in the Endeavor Foundation, among others.
VANKIPURAM PARTHASARATHY	MAHINDRA MAHINDRA LTD &	He holds a Bachelor's degree in Business from Gujarat University and a degree from Harvard Business School's Advanced Management Program. He began his professional career at Xerox, where he reached the position of associate director. He joined the Mahindra&Mahindra, Ltd. Group in 2000, where he has held various senior positions. He is currently CFO and CIO of Mahindra&Mahindra, Ltd. and sits on the group's Executive Committee and serves on the boards of fourteen subsidiaries (four of which are listed). He has received various awards in the fields of Finance, M&A, and IT.

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	He holds a Bachelor's degree in Technology from the Indian Institute of Technology, Banaras Hindu University and an MBA from the Indian Institute of Management, Ahmadabad. His career has spanned several companies such as Dunlop India, Swisscom Essar (now Vodafone Essar) and Reliance Group, before joining the Mahindra Group. He currently chairs several subsidiaries of Aerospace & Defence and Special Steels, and is a member of the Executive Committee of Mahindra&Mahindra, Ltd. He previously held the positions of Group Strategy Director and Group Brand Director. He is chairman of Mahindra CIE Automotive, Ltd.
JACOBO LLANZA FIGUEROA	ALANTRA ASSET MANAGEMENT, SGIIC, S. A	He holds a Licentiate in Economics and Business Administration from the University of Paris. His professional career has been linked to investment banking, where he began in 1989 in various positions at Banque Indosuez and Bancapital, before creating and directing AB Asesores Moneda in 1992, a company of the AB Asesores Group. After that company was sold to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he was managing director of Equities and Derivatives for Latin America, Eastern Europe, Africa, and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently Managing Partner and CEO of Alantra Asset Management.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S. L.	She holds a degree in Economics and Business Administration from the University of Deusto in San Sebastián, where she also completed a postgraduate course in "Business Competitiveness and Regional Development" and an "Executive Program in Financial Management". She began her professional career in 1989 in the Financial Department of CIBENSA (Compañía Ibérica de Encuadernaciones S. A.) and, subsequently, she was a member of the audit team of Attest Consulting (1990-92). She has been a Board member of INSSEC, and is currently sits on the Boards of Global Dominion Access, S. A. and F&F Inversiones.
MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S. A.	She holds a Licentiate in Economics and Business Administration from the University of Deusto. She began her career at the transport company La Guipuzcoana (1988-2002), where she reached the position of general manager, a position she also held at DHL Express Iberia (2002-2004). She is currently chairman of Addvalia Capital and Perth Espacio y Orden, as well as participating in the governance and administration of companies such as One Facility Management, Baztango, and F&F Inversiones, where she is a director.

Total number of proprietary directors	9
% of total on board	64.29

EXTERNAL INDEPENDENT DIRECTORS

Board member name or company name	Profile
CARLOS SOLCHAGA CATALÁN	He holds a Licentiate in Economics and Business Administration from the Complutense University of Madrid and completed graduate studies at the Alfred P. Sloan School of the Massachusetts Institute of Technology (MIT). In 1980 he was elected member of the Spanish Parliament as a deputy for the Spanish Socialist Workers Party (PSOE) and was re-elected successively in 1982, 1986, 1989 and 1993, holding the post of chairman of the PSOE's Parliamentary Group in 1993-94. He was a member of the Basque Regional Government prior to the approval of the Statute of Autonomy of the Basque Country (1979-80), and was Chairman of the Interim Committee of the International Monetary Fund (1991-93), as well as being Spain's Minister of Industry and Energy (1982-85) and Minister of Economy and Finance (1985-93). He is currently an international consultant and chairman of the firm Solchaga & Recio Asociados. He also holds, among others, the positions of honorary chairman of the Euroamerica Foundation, chairman of the Architecture and Society Foundation, chairman of the Advisory Board of the Roca Junyent Law Firm, a member of the Scientific Council of the Elcano Royal Institute, an honorary member of the Reina Sofia Museum, and a Board member of Pharma Mar, S. A.
ÁNGEL MANUEL OCHOA CRESPO	He holds a Licentiate in Economics and Business Administration from the University of the Basque Country and a Master of International Business Administration (MIBA) from the United States International University of San Diego (USA). He has more than twenty-four years of experience in the financial sector, where he has held various positions: manager of the Multinational Department of Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager of Banque Privée Edmond de Rothschild Europe, branch in Spain and director of the Basque Country and Cantabria for Banco Sabadell Atlántico, among others. He has also sat on the boards of several Undertakings for Collective Investment in Transferable Securities (UCITS). He is currently a financial advisor in investment matters and partner of the firm Angel Ochoa Crespo EAF. He is also chairman of ISLOPAN, S. A.
ARANTZA ESTEFANÍA LARRAÑAGA	She holds a degree in Law with Honors and Extraordinary End of Degree Award from the University of Deusto. She has more than thirty years of experience in the field of corporate law, where she was managing partner of the law firm Uría Menéndez Abogados S. L. P. from its founding in 2000 to January 2019. In recent years she has developed an extensive practice in the area of compliance and criminal risk prevention, as well as environmental and safety. She has also been a member of that firm's Board, sitting on its Professional Practice Management Committee and its Criminal Risk Prevention Committee. She has been recognized by Best Lawyer in Spain annually and continuously since 2013 as a leading lawyer in arbitration and mediation practices and as lawyer of the year in the procedural area. She is currently an independent director of Repsol, a member of the Appointments Committee and a member of the Sustainability Committee. She is also Chairwoman of the Economic Committee of the Economic and Social Council of the Basque Regional Government and Secretary of the Board of Bilbao Exhibition Centre S. A.

Total number of independent directors	3
% of total on board	21.43

Indicate whether any directors classified as independent receive from the company, or from the same group, any sums or benefits other than director's remuneration, or maintain or have maintained, during the last fiscal year, a business relationship with the company or with any company in its group, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where appropriate, a reasoned statement from the board must be included as to the reasons why it considers that those directors may perform their duties as an independent director.

Board member name or company name	Description of the relation	Substantiated statement
No information		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and specify the reasons why they cannot be classified as proprietary or independent directors and their relations to the company, its managers, and its shareholders:			
Board member name or company name	Reasons	Company, manager, or shareholder to which the director is related	Profile
No information			

Total number of external directors	N. A.
% of total on board	N. A.

Indicate any changes to each director's category over the course of the year:

Board member name or company name	Date changed	Previous category	Current category
No information			

C.1.4 Fill out the following table with the information on the number of directors at the close of the last four financial years, and those directors' categories:

	Number of directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	22.22	25.00	25.00	25.00
Independent	1				33.33	0.00	0.00	0.00
Other external					0.00	0.00	0.00	0.00

	Number of directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Total	3	2	2	2	21.43	15.38	15.38	15.38

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. Companies defined as small or medium under the Spanish Auditing Act [*Ley de Auditoría de Cuentas*], will have to report, at least, the policy they have established in relation to gender diversity.

- ☒ Yes
☐ No
☐ Partial policies

If so, describe these diversity policies, their objectives, the measures, and way they are applied and their results during the year. Also indicate the specific measures the Board and the Appointments and Remuneration Committee took to ensure a balanced and diverse presence of directors.

If the company does not apply a diversity policy, indicate the reasons why it does not.

Description of the policies and measures and how they are applied, and the results obtained.

The company's diversity policy is directly accessible on the corporate website, where its contents can be easily consulted. Approving the diversity policy in 2019 was the most recent concrete measure carried out by the company to achieve a balanced and diverse presence of directors.

The company considers that the composition of its board of directors reflects the objectives pursued by the diversity policy, with there being a balanced and diverse presence of directors.

The diversity policy aims at selecting candidates to achieve a diverse and balanced composition of the Board as a whole, which enriches decision-making and brings pluralistic points of view to the discussion of matters under its purview.

In this sense, the Board is committed to promoting diversity in its composition, and to this end, when selecting candidates for directors, candidates will be considered whose appointment would help ensure that the Board members have different skills, expertise, experience, origins, nationalities, ages, and genders.

The diversity criteria are chosen with regard to the nature and complexity of the businesses carried out by the Group, as well as the social and geographical context in which it operates.

Additionally, depending on the needs of the Board, other criteria may also be taken into consideration.

In the process of selecting candidates, any type of bias that may imply any discrimination, among others, for reasons of sex, ethnic origin, age, or disability, will be avoided.

The Board of Directors will periodically evaluate the degree of compliance and effectiveness of its diversity policy and, in particular, the percentage of female directors existing at any given time, in order to assess the degree of compliance with the corporate governance recommendations regarding the presence of women on the Board.

- C.1.6 Explain any the Appointments Committee has agreed on to ensure that the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and that the company deliberately seeks and includes women among the potential candidates who meet the professional profile sought and that allows a balanced presence of women and men to be achieved.

Also indicate whether these measures include encouraging the company to have a significant number of female senior managers:

Explanation of the measures

The Appointments and Remuneration Committee must ensure that members of both sexes are considered who meet the conditions and capabilities required both for the position of member of the Board and for holding senior management positions. In this regard, with respect to the selection of female directors, the Company follows the guidelines set forth in the policy for selecting candidates for directors and diversity on the Board.

With regard to the selection of senior managers, although there are no specific measures, the Committee follows the same criteria as those established for the selection of directors, thus ensuring the absence of implicit biases that hinder the selection of female directors and senior managers.

If, despite any measures adopted, there are few or no female directors and senior managers, explain why:

Explanation of reasons

The Company considers that the number of female directors and senior managers is sufficient, on the understanding that, as a whole, it is neither low nor zero. In any case, the Company is constantly striving to increase the number of female directors and senior managers, as evidenced by the recent appointment of independent director Arantza Estefanía Larrañaga.

By way of illustration, it should be noted that the total percentage of female directors and senior managers with respect to the total number of Board members and senior managers is 30.43%.

- C.1.7 Explain the Appointments Committee's findings on the verification of compliance with the policy aimed at favoring an appropriate composition of the board.

The Appointments and Remuneration Committee understands the importance of complying with policies aimed at favoring an appropriate composition of the board. In this regard, as indicated above, the Appointments and Remuneration Committee ensures that appointments of new directors do not suffer from an implicit gender bias, mainly in the case of non-proprietary directors (since this is where it has the greatest room to maneuver in the selection process) and that, as far as possible, the number of female directors is promoted, without prejudice to always taking into consideration candidates who meet the conditions and capabilities required for the position. In this regard, for example, in 2020, the number of female directors of the Company was increased from 13 to 14, with the new member being an independent female director.

- C.1.8 Explain, the case being, the reasons why proprietary directors were appointed who were nominated by shareholders that hold less than 3% of the company's share capital:

Shareholder name or company name	Justification
No information	

Indicate whether formal requests have not been met for a presence on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed. If applicable, explain why the requests were not fulfilled:

[] Yes
[✓] No

C.1.9 Indicate any powers of attorney and representation the board has conferred upon directors and board committees:

Director or committee name	Brief description
JESUS MARIA HERRERA BARANDIARAN	The CEO has been delegated all of the board's powers, except those that may not be delegated.

C.1.10 Identify any board members who are directors, representatives, or managers of other companies in the listed company's group:

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S. A.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap Autometal México, S. A. de C. V.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios, S. A. de C. V.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Autometal, S. A.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingenieria, S. A. U.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autometal, S. A.	BOARD MEMBER	NO
ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S. A. U. ; CIE Legazpi, S. A. U. ; Autokomp Ingeniería S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S. A.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S. A. P. I. de C. V.	CHAIRMAN	NO

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensamblajes de México, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	GAT México. S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Nova Recyd, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S,A,	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Recyde, S. A. U.	BOARD MEMBER	NO



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JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S. A. U.	BOARD MEMBER	NO

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
JESUS MARIA HERRERA BARANDIARAN	Alurecy, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE GOIAIN, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Autometal, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Iberica, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterraneo, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE BOROA, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE ROOF SYSTEMS, S. L.	CHAIRMAN	NO

C.1.11 Indicate any board members or representatives of legal entity board members of your company who sit on the board or represent legal entity board members of other companies listed in regulated markets other than your group, who have been communicated to the company:

Board member name or company name	Name of the listed company	Position
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S. A.	BOARD MEMBER
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S. A.	BOARD MEMBER
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S. A.	BOARD MEMBER
JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S. A.	BOARD MEMBER
JUAN MARÍA RIBERAS MERA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S. A.	CHAIRMAN
GOIZALDE EGAÑA GARITAGOITIA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S. A.	BOARD MEMBER
JESUS MARIA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S. A.	CHAIRMAN
FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S. A.	BOARD MEMBER
FRANCISCO JOSÉ RIBERAS MERA	GAM GENERAL DE ALQUILER DE MAQUINARIA, S. A.	BOARD MEMBER
ARANTZA ESTEFANÍA LARRAÑAGA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
ARANTZA ESTEFANÍA LARRAÑAGA	REPSOL, S. A.	BOARD MEMBER

C.1.12 Indicate and, if applicable explain whether the company has established rules on the maximum number of company boards its directors sit on, identifying, if applicable, where it is regulated:

☐ Yes
☒ No

C.1.13 Indicate the amounts of the following different types of pay related to the total remuneration of the board:

Remuneration accrued for the board in the year (thousands of euros)	5,535
Amount of total pension rights accumulated by current board members (thousands of euros)	
Amount of total pension rights accumulated by former board members (thousands of euros)	

C.1.14 Identify the senior manager who are not also executive directors, and indicate the total remuneration accrued in their favor during the year:

Name or company name	Position(s)
ALEXANDER TORRES COLOMAR	Plastics Director, Brazil, and Mexico
AITOR ZAZPE GOÑI	Director of the European Plastics and Roof Systems Divisions and Human Resources Director
JUSTINO UNAMUNO URCELAY	Director of CIE's Forging and Metal Divisions for Europe and China.
IRACHE PARDO VILLANUEVA	Director of finance, treasury, and corporate purchasing
SUSANA MOLINUEVO APELLÁNIZ	Director of corporate social responsibility and compliance
JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MARIA MIÑAMBRES GARCIA	Director of corporate controlling and taxes
ANDER ARENAZA ALVAREZ	Director of the Aluminum and Machining Divisions and CEO of Mahindra CIE Automotive
LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations

Number of female senior managers	4
Percentage of total members of senior management	44.44

Total senior management registration (in thousands of euros)	6,073

C.1.15 Indicate if there were any changes to the board's regulations during the year:

[☒] Yes
[☐] No

Describe the changes
The board resolved to amend the wording of articles 3 (amendment of the regulations), 5 (general supervisory function), 10 (vice-chair or vice-chairs), 12 (coordinating director), 14 (deputy secretary of the board), 15 (board committees), 16 (delegated executive committee), 19 (ASG committee), 19 <i>bis</i> (strategy and operations committee), and 21 (venue of meetings) of the Board Regulations, in order to adapt the Company's corporate documents to the reform of the Good Governance Code [<i>Código de Buen Gobierno</i>] approved by the CNMV on June 26, 2020, and with the purpose of modifying the name of the Corporate Social Responsibility Committee, which is now called the ESG Committee. Likewise, certain sections of the Audit and Compliance Committee Regulations and of the ESG Committee Regulations have been modified, consistent with the purposes described in the preceding paragraph.

C.1.16 Indicate the procedures for selecting, appointing, re-electing, and removing directors. Specify the competent bodies, the formalities required and the criteria to use in each procedure.

The general meeting is responsible for appointing board members, although the board has the power to designate members as replacements in the event of a vacancy. To that end, article 23 of the bylaws states that:

- "4. - It is not necessary to be a shareholder to be appointed to the board.
- 5. - Board members will hold their position for four (4) year terms, and they may be re-elected once or several times to similar terms.
- 6. - The Board members appointed by co-opting will hold office until the date of the first General Meeting.
- 7. - The Board members will cease to hold office when so decided by the General Meeting, when they notify the Company of their resignation or departure and when the period for which they were appointed has elapsed. In this latter case, the resignation will take effect on the day when the next General Meeting is held or when the legal term for holding the Meeting that must resolve on the approval of the accounts of the previous year has elapsed.
- 8. - The members of the administrative body will perform the duties stipulated by Law with the diligence of an orderly businessman, taking into account the nature of the position and the functions attributed to each of them. In addition, the Board members will perform their duties with the loyalty of a loyal representative, acting in good faith and in the best interest of the company. The Regulations of the Board will develop the specific obligations of the directors deriving from the duties included in the Law and, in particular, those of confidentiality, non-competition and loyalty, paying special attention to situations of conflict of interest. "

Article 23 of the Board Regulations also stipulates the following:

- "1. The Board Members will be appointed by the General Meeting or by the Board of Directors in accordance with the law.
- 2. The proposals for appointment and re-election of Members that the Board of Directors submits to the consideration of the General Meeting and the appointment decisions adopted by the Board, by virtue of the co-opting powers legally attributed to it, must be preceded by the corresponding proposal of the Appointments and Remuneration Committee, in the case of independent Directors, or by the report from that Committee, in the case of all other Directors. If the Board does not follow the report by the Appointments and Remuneration Committee, it must explain the reasons for not doing so and record its reasons in the minutes.
- 3. The proposals and reports of the Appointments and Remuneration Committee must expressly assess the candidates' honor, suitability, solvency, competence, experience, qualifications, training, availability, and commitment to their duties. For these purposes, the Appointments and Remuneration Committee will determine the estimated time of dedication, in number of hours per year, for non-executive Directors, stating this in the corresponding report or proposal.
- 4. The Appointments and Remuneration Committee must propose or report, in each case, the assignment of the Director to one of the categories specified in these Regulations and review it on an annual basis. "

C.1.17 Explain the extent to which the annual evaluation of the Board has led to significant changes in its internal organization and in the procedures applicable to its activities:

Describe the changes

The annual evaluation of the Board has served to reflect and take notes on the functioning of the Board and its collegiate bodies, but has not led to relevant changes in its internal organization or procedures.

Describe the evaluation process and the areas evaluated that have been carried out by the board of directors assisted, if applicable, by an external consultant, regarding the functioning and composition of the board and its committees and any other areas and aspects that have been subject to evaluation.

Description of the evaluation process and areas evaluated

The external advisor (Evaluación de Consejos) carried out the process by (i) examining all relevant corporate documents; (ii) preparing a questionnaire addressed to the directors and adapted to the objectives of the CIE Group; (iii) receiving and processing the information received; and (iv) comparing the opinions expressed in order to crystallize the most qualitative assessments.

In this context, the following areas were specifically addressed:

1. ESG aspects;
2. Operational quality and efficiency of the Board;
3. Diversity and composition of the Board;
4. Communication policy;
5. Functioning and composition of committees;
6. Succession policies and plans;
7. Performance of statutory roles;
8. Individual contributions of the Board Members.

C.1.18 For the years where an external consultant helped with the evaluation, a breakdown of the business relationships that the consultant and any companies in its group have with the company and any companies in its group.

For the annual evaluation of the year in question, the Board was assisted by Evaluación de Consejos, S. L. as an external consultant. Aside from that assistance, neither the external consultant nor any company of its group has any business relationship with the company or any company of its group.

C.1.19 Indicate the cases where directors must be dismissed.

Article 26 of the Board Regulations stipulates the following:

- "1. Board members or any of them will be dismissed in the terms provided in the legislation applicable at any given time.
2. Board members must place their position at the disposal of the Board and submit their resignation, if the Board deems it appropriate, in the following cases:
- a) In the case of proprietary Directors, when they or the shareholders they represent transfer their holdings in the Company.
 - b) In the case of executive Directors, whenever the Board deems it appropriate and, in any case, if they cease to hold an executive position in the Company and the companies of its Group.
 - c) If they have a conflict of interest or are prohibited from performing their position as specified by law.
 - d) If they are prosecuted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious misconduct by the supervisory authorities.
 - e) In the case of CEOs, they will be dismissed from their position at the age of 65, but may continue as Board Members, without prejudice to letter (b) above.
 - f) If they are seriously reprimanded by the Board following a report from the Audit and Compliance Committee for having breached their obligations as Board Members. "

C.1.20 Are super majorities required beyond those provided by law for adopting any type of decision?

- ☒ Yes
☐ No

If so, describe the differences.

Description of the differences

Article 3 of the Board Regulations provides that a majority of at least two thirds of the directors present or represented at the meeting in question will be necessary to amend the Regulations, as opposed to the Companies Act, which does not provide for special majorities for this case.

C.1.21 Explain whether there are specific requirements, other than those relating to the directors, to be appointed chair of the board:

- ☐ Yes
☒ No

C.1.22 Indicate whether the bylaws or board regulations place an age limit on board members:

☒ Yes
☐ No

	Age Limit
Chair	N. A.
CEO	65
Director	N. A.

C.1.23 Indicate whether the bylaws or the board regulations establish a limited term or other more restrictive requirements beyond those provided by law for independent board members, aside from the regulations:

☐ Yes
☒ No

C.1.24 Indicate whether the bylaws or the board regulations establish specific rules for delegating voting in the board to other directors, the manner for doing so and, in particular, the maximum number of proxies that a director may have, as well as whether any limitation has been established regarding which categories may be proxies, beyond the limitations imposed by law. If so, give a brief description of these rules.

Article 22(2) of the Board Regulations stipulates the following:

"Board members must attend the meetings of the Board and, when they are unable to do so in person, they must delegate another board member to represent them, together with the appropriate instructions. Non-executive Directors may only delegate other non-executive Directors as proxies. Representation may not be delegated in relation to matters regarding which the Board Member is in any situation of conflict of interest. Proxies must be granted on a special basis for each meeting of the Board, and may be communicated by any of the means provided for convening meetings. "

C.1.25 Indicate the number of times the board met during the year. Also indicate, if applicable, the number of times the board met without the chair in attendance. The calculation should include proxies with specific instructions.

Number of board meetings	8
Number of board meetings without the chair in attendance	0

Indicate the number of times the coordinating director held meetings with the other board members without a CEO in attendance:

Number of meetings	0

Indicate the number of times the board's various committees met during the year:

Number of ASG Committee meetings	2
Number of Audit and Compliance Committee meetings	6

Number of Appointments and Remuneration Committee meetings	2

C.1.26 Indicate the number of times the board met during the year and the attendance information of its members:

Number of meetings with at least 80% of the board members present in person	8
In-person attendance % out of total votes during the year	93.64
Number of meetings with all board members present in person or represented by proxies with specific instructions	4
% of votes issued with in-person attendance and proxies with specific instructions, out of the total votes cast during the year	93.64

C.1.27 Indicate if the individual and consolidated annual financial statements submitted to the board for drawing up are certified first:

[] Yes
[✓] No

If applicable, indicate the person(s) who certified the company's individual and consolidated annual financial statements, for drawing up by the board:

C.1.28 Explain any mechanisms the board put in place to ensure that the annual financial statements it submits to the general meeting are drawn up in accordance with accounting regulations.

Pursuant to Article 3 of the Audit and Compliance Committee Regulations, the committee's duties include:

- f) Analyzing, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- g) Supervising the process of preparing and reporting mandatory financial and non-financial information.
- h) Proposing to the Board, for submission to the General Meeting, the appointment, re-election, or replacement of the auditors, as well as the conditions for retaining them, in accordance with the applicable regulations, and to receive regular information from them on the audit plan and its implementation, in addition to preserving their independence in the exercise of their functions.
- i) Supervising the work of the Compliance and Internal Audit areas, which will functionally report to the Audit and Compliance Committee, and ensuring their independence.
- j) Proposing the selection, appointment, and dismissal of those responsible for the Compliance and Internal Audit services; proposing the budget for these services; approving the orientation and annual work plan, ensuring that their activity is focused primarily on the relevant risks; receiving periodic information on their activities; and verifying that Senior Management takes into account the conclusions and recommendations of their reports.

k) Establishing the appropriate relationships with the auditors to receive information on any issues that may jeopardize their independence, for examination by the Committee, and any others related to the process of auditing the accounts, along with any other communications specified in the legislation on auditing of accounts and in the other auditing standards.

l) In any case, it will receive annually from the auditors written confirmation of their independence in relation to the Company or entities directly or indirectly related to it, as well as information on additional services of any kind rendered and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them in accordance with the legislation on auditing of accounts.

m) Issuing annually, prior to the audit report, a report expressing an opinion on the independence of the auditors. This report must, in any case, express an opinion on the provision of the additional services referred to in the preceding section, on the terms established by law.

n) Informing the Board regarding the financial and non-financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that the interim financial statements are prepared under the same accounting criteria as the annual accounts and, to this end, considering the appropriateness of a limited review by the auditor.

C.1.29 Is the secretary of the board a board member?

[] Yes
[✓] No

If the secretary is not a board member, fill out the following table:

Name or company name of the secretary	Representative
JOSÉ RAMÓN BEREÇIBAR MUTIOZABAL	

C.1.30 Indicate the specific mechanisms that the company has put in place to preserve the independence of the external auditors, and the case being, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Article 46 of the Board Regulations regulates the relations with the external auditors: "Article 46. Relations with

Auditors

1. The Board's relations with the Company's external auditors will be channeled through the Audit and Compliance Committee, on the terms resulting from the Bylaws and the Regulations of the Audit and Compliance Committee.

2. In its report, the Board will report the fees paid by the Company each year to the auditor for services other than auditing.

3. The Board will endeavor to draw up the annual accounts in such a way that there is no room for qualifications by the auditor. However, when the Board considers that its opinion should be kept, it must explain the content and scope of the discrepancy. "

By virtue of this mandate, the Audit and Compliance Committee will be responsible for maintaining relations with the external auditors in order to receive information on any matters that may jeopardize their independence and on any other matters related to the process of auditing the financial statements, as well as any other communications specified in the legislation on auditing the financial statements and in the technical auditing standards.

C.1.31 Indicate whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

[] Yes
[✓] No

If there were disagreements with the outgoing auditor, explain their content:

[☐] Yes
[☒] No

C.1.32 Indicate if the audit firm performs other work for the company and its group other than auditing services, and in that case state the amount of the fees paid for that work and the percentage it represents of the fees billed to the company and its group for audit services:

[☒] Yes
[☐] No

	Company	Group companies	Total
Amount of non-auditing services (thousands of euros)	157	311	468
Amount of non-auditing services / Amount of auditing services (in %)	100	24. 47	32. 89

The amount of the non-auditing services over the amount of auditing services is 103,29% as long as the non-auditing services are a higher amount than the auditing services in the stand-alone parent company.

C.1.33 Indicate if the audit report on the previous year's financial statements contained qualifications. If so indicate the reasons that the head of the Audit Committee gave to the general meeting to explain the content and extent of the qualifications.

[☐] Yes
[☒] No

C.1.34 Indicate the number of years that the current audit firm has been auditing the company's individual and consolidated annual financial statements without interruption. Also indicate the percentage of years audited by the current audit firm out of the total number of years with audited annual financial statements:

	Individual	Consolidated
Number of uninterrupted years	19	19

	Individual	Consolidated
No. of years audited by the current audit firm / No. of years the company and its group have been audited (in %)	52. 77	52. 77

C.1.35 Indicate, and if applicable provide details, whether there is a procedure for board members to get the necessary information to prepare for management body meetings sufficiently in advance:

[☒] Yes
[☐] No

Details of the procedure

In accordance with Article 20 of the Board Regulations, at the time the meeting is called, the directors will be sent the relevant information for the purposes of the meeting.

In addition, sufficiently in advance, the directors are sent a copy of the presentation that will serve as a guide for the meeting, so that they are aware in

advance of the content of the various items on the agenda and have enough time to prepare for the meetings.

In addition, Article 29 of the Board Regulations states that, in order to be assisted in the performance of their duties, any directors may request the engagement, at the company's expense, of legal, accounting, financial, technical, commercial, or other expert advisors, if they deem it necessary for the proper performance of their duties. The assignment must necessarily deal with specific problems of special complexity.

C.1.36 Indicate and, if applicable, provide details, on whether the company has put rules in place that require directors to report and, if applicable, resign when situations arise that affect them, whether or not they are related to their performance in the company itself, that could damage the credit and reputation of the company:

☒ Yes
☐ No

Explain the rules

Article 26. 2(d) of the Board Regulations requires its members to place their position at the disposal of the Board in the event that "(. . .) they are prosecuted for an allegedly criminal act or are the subject of disciplinary proceedings for serious or very serious misconduct conducted by the supervisory authorities".

C.1.37 Indicate, unless there have been special circumstances recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting director, whether or not it is related to their performance in the company itself, which could damage the credit and reputation of the company:

☐ Yes
☒ No

C.1.38 Provide details of any significant agreements that the company has reached and that come into force, are modified, or terminated in the event of a change in control of the company due to a public buyout bid, and their effects.

There are no such significant agreements.

C.1.39 Identify individually, in the case of directors, and in aggregate in all other cases, and indicate, in detail, any agreements between the company and its executives and directors or employees that provide for severance pay or golden parachute clauses if they resign or are unfairly dismissed or if the contractual relationship comes to an end as a result of a takeover bid or other types of operations.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
CEO of the company	The contract with the CEO complies with subsections (g) (clawback) and (h) (termination) of section IV of the Director Remuneration Policy. "(g) In view of the proposal, if applicable,

Type of beneficiary	Description of the agreement
	by the Appointments and Remuneration Committee, the Board has the power to claim any remuneration already paid out in relation to the commitment to remain and not compete (claw-back clauses) in the aforementioned circumstances. In addition, additional grievance measures may be taken in special situations such as fraud, and serious breach of law. " (h) The CEO will be entitled to receive the full amount of his long-term variable remuneration and the full amount of his tenure and non-compete commitment in the event that the General Meeting and the Board decide not to retain him in office for any circumstances within the ten (10) year period from January 1, 2018. In addition, he may also be entitled to receive an additional amount (at most, equivalent to two years' worth of his fixed and variable remuneration in the short term) to be included, if applicable, in his contract. "

Indicate whether, beyond in the cases provided for by regulations, these contracts must be reported to and approved by the bodies of the company or of its group. If so, specify the procedures, the cases envisaged and the nature of the bodies responsible for approving or communicating them:

	Board of directors	General meeting
Body that authorizes the clauses	√	
	Yes	No
Is the general meeting informed of the clauses?	√	

C.2. Board committees

C.2.1 Provide details on all of the board's committees, their members, and the proportion of executive, proprietary, independent, and other external board members on them:

ASG Committee		
Name	Position	Category
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary director
GOIZALDE EGAÑA GARITAGOITIA	CHAIRMAN	Proprietary director
MARIA TERESA SALEGUI ARBIZU	MEMBER	Proprietary director

% of executive directors	0. 00
% of proprietary directors	100. 00
% of independent directors	0. 00
% of other external directors	0. 00

Explain the duties delegated or attributed to this committee other than those already described in section C. 1. 9, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The ASG Committee is an internal informative and consultative body without executive functions that has the power to provide information, advice, and proposals in areas under its purview.

To this effect, the ESG Committee will have the following responsibilities:

- a) Ensuring the existence of a Code of Conduct in the Company, proposing its approval and its subsequent modifications to the Board, and promoting any relevant issue for the promotion of knowledge and compliance with the Code of Conduct.
- b) Supervising the regulations of the Company's ethics channel and internal procedures to verify their effectiveness in preventing inappropriate conduct and identifying any policies and procedures that may be more effective in promoting the highest ethical standards.
- c) Periodically reviewing the environmental policies, including climate change, social and corporate governance policies and proposing any modifications and updates to the Board for approval or submission to the General Shareholders' Meeting, that would contribute to their development and continuous improvement.
- d) Understanding, promoting, guiding, and supervising the strategy and performance of corporate governance in matters of sustainability and reporting on them to the Board.
- e) Supervising compliance with legal requirements and corporate governance standards.
- f) Supervising and assessing the relationship processes with the different stakeholders.
- g) Evaluating and reviewing the Company's plans for implementing ESG policies and tracking their degree of compliance.
- h) Reporting on the performance by entities of a foundational nature linked to the Group of the general interest and ESG activities entrusted to them.
- i) Reporting on the Company's Annual Corporate Governance Report prior to its approval, requesting reports from the Audit and Compliance Committee and the Appointments and Remuneration Committee in relation to the sections of the report that fall within its purview, and the annual report.
- j) Any other duties that may be resolved by the Company's Board.

During the year in question, the most significant actions have been the following:

- (i) reporting on the ACGR, CRR, and Annual Financial Report in the matters under its purview;
- (ii) reporting on the consolidated Statement of Financial Information and the circumstances related to its content;
- (iii) tracking the operation of the Code of Ethics and the incidents that occurred during the year as a result of the Ethics Mailbox;
- (iv) assessing corporate policies and actions to be implemented during the year, as well as making suggestions to modify existing policies.

Audit and Compliance Committee

Name	Position	Category
CARLOS SOLCHAGA CATALÁN	MEMBER	Independent director
ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	Independent director
MARIA TERESA SALEGUI ARBIZU	MEMBER	Proprietary director
ARANTZA ESTEFANÍA LARRAÑAGA	MEMBER	Independent director

% of executive directors	0. 00
% of proprietary directors	25. 00
% of independent directors	75. 00
% of other external directors	0. 00

Explain the duties, including, if applicable, any beyond those required by law, assigned to this committee, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law or in the bylaws or in other corporate resolutions.

The Audit and Control Committee has the responsibility of assisting the Company's Board in the supervision of the financial and non-financial statements as well as in the exercise of the control function in the Company and the companies that are part of its Group.

To that end, the Audit and Control Committee will have the following powers:

- a) Periodically reviewing the risk policy and proposing amendments and updates to the Board.
- b) Approving the policy on retaining the auditor.
- c) Informing the General Meeting regarding any questions the shareholders in it raise on matters under its purview.
- d) Supervising the effectiveness of the internal control mechanisms of the Company and its Group, as well as their systems for managing financial and non-financial risks, including tax risks and risks related to corruption.
- e) Generally ensuring that the internal control policies and systems in place are applied effectively in practice.
- f) Analyzing, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- g) Supervising the process of preparing and reporting mandatory financial and non-financial information.
- h) Proposing to the Board, for submission to the General Meeting, the appointment, re-election, or replacement of the auditors, as well as the conditions for retaining them, in accordance with the applicable regulations, and to receive regular information from them on the audit plan and its implementation, in addition to preserving their independence in the exercise of their functions.
- i) Supervising the work of the Compliance and Internal Audit areas, which will functionally report to the Audit and Compliance Committee, and ensuring their independence.
- j) Proposing the selection, appointment, and dismissal of those responsible for the Compliance and Internal Audit services; proposing the budget for these services; approving the orientation and annual work plan, ensuring that their activity is focused primarily on the relevant risks; receiving periodic information on their activities; and verifying that Senior Management takes into account the conclusions and recommendations of their reports.
- k) Establishing the appropriate relationships with the auditors to receive information on any issues that may jeopardize their independence, for examination by the Committee, and any others related to the process of auditing the accounts, along with any other communications specified in the legislation on auditing of accounts and in the other auditing standards.
- l) In any case, it will receive annually from the auditors written confirmation of their independence in relation to the Company or entities directly or indirectly related to it, as well as information on additional services of any kind rendered and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them in accordance with the legislation on auditing of accounts.
- m) Issuing annually, prior to the audit report, a report expressing an opinion on the independence of the auditors. This report must, in any case, express an opinion on the provision of the additional services referred to in the preceding section, on the terms established by law.
- n) Informing the Board regarding the financial and non-financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that the interim financial statements are prepared under the same accounting criteria as the annual accounts and, to this end, considering the appropriateness of a limited review by the auditor.
- o) Reporting to the Board, before it adopts the corresponding decision, on the creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might undermine the transparency of the Group.
- p) Any other duties that may be resolved by the Company's Board.

During the year in question, the most relevant actions have been the following:

- (a) Analyzing the Periodic Public Information, prior to its submission to the CNMV and the Governing Bodies of the Bilbao and Madrid Stock Exchanges.
- (b) Analyzing the annual accounts (balance sheet, profit and loss account, statement of cash flows and statement of changes in equity and notes to the financial statements) and directors report of the Company and its consolidated group for the year ended December 31, 2019.
- (c) Following-up on the external audit procedures.
- (d) Analyzing the internal audit procedures and, in particular, the procedures related to the Internal Control System on the procedure for the preparation of financial information (ICFR).
- (e) Verifying the accounting liquidity status in relation to the approval of an interim dividend paid out from 2020 profits.
- (f) Analyzing the company's risk map. This year, the Audit Committee specifically analyzed the impact of the crisis arising from the health emergency resulting from COVID-19.
- (g) Reporting on the items under its purview on the general meeting's agenda, and especially on the corresponding re-selection of the external auditor.
- (h) Reporting on the CIE Group's tax policy.

Identify any board members on the audit committee who were appointed in view of their experience in accounting, auditing, or both, and reporting on the date when the committee's chair is appointed to the position.

Names of board members with experience	CARLOS SOLCHAGA CATALÁN
Date chair was appointed to the position	2/22/2019

The Appointment and Remuneration Committee		
Name	Position	Category
CARLOS SOLCHAGA CATALÁN	CHAIRMAN	Independent director
ÁNGEL MANUEL OCHOA CRESPO	MEMBER	Independent director
FRANCISCO JOSÉ RIBERAS MERA	MEMBER	Proprietary director

% of executive directors	0. 00
% of proprietary directors	33. 33
% of independent directors	66. 67
% of other external directors	0. 00

Explain the duties, including, if applicable, any beyond those required by law, assigned to this committee, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law or in the bylaws or in other corporate resolutions.

The Appointments and Remuneration Committee is an internal informative and consultative body without executive functions that has the power to provide information, advice, and proposals in areas under its purview.

To that end, the Appointments and Remuneration Committee will have the following powers:

- Proposing to the Board the remuneration policies for directors and senior managers and reviewing them periodically, proposing, where appropriate, modifications to them and updating the Board.
- Reporting on and reviewing the criteria to be followed for the composition of the Board and the selection of candidates and, in particular, the skills, knowledge and experience required, as well as evaluating the time and dedication required to properly perform their duties.
- Ensuring that, when filling new vacancies or appointing new directors, the selection procedures do not suffer from implicit biases that could imply any discrimination and, in particular, that they do not hinder the selection of female directors.
- Establishing a representation target for the under-represented gender on the Board and developing guidelines on how to hit this target.
- Submitting proposals to the Board on the appointment of independent directors for appointment by co-opting or for submission to the decision of the General Meeting, as well as proposals for the re-election or removal of those directors by the General Meeting, and reporting on proposals for the removal of those directors made by the Board.
- Reporting on the proposals for the appointment of the remaining Board Members for their appointment by co-opting or for their submission to the decision of the General Meeting, as well as the proposals for the re-election or removal of those Board Members by the General Meeting.
- Reporting on and submitting the proposals for the appointment of the internal positions of the Board and the members that should sit on each committee.
- Examining and organizing the succession of the Chair of the Board and the CEO of the Company and, where appropriate, sending the Board proposals so that the succession occurs in an orderly and planned manner, in accordance with the succession plan approved by the Board.
- Proposing to the Board the system and amount of the annual remuneration of the directors, as well as the individual remuneration of the CEOs and the other basic conditions of their contracts, including any compensation or indemnities that may be fixed in the event of their departure, in accordance with all cases with the directors' remuneration policy approved by the General Meeting.

- j) Supervising the process of selecting candidates for senior management of the Company and reporting on the Company's CEO's proposals regarding the appointment or removal of senior managers.
k) Reporting and submitting to the Board the proposals by the Company's CEO regarding the remuneration structure of senior executives and the basic conditions of their contracts.
l) Ensuring compliance with the Company's remuneration programs and reporting on the documents to be approved by the Board for general disclosure regarding information on remuneration, including the Annual Report on Directors' Remuneration and the corresponding sections of the Company's Annual Corporate Governance Report.
m) Any other duties that may be resolved by the Company's Board.

In relation to its basic duties regulated under the Board Regulations, the committee's main actions this year were:

- (a) Analyzing the IAGC, the IARC and the Annual Financial Report in the areas under its purview.
(b) Reporting on the remuneration of the Board members.
(c) Monitoring the evaluation of the Board members.
(d) Reporting on the type of each member of the Board.
(e) Reporting on the process of searching for new independent Board members, until the appointment of a new independent director.
(f) Reporting on the re-election and appointment of all the Board Members that make up the Company's Board, as resolved at the Ordinary General Meeting held on April 29, 2020.

C.2.2 Complete the following table with the information regarding the number of female directors on the Board's committees at the end of the last four years:

	Number of directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
ASG Committee	2	66.66	2	66.66	2	66.66	2	66.66
Audit and Compliance Committee	2	50.00	1	33.33	1	33.33	1	33.33
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, if applicable, the existence of regulations of the board committees, the place where they are available for consultation, and any changes that were made to them during the year. In turn, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Each of the committees of the Board described in the preceding sections has its own regulations. This information is available on the company's website (<http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion>).

Certain articles of the Regulations of the Audit and Compliance Committee and of the Regulations of the ASG Committee have been amended, in coherence with the amendments made to the Regulations of the Company's Board, on October 27, 2020.

The Audit and Compliance Committee, the Appointments and Remuneration Committee and the ESG Committee have prepared the corresponding reports on their activities during 2020, which have been made available on the aforementioned website.

D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and relevant bodies for approving related-party and intragroup transactions.

The transactions that the company or group companies carry out with directors and shareholders with a significant holding or are represented on the board of directors, as well as with their related parties, in the terms established by law, must be first submitted for approval before the board of directors after the Audit and Compliance Committee having issued its own report. In any case, whatever their nature, all related-party transactions are carried out at market prices and in compliance with the applicable regulations.

D.2. Provide a breakdown of the significant transactions by their amount or due to their type made between the company or group entities and significant shareholders of the company:

Name or company name of the significant shareholder	Name or company name of group company or entity	Nature of the relationship	Type of transaction	Amount (in thousands of EUR)
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Sales of finished and unfinished goods	109,791
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Purchases of finished and unfinished goods	10,184
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Services received	1,059
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Provision of services	34
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	MFE	Commercial	Sales of finished and unfinished goods	3,315
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	GRUPO MÉXICO	Commercial	Sales of finished and unfinished goods	10,989
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	GRUPO MÉXICO	Commercial	Purchases of finished and unfinished goods	217

- D.3.** Provide a breakdown of the significant transactions by their amount or their type made between the company or group entities and the directors or managers of the company:

Name or company name of director or manager	Name or company name of group company or entity	Relationship	Nature of the transaction	Amount (in thousands of EUR)
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S. A.	Jesús María Herrera Barandiarán CEO of CIE Automotive, S. A.	Others	9,100
MANAGEMENT TEAM	CIE AUTOMOTIVE, S. A.	Certain managers of the company group	Financing agreements: loans	22,947

- D.4.** Provide a breakdown of the significant transactions between the company and other group entities, except those that are removed during the preparation of the consolidated financial statements and that do not form part of the company's normal operations with regard to their purpose and conditions:

Any intragroup transaction carried out with entities incorporated in countries or territories that are considered tax havens must be reported:

Company name of the group entity	Short description of transaction	Amount (in thousands of EUR)
No data available		N. A.

- D.5.** Provide a breakdown of the significant transactions made between the company or group entities and other related parties that have not been detailed in the above sections.

Company name of the related party	Short description of transaction	Amount (in thousands of EUR)
Asociadas AEL	Sales	213
Asociadas AEL	Purchases	196
Asociadas AEL	Services received	99
SAMAP	Sales	4,205
SAMAP	Services rendered	2,703
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Services received.	3,127

Company name of the related party	Short description of transaction	Amount (in thousands of EUR)
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Services rendered.	15
Banca March, S. A.	Financial expenses.	145
GLOBAL DOMINION ACCESS, S. A.	Services received.	273

D.6. Detail the mechanisms established for detecting, determining, and resolving possible conflicts of interest between the company and/or its group and its board members, managers, or significant shareholders.

Article 34 of the Board Regulations states the following: "Article 34. Conflicts of Interest
Board Members must take the necessary measures to avoid being involved in situations of conflict of interest as established by law.

It will be considered that there is a conflict of interest in any situation where the personal interest of a Board Member and the interest of the Company directly or indirectly clash with one another. A personal interest exists when an issue either concerns a Board Member or a Related Party. For the purpose of this Regulation, the Related Parties of a Board Member are the following:

1. The spouse of a Board Member or person in a similar relationship;
2. Ascendants, descendants, and siblings of a Board Member and those of the Board Member's spouse;
3. Spouses of the ascendants, descendants, and siblings of the Board Member;
4. Companies in which the Board Member, directly or by proxy, is found in any of the situations described in section 4 of Securities Market Act.

With regard to legal entities that are Board Members, Related Parties are understood to be the following:

1. With regard to the legal entity Board Member, Shareholders who are found in any of the situations described in section 4 of Securities Market Act;
2. Directors in fact or in law, receivers, and proxies with general powers of attorney for legal entity Board Members.
3. Companies belonging to the same group, as described in section 4 of Securities Market Act, and its shareholders.
4. With regard to the proxy of the legal entity Board Member, persons who are Related Parties to Board Members, pursuant to this section.

When there is a conflict of interest, the following rules will be applied:

Communication: the Board Member must inform the Board of Directors and the Audit and Compliance Committee, through the Chairman or the Secretary, of any situation of conflict of interest.

Abstention: the Board Member must leave the meeting and abstain from intervening during the debate and casting a vote in relation to any items on the agenda in which there is a conflict of interest with such Board Member. Proprietary Directors must abstain from voting on matters that may represent a conflict of interest between the shareholders having proposed their appointment and the Company.

Transparency: the Company will report, when required in accordance with the law, on any situation of conflict of interest involving the Board Members during the year in question and that it is recorded in the notice regarding the party concerned or by any other means. "

D.7. Indicate whether the company is controlled by another listed or unlisted entity under the scope of section 42 of the Commercial Code and has, directly or through its subsidiaries, business relationships with such entity or its subsidiaries (other than those of the listed company) or carries out activities linked to any of their activities.

☐ Yes
☒ No

E. CONTROL AND RISK MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Control and Risk Management Systems, including tax risk:

CIE Automotive has a Risk Management System (RMS) to reduce any risks that could jeopardize its corporate objectives to tolerable levels if they ever materialized. This model, defined under its Control and Risk Management Policy follows the ISO 31000 methodology and it is the responsibility of the Board, which delegates its oversight and proper functioning to the Audit and Compliance Committee.

CIE Automotive's RMS reasonably ensures that all significant risks - strategic, operational, financial, non-financial, ESG (Environmental, Social and Good Governance) and compliance - are prevented, identified, assessed, and subjected to continuous monitoring. These risks are approved by the Board of Directors and managed based on their risk appetite and risk tolerance levels.

Principles of the risk management framework:

- Promote a constructive view of the concept of risk.
- Commitment and skills of the persons involved.
- Communicate in a common language.
- Transparent communication within organization.

CIE Automotive's global corporate risk management process is based on the ISO 31000 methodology and has a five-step continuous cycle:

1. Identify key risks that may affect the achievement of the organization's objectives, including all the control objectives for financial and non-financial information, including tax risk.
2. Assess these based on their probability of occurring and their impact on the organization, always taking into account the existing controls. This ranking is used to place each risk on the Risk Map, being the main risk assessment tool.
3. Determine the response for each one.
4. Follow up on all agreed actions.
5. Report the outcome following the analysis.

E.2. Identify the company's bodies responsible for the preparation and performance of the Control and Risk Management Systems, including tax risk:

Responsibility for the performance of the risk management system, including the tax risk, rests with the Board of Directors, which relies specifically on the Audit and Compliance Committee for its oversight and proper operation.

CIE Automotive's control and risk management policy requires that all business divisions identify and assess the risks they face when achieving their business objectives, in order to identify the appropriate mitigating measures sufficiently in advance to reduce or eliminate the likelihood of the risk occurring and/or its possible impact on the objectives if it were to materialize.

E.3. Indicate the main risks, including tax risks and to the extent of the significance of those due to corruption (these under the scope of Royal Decree Law 18/2017), which may affect the achievement of the business objectives:

During the development of its activity, CIE Automotive is exposed to a range of risks inherent to the various lines of business carried out and the countries in which they are carried out.

Moreover, a shift in the degree of socioeconomic uncertainty existing in the markets where CIE Automotive operates may lead to risk factors, currently unknown or not considered relevant, which could affect the business, the results and/or the financial position of the company.

The following are the risk categories that CIE Automotive faces while meeting its business objectives:

- Strategic Risks: affect the high-level objectives directly connected to the Strategic Plan.
- Operational Risks: affect the objectives linked to the effective and efficient use of resources.
- Financial Risks: affect the planned information reliability objectives, both internally and externally.

- Compliance Risks: non-compliance risk enacted by Senior Management, the Management Team or employees associated with external and internal regulations.
- ESG (Environmental, Social and Good Governance) Risks: affect environmental, social, ethical, and corporate governance aspects and also compliance with laws and regulations.

The 2020 Risk Map highlights the growing concern of cybersecurity and the economic damage it can cause due to its poor management, as well as the increased perception of possible cases of fraud and corruption within the company associated with cybersecurity.

Also, the map shows the consolidation, as the main risks, of those intrinsic to the sector and their evolution, such as the risk of market trend changes and customer satisfaction, and another specific to the trajectory, growth, and future of CIE Automotive, which is inorganic growth management. For both scenarios, taking care of people, the company's greatest asset, is key and the risks that reside here are: having a training and talent policy and an appropriate generational change (succession plan).

E.4. State whether the entity has risk tolerance levels, including tax risks:

The Board of Directors has approved acceptable risk levels for each type of risk, business, and geographic location, as well as the levels of allowable deviation based on the strategic objectives and the strategic lines for their achievement. Acceptable risk levels are periodically updated in line with changes made to the corporate strategy and the business risk profile.

Risks that threaten the achievement of business objectives, including tax risk, are identified on a yearly basis, and are assessed according to how likely they are to occur and their possible economic, reputational and organizational impact, in order to determine the risk severity level.

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

The review of the 2020 Risk Assessment shows the alignment of the Risk Map with CIE Automotive's strategy, as well as the effectiveness of the Operational Internal Control System since none of the key risks materialized during the year.

E.6. Explain the response and oversight plans for the entity's main risks, including tax risks, as well as the procedures implemented by the company to ensure that the board of directors can respond to any new challenges as they arise:

The assessment and verification of the effectiveness of the corporate risk control and oversight system is carried out periodically by the Compliance department, which has qualified and expert personnel working independently of the business lines and every year a Risk Map is presented to the Audit and Compliance Committee for its monitoring and approval which is later reported to the Board of Directors.

The Risk Map is a comprehensive report, broken down by region, technology and by region and technology, which shows the impact (in EUR) on the EBITDA of any possible materialization for each risk, as well as the evolution of the main risks over the last three years for all listed categories. The entire process is monitored using the internal management tool called SAP GRC.

Measures adopted by CIE Automotive to oversee the main risks of the 2020 Risk Map: Cybersecurity:

CIE Automotive initiated a project in 2018 to protect these assets with an approach incorporating process reengineering and social engineering and based on the pillars of international standards, in order to manage information security in real time and maintain the traceability of all security management processes. The services that have been worked on from the beginning of the project and until now are the following:

- o SOC (Security Operations Center).
- o SIEM (Security Information and Event Management).
- o Incident Response.

Complementing these actions was work to improve access and user policies for information systems, contingency plans for data and equipment losses and antivirus improvements and, also, at the end of 2020 an pilot cybersecurity awareness project was launched that will be deployed within the organization after its approval and final test.

Fraud and Corruption

CIE Automotive has a Criminal Risk Prevention Model, through which it identifies possible crimes that could be committed and establishes the internal controls necessary to mitigate or eliminate them. The model, created in 2015 and updated in 2019 following the collaborative project carried out with the external consultant Deloitte, has been implemented locally during 2020 in Mexico, Brazil, China, and India (still in production) and in 2021 it will be implemented at a global level.

There is a Support Unit, composed of:

- o The General Secretary of CIE Automotive, who will carry out functions of the Chair, Management and Coordination of the Support Unit. o A representative of the CIE Automotive Internal Audit Department.
- o Others that are required due to the subject matter.

This body has autonomous powers of initiative and control within the organization and is responsible for ensuring compliance with the Criminal Risk Prevention Model.

The company relies on this model as a means to combat money laundering through its internal control system (via the SAP GRC tool), so as to ensure it is compliant with the external regulations and the policies and procedures in place to mitigate this risk.

Apart from this, it must be highlighted that training courses on criminal liability and anti-corruption were delivered to the Board of Directors, Senior Management, and most of the Management Team at the end of 2020, whose scope will be extended further in 2021, a year in which global training in the Code of Professional Conduct will take place, being the cornerstone of the criminal liability model, for everyone working at CIE Automotive.

Change in market trends:

The company is working at being flexible in the face of new trends, in order to adapt to current or future customer needs. The main lines of action are the following:

- o Include electric vehicle parts in the portfolio (such as battery, motor, and electronic components) by setting yearly commercial objectives with the expectation of the market and its customers increasing these volumes.
- o Focus commercial efforts on functions not affected by electrification. Due to its technological and geographical diversification and its financial capacity, CIE Automotive is prepared to adapt to market change. Proof of this is that more than 80% of the portfolio can be used for any vehicle.
- o Plan for the reduction in diesel engines and saturate the media with gasoline engines.
- o Be a local provider for a global scope. Being close to manufacturers and not depend on global supply chains. Ultimately, continue working on one of the pillars of the group: multi-location.

[due to the length of the explanation of this section, it continues under section H2 - Others of this Report]

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE PROCESS OF REPORTING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the control and risk management framework regarding internal control over financial reporting (ICFR) of the entity.

F.1. Control environment of the entity.

Provide information on at least the following, indicating their main characteristics:

F.1.1 Which bodies and/or functions are responsible for (i) the existence and maintenance of an adequate and effective Internal Control over Financial Reporting framework; (ii) its implementation; and (iii) its oversight.

The Board of Directors is the body responsible, among other aspects, for the ongoing updates and improvements made to the company's corporate governance system, within the legislative framework and the most recognized recommendations on good corporate governance, while using its powers to adopt the necessary or appropriate resolutions or to propose them to the General Meeting. These functions include the responsibility for the existence and to maintain the Internal Control over Financial Reporting (ICFR) System.

The Audit and Compliance Committee is the body responsible for supervising the ICFR effectiveness of the company, Internal Audit, and the risk management process, as well as discussing with the external auditor any significant weaknesses in the internal control system detected during the audit.

The Audit and Compliance Committee relies on the Compliance Department to carry out these functions, which is responsible for the implementation of the ICFR and, in general, for the entire internal control system at CIE Automotive and ensuring that the Internal control procedures that must be implemented in the company's operations are defined and designed, as well as compliance with legal regulations, internal policies and established procedures.

F.1.2 If there are any of following structures or elements, especially those relating to the financial reporting preparation process:

Departments and/or mechanisms to ensure: (i) the design and review of the organizational structure; (ii) a clear definition of the lines of responsibility and powers, with an adequate distribution of tasks and functions; and (iii) there are sufficient procedures for a proper dissemination within the entity:

The Board of Directors is the body responsible for defining and periodically reviewing the CIE Automotive's organizational structure at the highest level and it delegates the responsibility of ensuring that dependent structures have sufficient human and material resources to Senior Management. With regard to the process of preparing financial reports, there is an interrelated global financial department made up of the Controlling and Tax Departments, as well as Treasury and the Finance Department.

Within the CIE Automotive's internal policies and procedures framework, the responsibilities and functions are defined and duly communicated to all those directly carrying out the preparation and review of financial information.

There are internal protocols ensuring that any change made to the preparation of the financial reporting is distributed to the appropriate personnel in a timely manner. Furthermore, there are controls to identify any incident in this regard.

Code of conduct, approval body, degree of dissemination and instructions, included principles and values (indicating if there are specific notes made to the transaction records or the preparation of the financial reports), body responsible for reviewing non-compliance issues and proposing corrective actions and sanctions:

Currently, CIE Automotive has a Code of Conduct as well as an Internal Code of Conduct for the Securities Markets, where there is a specific section referring to the reliability of financial information and that establishes a set of specific rules for everyone participating in the process of preparing financial reports.

Both documents are published on the corporate website and are distributed to all personnel concerned through the communication channels established for this purpose. For both cases, the Board of Directors is responsible for its definition and its approval.

The Code of Conduct establishes the basic rules and principles to ensure the commitment and transparency of relationships and operations with stakeholders, the maximization and protection of shareholder investments while safeguarding health, safety, and the environment. Also, it defines the need to control payments and any situation arising where there is a conflict of interest with employed staff.

The ESG (Environmental, Social and Good Governance) Committee has the function of, among others, the monitoring of compliance with these Codes of Conduct.

Whistle-Blowing Channel, communicating to the audit committee on financial and accounting irregularities, including any possible breach of the code of conduct and irregular activities within the organization, while stating, where appropriate, whether it is confidential in nature:

CIE Automotive has an ethics channel whose purpose is to receive reports and/or complaints related to irregular conduct or activities stemming from a breach of the principles and ethical standards of the Code of Conduct as well as an Internal Code of Conduct for the Securities Markets.

The ethical channel operating process is strengthened with a regulation that ensures that complaints can be made anonymously, ensuring the confidentiality of the complainant at all times if it is requested, as well as respecting the rights of the complainant and of the accused.

CIE Automotive has an action protocol to review received complaints and notify the ESG Committee (Environmental, Social and Good Governance Committee) for their monitoring.

Training programmes and periodic upskilling for staff involved in the preparation and review of financial information, as well as for the ICFR review, covering at least accounting standards, auditing, internal control, and risk management:

Apart from having various training programmes for its staff, CIE Automotive has the following additional training and support for staff involved in the preparation and review of financial information and in the ICFR review:

- There is an Accounting Policies Manual that is updated continuously.
- There is an ICFR Policy.
- There is a Controlling and Tax Department, responsible for resolving any interpretative issues regarding the Accounting Policies Manual, as well as advising on the treatment of any complex transaction.
- Involvement of divisional/regional controllers in supporting all members of the financial function at all plants and companies, through continuous internal training and assessment.
- If new companies are incorporated into the Group, support strategies are developed to train new employees in accordance with CIE Automotive's regulations and criteria.
- External advisers involved in updates on accounting, legal and tax matters that may affect the company.

F.2. Financial information risk assessment.

Provide information on at least the following:

F.2.1 What are the main characteristics of the risk identification process, including those of error or fraud, in terms of:

Whether the process exists and if it is documented:

CIE Automotive's global corporate risk management process is based on the ISO 31000 methodology and has a five-step continuous cycle:

1. Identify key risks, including error and fraud risks, which may affect the achievement of the organization's objectives, including all the control objectives for financial information, including tax risk.
2. Assess these based on their probability of occurring and their impact on the organization, always taking into account the existing controls. This ranking is used to place each risk on the Risk Map, being the main risk assessment tool.
3. Determine the response for each one.

4. Follow up on all agreed actions.
5. Report the outcome following the analysis.

Senior Management and the Management Team are responsible for the risk identification and assessment process, who conduct a self-assessment on the identified risks together with the Compliance Department acting as coordinator of the process.

The result is a Risk Map, as well as a list of actions that need to be carried out to ensure a proper risk management.

This is supplemented through actions that monitor the management of certain risks, which are carried out by the Compliance Department.

· Whether the process covers all of the financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown, and comparability; and rights and obligations) and if it is updated and how often:

Based on what is indicated in the procedure, during the risk identification and analysis, all aspects of financial information are treated that may have a material impact on its reliability.

At least once a year the Risk Map is updated. However, if during the year circumstances become apparent that require specific actions to manage a potential risk, the appropriate measures will be taken.

· If there is a process to determine the perimeter of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles:

All processes, Group companies and their various structures, the specificities of each country and business lines are taken into account during the process of identifying and assessing risks and special attention is paid to the risks derived from transactions that require specialized management due to their expected complexity or relevance.

· Whether the process takes into account the impact of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent they affect the financial statements:

As already mentioned, the model is based on the ISO 31000 methodology and since it is based on the organization's objectives it translates into a Risk Map that is updated at least once a year, ensuring all significant risks - strategic, operational, financial, non-financial, ESG (Environmental, Social and Good Governance) and compliance - are prevented, identified, assessed, and subjected to continuous monitoring.

· The governing body of the entity overseeing the process:

This entire process is reviewed and validated by the Audit and Compliance Committee, which must ultimately determine whether the process of identification, assessment and monitoring of the company's risks and, specifically, the measures used to identify material risks affecting financial information, is appropriate and sufficient.

F.3. Control activities.

Provide available information on at least the following, indicating the main characteristics:

- F.3.1** Procedures for the review and approval of financial information and a description of the ICFR, to be published in the securities markets, indicating the ICFR officers and managers, as well as descriptive documentation of the activity and control flows (including those for fraud risk) of the various types of transactions that could have a material impact on the financial statements, including the closing of accounts procedure and the specific review of relevant opinions, estimates, valuations and projections

The Board of Directors is the ultimate body responsible for approving and overseeing the financial statements of the company.

CIE Automotive publishes financial information for the securities market every quarter. This information is prepared by the Controlling and Tax department, which carries out a series of control activities during the closing of accounts to ensure the reliability of the financial information.

Apart from the closing of accounts procedure and before the financial information preparation and reviewing process, CIE Automotive has control procedures and activities in other key areas of the company in order to ensure the proper recording, valuation, presentation, and breakdown of transactions, as well as to prevent and detect fraudulent activities, and consequently treat any transactions that may have a material impact on the company's financial statements.

The following are the company's key processes, including the closing of accounts, which have defined risk and control matrices:

- Closing of accounts, consolidation, and reporting.
- Property, plant, machinery.
- Inventories.
- Income/Customers.
- Cash.
- Provisions.
- Procurements/Accounts Payable
- Human Resources.
- Taxes.

The financial statements are prepared in accordance with the reporting schedule and delivery dates, which are known to all those involved in this process and takes into account the legal deadlines for their presentation.

On the other hand, and for the review of opinions, estimates, valuations and projections, the Accounting Policies Manual determines the application criteria used at CIE Automotive.

The Board of Directors reviews these relevant transactions through a procedure consisting of a set of actions (review, approval and oversight of the Strategic Plan and Budget, as well as reviewing the most significant accounting estimates and opinions used for the preparation of financial information) after the Audit and Compliance Committee has first validated that the information is adequate.

- F.3.2** Internal control policies and procedures relating to information systems (including but not limited to access security, change control, operation, business continuity and functional divisions) that support the entity's key processes in its preparation and publication of financial information.

CIE Automotive has internal control policies and procedures for its information systems that support the entity's key processes, including the process for the preparing and reviewing its financial information. This policy and the associated regulatory framework is based on the ISO 27000 series.

CIE Automotive uses information systems to keep adequate records and control over its operations and, accordingly, is highly dependent on its proper operation.

As part of the process for identifying the risks of error in financial information, CIE Automotive has identified the relevant systems and applications for each of the key areas or processes. These identified systems and applications include those directly used in the preparation of financial information, as well as those that are relevant for the effectiveness of the controls mitigating the risk of errors.

CIE Automotive has system security policies established at a corporate level that are to achieve the defined overall security objectives.

The objective is to adopt the pertinent organizational, technical, and documentary measures required to ensure the desired level of security. In this regard, work is carried out in the following areas:

- User access and management control.
- Change management.
- Backup and recovery.
- Physical security.
- Subcontractor control.
- Provision of resources, elimination of risks and business maintenance.

The essential business processes for CIE Automotive have different organizational and technological solutions ensuring business continuity.

F.3.3 Internal control policies and procedures in place to manage outsourced third-party activities and the evaluation, calculation and valuation processes entrusted to independent experts, which may have a material impact on the financial statements.

As a general note, CIE Automotive does not outsource any activity considered relevant that could have a significant impact on the financial information.

However, the company has a management procedure in place for the activities outsourced to third parties, whose objective is to define the controls required for these outsourced activities that have a relevant impact on the financial information prepared by the company.

Based on the analysis, it has been considered that the only outsourced area in 2020 that could have a possible material impact on the financial information is the Information Systems area. Accordingly, the company has verified that the company providing the service has been certified, demonstrating an adequate control environment, and that these certifications are periodically validated by an external reviewer.

Also, CIE Automotive carries out periodic control activities (included in the risk and control matrices), which help validate the control environment in this area.

In relation to any other actions on relevant transactions requested to independent experts (such as tax advice, relationship with actuarial consultants and management of derivatives), CIE Automotive maintains this responsibility within the company, which requires specific control activities to ensure the reliability of such actions and, also, the Audit and Compliance Committee approves all actions of the company's external financial auditor to ensure its independence.

F.4. Information and communication.

Provide available information on at least the following, indicating the main characteristics:

F.4.1 A specific function responsible for defining, keeping the accounting policies updated (accounting policies area or department) and that resolves any doubts or conflicts arising from their interpretation, maintaining a fluid communication with those responsible for operations within the organization, as well as keeping the accounting policy manual updated and disseminating it to the units through which the entity operates.

Management of the accounting policies is the responsibility of the Controlling and Tax Department, which reports directly to the CEO. To carry out this function, the department assumes the following responsibilities:

- Maintenance, updating and dissemination of the Group's Accounting Policies Manual, based on the International Financial Reporting Standards adopted by the European Union.
- Updating and dissemination of any change made to the accounting regulations applicable to all members of the Group's financial function.
- Clarification of any doubts arising (at an individual or consolidated level) in the interpretation of the accounting regulations applicable at any given time.
- Mechanisms for capturing and preparing economic-financial information that is homogeneous in nature.

F.4.2 Mechanisms for capturing and preparing financial information with homogeneous formats, which is applied and used by all units of the entity or group, which support the main financial statements and notes, as well as the information detailed in the ICFR.

CIE Automotive has a specific system for the reporting and consolidation of financial and management information used in all the Group's units and it facilitates the regular reporting of the information in a homogeneous way. This system, which is based on the SAP BPC tool, is also used for the aggregation and consolidation of the reported data.

Also, to ensure the reliability of the ICFR information, CIE Automotive has implemented the internal control tool SAP GRC in all the Group's units.

F.5. Oversight of the functioning of the system

Provide information on at least the following, indicating the main characteristics:

F.5.1 The ICFR monitoring activities carried out by the audit committee, as well as whether the entity has an internal audit function entrusted with the task of supporting the committee in its monitoring of the internal control system, including the ICFR. Also, provide information on the scope of the ICFR review during the year and the procedure communicated by the manager in charge for evaluating its results, whether the entity has an action plan that details the possible corrective measures, and if any impact on financial information has been taken into consideration.

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

- Oversight of the periodic financial and non-financial information.
- Oversight and assessment of the functioning of the ICFR.
- Be aware of the financial information reporting process and the internal control systems associated with the relevant risks of the Company.
- Regularly review the systems for internal control, risk management and financial and non-financial information management, ensuring that any major risks are adequately identified, managed, and reported.

CIE Automotive has an Internal Audit Department that reports to the Audit and Compliance Committee, which coordinates the Internal Audit teams in Europe (whose scope includes Russia and Morocco), North America, Brazil and Asia, whose staff members are exclusively dedicated to these functions.

The main function of the Internal Audit department is to oversee the internal control system, which includes aspects such as the monitoring of the correct implementation of the risk management system, including the risk of fraud, and reliability oriented controls over financial and non-financial information.

Each year and based on the results of the risk assessment, the Internal Audit Department prepares the annual plan, which is submitted each period for the approval of the Audit and Compliance Committee being responsible for the monitoring the ICFR.

The ICFR information announced to the market or interest groups is done on a yearly basis and refers to the corresponding year of the financial report.

F.5.2 If there is an audit discussion procedure allowing the external auditor (in accordance with the Spanish Technical Auditing Standards), the internal audit function and other experts to communicate any significant internal control weaknesses identified during the review processes of the financial statements or those others that have been entrusted to them to senior management and the audit committee or the board of directors of the entity. Also, detail whether there is an action plan that addresses or mitigates the identified weaknesses.

The auditor actively participates at the Audit and Compliance Committee meetings. Also, each year the auditor issues a report on internal control weaknesses, which is presented to the Audit and Compliance Committee for the adoption of any measures that are considered appropriate.

Also, CIE Automotive has a procedure enabling any external expert that has detected an internal control weakness while carrying out a task can, through the Compliance Department, communicate these detected incidents to the Audit and Compliance Committee so they can be raised for their discussion, analysis, and evaluation.

F.6. Other relevant information.

There is no relevant information worth noting regarding the ICFR implemented in the Group that has not been presented in the above sections of this heading.

F.7. External Auditor's report.

Provide information on:

F.7.1 Whether the ICFR information announced to the market has been reviewed by the external auditor, in which case the entity must attach the corresponding report. If not, an explanation must be given.

CIE Automotive has submitted the effectiveness of the ICFR to an External Auditor to review the financial information presented in the consolidated financial statements dated 31 December 2020.

A copy of the report with the External Auditor's opinion is attached.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors, and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [X] Explain []

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [] Complies partially [] Explain [] Not applicable [X]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written Annual Corporate Governance Report, the chairman of the Board should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [] Complies partially [X] Explain []

As part of the ordinary operation of the General Meeting, the significant aspects that have arisen since the last meeting are reported, including those relating to corporate governance. However, it is not considered relevant to emphasize the reasons why the company does not follow any specific recommendation to the extent that (i) no circumstances seem sufficiently significant and that (ii) these circumstances, if any, are included in the Annual Corporate Governance Report (to which all shareholders have timely access from the time it is prepared).

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through any channels it considers appropriate (communication media, social networks or other channels) that helps to maximize the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [] Complies partially [X]

Explain []

Although the company complies with the first part of the recommendation, to date no general policy has been approved regarding the communication of economic-financial, non-financial and corporate information through any channels it considers appropriate (communication media, social networks or other channels), because the content it will feature has not yet been defined. This policy is expected to be approved shortly once the Board of Directors defines its content.

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [] Complies partially []

Explain [X]

The General Meeting has approved a proposal to delegate powers to the Board of Directors so that it may increase the share capital up to a limit of EUR 16,125,000, allowing for the possibility of issuing new shares, including the power to exclude preemptive rights. In this regard, the Board of Directors considers that at the appropriate time, the Company may make use (as applicable) of any instruments that are suitable according to the needs for new resources stemming from the Company's activities and the circumstances of each specific case.

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence
- b) Reports on the workings of the Audit and Appointments and Remuneration committees.
- c) Report by the Audit Committee on related party transactions.

Complies [X] Complies partially []

Explain []

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by remote means.

Complies ☒ Complies partially ☐

Explain ☐

The company had not considered it relevant to transmit the meetings of the General Shareholders' Meeting in real time on its website due to the characteristics of its shareholders and the level of attendance at the meetings. In view of the company's size and capitalization, the composition of its share capital and the usual unfolding of the General Meeting's sessions, the company considered that real time transmission would not be widely adopted or have a significant following, it would entail more costs than the advantages gained and, therefore, it was not a measure that would, if implemented, add value to the company's corporate governance.

The above notwithstanding, and given the situation arising from the pandemic caused by Covid-19, measures were adopted to transmit Ordinary General Meeting of April 29, 2020. It is expected that the 2021 General Meeting will adopt the same format already applied in 2020, which will also be taken into account for future years.

8. That the Audit Committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the Audit Committee should clearly explain to the General Meeting the opinion of the Audit Committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies ☒ Complies partially ☐

Explain ☐

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies partially ☐

Explain ☐

10. That when a duly authenticated shareholder has exercised their right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy, and remote voting card specimen with the necessary changes so that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [] Complies partially [] Explain [] Not applicable [X]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [] Complies partially [] Explain [] Not applicable [X]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximizing the business economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [] Explain []

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain []

14. That the Board of Directors should approve a policy aimed at favoring an appropriate composition of the Board and that:

- a) Is concrete and verifiable.
- b) ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) favors diversity of knowledge, experience, age, and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favor gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the Appointments Committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The Appointments Committee will annually verify compliance with this policy and explain its findings in the Annual Corporate Governance Report.

Complies [X]

Complies partially []

Explain []

15. That proprietary and independent directors should constitute a substantial majority of the Board and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board before the end of 2022 and thereafter, and no less than 30% prior to that date.

Complies [] Complies partially [X]

Explain []

The first paragraph is complied with, taking into account that the company only has two executive directors out of the fourteen members that make up the administration body. However, the requirement that the number of female directors should represent 30% of the members of the Board (currently 21. 43%) has not been met, although efforts are being made in this regard, as shown by the appointment of a new female independent director at the Ordinary General Meeting of April 29, 2020.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors should not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies []

Explain [X]

In keeping with paragraph (b) of the recommendation, the company has a plurality of significant shareholders represented on the Board of Directors with no ties among them.

Any possible over-representation of proprietary directors that could be identified is mitigated by the composition of the Board, with a diversity of shareholders who have a plurality of potential interests.

For this reason, the company believes that the balance that emerges from the recommendation is sufficiently attenuated by the plurality of interests of the major shareholders who are represented by proprietary directors with different profiles, knowledge, and experience.

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalization or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies []

Explain [X]

Although the company is highly capitalized, it considers that the number of independent directors correctly reflects the company's current shareholding composition.

In particular because the proportion of "independent" directors amounts to 21.43%, but the aggregate proportion of "independent" directors and other "external" directors amounts to 85.71%.

The company considers that these proportions are adequate for the configuration of the Board given the composition of its shareholders and, therefore, for the time being it is not necessary to appoint more independent directors. The company believes that the number of external directors (practically three quarters of the total) allows the decision-making process of the Board to have the levels of quality, objectivity, and independence necessary for the correct formation of the corporate will. Notwithstanding this, in subsequent appointments that may be proposed from the Board of Directors to the General Meeting, the incorporation of independent directors will be encouraged.

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a company director, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies []

Complies partially [X]

Explain []

Although there is no specific section on the website that groups the information contained in the recommendation, all the content of the information on the directors referred to in this recommendation is contained in the Annual Corporate Governance Report (available at any time on the website) and in the section of the website reserved for the Board of Directors; with which the company understands that the recommendation is partially complied with.

19. That the Annual Corporate Governance Report, after verification by the Appointments Committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honored, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honored.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the Appointments Committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with their ability to dedicate the time necessary for attention to the duties inherent to their post as a director, fails to complete the tasks inherent to their post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies ☒ Explain ☐

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Appointments and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that they be dismissed. And that these events must be reported in the Annual Corporate Governance Report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies []

Complies partially []

Explain [X]

Article 26. 2 (d) of the Board Regulations establishes the following as a case for resignation: When they [the directors] are incurred in an allegedly illegal event or are subject to a disciplinary proceeding for serious or very serious misconduct pursued by supervisory authorities".

On the one hand, the company considers that the wording of the recommendation regarding the general nature of situations "which may harm the standing and reputation" of the company is too broad and vague to be a cause, among other things, for resignation. The company also considers that the wording of article 26. 2 (d) of the Board Regulations covers most of the cases in which the company's standing or reputation may be affected -in abstract- by the actions of a director, either within their scope of action with respect to the company or beyond that scope.

Furthermore, the company considers that the procedural investigative phase is a merely a preliminary stage in a criminal investigation, for which reason it has chosen to maintain the reference to the pursuit of the misconduct as a cause for resignation. However, it should be noted that company has chosen to go beyond the scope of the criminal jurisdiction to which the recommendation refers and, in that sense, it has reinforced the causes of resignation by introducing a reference to the existence of administrative disciplinary proceedings.

As for the rest of the recommendation, none of the situations mentioned have occurred yet.

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board, even they are a director.

Complies []
]

Complies partially [] Explain []

Not applicable [X]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of their term of office, the director should explain the reasons for their decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board.

And that, without prejudice to all this being reported in the Annual Corporate Governance Report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies ☒ Complies partially ☐ Explain ☐ Not applicable ☐

25. That the Appointments Committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies ☐ Complies partially ☐ Explain ☒

The company's Board Of Directors has a balanced composition in terms of the typology of its directors. Those directors who perform duties as directors in other companies have shown that those duties do not prevent them from sufficiently dedicating themselves to their duties as directors in the company.

In addition to the above, the Appointments and Remuneration Committee, when appointing an independent director or when requesting information regarding any other type of director proposed, assesses, among other matters, the candidate's capacity of dedication to the company.

Therefore, the company understands that it is not necessary to include this limitation in the Board Regulations.

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies ☒ Complies partially ☐ Explain ☐

27. That director absences occur only when absolutely necessary and be quantified in the Annual Corporate Governance Report. And when absences do occur, that the director appoint a proxy with instructions.

Complies ☐ Complies partially ☐ Explain ☒

Directors' absences are quantified in the Annual Corporate Governance Report. It should be noted that in most cases, the absent directors delegate their representation to other directors, although they do not appoint proxies with specific instructions, leaving voting decisions to the discretion of the proxy director.

Although this practice does not comply with the recommendation, in all the sessions in which this circumstance has occurred the number of absences (although represented without instructions) has not been significant, the absent directors having been duly represented through their appointed proxies.

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, these concerns should be included in the minutes at the request of the director expressing them.

Complies [☐] Complies partially [☐] Explain [☐] Not applicable [☒]

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [☒] Complies partially [☐] Explain [☐]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [☒] Explain [☐] Not applicable [☐]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information beforehand.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors will be necessary, and that consent will be duly recorded in the minutes.

Complies [☒] Complies partially [☐] Explain [☐]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [☒] Complies partially [☐] Explain [☐]

33. That the chairman, as the person responsible for the efficient workings of the Board, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, is responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [☒] Complies partially [☐] Explain [☐]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon them the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies ☒] Complies partially ☐ Explain ☐] Not applicable ☐]

35. That the secretary of the Board should pay special attention to ensure that the activities and decisions of the Board take into account any recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies ☒] Explain ☐]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board.
- d) Performance of the chairman of the Board and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the Appointments Committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence must be verified by the Appointments Committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the Annual Corporate Governance Report.

The process and the areas evaluated must be described in the Annual Corporate Governance Report.

Complies ☒] Complies partially ☐ Explain ☐]

37. That if there is an Executive Committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies ☐] Complies partially ☐ Explain ☐] Not applicable ☒]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the Executive Committee and that all members of the Board receive a copy of the minutes of the Executive Committee's meetings.

Complies [☐] Complies partially [☐] Explain [☐] Not applicable [☒]

39. That the members of the Audit Committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [☒] Complies partially [☐] Explain [☐]

40. That under the supervision of the Audit Committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the Audit Committee.

Complies [☒] Complies partially [☐] Explain [☐]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the Audit Committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies [☒] Complies partially [☐] Explain [☐] Not applicable [☐]

42. That in addition to applicable law, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:
 - a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group –including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption– reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
 - b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors, or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
 - d) Generally ensuring that internal control policies and systems are effectively applied in practice.
2. In relation to the external auditor:
 - a) In the event of the resignation of the external auditors, to examine the circumstances that gave rise to the resignation.
 - b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
 - c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents of those differences.
 - d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
 - e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [☐]

Complies partially [☐ X]

Explain [☐]

A Despite the fact that some of the above functions are not expressly attributed to the committees by the corporate bylaws, they have been performing those tasks de facto, especially those that are expressly imposed by sections 529 quaterdecies and 529 quindecies of the Spanish Companies Act [Ley de Sociedades de Capital] (which are, therefore, directly applicable).

The Regulations of the Company's Audit Committee expressly include the following functions (referring to the matters included in Recommendation 42) that account for, at least partially and certainly not literally, the ensemble of recommendations indicated, for the preparation of information and internal control systems as well as in relation to the external auditor:

"(. . .)

- a) Ensure that internal control policies and systems are effectively implemented and in practice.
- b) Analyze, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- c) Supervise the process for preparing and reporting regulated financial and non-financial information.
- d) Propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment, re-election, or replacement of the auditors, as well as the terms of their engagement, in accordance with the applicable regulations, and to regularly receive information about the audit plan and its execution from the auditors, as well as preserving their independence in the exercise of their functions.
- e) Supervise the activity of the Compliance and Internal Audit units, which will functionally report to the Audit and Compliance Committee and ensure their independence.
- f) Propose the selection, appointment, and dismissal of the heads of Compliance and Internal Audit units; propose the budget for these areas; approve the orientation and annual work plan, ensuring that their activity is mainly focused on relevant risks; receive periodic information on their activities; and verify that senior management takes into account the conclusions and recommendations of their reports.
- g) Establish the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter that may compromise their independence, to be examined by the Audit Committee, and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in legislation regarding auditing accounts and auditing standards.
- h) In any event, the Audit Committee should annually receive from the external auditor written confirmation of the latter's independence versus the Company or institutions directly or indirectly related to the Company, as well as information on additional services of any kind provided by the aforementioned auditor or by related persons or institutions and the fees received from those entities, in accordance with the regulations governing the auditing of accounts.
- i) Annually issue, prior to the issuance of the audit report, a report in which it expresses an opinion on the independence of the auditor. This report must contain, in any case, a summary of the additional services provided as referred to in the above paragraph, in the terms established by law.

(. . .)"

43. That the Audit Committee be able to require the presence of any employee or manager of the company, even stipulating that they appear without the presence of any other member of management.

Complies [X]

Complies partially []

Explain []

44. That the Audit Committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, the proposed exchange ratio.

Complies []

Complies partially []

Explain [] Not applicable [X]

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political, and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks, contingent liabilities, and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialized Risk Committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified should they materialize.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

46. That under the direct supervision of the Audit Committee or, if applicable, of a specialized committee of the Board, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage, and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

47. That in designating the members of the Appointments and Remuneration Committee –or of the Appointments Committee and the Remuneration Committee if they are separate– care be taken to ensure that they have the knowledge, skills and experience appropriate to the functions that they are called upon to perform and that the majority of the members are independent directors.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

48. That large-cap companies have separate appointments and remuneration committees.

Complies ☐]

Explain ☒ X]

Not applicable ☐]

As the company understands, this will not be necessary, either now or in the foreseeable future, given that the activity carried out by the committee in recent times –and currently– has not been affected by the mere fact that the company's shares are now considered for the calculation of a stock index (nor for any other reasons).

In any case, the Company takes the content of this recommendation into account in the context of its constant efforts to improve the corporate governance system and, therefore, will periodically evaluate the advisability of proceeding with splitting these committees, not only from the perspective of the Company's capitalization, but also from the perspective of the circumstances inherent in the activities of the Appointments and Remuneration Committee and criteria of rationality and organizational and functional efficiency.

49. That the Appointments Committee consult with the chairman of the Board and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the Appointments Committee to consider potential candidates that they consider suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [] Explain []

50. That the Remuneration Committee exercise its functions independently and that, in addition to the functions assigned to it by law, it is responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Ensuring that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [] Complies partially [X] Explain []

The Regulations of the Company's Appointments and Remuneration Committee expressly include the following functions (referring to the matters set forth in Recommendation 50), which reflect, at least partially and certainly not literally, the ensemble of recommendations mentioned above:

"a) Propose the remuneration policies of the directors and senior executives to the Board of Directors and review them periodically, proposing, where appropriate, their amendments and updates to the Board of Directors. (Recommendation 50 a) and c))

k) Inform and submit to the Board of Directors the proposals of the Company's Chief Executive on the structure of remuneration of senior managers and the basic terms of their contracts (Recommendation 50 a)).

l) Oversee compliance with the Company's remuneration programs and inform the documents approved by the Board of Directors for general disclosure in relation to information on remuneration, including the Annual Report on Remuneration of Directors and the corresponding sections of the Company's Annual Corporate Governance Report. (Recommendation 50 b) and e))".

With regard to section d) of this recommendation, Article 9. 2 of the Regulations of the Appointments and Remuneration Committee establishes the possibility of the Committee seeking external advice in the performance of its duties. In this sense, and regardless of whether or not it is expressly provided for by the Appointments and Remuneration Committee –in practice and as an intrinsic and inseparable part of the debate on the possible appointment of any external advisor– the Committee evaluates the existence of current or potential conflicts of interest. This evaluation may result in the introduction of the necessary precautions in rendering of the external advisor's services, or even cause the external advisor in question not to be appointed. For all these reasons, the Company does not consider it necessary to literally include the contents of section d) of Recommendation 50 in the Regulations of the Appointments and Remuneration Committee.

51. That the Remuneration Committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X]

Complies partially []

Explain []

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the Board Regulations and that they should be consistent with those applying to legally mandatory committees in line with the above recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That they be chaired by independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies []

Complies partially [X]

Explain [] Not applicable []

With regard to the ESG Committee, paragraphs a) and b) of the applicable recommendations are not complied with, insofar as there are no independent directors on the Committee. Therefore, the company considers that the functions attributed to this committee are correctly carried out by external directors, who have the same criteria of correctness and independence of criteria as the independent directors, with whom there would be unity of analysis; therefore, it is not considered necessary that either the chairman or any of its members be appointed from among the company's independent directors.

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board, which may be the Audit Committee, the Appointments Committee, a specialized committee on sustainability or corporate social responsibility or any other specialized committee that the Board of Directors, in the exercise of its powers of self-organization, may have decided to create. And that this committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned that committee.

Complies []

Complies partially [X]

Explain []

Although the rest of the recommendation is complied with, the ESG Committee –which is responsible for oversight in the indicated matters– is made up solely of non-executive directors, but all of them are proprietary directors. In this regard, after evaluating the profile and origin of the different directors, the company understands that those appointed to the ESG Committee are best-suited for performing the functions attributed to the committee, regardless of their status as proprietary directors.

54. The minimum functions referred to in the above recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the social interest and take the legitimate interests of other stakeholders into account, as appropriate.
- d) Supervision of the company's environmental and social practices to ensure that they are in line with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X]

Complies partially []

Explain []

The company understands that all of the above minimum functions are attributed to the ESG Committee (according to its functions as indicated in Article 3 of the Regulations of the ESG Committee), although the recommendation and the text of Article 3 of the Regulations of the ESG Committee are not identically worded.

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives, and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.
- b) Means or systems for monitoring compliance with these policies, their associated risks, and their management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation, and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and reputation.

Complies [X]

Complies partially []

Explain []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X]

Explain []

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options, or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other mutual benefit systems.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The above will not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [] Explain []

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that this remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that these criteria take into account the risk incurred to achieve a given result.
- b) Promote the company's sustainability and include non-financial criteria that are aimed at creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, ensuring that the elements used to measure performance are not associated only with one-off, occasional, or extraordinary events.

Complies [] Complies partially [X] Explain [] Not applicable []

The CEO receives annual variable remuneration, dependent on the achievement (in a generic sense, since no target levels of achievement are determined) of economic objectives (Net Income, EBITDA) that can be assessed and evaluated by the Appointments and Remuneration Committee.

The Company does not consider it relevant to the intended purpose of the variable remuneration to link it to measurable and direct objective elements linking the remuneration to the Company's performance, beyond a generic element of compliance with the levels of Net Income and EBITDA forecasts for the year (budget).

As a consequence of the relationship between the Company and its CEO and the CEO's commitment, value generation and loyalty shown to the Group, the company does not contemplate the need to introduce control or correction mechanisms such as those indicated in sections b and c of the recommendation.

The performance of the executive directors receiving this type of remuneration has traditionally been of high commitment and dedication to the Company and the Company's performance has been sufficiently satisfactory not to introduce this kind of performance-linked measures.

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies []

Complies partially [X]

Explain [] Not applicable []

The company complies with the first part of the recommendation, since the payment of the variable components of the remuneration is effectively linked to the adequate checks listed in the annual report on directors' remuneration.

However, the company is not considering the inclusion of a reduction clause (malus). The company believes that there are other ex post mechanisms that more effectively cover this risk. In this regard, the variable long-term remuneration based on the evolution of the share price to which the CEO is entitled is generated over a ten-year period. Therefore, there is a long-term link that allows checks to be performed on short- or medium-term events that might make it advisable to suspend the accrual of the variable compensation.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [] Complies partially []

Explain [X] Not applicable []

The CEO's remuneration does not take these circumstances into account, on the understanding that there are other ex post mechanisms that more effectively cover this risk. In addition, it should be noted that the external auditor has not issued any qualifications of the financial statements.

In the event that these existed, it would be necessary to understand the circumstances in which they arose, and therefore, the consequences of this fact would be subject to assessment by the Board of Directors at all times.

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [X]

Complies partially []

Explain [] Not applicable []

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of their fixed annual remuneration through the ownership of shares, options, or other financial instruments.

The above will not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favorable assessment by the Appointment and Remuneration Committee, to deal with such extraordinary situations as may arise and so require.

Complies ☒ X]

Complies partially ☐]

Explain ☐] Not applicable ☐]

The CEO's long-term variable compensation is instrumented through rights (referred to in the compensation plan as "units") that the company understands do not fall into the category of shares, options, or financial instruments. In any case, these units may not be transferred and may not be exercised before three years have elapsed.

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies ☐]

Complies partially ☐]

Explain ☒ X] Not applicable ☐]

The company does not comply with the recommendation in the proposed terms.

The rationale for this is as follows: the remuneration to which executive directors are entitled is not linked to performance or equivalent objective parameters: it is the Board of Directors that determines autonomously and at its discretion the amounts to be paid as variable remuneration (except for the CEO, whose variable remuneration does indeed depend on objective criteria, albeit not quantified).

For this reason, to the extent that they are not taken into account when granting variable remuneration, mechanisms cannot be established up that imply a reimbursement linked to a subsequent demonstration of unfulfilled performance.

64. That payments for contract termination should not exceed an amount equivalent to two years' total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies ☐]

Complies partially ☒ X]

Explain ☐] Not applicable ☐]

The CEO's contract with the company contains a clause providing for an early termination indemnification that does not strictly comply with the second part of the first paragraph of the recommendation. Thus, in accordance with the directors' remuneration policy available on the company's website:

"h) Indemnification clauses: The CEO will be entitled to receive all of their variable long-term remuneration and the total amount of their continuance and non-compete compensation in the event that the General Meeting and the Board of Directors decide not to keep the CEO in office for any reason in the period of ten (10) years from January 1, 2018. In addition to the above, the CEO may be entitled to receive an additional amount (at most, equivalent to two years of their fixed and short-term variable remuneration) to be included, where appropriate, in their contract. "

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but should be included in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In this case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of July 20, 2010.

On October 15, 2015, the company adhered to the Global Compact, an international initiative promoting the implementation of 10 universally accepted principles to bolster Corporate Social Responsibility (CSR) in the areas of Human Rights and business, labor standards, the environment, and the fight against corruption in the activities and strategies of businesses.

[continuation of section E6 of this Report]

Failure to meet customer expectations:

- Although there is no single action or specific plan to mitigate this risk, all divisions and regions are working on improving production processes that not only help them to be more efficient, but also more flexible to adapt to customer requirements.

Succession plan for key personnel, and Training and junior staff policy:

- The corporate HR department, in collaboration with senior management and the various geographic areas and Business Divisions, has worked on succession plans for key positions in order to achieve CIE Automotive's strategic objectives, and has identified the successors or strategies to be followed to ensure that the company will not be affected in the event should key personnel no longer be available. In addition, the general and personalized training plans have been increased, as evidenced by a steady increase in the number of training hours in recent years. The motivation and talent retention associated with the pride of belonging to the company is essential.

- In addition, it is important to note that as part of ESG strategy developed by the ESG Committee and the Board of Directors, which is strongly supported by the CEO, there are specific actions and KPIs to monitor that this risk does not lead to a negative impact on the company.

Inorganic growth management:

In order to streamline and optimize the integration of new additions to the group, the company is carrying out the following actions:

- Participation of the management team in corporate M&A transactions.
- Definition and implementation of a clear management model that quickly allows control over new companies to be established.
- Promoting the flexibility and availability of key internal staff to handle offboarding.

It is important to note that CIE Automotive has analysis, supervision, and control units in various areas of risk management, such as:

- Financial risk management and control.
- Reporting and tax risk control.
- Information systems risks.
- Safety and environment.



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED LIMITED COMPANIES

- Compliance and ESG, supervising ESG (Environmental, Social and Governance) risks.

- A total of 66 people took part in the preparation of this Risk Map (14% more than in 2019), who have responded according to the scope of each of the risks within the time horizon until 2025, and pursuant to their geographical and technological scope, meaning that some people may assess risks present in more than one region and for more than one technology.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

23/02/2021

Indicate whether any director voted against or abstained from approving this report.

☐ Yes
☒ No

CIE Automotive, S.A.

Auditor's Report on "Information
regarding the Internal Control System
over Financial Reporting" (ICSFR)
for the 2020 financial year



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CIE Automotive, S.A. for the 2020 financial year

To the Board of Directors of CIE Automotive, S.A.:

In accordance with the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and our engagement letter dated January 11, 2021, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2020 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2020 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.



In addition, as this special engagement is not an audit of financial statements and is not subject to the legislation governing the audit practice in Spain, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular 5/2013 of the National Securities Market Commission dated June 12, 2013 and subsequent modifications, being the most recent one the Circular 1/2020 of the National Securities Market Commission dated October 6, 2020 ("the Circulars of the NSMC").
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and "the Circulars of the NSMC", for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by José Antonio Simón Maestro

February 24, 2021

**CIE Automotive, S.A.
and subsidiaries**

Audit Report,
Consolidated Annual Accounts at 31 December 2020
and Management Report for 2020



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor's report on the consolidated annual accounts

To the shareholders of CIE Automotive, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of CIE Automotive, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Recovery of goodwill The Group's goodwill represents a substantial part of its assets, amounting to €1,739 million at year-end. As indicated in Note 7 to the accompanying consolidated annual accounts, the Group carries out tests on the recoverability of the amounts recorded under this consolidated balance sheet heading on an annual basis. Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analysed relate and therefore require that Group Management makes judgements and significant estimates. These estimates include, among other things, expectations regarding sales and future margins, growth rate projections, estimates of discount rates in order to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Group in its analysis are summarised in Note 7 to the accompanying consolidated annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of goodwill.	First, we gained an understanding of the internal process used by Group Management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations. For cash flows, we verified not only the calculations made but also the projected annual cash flows, based on the plans and budgets approved by Group Management, against those actually obtained, and we analysed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables (historical results and sector margins) and analysing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's experts team. For the sensitivity analyses disclosed in the notes to the accompanying consolidated annual accounts, we verified the reasonableness of the calculations made and the coherence of the variations and assumptions taken into account with respect to possible changes. As a result of our analyses and tests performed, we consider that Group Management's conclusion concerning the absence of impairment of goodwill, the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.

Key audit matters	How our audit addressed the key audit matter
Recoverability of deferred tax assets The Group recognises deferred tax assets amounting to €180 million as non-current assets at year-end (Notes 3.20.b), 4.1.c) and 21 to the accompanying consolidated annual accounts), recovery of which depends on the generation of taxable income in future years. Recovery of these deferred tax assets is analysed annually by the Group by estimating the tax bases for the next years. The estimation of future tax bases is based on the business plans of the different Group companies and the planning possibilities permitted under applicable tax legislation, taking into account, in each case, the different consolidated tax groups in which the Group companies are taxed (Note 3.20.a) to the accompanying consolidated annual accounts). Therefore, the conclusion concerning the recovery of the deferred tax assets recognised on the consolidated balance sheet is subject to judgments and significant estimates by Group Management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.	On the basis of the business plans, which are based on the plans and budgets approved by Group Management, we compared annual projected flows with real flows obtained and analysed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables (historical results and sector margins) and analysing if appropriate, their reasonableness using available third-party contracts or agreements. On the other hand, we gained an understanding and assessed the criteria used by the Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans. As part of these analyses, with the collaboration of our tax experts, we reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Group companies. The analyses performed permitted us to verify that the calculations and estimates made by the Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Group and its individual companies and with the tax planning possibilities available under current legislation.

Other information: Consolidated Management Report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover consolidated the management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

- a) Verify only that the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.
- b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. and its subsidiaries for the 2020 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation).

Our responsibility is to examine the digital file prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 24, 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on April 29, 2020 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2020.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.



CIE Automotive, S.A. and subsidiaries

Services provided

Services provided to the Group for services other than the audit of the accounts are detailed in Note 33 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jose Antonio Simón Maestro (15886)

February 24, 2021



**MANAGING HIGH VALUE ADDED
PROCESSES**

**Consolidated Annual Accounts
and Consolidated Management Report
for the year ended 2020**



This 2020 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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Appendix: Detail of subsidiaries, joint ventures and associates

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2020

Thousand euro	Note	31.12.2020	31.12.2019
Property, plant and equipment	6	1,475,982	1,523,483
Intangible assets		1,771,764	1,802,685
Goodwill	6/7	1,738,622	1,765,521
Other intangible assets	6	33,142	37,164
Non-current financial assets	8	44,365	49,123
Investments in joint ventures and associates	8	45,404	66,195
Deferred tax assets	21	180,331	170,446
Other non-current assets	-	23,992	24,969
Non-current assets		3,541,838	3,636,901
Inventories	10	370,632	416,120
Trade debtors and other accounts receivable		441,860	439,042
Trade and other receivables	9	344,831	356,918
Other current assets	-	38,290	25,751
Current tax assets	-	58,739	56,373
Other current financial assets	8	60,811	55,100
Cash and cash equivalents	11	565,561	514,691
Current assets		1,438,864	1,424,953
Disposal group assets classified as held-for-sale	12	2,869	5,132
TOTAL ASSETS		4,983,571	5,066,986

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2020

Thousand euro	Note	31.12.2020	31.12.2019
Equity attributable to the Parent company's shareholders		646,803	841,568
Share capital	13	30,637	32,250
Treasury shares	13	-	-
Share premium	13	152,171	152,171
Retained earnings	14	874,853	874,406
Interim dividend	14	(30,638)	(47,730)
Translation differences	14/15	(380,220)	(169,529)
Non-controlling interests	17	348,171	393,406
TOTAL EQUITY		994,974	1,234,974
Deferred income		12,647	9,791
Non-current provisions	23	208,881	231,958
Non-current borrowings	18	1,661,337	1,596,212
Other non-current financial liabilities	8	17,600	19,895
Deferred tax liabilities	21	141,653	129,027
Other non-current liabilities	20	162,442	141,861
Non-current liabilities		2,191,913	2,118,953
Current borrowings	18	586,694	524,755
Trade creditors and other payables		912,547	923,109
Trade and other payables	19	851,328	858,894
Current tax liabilities	20	61,219	64,215
Other current financial liabilities	8	30	19
Current provisions	23	116,108	66,736
Other current liabilities	20	165,855	184,663
Current liabilities		1,781,234	1,699,282
Disposal group liabilities classified as held-for-sale	12	2,803	3,986
TOTAL LIABILITIES		3,975,950	3,822,221
TOTAL EQUITY AND LIABILITIES		4,983,571	5,066,986

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

Thousand euro	Note	Year ended December 31	
		2020	2019
OPERATING REVENUE		2,942,680	3,566,781
Revenue	24	2,882,494	3,461,052
Other operating income	24	90,021	114,227
Change in inventories of finished goods and work in progress	10/24	(29,835)	(8,498)
OPERATING EXPENSES		(2,659,260)	(3,139,704)
Consumption of raw materials and secondary materials	10	(1,673,383)	(2,047,839)
Employee benefit expense	26	(561,193)	(623,235)
Depreciation, amortisation and impairment	5/6/7	(147,814)	(167,282)
Other operating expenses	25	(276,870)	(301,348)
OPERATING PROFIT		283,420	427,077
Finance income	27	11,470	16,891
Finance costs	27	(52,237)	(55,651)
Net exchange differences	27	4,358	6,824
Share in profit/(loss) of joint ventures and associates	8	5,755	7,753
PROFIT BEFORE TAX		252,766	402,894
Income tax	28	(57,786)	(89,784)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		194,980	313,110
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	12	266	941
PROFIT FOR THE YEAR		195,246	314,051
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	17	(10,021)	(26,576)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		185,225	287,475
Basic and diluted earnings per share from continuing operations (in euro)	29	1.48	2.22
Basic and diluted earnings per share from discontinued operations (in euro)	29	0.00	0.01

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

Thousand euro	Note	Year ended December 31	
		2020	2019
PROFIT FOR THE YEAR		195,246	314,051
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences	15/17	(232,035)	(18,874)
Cash flow hedges	8	349	(1,395)
Other comprehensive income for the year		-	(2,636)
Tax impact	21	(86)	1,225
Total entries that may be reclassified to profit or loss		(231,772)	(21,680)
Actuarial gains and losses	22/23	(1,174)	(10,097)
Tax impact	21	108	1,023
Total items that may not be reclassified to profit or loss		(1,066)	(9,074)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		(37,592)	283,297
Attributable to Parent company owners	14	(24,777)	258,757
Continuing operations		(25,069)	257,816
Discontinued operations		292	941
Attributable to non-controlling interests	17	(12,815)	24,540

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2020

Thousand euro	Share Capital (Note 13)	Treasury shares (Note 13)	Share premium (Note 13)	First time conversion reserve and other revaluation reserves (Note 14)	Translation differences (Note 15)	Retained earnings (Note 14)	Interim dividend (Note 14)	Non- controlling interests (Note 17)	Total Equity
Balance at December 31, 2019	32,250	-	152,171	(58,965)	(169,529)	933,371	(47,730)	393,406	1,234,974
TOTAL COMPREHENSIVE INCOME for 2020	-	-	-	(923)	(209,079)	185,225	-	(12,815)	(37,592)
Distribution of 2019 profit	-	-	-	-	-	(93,936)	47,730	-	(46,206)
Interim dividend 2020	-	-	-	-	-	-	(30,638)	-	(30,638)
Acquisition of treasury shares (Note 13)	-	(95,391)	-	-	-	-	-	-	(95,391)
Share capital decrease (Note 13)	(1,613)	95,391	-	-	-	(93,778)	-	-	-
Business combinations (Notes 1, 2 and 17)	-	-	-	-	(1,612)	11,432	-	(32,437)	(22,617)
Other movements	-	-	-	-	-	(7,573)	-	17	(7,556)
Balance at December 31, 2020	30,637	-	152,171	(59,888)	(380,220)	934,741	(30,638)	348,171	994,974

Thousand euro	Share Capital (Note 13)	Share premium (Note 13)	First time conversion reserve and other revaluation reserves (Note 14)	Translation differences (Note 15)	Retained earnings (Note 14)	Interim dividend (Note 14)	Non- controlling interests (Note 17)	Total Equity
Balance at December 31, 2018	32,250	152,171	(47,928)	(151,848)	735,276	(39,990)	368,955	1,048,886
TOTAL COMPREHENSIVE INCOME for 2019	-	-	(11,037)	(17,681)	287,475	-	24,540	283,297
Distribution of 2018 profit	-	-	-	-	(79,980)	39,990	-	(39,990)
Interim dividend 2019	-	-	-	-	-	(47,730)	-	(47,730)
Other movements	-	-	-	-	(9,400)	-	(89)	(9,489)
Balance at December 31, 2019	32,250	152,171	(58,965)	(169,529)	933,371	(47,730)	393,406	1,234,974

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2020

Thousand euro	Note	Year ended December 31	
		2020	2019
PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED OPERATIONS		253,065	402,951
Adjustments to year's profit		175,306	188,554
Depreciation, amortization and impairment charges	5/6/7	147,814	167,282
Finance profit/(loss) and exchange rate differences	5/27	36,409	31,936
Profit/(loss) from joint ventures and associates	8	(5,755)	(7,753)
Other adjustments to year's profit		(3,162)	(2,911)
Changes in working capital		42,480	52,076
Net variation of provisions	23	16,662	(10,984)
Other changes in net working capital		25,818	63,060
Other cash flows from operating activities		(79,436)	(93,391)
Interest paid and collected		(34,189)	(29,141)
Taxes paid		(43,333)	(58,786)
Cash generated from operating activities from discontinued operations		(1,914)	(5,464)
CASH FLOWS FROM OPERATING ACTIVITIES		391,415	550,190
Acquisition of subsidiaries, net of cash acquired	2	(65,352)	(799,644)
Acquisition of property, plant and equipment	6	(158,577)	(223,356)
Acquisition of intangible assets	6	(4,846)	(4,122)
Acquisitions to non-controlling interests	1	(22,617)	-
Proceeds from the sale of property, plant and equipment and intangible assets		5,746	5,917
Proceeds from dividends distributed by joint ventures and associates	8	5,403	501
Acquisition/Disposal of financial assets	8	(11,866)	86,425
Disposal of the biofuel business	12	-	18,669
Cash generated from investing activities from discontinued operations		925	12
CASH FLOWS FROM INVESTING ACTIVITIES		(251,184)	(915,598)
Acquisition of Treasury shares	13	(95,391)	-
Proceeds from borrowings	18	600,545	1,120,597
Loan repayments	18	(357,499)	(559,364)
Income (net of reimbursements) from high-rotation borrowings	18	(98,905)	(31,937)
Income (net of reimbursements) from commercial paper program	18	(21,100)	208,200
Grants received (net)		3,792	(134)
Variation of other debts (net)	20	34,917	654
Lease payments	6	(25,970)	(22,639)
Dividends paid to shareholders of the Parent company	14	(93,936)	(79,980)
Other payments/proceeds to/from non-controlling interests	17	(33)	(56)
CASH FLOWS FROM FINANCING ACTIVITIES		(53,580)	635,341
Exchange gains/(losses) on cash and cash equivalents		(36,803)	(4,589)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		49,848	265,344
Cash and equivalents at beginning of the period		515,926	250,582
Cash and equivalents at end of the period	11	565,561	514,691
Cash and equivalents at end of the period classified as discontinued operations	12	213	1,235

The accompanying Notes to the annual accounts set out on pages 7 to 87 form an integral part of these Consolidated Annual Accounts.

1. General information

1.1 CIE Automotive Group and activity

The CIE Automotive Group carries out its activities in the Automotive business. This business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, on the global automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are located in the following territories: Spain (Bizkaia, Álava/Araba, Gipuzkoa, Navarre, Barcelona, Cádiz, Orense and Pontevedra), Germany, France, Portugal, the Czech Republic, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

The Parent company's registered office is located at 'Alameda Mazarredo 69, 8th floor', Bilbao.

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U.; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries, joint ventures and associates at December 31, 2020, together with the information concerning them, is set out in the Appendix to these Consolidated Annual Accounts.

All subsidiaries under the control of the CIE Automotive Group have been consolidated using the full consolidation method.

The subsidiaries consolidated under the equity method are disclosed in Note 8.

Impacts of the Covid-19 pandemic

Following the declaration of the pandemic, almost all of the countries, including those where the global automobile manufacturers are located, have carried out restrictive measures resulting in a global industrial stoppage that has directly affected car production and sales.

The decrease in global vehicle production worldwide has surpassed 15% in 2020, with a first half of the year with a decrease of more than 30% and with a second semester at similar levels to the same period in 2019. Considering the representation of the different geographical areas in the CIE Group's sales, the weighted drop in production in the CIE market has been greater than 40% during the first half of the year, overcoming in the second half of the year, with a total annual decline in the CIE market by above 20%.

This unprecedented market situation has led to a considerable decrease in sales and therefore in the Group's net income, especially in the second quarter of the year, which has been progressively improving until the period-end closing in December, resulting in production levels similar to those of 2019 and therefore, with normalized quarterly results.

The Group's efficient and flexible business model has permitted to, although with restrictions in some countries and productions far below their recurrent levels, to achieve an outstanding net profit of €185.2 million. Likewise, the Group's results reflect a positive gross operating income (EBITDA) in all its segments (Note 5) as well as positive cash generation from continuing operations for the year 2020. April and May were the months were the most impacted months of the year. In June, the Group generated a positive net income, despite being its production in lower levels than the usual ones. Revenue, EBITDA, and the net income for the last quarter of 2020, already overperformed those for the same period of 2019.

As of December 31, 2020, the Group has a liquidity reserve amounting to €1,477 million (Note 34.1.b), which has kept similar levels throughout all the year, and which has guaranteed to continue with the necessary payments for the continuity of the business throughout the period without any liquidity tensions. Likewise, the contractual clauses of all financial contracts have been modified, avoiding a possible breach of the covenants of said financing.

As of the end of the year 2020 and the preparation of these Consolidated Annual Accounts, the Directors of CIE Automotive, S.A. do not consider any existing risk related to the going concern of the Group, considering its solvency and liquidity position.

Acquisition of CIE Golde

In September 2018 CIE Automotive, S.A. released the submission of a final binding offer for the acquisition of the roof systems design and assembly business of US group Inteva Products Inc ('Inteva').

After the completion of the consultation process with the competent bodies and the obtaining of the pertinent authorizations from the antitrust authorities in April 2019, on May 6, 2019, the Group proceeded to complete the acquisition.

The price of the operation amounted to USD 755 million (enterprise value) which after cash and working capital adjustments involved a payment at that date of USD 809.3 million, equivalent to €724.7 million, pending the definitive calculation of cash and working capital figures in opening balances. Throughout the second half of the year, the calculations were completed and the agreements with the selling party were closed. On December 31, 2019 the outstanding amount amounts to USD 19 million (€17.2 million) that has been paid in January 2020. After this last payment, there is no outstanding amount to be paid.

The acquired roof system business, which has been renamed as CIE Golde, is formed by twelve manufacturing facilities and six R&D centers in seven countries (USA, Mexico, Germany, Slovakia, Romania, People's Republic of China and India).

The integration of CIE Golde enabled CIE Automotive Group to reinforce its commitment for the comfort systems in the automobile, adapting to sector trends, and becoming one of the three leading global manufacturers of car roof systems, significantly increasing its footprint in this market, and well positioned in Asia, one of the markets with the greatest potential.

Changes in the scope of consolidation

2020

On September 25, 2019, the Group announced the signature of a contract for the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts €77.1 million. On January 9, 2020 the Group, through its subsidiary CIE Berriz, S.L., and once the conditions precedent were met, has proceeded to acquire the entire capital stock of the companies of the Italian group Somaschini S.p.A, Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL. This group has 3 production plants, two in Bergamo (Italy) and one in Indiana (USA). The acquisition cost, once adjusted the debt, has amounted to €52.6 million (Note 2).

On June 4, 2020, the Group acquired a 49% of the share capital of the discontinued company Recogida de Aceites y Grasas Maresme, S.L. for one euro, reaching the 100% shares of its share capital. This acquisition has had no significant impact on the Group's financial statements.

During 2020, the Group acquired 14,887,962 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €22,617 thousand, resulting in a decrease of the consolidated equity schedule by the amount paid. The Group's interest increased from 56.32% to 60.18%.

Likewise, the following corporate operations have been carried out without any of them having impacts on the Consolidated Annual Accounts:

- On the accounting date of January 1, 2020, the merger between the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. (absorbing company) and Cortes de Precisión de México S. de R.L. de C.V. (absorbed company) was carried out.
- On February 18, 2020, the Czech company Praga Service, s.r.o. was liquidated.
- On April 1, 2020, the merger of the Brazilian companies Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (absorbing company) with its subsidiary company Autocromo Cromação de Plásticos Ltda (absorbed company) was carried out.
- On July 30, 2020 and August 1, 2020 the British companies Stokes Forging Dudley Ltd. And Stokes Forging Ltd. were liquidated, respectively.
- On August 1, 2020, the merger of the Italian companies CIE Immobiliare Italia, SRL and Immobiliare Somaschini, SRL (absorbed companies) with Somaschini, S.p.A. (absorbing company) was carried out.

2019

In January 2019, the companies CIE Automotive Goiain, S.L.U. and Advanced Comfort Systems Wuhan Co. Ltd., of Spanish and Chinese nationalities respectively, after their creation at the end of the 2018 fiscal year, were incorporated into the scope of consolidation. The main activity of these companies is the transformation of automotive parts through forging technology and the manufacture of roof systems for vehicles, respectively.

On March 28, 2019, the Group sold the company Bionor Berantevilla, S.L.U., as well as the assets belonging to Biosur Transformación, S.L.U. for an amount of €18.7 million (Note 12).

In March 2019, the Group signed an agreement for the acquisition, through its Indian subsidiary Mahindra CIE Automotive, Ltd, of all the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. (hereinafter AEL) for an amount of 8,759 million rupees (approximately €111,7 million).

On April 9, 2019, once the conditions were fulfilled, the Group closed the acquisition by paying 8,137 million rupees, equivalent to €103.8 million. A contingent liability of 600 million rupees was also recorded (€7.6 million), corresponding to the fair value of future income from subsidies that AEL will receive under the incentive program that local authorities approved in 2013 (Note 2).

AEL operates in the manufacture of components and sub-assemblies for the Automotive sector market (for two- and four-wheel vehicles) in high pressure aluminium injection and gravity injection technologies.

On April 5, 2019, CIE Automotive Boroa, S.L.U. and CIE Roof Systems, S.L.U., both direct subsidiaries of CIE Automotive, S.A., were created.

As explained before, on May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L.U. and CIE Automotive USA, Inc, proceeded to acquire 100% shares of Inteva's roof business, with an acquisition cost of €741.7 million (Note 2).

On June 21, 2019 the Group carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. with the objective of taking advantage of all the productive assets of the acquired companies, so that they complement the productive activities of the Group in Mexico and allow the physical and commercial expansion in the future. The enterprise value was USD 65.5 million (approximately €58 million).

In September 2019, once the suspensive conditions were fulfilled, the acquisition was completed. The acquisition cost, after the adjustment for the indebtedness, was USD 42.4 million (approximately €37.3 million), fully paid at the acquisition date (Note 2).

The acquired facilities are located in Celaya (Guanajuato) and provide Tier 1 companies in the Automotive sector.

On July 18, 2019, the Mexican nationality company CIE Plásticos de México, S.A. de C.V. was established; which main activity is the manufacture of plastic parts and components for vehicles.

In October 2019, the merge of the companies BillForge Pvt Ltd. and Mahindra CIE Automotive Ltd. was carried out, being the last one the absorbing one. This transaction had no impact on the Consolidated Annual Accounts.

Preparation of the Consolidated Annual Accounts

These Consolidated Annual Accounts had been authorised for issue by the Board of Directors on February 23, 2021 and are pending to be ratified by the Group Parent company's shareholders. However, management expects them to be approved without modification.

2. Business combinations

2020

a) Somaschini

On January 9, 2020, the Group, through its subsidiary CIE Berriz, S.L., has carried out the acquisition of 100% of the share capital of the Italian companies Somaschini S.p.A., Immobiliare Somaschini S.p.A. and CIE Immobiliare Italia SRL (merged on August 1st, 2020, being the absorbing company Somaschini, S.p.a (Note 1)) with an acquisition cost of €52.6 million. Somaschini S.p.a. is the shareholder of 100% of the share capital of the Italian company Somaschini Automotive, SRL, and of the US companies Somaschini International Inc, Somaschini North America LLC and Somaschini Realty, LLC. The Somaschini group has 3 production plants, two in Bergamo (Italy) and one in Indiana (United States of America) (Note 1).

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Note	FINAL
Fixed assets	6	43,961
Deferred tax assets	21	3,325
Non-current financial assets	8	57
Inventories	-	9,492
Accounts receivables	-	5,961
Cash and cash equivalents	-	4,420
Assets acquired		67,216
Borrowings and other financial liabilities	-	25,613
Deferred tax liabilities	21	2,109
Accounts payables	-	12,376
Provisions	23	12,088
Other non-current liabilities	-	1,552
Liabilities acquired		53,738
Net assets acquired		13,478
Purchase Price	-	52,560
Fair value of the net assets acquired	-	(13,478)
Goodwill	6	39,082

The cash flow of the operation was:

Purchase Price	52,560
Cash and cash equivalents at the subsidiary acquired	(4,420)
Outflow of cash on the acquisition	48,140

This goodwill resulting from the acquisition has been attributed to the acquired technological know-how that Somaschini provides in the manufacture of gear systems, as well as to the future profitability of the acquired business and the synergies expected to be obtained after the acquisition and its adaption by the Group.

The fair value of most representative fixed assets was set according to appraisals carried out by independent third-party experts, and took place between October 2019 and February 2020, in different geographical locations. When determining the fair value of the assets acquired within the scope of the appraisal, valuation methods based on the cost approach have been applied, estimating the cost of replacing the assets; the market approach, making comparisons with market comparable prices; and the income approach, estimating the expected cash flows of the company's projects on the acquisition date.

For remaining balances, as well as for the valuation assessment of the working capital, the Group has carried out internal valuations, applying valuation methods considered in recent acquisitions and well as market prices and other sectorial references.

Accounts receivables incorporated in the business combination have been assessed for impairment. The conclusion of such assessment resulted in the incorporation of an allowance for doubtful accounts amounting to €361 thousand (Note 9).

The analysis of the business combination, as well as the process of assigning the purchase price to the fair value of the acquired assets and liabilities has been finalized.

The results contributed by this business combination does not differ significantly from the one that would have resulted considering as the acquisition date January 1, 2020. The total revenue, the operating income and the net loss contributed by this business combination amounted to €41 million, €0.2 million positive and €0.2 million negative, respectively.

2019

a) Aurangabad

On April 9, 2019, the Group, through its Indian nationality subsidiary Mahindra CIE Automotive, Ltd., carried out the acquisition of 100% of the shares of the company, also of Indian nationality, Aurangabad Electricals, Ltd. for a price of 8,759 million rupees (approximately €111.7 million), of which 8,137 million rupees (approximately €104 million) were paid on the date of the acquisition (Note 1).

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition, both in its preliminary version, published in Note 33 of the Consolidated Annual Accounts of December 31, 2019, and in its final version once the process of assigning the price paid to the values of the assets and liabilities acquired has been completed, it is summarized as follows:

Fair value in thousand euro	Note	PRELIMINAR	CHANGES	FINAL
		2019		2020
Fixed assets	6	47,219	-	47,219
Deferred tax assets	21	1,238	-	1,238
Non-current financial assets	8	231	-	231
Other non-current assets	-	2,211	-	2,211
Inventories	10	7,219	-	7,219
Accounts receivables	-	16,552	-	16,552
Current financial assets	8	11,714	-	11,714
Cash and cash equivalents	-	5,386	-	5,386
Assets acquired		91,770	-	91,770
Borrowings	-	23,120	-	23,120
Deferred tax liabilities	21	5,538	2,238	7,776
Accounts payables	-	22,252	-	22,252
Provisions	23	4,967	-	4,967
Lease liabilities	6	57	-	57
Liabilities acquired		55,934	2,238	58,172
Net assets acquired		35,836	(2,238)	33,598
Purchase Price	-	111,426	281	111,707
Fair value of the net assets acquired	-	(35,836)	2,238	(33,598)
Goodwill	6	75,590	2,519	78,109

The cash-flow movement of the operation was:

Thousand euro

Purchase Price	111,707
Outstanding amount at the time of the acquisition	(7,933)
Amount paid	103,774
Cash and cash equivalents at the subsidiary acquired	(5,386)
Outflow of cash on the acquisition	98,388

As of December 31, 2020 and 2019 the Group registered a contingent liability related to the Aurangabad business combination (AEL) amounting to 600 million rupees (2020: €6.7 million, 2019: €7.5 million) (Note 20). The payment of such liability is subject to the collection of the first phase of a subsidy granted to the acquired company. In the financial year 2020, the competent authority has formally granted AEL with the subsidy associated with this contingent liability included in the purchase agreement, but given that as of December 31, 2020, the amount corresponding to the first phase has not been collected, the Group still holds this payable.

The fair value of property, plant and equipment was determined according to appraisals carried out by independent experts in India in June 2019. These valuations, which did not include limitations or additional risks to be considered, were based on purchase or replacement market prices, and account for the residual useful lives of the various assets.

Regarding intangible assets, brand valuation, intellectual property, and the client portfolio were carried out through an independent expert in India in January 2020. Likewise, third party valuations were carried out on net working capital and, other assets and liabilities.

This goodwill resulting from the acquisition has been attributed to the future profitability of the acquired business and the synergies expected after the acquisition by the Group. This acquisition is part of the Group's expansion strategy, in this case in high precision aluminum and gravity injection technologies, as well as increasing its presence in the Indian market.

Accounts receivables incorporated in the business combination have been assessed for impairment. The conclusion of such assessment resulted in the incorporation of an allowance for doubtful accounts amounting to €510 thousand (Note 9).

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired have been completely finalized during the first quarter of 2020.

The revenue of the business combination amounted to €80 million as of December 31, 2019. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €107 million. The net operating income and the net income contributed by AEL to the Group amounted to €5 million and €2 million, respectively. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €6 million and €2 million, respectively.

b) CIE Golde

On May 6, 2019 the Group, through its subsidiaries CIE Roof Systems, S.L. and CIE Automotive USA, Inc. proceeded to the acquisition of car roof design and production business owned by the US group Inteva Products Inc, currently called CIE Golde.

The acquisition cost amounted to €741.7 million (USD 828 million) and included the acquisition of 100% of the shares of Golde Holding, BV, Golde USA, LLC, Golde Netherlands, BV, Golde South Africa, LLC and Golde Auburn Hills, LLC. The first three companies are holding companies whose main function is the ownership of shares of the subsidiaries of the CIE Golde Group, while the last two companies are productive and marketing companies. Likewise, it also includes, through the company Golde Netherlands, BV, the acquisition of 50% of Shanghai Golde Automotive Parts Co., Ltd. (SAMAP), and which, based on the current agreements with the partner, it must be consolidated by the equity method, as it is a joint venture.

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition, both in its preliminary version, published in Note 33 of the Consolidated Annual Accounts of December 31, 2019, and in its final version once the process of assigning the price paid to the values of the assets and liabilities acquired has been completed, it is summarized as follows:

Fair value in thousand euro	Note	PRELIMINAR		FINAL
		2019	CHANGES	2020
Fixed assets	6	105,374	-	105,374
Deferred tax assets	21	814	-	814
Non-current financial assets	8	2,348	-	2,348
Investments in joint ventures and associates	8	55,500	(19,347)	36,153
Inventories	10	39,891	-	39,891
Accounts receivables	-	109,992	-	109,992
Current financial assets	8	16,264	-	16,264
Cash and cash equivalents	-	58,124	-	58,124
Assets acquired		388,307	(19,347)	368,960
Provisions	23	118,153	15,717	133,870
Deferred tax liabilities	21	8,431	-	8,431
Accounts payables	-	156,875	(3,003)	153,872
Lease liabilities	6	41,020	-	41,020
Liabilities acquired		324,479	12,714	337,193
Net assets acquired		63,828	(32,061)	31,767
Purchase Price		741,718	-	741,718
Fair value of the net assets acquired	-	(63,828)	32,061	(31,767)
Goodwill	6	677,890	32,061	709,951

The cash-flow movement of the operation has been:

Thousand euro

Purchase Price	741,718
Outstanding amount at the time of the acquisition	(16,962)
Amount paid	724,756
Cash and cash equivalents at the entity acquired	(58,124)
Outflow of cash on the acquisition	666,632

As agreed in the purchase agreement, the price paid in May 2019 included an estimate of the cash and working capital that the acquired companies presented in their financial statements, which would be reviewed and agreed by the parties, making the settlement for the resulting adjustment. During the second half of 2019, both parties reached an agreement resulting in an additional payment by CIE of USD 19 million (€17 million) that has been fully paid in January 2020. After this last payment, there is no outstanding amount to be paid.

In the Consolidated Annual Accounts for the year 2019, the Group registered its share in the company Shanghai Golde Automotive Parts Co., Ltd., in which a 50% stake was acquired, for a preliminary amount of €55.5 million (of which €49.4 million were related to implicit goodwill), based on a preliminary assessment carried out internally by the Group with the information available on the date of preparation of the Consolidated Annual Accounts for the year 2019.

In March 2020, the Group obtained a report from an independent external valuator that showed a market value for the company of €36.2 million, and as a consequence, the fair value of the share has been adjusted for € 19.3 million, corresponding to the implicit goodwill of said company.

The fair value of property, plant and equipment was determined in accordance with appraisals carried out by independent experts in Germany, Romania, Slovakia, China and Mexico between May and September 2019, which were based on purchase or replacement market prices, and they account for the residual useful lives of the various assets valued. Such conclusions do not include limitations or additional risks to be considered.

In the case of licenses, the Group has carried out a valuation through an independent expert in Spain in January 2020 under the assumption that the value of the license is equal to the present value of the expectation of their future related income in the future, attributable to the direct use of the licenses, discounted at a rate according to specific risk characteristics. For such study, the income approach was used, with a remaining valid average useful life of 13 years (Note 3.8.c).

In the case of the client portfolio, an internal valuation was performed by calculating at its fair value according to the MERM method (Multi-period Excess Income Method), which is based on the current value of cash flows, generated operating cash, net of tax impacts.

Accounts receivables incorporated in the business combination have been assessed for impairment. The conclusion of such assessment resulted in the incorporation of an allowance for doubtful accounts amounting to €2,375 thousand (Note 9).

In 2020, after obtaining all the information associated with the risk of guarantees in certain operating plants at the time of acquisition, the Group recorded an additional amount of €15.7 million covering the warranties related to the sale of goods previous to the acquisition of the roof business by the Group. After this update, the total amount of the provisions recorded in the business combination amounts to €133.9 million, and which mainly relate to:

- Operational risks amounting to €83.8 million, mainly related to risks of warranties and price adjustments (€37.4 million) with an estimated average maturity between 24 and 48 months and other liabilities related to customer contracts (€21.1 million) with a maturity related to the duration of the contracts that give rise to such risks, and set by a maximum period of five years.
- Liabilities related to employee benefit plans for €45.9 million, of which €45.0 million relate to the benefit plan of the German company Roof Systems Germany GmbH; accounted based on the actuarial report of an independent expert which determines a average duration of the obligation of 21.2 years (Note 22).
- Other specific risks and contingencies amounting to € 4.2 million, due in the short term.

CIE Golde's business combination has permitted the Group to increase its experience/know-how in the roof system business (access to experts in the design and execution of roofs with high knowledge and experience in this activity), expand its presence in different geographic markets (mainly China), greater transversality with other activities developed, increase its productive capacity (sales) as well as optimizing the margins presented by the acquired business. All these factors, as they do not involve recognizable intangible assets in accordance with accounting standards, have been attributed to goodwill.

This integration is framed within the Group's growth and diversification strategy, favoring CIE's global positioning as a leading provider in the sector, allowing the Group to reinforce the portfolio of products oriented to style, esthetics and comfort - a segment forecasted to grow significantly - demonstrating, once again, the Group's commitment with innovation, high-tech engineering and highly complex processes and products. Additionally, it needs to be highlighted the similarity of CIE Golde at the customer level, as well as geographies and products, with Advanced Comfort Systems (ACS), the roof system division that the Group integrated in 2009 and which has managed with great success in the last decade, doubling its sales and significantly improving its results.

CIE Golde's sales, operating profit and net profit for the year 2019 amounted to €410 million, €18 million and €12 million, respectively. The amounts related to sales, operating profit and net profit, assuming that the business combination had taken place on January 1, 2019, are difficult to calculate due to the corporate restructuring processes carried out prior to the acquisition.

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired were finalized.

c) Mapremex

In September, 2019 the Group carried out the acquisition of 100% of the shares of the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. and Cortes de Precisión de México S. de R.L. de C.V. for a price of USD 42.4 million (approximately €37.3 million) paid on the date of the acquisition.

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Note	MAPREMEX
Fixed assets	6	24,316
Deferred tax assets	21	1,743
Non-current financial assets	8	27
Inventories	10	918
Accounts receivables	-	1,700
Cash and cash equivalents	-	2,687
Assets acquired		31,391
Other financial liabilities	-	10,110
Deferred tax liabilities	21	2,724
Other non-current liabilities	-	3,157
Accounts payables	-	4,581
Lease liabilities	6	2,776
Liabilities acquired		23,348
Net assets acquired		8,043
Purchase Price	-	37,311
Fair value of the net assets acquired	-	(8,043)
Goodwill	6	29,268

The cash-flow movement of the operation has been:

Thousand euro

Purchase Price	37,311
Cash and cash equivalents at the subsidiary acquired	(2,687)
Outflow of cash on the acquisition	34,624

Goodwill has been attributed to the increase in the Group's productive capacity in machining technology in Mexico and the use of productive assets in such geography, as well as the future profitability of the acquired business and the synergies that are expected to be obtained after the acquisition by the Group.

The assets and liabilities acquired have been accounted for their fair value in all cases, highlighting as the main difference between fair and net book value of property, plant and equipment. Such valuation was performed by an independent valuation expert in Mexico, in February 2020, and does not include limitations or additional risks to be considered. Both income approach and market approach valuation method were considered, being the latter the one used to determine the conclusions.

For remaining assets and liabilities, the Group has carried out internal valuations, applying valuation methods considered in recent acquisitions and well as market prices and other sectorial references.

Accounts receivables incorporated in the business combination have been assessed for impairment. The conclusion of such assessment resulted in the incorporation of an allowance for doubtful accounts amounting to €44 thousand (Note 9).

The analysis of the business combination, as well as the process of assigning the price paid to the values of the assets and liabilities acquired was completely finalized.

The revenue of the business combination amounted to €11 million. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €36 million. The net operating profit and the net profit contributed by Mapremex to the Group amounted to €3 million and €2 million, respectively. If the business combination had taken place on January 1, 2019, these amounts would have amounted to €8 million and €6 million, respectively.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Annual Accounts are set out below, which have been consistently applied to all the years presented.

3.1 Basis of presentation

These Consolidated Annual Accounts for the year ended December 31, 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the recommendations issued by the Interpretation Committee for IFRS (IFRIC) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at December 31, 2020.

The Consolidated Annual Accounts have been prepared under the historical cost approach, except for financial investments held for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, assets held for sale (fair value less disposal costs) and retirement benefit plans - pensions (assets of the plans).

The preparation of Consolidated Annual Accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts are disclosed in Note 4.

The consolidated income statement for the years 2020 and 2019 does not include unusual items that require a detail or a conciliation of balances except for the restated comparative financial statements.

Certain International Financial Reporting Standards are effective from January 1, 2020, prompting the Group to adapt its Consolidated Annual Accounts. The updated standards for the year are detailed in Note 3.2. As of January 1, 2019, the new IFRS 16 "Leases" came into force. Its first application entailed the recognition of assets for rights of use and liabilities for leases amounting to €64 million (Note 6 and 20).

The Consolidated Annual Accounts are not affected by any aspect that may contravene applicable presentation basis.

3.2 Summary of standards, amendments to standards and interpretations published to date

a) Standards, amendments and mandatory interpretations for all years beginning on January 1, 2020

These are the amendments that according to IFRS-IASB have entered into force as of January 1, 2020:

The impact of the adoption of these standards and the new accounting policies had no significant effect on the Group's accounting policies.

IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material"

These amendments clarify the definition of "material", introducing in addition to omitted or inaccurate items that may influence the decisions of users, the concept of "obscure" information. With these modifications, IFRS is more coherent, but it is not expected to have a significant impact on the preparation of the financial statements.

These amendments have been applied since January 1, 2020.

These amendments did not have a significant effect on the Group's Consolidated Annual Accounts.

IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Reform of reference interest rates"

These amendments provide certain exemptions in relation to the reform of the reference interest rate (IBOR). Those exemptions are related to hedge accounting and the IBOR reform generally should not cause the cessation of hedge accounting. However, any hedge ineffectiveness will continue to be registered in the income statement.

These amendments have been applied since January 1, 2020.

These amendments did not have a significant effect on the Group's Consolidated Annual Accounts.

IFRS 3 (Amendment) "Definition of a business"

This amendment will help to determine if it is an acquisition of a business or a group of assets. The modified definition emphasizes that the product of a business is to provide goods and services to customers, while the previous definition focused on providing returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to modifying the wording of the definition, additional guidance has been provided. To be considered a business, an acquisition would have to include an input and a process that together contribute significantly to the ability to create products. The new guide provides a framework to assess when both elements are present (even for early stage companies that have not generated products). To be a business without results, now it will be necessary to have organized labour.

This amendment will apply to business combinations whose acquisition date is from the beginning of the first year that is reported to begin as of January 1, 2020 and to the acquisitions of assets that occur as of the beginning of that year. Early application is allowed.

This amendment did not have any effect on the Group's Consolidated Annual Accounts.

Amendments to references to the Conceptual Framework in IFRS

The IASB has issued a revised conceptual framework that will be used in the development of accounting standards. No changes have been made to any of the accounting standards in force, entities that rely on the conceptual framework to determine their accounting policies for transactions, events or conditions that are not covered by the accounting standards issued will have to apply the revised conceptual framework as of January 1, 2020.

This amendment did not have any effect on the Group's Consolidated Annual Accounts.

IFRS 16 (Amendment) "Covid-19 related rental concessions"

The IASB has published an amendment to IFRS 16 "Leases" that provides an optional practical exemption to tenants when evaluating whether a rental concession related to COVID-19 is a modification of the lease. Tenants may choose to account for such rental concessions in the same way as they would if they were not lease modifications. In many cases, this will result in the concession being accounted for as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not give lessors the same ease, who have to apply the current requirements of IFRS 16 and consider whether or not there has been a modification of the corresponding lease.

For the purposes of IFRS-EU, the amendments must be applied retrospectively and are applicable no later than June 1, 2020 for fiscal years beginning on January 1, 2020.

The Group has not had any substantial modifications in its leasing contracts related to Covid-19, so the entry into force of this standard has not had any effect on the Group's Consolidated Annual Accounts.

b) Standards, modifications and interpretations that have not yet entered into force, but that can be adopted in advance**IFRS 4 (Amendment) "Extension of the temporary exemption from the application of IFRS 9"**

In accordance with the postponement of the effective date of IFRS 17 "Insurance contracts", the modification changes the expiration date for the temporary exemption in IFRS 4 "Insurance contracts" regarding the application of IFRS 9 "Financial instruments", requiring entities to apply IFRS 9 for annual periods beginning on or after January 1, 2023, rather than on or after January 1, 2021.

This amendment did not have any effect on the Group's Consolidated Annual Accounts.

IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) "Reform of benchmark interest rates: Phase 2"

The IASB has undertaken a two-phase project to consider which exemptions, if any, to provide for the purposes of the benchmark interest rate reform ("the IBORs"). Phase 1 amendments, issued in September 2019, provided temporary exemptions from the application of specific hedge accounting requirements to relationships affected by uncertainties arising as a result of the IBOR reform ("the Phase 1 exemptions one"). Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of a benchmark rate with an alternative one.

These amendments did not have any effect on the Group's Consolidated Annual Accounts.

c) Standards, amendments and interpretations of existing standards that cannot be adopted in advance or that have not been adopted by the European Union

At the date of preparation of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations detailed below that are pending adoption by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures"

These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will depend on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the business definition, the investor recognizes the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after January 1, 2016. However, at the end of 2015, the IASB made the decision to postpone the date of their validity (without setting a new specific date), since they are planning a broader review that may result in the simplification of accounting for these transactions and other aspects of the accounting of associates and joint ventures.

These amendments are not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

IFRS 17 "Insurance contracts"

In May 2017, the IASB finalized its long-term project to develop an accounting standard on insurance contracts and published IFRS 17, "Insurance Contracts." IFRS 17 replaces IFRS 4 "Insurance contracts", which currently allows for a wide variety of accounting practices. IFRS 17 will fundamentally change accounting for all entities that issue insurance contracts and investment contracts with discretionary participation components.

The standard applies for annual periods beginning on or after January 1, 2021, allowing early application if IFRS 15, "Revenue from contracts with customers" and IFRS 9, "Financial instruments" also apply. IFRS 17 is pending approval by the European Union.

Given the Group's activity, there are no contracts that could be affected by this rule.

IAS 1 (Amendment) "Classification of liabilities as current or non-current"

These amendments clarify that the liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting year. The classification is not affected by the entity's expectations or events after the closing date of the fiscal year (for example, the receipt of a waiver or a breach of the agreement). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these amendments is January 1, 2022, although early adoption is allowed.

This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.

IFRS 17 (Amendment) "Amendments to IFRS 17"

In response to some concerns and challenges raised in relation to the application of IFRS 17, the IASB has developed specific amendments and clarifications intended to facilitate the implementation of the new standard, although the amendments do not change its fundamental principles. Additionally, the mandatory entry into force of IFRS 17 has been delayed to annual periods beginning on or after January 1, 2023. The amendment to IFRS 17 is pending approval by the European Union.

This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.

IAS 16 (Amendment) "Property, plant and equipment - Income obtained before the intended use"

It is prohibited to deduct from the cost of an item of property, plant and equipment any income obtained from the sale of articles produced while the entity is preparing the asset for its intended use. Revenue from the sale of such samples, along with production costs, is now recognized in the income statement. The amendment also clarifies that an entity is testing whether the asset is functioning properly when evaluating the technical and physical performance of the asset. The financial performance of the asset is not relevant to this evaluation. Therefore, an asset might be able to operate as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these modifications is January 1, 2022.

This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.

IAS 37 (Amendment) "Onerous contracts - Cost of fulfilling a contract"

The amendment explains that the direct cost of fulfilling a contract includes the incremental costs of fulfilling that contract and an allocation of other costs that are directly related to the fulfilment of the contracts. It also clarifies that before making a separate provision due to an onerous contract, the entity will recognize any impairment loss that has occurred in the assets used to fulfil the contract, rather than in the assets dedicated to that contract. The effective date of these amendments is January 1, 2022.

This amendment is not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

IFRS 3 (Amendment) "Reference to the Conceptual Framework"

IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or a liability in a business combination (previously referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is January 1, 2022.

This amendment is not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

Annual Improvements to IFRS. Cycle 2018 – 2020

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after January 1, 2022. The main amendments refer to:

- IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the latter's transition date to IFRS.
- IFRS 9 "Financial Instruments": The amendment addresses what costs must be included in the 10% test for derecognition of financial liability accounts. The costs or fees could be paid to third parties or to the lender. Depending on the modification, costs or fees paid to third parties will not be included in the 10% test.
- IFRS 16 "Leases": Illustrative Example 13 accompanying IFRS 16 has been modified to remove the illustration of lessor payments related to lease improvements, thus eliminating any possible confusion over the treatment of lease incentives.
- IAS 41 "Agriculture": This amendment eliminates the requirement to exclude cash flows for taxes when measuring fair value under IAS 41.

These amendments are not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

3.3 Consolidation principles**a) Subsidiaries**

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The amount paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, also including the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is performed in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that termed as financial liability are recognised in profit. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in case of an investment in favourable conditions, the difference is recognised directly in profit and loss account.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated balance statement, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

Annual accounts/financial statements used in the consolidation accounts are, in all cases, dates of December 31 of each year.

The accompanying Appendix sets out the identification particulars of subsidiaries.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint agreements

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the participation method.

Under the participation method, the interests in joint business are recognised initially to its cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, as long as it has not incurred in any obligation or done payments on behalf of the joint business.

The earnings not realized in transactions between the Group and its joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

e) Associates

Associates (Note 8.c)) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding lower than 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share in the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 3.8.a)). Note 3.9 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share in the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share in post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share in losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred in implicit or legal obligations or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to "share in profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

3.4 Operating segments' financial information

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Executive Steering Committee.

Financial information related to operating segments is disclosed in Note 5.

3.5 Foreign currency translation

a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All Group companies use the currency of their country of origin as their functional currency, except, mainly, for the Mexican companies (Appendix), whose functional currency was defined on January 1, 2009 as the US dollar.

The Consolidated Annual Accounts are presented in euro, which is the Group's functional currency and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Exchange gains and losses are presented in the income statement under "Net exchange differences".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates on the dates the fair value was determined. Translation differences in assets and liabilities recorded at fair value are presented as part of the gain or loss in fair value. For example, translation differences in non-monetary assets and liabilities such as equity interests held at fair value through profit or loss are recognized in profit or loss as part of the gain or loss in fair value and differences in equity. Translation into non-monetary assets such as equity investments classified as at fair value with changes in other comprehensive income are recognized in other comprehensive income.

c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in the other comprehensive income.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale. As of December 31, 2020 and 2019, the Group does not have defined hedges for net investment abroad.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

3.6 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historic cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	<u>Estimated useful lives:</u>
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by the Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. These useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and annual depreciation rates for assets under normal production circumstances are as follows:

	<u>Useful life (*)</u>	<u>Annual rate %</u>
Machinery	10 - 20 years	5 - 10%
Plant	10 - 20 years	5 - 10%
Tooling	3 - 6.7 years	15% - 33.33%

(*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

Covid-19 impact on the fixed assets useful life

The depreciation criterion by production levels has impacted productive assets with a net book value at December 31, 2020 amounted to approximately €823.6 million (December 31, 2019, at €844.4 million).

The depreciation expense related to these assets in 2020 amounted to €90.8 million, while in 2019, such expense amounted to €115.3 million. This decrease is mainly due to the exceptional decrease in production levels for the year 2020, more specifically in the second and to a lesser extent in the third quarter. The residual value assigned to these assets by the Group is not significant, with most of its value corresponding to the useful life assigned to each asset.

The annual depreciation of all these assets not only includes an estimate of useful life based on estimated production, but also includes a minimum amount to be depreciated.

During the last quarter of the year, the Group has reached normalized production levels, and therefore, depreciation expense has returned to pre-pandemic levels. During the year, no extension of useful lives has taken place and, in no case, the useful lives of fixed assets are higher than their technical useful life.

Gains and losses on the sale of items of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised within "Other operating income" (Note 24).

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. During the fiscal year 2020, there have been no significant contractual modifications derived from the Covid-19 pandemic.

3.7 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

3.8 Intangible assets**a) Goodwill**

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of each CGU group containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense.

b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, Group Management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

c) Licences

The licenses acquired from third parties are presented at historical cost. Those acquired through business combinations are recognized at their fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of the licenses during their estimated useful life.

After the acquisition of CIE Golde (Notes 1 and 2), the Group recorded an intangible asset related to licenses that said business had in force at the acquisition date for its fair value, which amounted to €11,784 thousand. Its useful life was estimated according to the period in which said licenses / patents will report economic benefits to the Group, which was estimated in 13 years.

d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits in excess of costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed 5 years and the period after which begin to be amortized once activated, is not greater than one year.

e) Clients contracts

The Group records the value associated with clients contracts acquired in the context of 2019 business combinations related to CIE Golde and AEL for an amount of €6.6 million (Notes 1 and 2).

The clients contracts are initially valued at fair value in accordance with the valuation methodology “EMMI- Excess Method of Multi-period Income”, which is based on the current value of the cash flows of the business, deducted the amount for contributive assets. Upon recognition, the Group amortizes these assets linearly in the estimated period in which the cash flows will occur, which is generally between 5 and 10 years.

3.9 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.10 Non-current assets (disposal groups) held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

A discontinued operation is a component of the Group that is disposed of or classified as for sale and represents a line of business or geographical area separated from the rest. The results of discontinued operations are presented separately in the income statement.

3.11 Financial assets

Investments and financial assets

The Group classifies its financial assets in the following valuation categories:

- a) those that are valued subsequently at fair value (whether with changes in other comprehensive income or results), and
- b) those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value with changes in other comprehensive income (FVOCI).

The Group reclassifies investments in financial assets when and only when its business model to manage those assets changes.

Conventional purchases or sales of financial assets will be recognized and written off, as appropriate, using the accounting for the trading date or the settlement date. Financial assets are derecognised when contractual rights over cash flows have expired or been transferred and the Group has transferred substantially all of its risks and rewards of ownership of the asset.

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded with a charge to the income statement.

Debt instruments

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. There are three valuation categories in which the Group classifies its debt instruments:

- **Amortized cost:** The assets held for the collection of contractual cash flows, when applicable, when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. A gain or loss arising from the derecognition of accounts is recognized directly in income and is presented in other gains / (losses), together with gains and losses from exchange differences, when applicable. Impairment losses are presented in a separate line in the income statement.
- **Fair value with changes in other comprehensive income (FVOCI):** The assets held for the collection of contractual cash flows and for selling the financial assets, when the cash flows of the assets represent only payments of principal and interest, they value at fair value with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are recognized in profit or loss. When the financial asset is written off, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains / (losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains / (losses) and the impairment expense is presented in a separate line item in the income statement.
- **Fair value with changes in results (FVPL):** Assets that do not meet the criteria for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net within other gains / (losses) in the year in which it arises.

Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's management chose to present the gains and losses on the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value to results, following the decrease in the investment. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other gains / (losses)' in the income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

Impairment

The Group evaluates on a prospective basis the expected credit losses associated with its debt instruments recorded at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

The value correction for losses of financial assets is based on the hypothesis of compliance risk and expected loss rates. The Group uses the judgment in making these assumptions and selecting the variables for the calculation of the impairment of value based on historical impairment losses, the existing market conditions as well as the forward-looking estimates at the end of each year on which it is informed.

For trade accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses be recognized from the initial recognition of accounts receivable. The impairment provision to be recorded for the expected losses is carried out considering a single market, since most of the customers the Group provides are represented in the different geographies where it operates. For its calculation, a coefficient based on the historical defaults of the last years is applied, referenced to a multiplier in function of the macroeconomic conditions that affect the global automobile market.

3.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- a) Hedges of the fair value of recognised liabilities (fair value hedge);
- b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or
- c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives and hedging activities

The effective part of the changes in the fair value of the derivatives that are designated and qualified as cash flow hedges is recognized in the cash flow hedge reserve in equity. The gain or loss related to the ineffective part is recognized immediately in results, within other income/(expenses).

The gain or loss corresponding to the effective part of the interest rate swaps generated by the floating rate loans is recognized in profit or loss under the heading "Financial expenses" at the same time that the interest expense is accrued by the covered loans.

When the option contracts are used to hedge forecasted transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the forward element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the costs of the hedge reserve within equity. In some cases, the entity may designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In these cases, the gains or losses corresponding to the effective portion of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

When a hedging instrument expires, is sold or terminated, or when a hedge fails to meet the criteria for hedge accounting, any cumulative deferred gain or loss and the deferred costs of the hedge at that time remain in equity until that the anticipated transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the anticipated transaction is no longer expected, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

a) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

b) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.
- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

Obsolete or slow-moving items are written down to their realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

3.14 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Given that this collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. For commercial accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable. For the calculation, the Group considers the historical experience of the percentage of defaults in relation to its volumes of accounts receivable and another series of variables.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing.

Financing through non-recourse factoring, or the sale of customer accounts, allows the account receivable to be cancelled for having transferred the risks associated with it to the financial institution.

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the Parent company (treasury shares), the amount paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

3.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 3.20.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.20 Current and deferred income taxes

a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax credits and deductions and the tax effect of applying unused tax losses that have not been capitalised are treated as a reduction in income tax expense for the year in which they are applied or offset.

The Parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.
- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U.
- Biodiesel Mediterráneo, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U.
- PIA Forging Products, S.L.U.
- Industrias Amaya Tellería, S.A.U.

- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Goian, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.

In addition, the following companies tax under the regulation of Spanish Territory Regime:

- Grupo Componentes Vilanova, S.L. (representative of the Tax Group)
- Biosur Transformación, S.L.U.
- Advanced Comfort Systems Ibérica, S.L.U.
- Denat 2007, S.L.U.

Outside Spain it exists the following tax groups:

- In Germany: led by the company Mahindra Forgings Europe AG and in which also participate the followings: Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.
- In the United States:
 - o led by the company CIE Automotive USA Inc and in which also participate Century Plastics LLC, Newcor, Inc, Owosso Realty, LLC, Corunna Realty, Corp, Clifford Realty Corp, Machine, Tool and Gears, Inc, Rochester Gears, Inc, CIE Investments USA, Inc, Golde Auburn Hills, LLC and Golde South Africa, LLC.
 - o led by the company Somaschini International Inc. and in which also participate Somaschini North America, LLC. and Somaschini Realty, LLC.
- In Italy: led by the company Somaschini, S.p.a. and in which also participates Somaschini Automotive SRL.

The other CIE Automotive Group companies file individual returns.

b) Deferred tax

Deferred income taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Annual Accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 3.6); this right is recognised with a credit to deferred income. Tax deductions in respect of R&D investment are classified, depending on the nature of the subsidy, upon recognition as operating grants so long as the R&D costs have not been capitalised (Note 3.17).

Moreover, deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as "Other operating income".

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and the tax base of investments in foreign operations, when the Group is able to control the date on which the temporary differences will be reversed or it is probable that these will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally-administered funds, determined by periodic actuarial calculations. The Group has defined benefit plans and defined contribution of non-significant amounts. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Past-service costs are recognised immediately in the income statement.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

c) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Parent company's shareholders after certain adjustments. The Group recognizes a provision when contractually obliged or when there is a past practice that has created a constructive obligation.

3.22 Share-based payments

At December 31, 2020 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix), whose fair value amounts to €1,751 thousand at December 31, 2020 (€1,840 thousand at December 31, 2019).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiary.

The fair value of the employee services received in exchange for the grant of such shares/options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives rise to the corresponding change against the Group's equity.

Likewise, at the General Meeting of shareholders held on April 24, 2018, a long-term incentive concession for the CEO was approved based on the evolution of the share price of CIE Automotive, S.A. (Note 32).

The total estimated cost of this incentive is recognised as personnel expenses in the period when the conditions must be fulfilled.

3.23 Provisions

Provisions for specific liabilities and charges are recognised when:

- (i) The Group has a present legal or constructive obligation as a result of past events;
- (ii) It is probable that an outflow of resources will be required to settle the obligation; and
- (iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when it satisfies an obligation of execution by transferring a good committed to a customer. An asset is transferred when (or as) the customer gains control of that asset.

Revenue is recognised as follows:

a) Sales of goods

Sales of goods are recognised when a Group company has delivered the products to the customer, the customer has accepted the products and it is probable that the future economic benefits will flow to the seller. Accumulated experience is used to estimate and provide for returns at the time of sale.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Royalty revenue

Revenue from royalties is recognised on an accruals basis in accordance with the substance of the relevant agreements.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.25 Leases

Contracts may contain lease and non-lease components. The Group assigns the consideration in the contract to the lease and non-lease components based on their independent prices. However, for real estate leases in which the Group is a lessee, it has decided not to separate the lease and non-lease components, counting them as a single lease component.

The terms of the lease are negotiated on an individual basis and contain a wide variety of terms and conditions. The lease agreements do not impose any other covenant other than the real guarantees on the leased assets that are maintained by the lessor. Leased assets cannot be used as collateral for the purpose of financial debt.

Leases are recognized as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially valued on a current value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including fixed payments in essence), less any lease incentive to collect,
- Variable lease payments that depend on an index or rate, initially valued according to the index or rate on the start date,
- Amounts that the Group is expected to pay for residual value guarantees,
- The price of a purchase option if the Group is reasonably certain that it will exercise that option, and
- Penalty payments for termination of the lease, if the term of the lease reflects the exercise by the Group of that option.

Lease payments to be made under reasonably certain extension options are also included in the valuation of the liability.

Lease payments are discounted using the implicit interest rate in the lease. If that rate cannot be easily determined, which is generally the case for leases in the Group, the lessee's incremental rate of indebtedness is used, being the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value to the asset for right of use in a similar economic environment with similar terms, guarantees and conditions.

To determine the incremental rate of indebtedness, the Group:

- When possible, uses recent third-party financing received by the individual tenant as a starting point, adjusted by the changes in financing conditions since third party financing was received,
- Uses an approach that begins with a risk-free interest rate adjusted by the credit risk for leases held by the Group, which do not have recent third-party financing, and
- Makes specific adjustments for the lease, such as term, country, currency and guarantee.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and financial cost. The financial cost is charged to income during the lease period so that they produce a constant periodic interest rate on the remaining balance of the liability for each period.

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received,
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Although the Group revalued its land and buildings that are presented in fixed assets, the Group has decided not to do so for the buildings.

Payments associated with short-term leases of machinery and vehicles and all leases of low-value assets are recognized on a linear basis as an expense in results. Short-term leases are leases with a lease term of 12 months or less. Reduced value assets include computer equipment and small items of office furniture.

3.26 Dividend distribution

Dividend distribution to the Parent company's shareholders is recognised as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Parent company's shareholders.

3.27 Environment

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

3.28 Current and non-current balances

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Goodwill impairment

The Group assesses annually goodwill for impairment, in accordance with the accounting policy stated in Note 3.8.a). The recoverable amounts of cash-generating units, or where appropriate, cash-generating unit groups, have been determined based on value-in-use calculations. These calculations require the use of estimates. The results of this analysis and quantification of the resulting sensitivities are detailed in the Note 7.

As of December 31, 2020, within the context of the Covid-19 pandemic, updated market projections on future global vehicle production have been considered, as well as the health related restrictions in force in the geographies where the Group operates. The impact of such factors has not modified the conclusions regarding the recoverability of goodwill.

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair value.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Income tax

The Group is subject to income taxes in numerous tax territories. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not demand significant estimates except with respect to the amount of tax credits recognised in the year.

If the final outcome (on judgment areas) differs unfavourable by 10% from Management estimates, deferred assets would decrease and income tax would increase by approximately €15.0 million (2019: €5.9 million) and if these changes evolved favourably, these deferred tax assets would increase and the income tax would decrease by approximately €13.3 million (2019: €6.3 million). These estimates take into account possible changes to the consolidated taxable income of the Basque tax group since, the remaining capitalized tax losses and credits are estimated to be recoverable, mostly, in a period of less than 5 years.

As of December 31, 2020, within the context of the Covid-19 pandemic, updated market projections on future global vehicle production have been taken into consideration, as well as the health related restrictions in force in the geographies where the Group operates. The impact of such factors has been, therefore, considered in the estimation of recoverability of tax losses and credits recognized by the Group.

d) Fair value of derivatives or other financial instruments

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

Note 34.1.a).iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of interest rate derivatives.

Regarding the valuation of the derivative associated with the quoted price in the market share in CIE Automotive, S.A. (Note 8) a variation of 10% in the share price would affect the result for increasing / decreasing by €4,412 thousand (2019: €4,216 thousand).

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 22 contains further information about pension obligations of the Group.

f) Product warranties

Product warranty risks are recognized when there is a firm claim not covered by the relevant insurance policy. In some specific technologies, such as the roof systems business, the Group records warranty reserves based on expected claims based related to the sale of goods.

4.2. Significant judgements in applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 3 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 3.8.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 3.20.b), 4.1.c), 21 and 28.
- Estimation of the useful lives of property, plant and equipment (Note 3.6).
- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Note 3.22).

5. Operating segments information

The Group produces parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier, with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- Global market: worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from different geographic areas.

The Strategy and Operations Committee, consisting of five members of the Board of Directors, is the Group's chief operating decision-making body. The Executive Steering Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to operating segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Strategy and Operations Committee, which analyses the business of the CIE Automotive Group from a geographical markets perspective in which it operates.

In this sense, the Group divides its area of activity into three geographic markets: America, Asia and Europe. In turn, the geographic markets of America and Europe are divided, respectively, into two different segments each, being North America and Brazil for the American market, and Mahindra CIE Europe and the rest of Europe for the European market.

Thus, the Group's financial information is presented according to the following segments:

- North America: it includes, basically Group companies located in Mexico and United States.
- Brazil: it includes basically Group companies located in Brazil.
- Asia: it includes the Indian companies of the Mahindra CIE group, as well as the companies located in the People's Republic of China.
- Mahindra CIE Europe: it includes the business for the manufacture of European forges, dependent on the Mahindra CIE group (dependent on the Group).
- Rest of Europe: it includes all non-dependent of Mahindra CIE subgroup manufacturing businesses basically located in Europe.

The Group manages the operating segments corresponding to continuing activities based, mainly, on the evolution of the main financial figures of each segment, such as the revenue, EBITDA, EBIT and investments in fixed assets. Meanwhile, financial income and expenses, as well as income tax expense and the allocation of results to minority shareholders are jointly analysed at the Group level, since they are managed centrally.

a) Operating segments information for continuing operations

Results per operating segments are as follows:

Thousand euro	December 31, 2020						December 31, 2019					
	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Revenue	741,710	185,623	760,320	354,546	840,295	2,882,494	917,025	325,512	757,981	527,707	932,827	3,461,052
Other operating expenses and income (excluding depreciation and amortisation)	(589,603)	(156,476)	(649,323)	(327,038)	(728,820)	(2,451,260)	(715,453)	(266,521)	(641,100)	(457,414)	(786,205)	(2,866,693)
Depreciation, amortisation and impairment	(35,263)	(9,368)	(33,093)	(16,834)	(53,256)	(147,814)	(43,635)	(13,231)	(33,410)	(22,432)	(54,574)	(167,282)
Operating profit	116,844	19,779	77,904	10,674	58,219	283,420	157,937	45,760	83,471	47,861	92,048	427,077
EBITDA	152,107	29,147	110,997	27,508	111,475	431,234	201,572	58,991	116,881	70,293	146,622	594,359

Transactions between Group companies are performed under market conditions.

Other segments items included in the income statement are as follows:

Thousand euro	December 31, 2020						December 31, 2019					
	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Depreciation and amortisation:	(35,263)	(9,368)	(33,093)	(16,834)	(53,256)	(147,814)	(43,635)	(13,231)	(33,410)	(22,432)	(54,574)	(167,282)
Property, plant and equipment	(34,328)	(8,801)	(31,245)	(16,674)	(48,612)	(139,660)	(42,911)	(12,450)	(32,690)	(22,238)	(50,748)	(161,037)
Intangible assets	(935)	(567)	(1,848)	(160)	(4,467)	(7,977)	(724)	(781)	(697)	(194)	(3,547)	(5,943)
Impairment	-	-	-	-	(177)	(177)	-	-	(23)	-	(279)	(302)

The reconciliation of the Operating profit and the Profit attributable to owners of the Parent company is as follows:

Thousand euro	Note	2020	2019
Operating profit		283,420	427,077
Financial income (expense)	27	(38,669)	(31,382)
Share in profits of joint ventures and associates	8	5,755	7,753
Gains /(losses) on the fair value of derivative financial instruments	8/27	2,260	(554)
Corporate income tax	28	(57,786)	(89,784)
Discontinued operations	12	266	941
Attributed to non-controlling interests	17	(10,021)	(26,576)
Profit attributable to the Parent company		185,225	287,475

Segments' assets, liabilities and investments of the year are as follows:

December 31, 2020						
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Investments in joint ventures and associates	4,392	2,302	38,677	-	33	45,404
Rest of assets	1,177,458	333,071	1,585,399	610,727	1,231,512	4,938,167
Total assets	1,181,850	335,373	1,624,076	610,727	1,231,545	4,983,571
Total liabilities	607,883	134,228	468,174	323,866	2,441,799	3,975,950
Fixed asset additions ^(*)	49,997	17,053	27,805	13,917	54,651	163,423
Disposal of assets net of depreciation and amortisation ^(*)	(106)	(178)	(1,929)	(23)	(3,247)	(5,483)
Net investments for the year	49,891	16,875	25,876	13,894	51,404	157,940

December 31, 2019						
Thousand euro	NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Investments in joint ventures and associates	4,202	2,489	59,470	-	34	66,195
Rest of assets	1,327,217	430,376	1,496,844	630,726	1,115,628	5,000,791
Total assets	1,331,419	432,865	1,556,314	630,726	1,115,662	5,066,986
Total liabilities	662,326	145,168	431,610	345,744	2,237,373	3,822,221
Fixed asset additions ^(*)	61,297	19,194	46,086	24,488	76,413	227,478
Disposal of assets net of depreciation and amortisation ^(*)	186	(578)	(1,158)	(198)	(2,653)	(4,401)
Net investments for the year	61,483	18,616	44,928	24,290	73,760	223,077

(*) Fixed assets additions and disposals do not include IFRS 16 effects.

Assets mainly include property, plant and equipment, intangible assets (including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in subsidiaries included in the consolidation scope are shown separately.

Liabilities include, mainly, operating liabilities and long and short-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 6.1) and intangible assets (Note 6.2).

The figures corresponding to the net amount of the revenue and non-current assets, excluding deferred tax assets and non-current financial assets and investments in joint ventures and associates, by geographical areas are the following:

Thousand euro	Revenue		Non-current assets	
	2020	2019	31.12.2020	31.12.2019
Spain	149,414	198,955	423,077	393,628
Rest of Europe	1,045,427	1,261,579	974,802	900,763
Brazil	185,623	325,512	184,662	251,571
North America	741,710	917,025	700,446	796,101
China	430,890	328,212	529,386	492,105
India	329,430	429,769	459,365	516,969
TOTAL	2,882,494	3,461,052	3,271,738	3,351,137

6. Property, plant and equipment and intangible assets

6.1 Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

Thousand euro	December 31, 2020					31.12.2020
	01.01.2020	ADDITIONS/ (VARIATIONS) IN CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS ^(*)	
Land and buildings	601,492	25,227	5,873	(1,679)	(27,241)	603,672
Plant and machinery	2,228,503	69,958	44,725	(41,057)	(70,544)	2,231,585
Other fixed assets	302,788	7,464	23,569	(11,401)	(9,236)	313,184
Down-payments and assets under construction	142,506	-	84,410	(964)	(104,337)	121,615
Right of use of Assets - IFRS 16 (Note 6.1.e)	114,677	-	14,176	(8,508)	(6,846)	113,499
TOTAL COST	3,389,966	102,649	172,753	(63,609)	(218,204)	3,383,555
Land and buildings	(211,842)	(4,228)	(16,520)	553	11,370	(220,667)
Plant and machinery	(1,371,770)	(47,813)	(90,836)	38,882	77,127	(1,394,410)
Other fixed assets	(247,452)	(5,864)	(10,491)	9,903	9,141	(244,763)
Right of use of Assets - IFRS 16 (Note 6.1.e)	(23,114)	-	(21,813)	8,478	2,276	(34,173)
TOTAL DEPRECIATION	(1,854,178)	(57,905)	(139,660)	57,816	99,914	(1,894,013)
Plant and machinery	(12,305)	(2,080)	(177)	601	401	(13,560)
TOTAL IMPAIRMENT	(12,305)	(2,080)	(177)	601	401	(13,560)
CARRYING AMOUNT	1,523,483					1,475,982

Thousand euro	December 31, 2019						
	31.12.2018	FIRST APPLICATION OF IFRS 16 (Note 6.1.e)	01.01.2019	ADDITIONS/ (VARIATIONS) IN CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS (*)
Land and buildings	530,735	-	530,735	45,506	9,387	(1,399)	17,263
Plant and machinery	1,903,906	-	1,903,906	166,543	63,264	(15,363)	110,153
Other fixed assets	276,359	-	276,359	19,742	29,415	(4,806)	(17,922)
Down-payments and assets under construction	122,852	-	122,852	13,326	121,290	(1,957)	(113,005)
Right of use of Assets - IFRS 16 (Note 6.1.e)	-	63,575	63,575	40,871	9,975	(40)	296
COST	2,833,852	63,575	2,897,427	285,988	233,331	(23,565)	(3,215)
Land and buildings	(187,152)	-	(187,152)	(11,649)	(12,677)	297	(661)
Plant and machinery	(1,177,694)	-	(1,177,694)	(96,929)	(115,311)	12,257	5,907
Other fixed assets	(232,489)	-	(232,489)	(11,191)	(12,906)	5,236	3,898
Right of use of Assets - IFRS 16 (Note 6.1.e)	-	-	-	-	(20,143)	-	(2,971)
DEPRECIATION	(1,597,335)	-	(1,597,335)	(119,769)	(161,037)	17,790	6,173
Plant and machinery	(4,843)	-	(4,843)	(8,177)	(302)	1,334	(317)
IMPAIRMENT	(4,843)	-	(4,843)	(8,177)	(302)	1,334	(317)
CARRYING AMOUNT	1,231,674		1,295,249				1,523,483

(*) It basically includes the effect of exchange rate fluctuations of PPE currency of foreign subsidiaries and transfers from assets under construction to finished assets.

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at December 31, 2020 and 2019:

Million euros	December 31, 2020			December 31, 2019		
	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT	COST	ACCUMULATED DEPRECIATION/ PROVISIONS	CARRYING AMOUNT
AMERICA	1,025	(459)	566	1,111	(489)	622
EUROPE	1,852	(1,210)	642	1,748	(1,141)	607
ASIA	507	(239)	268	531	(236)	295
TOTAL	3,384	(1,908)	1,476	3,390	(1,866)	1,524

b) Assets not used in operations

At December 31, 2020 and 2019 no significant items of property, plant and equipment are not used in operations.

c) Property, plant and equipment subject to guarantees

At December 31, 2020, there are items of property, plant and equipment (land and buildings) with a carrying amount of €1.6 million (2019: €4.6 million) pledged to guarantee debts with financial institutions with outstanding balances at year-end 2020 of €0.3 million (2019: €1.1 million) (Note 18).

d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The scope coverage of these policies is considered to be sufficient.

e) Right of use of assets and lease liabilities

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

Thousand euro	RIGHT OF USE OF ASSETS				LEASE LIABILITIES		
	LAND AND BUILDINGS	OTHER FIXED ASSETS	ACCUMULATED AMORTIZATION	TOTAL ASSETS	LONG TERM	SHORT TERM	TOTAL LIABILITIES
December 31, 2019	93,307	21,370	(23,114)	91,563	73,831	23,425	97,256
Additions to consolidation scope (Note 2)	-	-	-	-	-	-	-
Additions	9,454	4,722	-	14,176	7,365	6,811	14,176
Disposals	(4,591)	(3,917)	8,478	(30)	(30)	-	(30)
Depreciation expense / Payments made	-	-	(21,813)	(21,813)	-	(25,970)	(25,970)
Debt update expenses	-	-	-	-	2,564	-	2,564
Long term/Short term transfers	-	-	-	-	(19,032)	19,032	-
Transfers and other (*)	(4,790)	(2,056)	2,276	(4,570)	(3,017)	(1,567)	(4,584)
December 31, 2020	93,380	20,119	(34,173)	79,326	61,681	21,731	83,412

Thousand euro	RIGHT OF USE OF ASSETS				LEASE LIABILITIES		
	LAND AND BUILDINGS	OTHER FIXED ASSETS	ACCUMULATED AMORTIZATION	TOTAL ASSETS	LONG TERM	SHORT TERM	TOTAL LIABILITIES
December 31, 2018	-	-	-	-	-	-	-
First application of IFRS 16	51,070	12,505	-	63,575	49,546	14,029	63,575
January 1, 2019	51,070	12,505	-	63,575	49,546	14,029	63,575
Additions to consolidation scope (Note 2)	37,189	3,682	-	40,871	33,492	10,361	43,853
Additions	2,884	7,091	-	9,975	7,226	2,749	9,975
Disposals	-	(40)	-	(40)	(10)	(31)	(41)
Depreciation expense / Payments made	-	-	(20,143)	(20,143)	-	(22,639)	(22,639)
Debt update expenses	-	-	-	-	2,742	34	2,776
Long term/Short term transfers	-	-	-	-	(17,981)	17,981	-
Transfers and other (*)	2,164	(1,868)	(2,971)	(2,675)	(1,184)	941	(243)
December 31, 2019	93,307	21,370	(23,114)	91,563	73,831	23,425	97,256

(*) It mainly includes the effect of the exchange rate fluctuations derived from foreign subsidiaries' property, plant and equipment.

In the context of the Covid-19 pandemic, the current leasing contracts have not undergone substantial modifications in their conditions.

The discount rates, estimated based on the cost of financing each of the Cash Generating Unit (CGU) groups operated by the Group, have been as follows:

	2020	2019
Brazil	9.00%	9.00%
North America	4.25%	4.25%
Asia	5.00% - 8.50%	5.00% - 8.50%
Mahindra CIE Europe	1.25%	1.25%
Rest of Europe	1.25%	1.25%

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing cost in 2020 or 2019 involving significant amounts.

6.2 Goodwill and other intangible assets of defined useful life

Set out below is an analysis of the main intangible asset classes showing movements in assets:

	31.12.2019	ADDITIONS/ (CHANGES) IN THE SCOPE OF CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	31.12.2020
Thousand euro						
Goodwill on consolidation	1,765,521	73,662	-	-	(100,561)	1,738,622
R&D (development)	42,253	-	2,113	(2,342)	(2,161)	39,863
Computer applications	46,177	432	1,125	(480)	(1,139)	46,115
Patents, licenses, trademarks and similar	11,784	-	-	-	1,000	12,784
Prepayments and other	11,618	1,332	1,608	(130)	(2,310)	12,118
TOTAL COST	1,877,353	75,426	4,846	(2,952)	(105,171)	1,849,502
TOTAL ACCUMULATED AMORTISATION	(74,668)	(467)	(7,977)	2,631	2,743	(77,738)
CARRYING AMOUNT	1,802,685					1,771,764

	31.12.2018	ADDITIONS/ (CHANGES) IN THE SCOPE OF CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	31.12.2019
Thousand euro						
Goodwill on consolidation	996,902	782,748	-	-	(14,129)	1,765,521
R&D (development)	50,787	-	1,391	(8,713)	(1,212)	42,253
Computer applications	40,981	1,783	2,001	(88)	1,500	46,177
Patents, licenses, trademarks and similar	-	11,784	-	-	-	11,784
Prepayments and other	5,070	6,716	730	-	(898)	11,618
TOTAL COST	1,093,740	803,031	4,122	(8,801)	(14,739)	1,877,353
TOTAL ACCUMULATED AMORTISATION	(77,234)	(1,416)	(5,943)	8,801	1,124	(74,668)
CARRYING AMOUNT	1,016,506					1,802,685

(*) Basically includes the effect of exchange rate fluctuations of intangible assets and goodwill currency of foreign subsidiaries.

Goodwill is assigned to the Group's cash-generating units (CGUs) groups on the basis of the criterion of grouping together under each CGU group all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

The breakdown of goodwill as of December 31, 2020 and 2019, assigned to each CGU group level, detailed by operating segment is set out below:

Thousand euro	31.12.2020	31.12.2019
North America	253,106	325,688
Brazil	62,351	91,144
Asia	695,956	683,335
Mahindra CIE Europe	332,106	332,106
Rest of Europe	395,103	333,248
TOTAL	1,738,622	1,765,521

7. Goodwill and fixed assets impairment

a) Methodology in the analysis of signs of impairment of fixed assets

The Group carries out, at least once each year, a recoverability analysis on its tangible and intangible assets, including goodwill. This analysis is carried out on two levels:

- Productive and intangibles assets with a defined useful life
- Goodwill

Productive and intangibles assets

The property, plant and equipment is subject to continuous assessments by the technicians of each production plant together with the management control team of each of them, keeping a control on the profitability of the projects according to the projections available continuously, and considering evidences of impairment of assets associated with projects with deficient returns.

Regardless of the continuous evaluation of these projects, the Group annually carries out an assessment to update the financial projections for each cash-generating unit which consists of, usually, a period of five years and which is used to formalize an analysis of the recoverability of the net value accounted for all fixed and intangible assets of each production plant. Based on this annual assessment, as well as through the continuous evolution of each project, all possible impairment of the assets are recorded by the Group.

In the case of intangible assets with a defined useful life recognized by the Group in a business combinations, which basically correspond to licenses and contracts related to customers, the Group verifies the evolution of cash flows considered for their initial calculation has not significantly, evidencing an impairment loss.

Goodwill

The recoverable amount of the goodwill assigned to each CGU or group of CGUs is determined based on value in use calculations. These calculations use cash flow projections based on the financial budget approved by Management, which generally covers a period of five years. Cash flows beyond the five-year period are forecasted assuming a market hypothesis regarding growth rates, in any case lower than the long-term average growth rate for the country in which each the CGU or group of CGUs has its businesses.

To calculate the value in use, assumptions of future cash flows are used in accordance with the global situation of the markets in which the Group operates, as well as with their expected future evolution.

b) Assumptions used in the calculation of value in use of the Group's businesses

The assumptions used by the Group are the sales and margins generated by each cash-generating unit for the period for which the projections are forecasted, in addition to the annual growth rate and discount rate applied to calculate the value in use of each one of the CGUs or group of CGUs, and detailed by segment.

Sales and margins projection

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

Margins applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average^(*) of the margins projected by segment for the period of the projections has been as follows:

Segments	2020	2019
North America	22.97%	22.97%
Brazil	19.30%	19.55%
Asia	17.02%	15.47%
Mahindra CIE Europe	13.69%	14.13%
Rest of Europe	18.99%	18.91%

^(*) The average of the detailed margins is the result of dividing the sum of the EBITDAs by the sum of the sales of the years that make up the projection period for each CGU detailed by segment.

Calculation of residual value

The residual value is calculated by applying the “normalized annual cash flow”, which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2020 and 2019 in the CGUs and groups of CGUs, which are reported by segment, have been as follows:

Segments	2020	2019
North America	2.0%	2.0%
Brazil	4.5%	4.5%
Asia	4.4% - 7.0%	4.0% - 7.0%
Mahindra CIE Europe	1.5%	1.5%
Rest of Europe	1.5% - 3.0%	1.5% - 2.7%

The Group estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

The methodology for calculating the discount rate used by the Group consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

The discount rates applied to cash flow projections in 2020 and 2019 were as follows:

Segments	2020	2019
North America	6.66% - 10.45%	7.09% - 10.16%
Brazil	12.01%	11.10%
Asia	7.31% - 11.57%	7.27% - 11.89%
Mahindra CIE Europe	4.66% - 6.30%	4.88% - 6.96%
Rest of Europe	4.66% - 11.95%	4.88% - 11.63%

c) Results of the impairment test

The value in use resulting from the impairment assessment are, to their lowest recoverable level, higher than the net book value of the total non-financial assets recognized by the Group, thus no impairment has been recorded in 2020 and 2019.

d) Impairment test sensitivity

The Group has carried out the following sensitiveness simulations, without detecting evidences of impairment of goodwill:

- Penalty of the discount rate by 10%.
- Consideration of the perpetual cash flow equal to the last year of budgeted cash flow, that is, applying a growth rate (g) between 0% and 2%.

Additionally, a joint penalty of assumptions has been carried out considering:

- Decrease of the forecasted EBITDA by 10 percentage points,
- Reduction of the growth rate (g) to 50% for each CGU (between 0.75% and 3.5%, depending on the geography).

The outcome of the sensitivity assessment has determined that there is sufficient margin in the recoverability of the goodwill recognized by the Group.

The growth and discount rates are assumptions based on external factors on which the Group does not have the capacity to act; in this sense, a more conservative assessment of such factors is carried out to verify that any significant variation would not result at risk the recoverability of assets subject to evaluation. The assumptions used to estimate the discount rate and the perpetual growth rate have not historically shown significant deviations, which is why it is considered that 10% of the discount rate and the reductions made to the growth rate are sufficiently conservative considerations for the purpose of sufficiently stressing the impairment assessment performed.

Additionally, and with the external and internal information currently available, and with enough margin existing in the recoverability of goodwill, it is not considered that possible future impacts derived from the Covid-19 pandemic, additional to those already considered in the budget, could substantially modify the conclusion of the impairment assessment carried out.

The Group's past performance in the Automotive business has shown that its annual budgets and strategic plans (from which projections are taken for impairment assessments) are modest and have been comfortably fulfilled, and even improved. Therefore, the Group considers that a cut of 10 percentage points in its gross operating margins is more than enough for the sensitivity assessment.

8. Financial assets and derivatives

Movements in the Group's financial assets are as follows:

	31.12.2019	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER ^(*)	FAIR VALUE ADJUSTMENT		RESULTS IN JOINT VENTURES AND ASSOCIATES	31.12.2020
						PROFIT OR LOSS	EQUITY		
Valued at their amortized cost									
Deposits	41,831	57	16,530	(7,356)	(3,729)	307	-	-	47,640
Current credits	26,945	-	7,004	(637)	(8,015)	177	-	-	25,474
Non-Current credits	15	-	-	-	-	-	-	-	15
Down-payments (Note 32)	10,400	-	-	(1,300)	-	-	-	-	9,100
Total loans and receivables at amortized cost	79,191	57	23,534	(9,293)	(11,744)	484	-	-	82,229
Valued at fair value									
Non-Current credits (Note 26)	25,022	-	-	(2,375)	-	300	-	-	22,947
Asset derivatives – interest rate swaps	10	-	-	-	-	-	(10)	-	-
Liability derivatives –Equity Swap	(8,019)	-	-	-	-	1,960	-	-	(6,059)
Liability derivatives –interest rate swaps	(11,895)	(39)	-	-	4	-	359	-	(11,571)
Non-Current credits and derivatives	5,118	(39)	-	(2,375)	4	2,260	349	-	5,317
Investment in joint ventures and associates	66,195	(19,347)	-	-	(7,199)	-	-	5,755	45,404
TOTAL	150,504	(19,329)	23,534	(11,668)	(18,939)	2,744	349	5,755	132,950

(*) It basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers. The "Investments in joint ventures and associates" include dividends distributed by Shanghai Golde Automotive Parts Co., Ltd. for and amount of €5,025 thousand.

	31.12.2018	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER ^(*)	FAIR VALUE ADJUSTMENT		RESULTS IN JOINT VENTURES AND ASSOCIATES	31.12.2019
						PROFIT OR LOSS	EQUITY		
Valued at their amortized cost									
Deposits	102,640	22,775	7,461	(90,112)	(1,099)	166	-	-	41,831
Current credits	19,060	7,809	541	(290)	(175)	-	-	-	26,945
Non-Current credits	15	-	-	-	-	-	-	-	15
Down-payments (Note 32)	11,700	-	-	(1,300)	-	-	-	-	10,400
Total loans and receivables at amortized cost	133,415	30,584	8,002	(91,702)	(1,274)	166	-	-	79,191
Valued at fair value									
Non-Current credits (Note 26)	27,258	-	-	(2,725)	-	489	-	-	25,022
Asset derivatives – interest rate swaps	131	-	-	-	4	-	(125)	-	10
Liability derivatives –Equity Swap	(7,299)	-	-	-	-	(720)	-	-	(8,019)
Liability derivatives –interest rate swaps	(10,625)	-	-	-	-	-	(1,270)	-	(11,895)
Non-Current credits and derivatives	9,465	-	-	(2,725)	4	(231)	(1,395)	-	5,118
Investment in joint ventures and associates	5,801	55,500	-	-	(2,859)	-	-	7,753	66,195
TOTAL	148,681	86,084	8,002	(94,427)	(4,129)	(65)	(1,395)	7,753	150,504

(*) It basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers.

a) Debt instruments

Term deposits and loans accrue interests at a market interest rate of the country where the financial asset is held.

The maximum exposure to credit risk at the date of presentation of consolidated interim information is the carrying amount of the assets.

Debt instruments valued at amortized cost do not differ from their fair value.

b) Financial derivatives instruments

• Swaps (interest rate and other)

The most significant notional principals on interest rate swaps (variable to fixed) outstanding at December 31, 2020 amount to €373 million (2019: €384 million and USD5 million), which are classified as hedging instruments.

• Equity swap

On August 6, 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A. The underlying asset of the operation amounts to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €6,059 thousand negative at December 31, 2020 (€8,019 thousand negative at December 31, 2019), and is due in 2023.

c) Investments in joint ventures and associates

The companies of the Group, both associates and joint ventures, consolidated under the equity method, are as follows:

	Effective interest %	
	31.12.2020	31.12.2019
Belgium Forge, N.V. ⁽¹⁾	100%	100%
Galfor Eólica, S.L. ⁽³⁾	15%	14%
Gescrap - Autometal Comercio de Sucatas, Ltda.	30%	30%
Gescrap Autometal de México, S.A. de C.V. and its subsidiaries	30%	30%
Gescrap India Pvt, Ltd. ⁽³⁾	18%	17%
Shanghai Golde Automotive Parts Co., Ltd. ⁽²⁾	50%	50%
Golde Automotive Parts (Ningde) Co., Ltd. ⁽²⁾	50%	50%

(1) In liquidation/dormant.

(2) Joint venture integrated in 2019 (Note 2) in the acquisition of CIE Golde.

(3) Increase in participation due to the purchase of shares of Mahindra CIE Automotive, Ltd. (Note 1).

	2020			2019		
	Value of the investment	Share in profit/(loss)	Dividends received	Value of the investment	Share in profit/(loss)	Dividends received
Shanghai Golde Automotive Parts Co., Ltd.	38,677	4,233	5,025	59,470	5,844	-
Gescrap Autometal de México, S.A. de C.V. and its subsidiaries	4,392	590	-	4,202	920	-
Gescrap - Autometal Comercio de Sucatas, Ltda.	2,302	955	378	2,489	1,054	501
Other (*)	33	(23)	-	34	(65)	-
Total	45,404	5,755	5,403	66,195	7,753	501

(*) Not significant companies or in liquidation.

There are no significant restrictions on the ability to access to those assets. There are no contingent liabilities related to these investments in associates. None of these companies is listed on a stock exchange.

The main movement in the value of these shares during the financial year 2020 is due to the adjustment of the initial fair value of the participation in the joint venture Shanghai Golde Automotive Parts Co., Ltd. for an amount of €19.3 million after the analysis of an independent external valuer (Note 2). The complete detail, at 100%, of the assets and liabilities of this joint business as of December 31, 2020 and 2019, as well as the results generated after joining the Group, is as follows:

Thousand euros	31.12.2020	31.12.2019	Thousand euros	31.12.2020	31.12.2019
Non-current assets	20,449	19,189	Equity	20,793	23,353
Current assets	71,713	78,746	Non-current liabilities	11,015	15,544
			Current liabilities	60,354	59,038
TOTAL ASSETS	92,162	97,935	TOTAL LIABILITIES	92,162	97,935

INCOME STATEMENT (Thousand euros)	2020	2019^(*)
Revenue	135,589	122,497
Operating profit	10,049	12,204
Profit before tax	10,055	12,327
Profit from continuing operations	8,466	11,687
Other comprehensive income	8,466	11,687

(*) Results incorporated into the Group from the date of acquisition of CIE Golde.

9. Trade and other receivables

Thousand euro	31.12.2020	31.12.2019
Trade receivables	316,233	340,882
Other receivables	41,622	27,581
Less: Provision for impairment of receivables	(13,024)	(11,545)
Total	344,831	356,918

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

At December 31, 2020 trade and other receivables discounted and advanced by financial institutions amount to €28.1 million (2019: €25.1 million). These balances have been accounted for as a bank loan (Note 18).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At December 31, 2020 this balance amounts to €242.2 million (2019: €222.2 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 3.14).

Given the characteristics of the Group's customers, balances receivable due in less than 60 days have historically entailed no expected loss as they fall within the normal collection period in the sector. The Group considers that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is high. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

The breakdown by ageing of accounts receivable due more than 60 days is as follows:

Thousand euro	2020	2019
Between 2 and 4 months	2,894	3,206
Between 4 and 12 months	2,839	5,691
More than 12 months	4,744	5,796
Total	10,477	14,693

After the entry into force of the IFRS 9 Financial Instruments, the Group proceed to register a provision for impairment of business operations according to the simplified method of the expected loss. The basis for this calculation has been included in Note 3.11.

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

Movements on the Group provision for impairment of trade receivable in 2020 and 2019 are as follows:

Thousand euro	Note	2020	2019
Opening balance		11,545	10,750
Changes in consolidation scope	2	361	2,929
Additions	25	2,499	784
Recoveries	25	(681)	(2,131)
Receivables written-off		(700)	(787)
Closing balance		13,024	11,545

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. In this sense, and until the date of issuance of these Consolidated Annual Accounts, the analysis and specific monitoring carried out on the possible impacts of the Covid-19 pandemic on the collectability of trade receivable does not show the need to register additional allowances to those already recognised.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Thousand euro	31.12.2020	31.12.2019
Euro	83,825	73,398
US dollar	49,206	65,271
Brazilian real	24,287	32,414
Indian rupee	55,064	69,042
Chinese yuan	98,983	93,089
Other	4,868	7,668
TOTAL	316,233	340,882

10. Inventories

Thousand euro	31.12.2020	31.12.2019
Goods held for resale	6,406	9,097
Raw materials and supplies	166,079	181,820
Work in progress and semi-finished goods	74,952	86,257
Finished goods	106,045	129,807
Prepayments to suppliers	17,150	9,139
TOTAL	370,632	416,120

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.

The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

2020

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance January 1, 2020	190,917	216,064	406,981
Changes in consolidation scope	3,261	6,159	9,420
Purchases /Changes in provisions	1,665,582	394	1,665,976
Other movements ^(*)	(13,892)	(11,785)	(25,677)
Closing balance at December 31, 2020	(172,485)	(180,997)	(353,482)
COST OF SALES	1,673,383	29,835	1,703,218

2019

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance January 1, 2019	194,131	203,029	397,160
Changes in consolidation scope	29,019	18,368	47,387
Purchases /Changes in provisions	2,015,216	3,147	2,018,363
Other movements ^(*)	390	18	408
Closing balance at December 31, 2019	(190,917)	(216,064)	(406,981)
COST OF SALES	2,047,839	8,498	2,056,337

(*) Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

Thousand euro	Note	2020	2019
Opening balance		25,278	19,189
Changes in consolidation scope	2	389	3,956
Additions	25	9,922	8,287
Cancellation of balances/Transfers		(7,544)	(6,154)
Closing balance		28,045	25,278

11. Cash and cash equivalents

Cash and other cash equivalents at December 31, 2020 and 2019 break down as follows:

Thousand euro	31.12.2020	31.12.2019
Cash and banks	365,140	188,515
Current bank deposits	200,421	326,176
TOTAL	565,561	514,691

Current bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately. These deposits earn interest at a market rate depending on the currency.

The Group does not have significant current accounts of cash and equivalents pledged as of December 31, 2020 and 2019.

The carrying amount of cash at Group companies is denominated in the following currencies:

Thousand euro	31.12.2020	31.12.2019
Euro	106,127	37,104
US dollar	137,624	267,875
Chinese yuan	223,570	127,341
Brazilian real	45,121	44,928
Indian rupee	12,730	3,791
Russian ruble	2,490	1,732
Mexican peso	16,360	4,071
South African rand	12,328	24,804
Other	9,211	3,045
TOTAL	565,561	514,691

12. Disposal groups classified as held-for-sale and discontinued operations

a) Business of biofuels

In September 2018, the Board of Directors of CIE Automotive, S.A. after receiving various offers to buy the companies of biofuels made the decision to discontinue this entire business.

After this decision, the Group carried out the discontinuation of the assets and liabilities of said companies, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said companies within discontinued operations.

On March 28, 2019, the sale of the company Bionor Berantevilla, S.L.U. and the assets of Biosur Transformación, S.L.U. took place. As the net assets subject to sale were valued at their realizable value, the impact on the Group's consolidated profit and loss account was not significant. The amount finally paid by the buyer was €18.7 million, of which €13.7 million correspond to the value of the business disposed and €5 million to the cash and working capital net position of the Company Bionor Berantevilla, S.L.U. on the date of transfer.

At December 31, 2020 and 2019, the Group maintains the assets and liabilities associated with said business as a group of assets and liabilities held for sale, whose recoverable value did not vary significantly.

b) British Forging business - Stokes

In September 2018, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to sell its British forging business, corresponding to the company Stokes Group Limited. After this decision, the Group carried out the discontinuation of the assets and liabilities of said company, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said company within discontinued operations. At the time of the discontinuation, the Group proceeded to value the assets and liabilities of the company as required by IFRS 5 "Non-current assets held for sale and discontinued operations".

At December 31, 2020 and 2019, for the specific situation of these businesses held for sale, the Group performed an updated assessment based on the net assets recovery value, which have not suffered significant changes.

The following is the discontinued income statement for the years ended on December 31, 2020 and 2019:

Thousand euro	Year ended 31 December	
	2020	2019
OPERATING REVENUE	2,937	14,263
Revenue	2,969	16,472
Other operating income	(32)	(2,209)
OPERATING EXPENSES	(2,603)	(13,970)
Consumption of raw materials and secondary materials	(825)	(9,545)
Employee benefit expenses	(912)	(2,813)
Depreciation, amortisation and impairment	(52)	(453)
Other operating income/(expenses)	(814)	(1,159)
OPERATING PROFIT	334	293
Financial costs	-	(26)
Net exchange differences	(35)	(17)
PROFIT BEFORE TAX	299	250
Corporate income tax (Note 28)	(33)	884
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	266	1,134
LOSS GENERATED IN THE DISPOSAL OF THE BUSINESS OF BIOFUELS	-	(193)
TOTAL PROFIT OF DISCONTINUED OPERATIONS	266	941

The amount of the revenue corresponding to the discontinued operations, corresponding entirely to the Automotive, is broken down into the following geographical areas or countries:

Thousand euro	2020	2019
Spain	2,969	10,683
Rest of Europe	-	5,789
TOTAL	2,969	16,472

The information of the assets and liabilities of the disposable group classified as held for sale related to discontinued operations described above are summarized in the following table on December 31, 2020 and 2019:

ASSETS (Thousand euro)	31.12.2020	31.12.2019	LIABILITIES (Thousand euro)	31.12.2020	31.12.2019
Non-current assets	2,025	3,059	Deferred revenue	1,373	1,471
Property, plant and equipment	1,272	2,246			
Other intangible assets	7	4	LIABILITIES	1,430	2,515
Non-current financial assets	33	55	Non-current liabilities	352	352
Deferred tax assets	394	388	Deferred tax liabilities	352	352
Other non-current assets	319	366			
Current assets	844	2,073			
Inventory	131	163	Current liabilities	1,078	2,163
Trade and other receivables	47	67	Trade and other payables	189	312
Other current assets	24	13	Current tax liabilities	62	200
Current tax assets	429	595	Current provisions	815	1,629
Cash and cash equivalents	213	1,235	Other current liabilities	12	22
TOTAL ASSETS	2,869	5,132	TOTAL LIABILITIES	2,803	3,986

13. Share capital and share premium

December 31, 2020					
Movements in thousands of euro	No. shares (thousands)	Share capital	Treasury shares	Share premium	Total
At 31 December 2019	129,000	32,250	-	152,171	184,421
Treasury shares (acquisition)/sale	-	-	(95,391)	-	(95,391)
Increase /(decrease) of share capital	(6,450)	(1,613)	95,391	-	93,778
At 31 December 2020	122,550	30,637	-	152,171	182,808

December 31, 2019					
Movements in thousands of euro	No. shares (thousands)	Share capital	Treasury shares	Share premium	Total
At 31 December 2018	129,000	32,250	-	152,171	184,421
Treasury shares (acquisition)/sale	-	-	-	-	-
At 31 December 2019	129,000	32,250	-	152,171	184,421

a) Share capital

The share capital of CIE Automotive, S.A. at December 31, 2019 was represented by 129,000,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market. On November 25, 2020, there is a decrease of the share capital of €1,612,500 through the amortization of 6,450,000 treasury shares. The share capital of CIE Automotive, S.A. at December 31, 2020 is represented by 122,550,000 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

The companies that hold a direct or indirect interest of more than 10% are as follows:

% interest	31.12.2020	31.12.2019
Acek Desarrollo y Gestión Industrial, S.L.	^(*) 15.690%	^(*) 14.909%
Corporación Financiera Alba, S.A.	12.730%	10.129%
Elidoza Promoción de Empresas, S.L.	10.890%	10.000%

(*) 5.790% directly and indirectly, through Risteel Corporation, B.V., the remaining 9.900% in 2020 (5.508% directly and indirectly, through Risteel Corporation, B.V., the remaining 9.401% in 2019)

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €22.06 at December 31, 2020 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement of treasury shares during the periods ended December 31, 2020 and December 31, 2019 is broken down in the following table:

	December 31, 2020		December 31, 2019	
	Number of shares	Amount (Thousand euro)	Number of shares	Amount (Thousand euro)
Opening balance	-	-	-	-
Acquisitions	6,450,000	95,391	-	-
Decrease of share capital	(6,450,000)	(95,391)	-	-
Ending balance	-	-	-	-

The balance of treasury shares existing in CIE Automotive, S.A. as of December 31, 2020 and 2019 amounted to 0 titles, after the share capital decrease carried out by the Parent company against treasury shares acquired during the fiscal year 2020.

Moreover, the mandate conferred at the shareholders' Meeting of April 29, 2020, whereby the Parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until April 29, 2025.

14. Retained earnings

Movements in retained earnings are as follows:

Thousand euro	Legal reserve	Reserve in consolidated companies and effect of first time conversion (Note 16)	Profit and loss	SUBTOTAL	Translation differences (Note 15)	TOTAL
At January 1, 2019	6,450	284,144	396,754	687,348	(151,848)	535,500
Distribution of 2018 profit	-	316,774	(396,754)	(79,980)	-	(79,980)
Income/(expense) recognised directly in equity, net	-	(11,037)	287,475	276,438	(17,681)	258,757
Other changes	-	(9,400)	-	(9,400)	-	(9,400)
At December 31, 2019	6,450	580,481	287,475	874,406	(169,529)	704,877
Distribution of 2019 profit	-	193,539	(287,475)	(93,936)	-	(93,936)
Income/(expense) recognised directly in equity, net	-	(923)	185,225	184,302	(209,079)	(24,777)
Business combinations (Note 1)	-	11,432	-	11,432	(1,612)	9,820
Decrease of share capital (Note 13)	-	(93,778)	-	(93,778)	-	(93,778)
Other changes	-	(7,573)	-	(7,573)	-	(7,573)
At December 31, 2020	6,450	683,178	185,225	874,853	(380,220)	494,633

a) Legal reserve

In accordance with Article 274 of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. Both in the fiscal years ended December 31, 2020 and 2019, the legal reserve is fully allocated.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

b) Dividends paid

On December 16, 2020, the Board of Directors approved the payment of an interim dividend charged to the profit of the year 2020 for an amount of €0.25 per share, which has meant a total of €30,638 thousand. Payment has been effective on January 7, 2021.

The amount to distribute did not exceed the profit of the Parent company obtained since the last financial year, deducting the tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement of the Parent company at November 30, 2020, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

Provisional cash-flow statement	Thousand euros
Profit forecast:	
- Available net profit for 2020	77,115
To deduct:	
- Legal reserve	-
Maximum amount to distribute	77,115
Amount distribution proposal	61,276
Treasury forecast for one year	103,563
Interim dividend	(30,638)

On April 29, 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which has amounted to a total of €46,206 thousand. The payment has been effective on July 6, 2020.

On December 4, 2019, the Board of Directors has approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total payout of €47,730 thousand. Payment has been effective on January 3, 2020.

On May 8, 2019, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2018 fiscal year, approving the distribution of a complementary dividend of €0.31 gross per share entitled to a dividend, which has amounted to a total of €39,990 thousand. The payment has been effective on July 3, 2019.

On December 12, 2018, the Board of Directors has approved the payment of an interim dividend from 2018 profit of €0.31 gross per share carrying dividend rights, implying a total payout of €39,990 thousand. Payment has been effective on January 4, 2019.

In relation to these interim dividends of the Parent company, the amounts to be distributed did not exceed the profits obtained since the last financial year, deducting the tax estimation, in accordance with Article 277 of the Spanish Companies Act. Similarly, the provisional accounting statements were prepared in accordance with legal requirements and evidenced the existence of sufficient liquidity to complete the pay-out of the aforementioned dividends.

c) Proposal for the distribution of results

The proposal for distributing the Parent company's 2020 profit, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the Parent company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2019, is as follows:

Thousand euro under Spanish GAAP	2020	2019
Available for distribution		
Profit/(loss) for the year	73,907	112,113
Distribution		
To Voluntary reserves	12,631	16,653
To Interim dividend	30,638	47,730
To Final dividend	30,638	47,730
PROFIT AND LOSSES	73,907	112,113

15. Translation differences

The translation differences at year-end 2020 are negative for an amount of €380,220 thousand (2019: €169,529 thousand negative). The detail by currency is as follows:

Currency	2020	2019	Variation
US dollar	(38,564)	20,255	(58,819)
Brazilian real	(242,605)	(155,718)	(86,887)
Chinese yuan	(30,413)	(13,428)	(16,985)
Indian rupee	(46,093)	(9,184)	(36,909)
Other	(22,545)	(11,454)	(11,091)
Translation differences	(380,220)	(169,529)	(210,691)

16. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first conversion amounts at €683,178 thousand and €580,481 thousand as of December 31, 2020 and 2019, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, January 1, 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 8).

17. Non-controlling interests

Movements in non-controlling interests are as follows:

Thousand euro	2020	2019
Balance at January 1 of current period	393,406	368,955
Profit of the year	10,021	26,576
Difference in foreign currency conversion	(22,956)	(1,193)
Other (gross hedges of cash flows, tax effect, etc.)	120	(843)
Net income/(expense) recognized directly in equity	(12,815)	24,540
Dividend paid to non-dominant shares	(33)	(56)
Variations in the perimeter and business combinations (Note 1)	(32,437)	-
Other movements	50	(33)
Balance at December 31 of current period	348,171	393,406

The breakdown of non-controlling interests by Company/Subgroup is as follows (in thousand euro):

December 31, 2020			
Thousand euro	% Non-controlling	Non-controlling interests	Income attributable to non-controlling interest
Mahindra CIE Subgroup	39.82%	304,539	4,685
Other minor	-	43,632	5,336
Non-controlling interests		348,171	10,021
December 31, 2019			
Thousand euro	% Non-controlling	Non-controlling interests	Income attributable to non-controlling interest
Mahindra CIE Subgroup	43.68%	352,746	20,680
Other minor	-	40,660	5,896
Non-controlling interests		393,406	26,576

The assets, liabilities and the profit for the year 2020 assigned to the Mahindra CIE subgroup incorporated to the Consolidated Annual Accounts amount to €1,351.7 million, €540.2 million and €12.2 million respectively (2019: €1,421.5 million, €566.1 million and €47.9 million respectively).

As of December 31, 2020, the equity value assignable to the Group amounts to €507.8 million (€503.3 million at December 31, 2019).

The market price of Mahindra CIE Automotive, Ltd. as of December 31, 2020 was 172 rupees per share, which would result in a market value below the value of the Group's consolidated net assets for its investment in the Mahindra CIE subgroup. This specific situation derives from the generalized devaluation of securities in global stock markets in the context of Covid-19. The Group, as explained in Note 7, has assessed its net assets for impairment on the basis of expected future cash flows, without detecting any impairment evidence.

There are no significant restrictions on the ability of the Group for the use of assets and payment of liabilities of the same.

18. Borrowings

Thousand euro	31.12.2020	31.12.2019
Bank borrowings (a)	1,661,337	1,596,212
Non-current borrowings	1,661,337	1,596,212
Bank borrowings (a)	280,447	200,147
Commercial paper program (b)	278,100	299,200
Discounted bills pending maturity and prepayments on export bills	28,147	25,138
Current borrowings	586,694	524,755
TOTAL BORROWINGS	2,248,031	2,120,967

a) Bank borrowings

The Group's policy is to diversify its financing sources. There is no concentration of loan/credit risk in respect of its bank borrowings as the Group works with multiple entities.

The exposure of the Group's bank borrowings to interest rate changes is as follows:

Thousand euro	Note	Balance at 31 December	At more than 1 year	At more than 5 years
Total borrowings		1,941,784	1,661,337	196,046
Total borrowings at initial fixed interest rate		(438,242)	(339,234)	(36,000)
Interest rate swaps impact	8	(373,333)	(384,211)	-
Risk at December 31, 2020		1,130,209	937,892	160,046
Total borrowings		1,796,629	1,596,212	205,056
Total borrowings at initial fixed interest rate		(217,958)	(175,423)	(19,562)
Interest rate swaps impact	8	(388,458)	(373,333)	-
Risk at December 31, 2019		1,190,213	(1,047,456)	185,494

Non-current borrowings have the following maturities:

Thousand euro	31.12.2020	31.12.2019
Between 1 and 2 years	353,600	244,770
Between 3 and 5 years	1,111,691	1,146,386
Over 5 years	196,046	205,056
TOTAL NON-CURRENT BORROWINGS	1,661,337	1,596,212

The effective interest rates at the balance sheet dates are the usual market rates (benchmark rate plus a market spread) and there are no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels.

Bank borrowings carry interest at market rates, by currency, plus a spread that ranges between 30 and 600 basis points (2019: between 30 and 600 basis points).

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since an important portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 34.1 and 8.b).

The carrying amount of the Group's borrowings is denominated in the following currencies:

Thousand euro	31.12.2020	31.12.2019
Euro	1,943,327	1,760,853
US dollar	289,160	345,783
Brazilian real	5,858	2,611
Other	9,686	11,720
TOTAL BORROWINGS	2,248,031	2,120,967

At December 31, 2020 the Group had drawn credit lines with financial institutions for an amount of €1 million (December 31, 2019: €243 million). The total limit of the aforementioned lines of credit amounts to €807 million (December 31, 2019, €744 million), so it has €806 million (December 31, 2019: €501 million) of loans and credit lines undrawn at a floating interest rate.

Thousand euro	31.12.2020	31.12.2019
Floating rate		
Expiring within one year	317,118	156,036
Expiring beyond one year	489,376	345,069
TOTAL AVAILABLE LINES OF CREDIT	806,494	501,105

On July 28, 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the former syndicated financing agreement. The subsequent novations related to this financing were the following:

- On April 13, 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date in April 2020.
- On July 14, 2016, the Parent company signed a second novation with respect to the syndicated financing agreement. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On June 6, 2017, the Parent company signed a third novation with respect to the syndicated financing agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.
- On April 27, 2018, the Parent company signed a forth novation of this syndicated financing agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On April 12, 2019, the Parent company has signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On February 27, 2020, the parent company requested the extension of the maturity date until April 13, 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.

The drawn amount of this syndicated financing agreement on December 31, 2020 amounted to €345 million (December 31, 2019: €480 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On July 14, 2016, the Parent company arranged a new loan with several financial and insurance institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. The drawn amount of this loan on December 31, 2020 amounts to €68 million (€77 million as of December 31, 2019).

In 2014 and 2018, the Group signed financing agreements with the European Investment Bank (EIB) in order to finance various research and development projects in the automotive components sector, and last due in 2031. As of December 31, 2020, the outstanding amount of such loans amounted to €99 million (December 31, 2019: €113 million). Additionally, in September 2020 the Group signed a novation agreement with the European Investment Bank (EIB) of €40 million, with maturity in 2030 and which is fully drawn as of December 31, 2020.

On May 11, 2016, the Group, through its US subsidiary CIE Investments USA, Inc., arranged two loans of USD35 million each, with maturity of 3 and 5 years, respectively, at a floating interest rate, linked to LIBOR. On December 31, 2020, one of the loans for an amount of USD 35 million was renewed with maturity in 2022. The balance as of December 31, 2020 amounts to €46 million (December 31, 2019: €56.1 million).

In February 2017, the Mexican companies Pintura, Estampado y Montaje, S.A.P.I. de C.V. and Pintura y Ensamblajes de México, S.A. de C.V. arranged three loans amounting to USD60 million, USD40 million and USD40 million, which are due in July 2021, February 2022 and February 2023 respectively. On December 31, 2020, one of the loans for an amount of USD 60 million was renewed in advance, extending its maturity to 2022. As of December 31, 2020, the balance of these loans amounts to €96 million (December 31, 2019: €116.3 million).

In June 2018, the Group contracted a new loan of USD50 million from a financial institution, through the Mexican subsidiary CIE Autometal de México, S.A. de C.V., for a five years term and an eleven month grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance of this loan on December 31, 2020 amounts to €25 million (December 31, 2019: €39 million).

On July 5, 2018, the Group signed a financing contract amounting to USD150 million with International Finance Corporation (World Bank Group) and EDC (Export Development of Canada). This funding has a maturity of 10 years and aims to support sustainable growth of the CIE Automotive Group in Mexico in the coming years. On December 31, 2020 the drawn amount of such funding is €122 million (December 31, 2019: €133.7 million approximately).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market.

During the first half of 2020, the Group signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings were agreed, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as the current one.

It should be noted that, in addition to and after the sign-off of such contractual documents, the Group has signed agreements (given their different typology, in the form of deeds of non-extinctive modifying novation, amendment agreements, accession agreements, etc.) that imply a novation of the different agreements that make up its structural financing, establishing, in line with what has already been agreed, that certain covenants will not be enforceable until after June 30, 2021. Likewise, it has been agreed that the first certification (with a binding obligation) of compliance of the aforementioned financial ratios will be made with the audited Consolidated Annual Accounts of the Group as of December 31, 2021. In these new agreements, in addition to these references to compliance with covenants, the new requirements mentioned in the previous paragraph have been included, maturities have also been modified, the guarantors have been modified, and other standard updates for this type of finance agreements have been made. The accounting records of assessing the impact of these novations at their amortized cost have not been significant.

In this way, and as a consequence of signing the aforementioned documents, the Group complies, as of December 31, 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different financial institutions as of that date.

During the first half of the 2020, a series of financing contracts were signed with various financial entities and guaranteed by the Official Credit Institute (ICO) for a maximum amount of €442 million, and they are within the national program of injection of liquidity to mitigate the economic impacts caused by the Covid-19 pandemic. These financing accrue a market interest rate. As of December 31, 2020, the balance drawn on this financing amounts €297 million.

Other balances included in borrowings relate to bank loans or credit facilities in Group companies, arranged without specific additional guarantees and at the market interest rates in effect in the different countries.

In 2020, the Group has repaid €357 million related to bank credits and loans (2019: €591 million) and loans and additional credit accounts have been arranged for an amount of €601 million included those disclosed above (2019: €1,121 million).

b) Commercial paper program

On July 19, 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On July 18, 2019, the program was renewed increasing the maximum amount to €300 million. On March 18, 2020, the maximum amount was increased to €400 million and on July 21, 2020 the program was renewed. As of December 31, 2020, the drawn balance amounts to €278 million (€299 million as of December 31, 2019).

19. Trade and other payables

Thousand euro	31.12.2020	31.12.2019
Trade payables	776,144	759,711
Other account payables	75,184	99,183
TOTAL	851,328	858,894

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during 2020 and 2019 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5 of July, is as follows:

Days	2020	2019
Paid operations ratio	72	72
Outstanding operations ratio	76	75
Average payment period to suppliers	64	65

Payments in thousand euro	2020	2019
Payments made	414,711	517,579
Outstanding payments	181,202	242,554

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, the Group has launched a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

20. Other liabilities

Thousand euro	31.12.2020	31.12.2019
Capital creditors	9,580	12,544
Long-term payables to tax authorities	17,617	18,523
Other non-current debts	73,564	36,963
Lease liabilities (Note 6.1.e)	61,681	73,831
Non-Current	162,442	141,861
Current tax liabilities	59,560	62,770
Short-term payables to tax authorities	1,659	1,445
Capital creditors	32,309	35,320
Accrued wages and salaries	84,982	80,065
Other current liabilities	6,822	8,522
Debts for business acquisitions (Notes 1 and 2)	6,693	24,461
Accruals and deferred income	13,318	12,870
Lease liabilities (Note 6.1.e)	21,731	23,425
Current	227,074	248,878
TOTAL OTHER LIABILITIES	389,516	390,739

The fair value of these liabilities do not differ significantly from their carrying amounts.

The balances included under Payables to tax authorities within long and short term include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

Other current and non-current liabilities

At December 31, 2020 this heading includes loans to finance investment projects received from public financing institutions totalling to €21,061 thousand (2019: €25,035 thousand), being €15,575 thousand (2019: €18,884 thousand) classified as other long term liabilities. Moreover, this heading also includes the granted loan in March 2019 with COFIDES, which at December 31, 2020 amounts to €49,807 thousand, being fully classified in the long term (2019: €10,276 thousand, fully classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

Other non-current liabilities have the following maturities:

Thousand euro	31.12.2020	31.12.2019
Between 1 and 2 years	23,532	38,362
Between 2 and 5 years	43,624	49,465
Over 5 years	95,286	54,034
TOTAL NON-CURRENT OTHER LIABILITIES	162,442	141,861

21. Deferred taxes

The breakdown of deferred tax assets and deferred tax liabilities is as follows:

Thousand euros	31.12.2020	31.12.2019
Deferred tax assets	180,331	170,446
Deferred tax liabilities	(141,653)	(129,027)
NET	38,678	41,419

The overall movement in the deferred tax account is as follows:

Thousand euro	Note	2020	2019
Opening balance		41,419	85,759
Additions/changes in consolidation scope	2	(1,022)	(12,898)
(Charged)/credited to the income tax expense	28	(8,244)	(35,077)
(Charged)/credited to other results ^(*)	28	1,732	150
(Charged)/credited to equity		22	2,248
Transfers and reclassifications ^(**)		4,771	1,237
Closing balance		38,678	41,419

(*) The item (charged) / credited to other results corresponds to the record of research and development deductions that are collected, in accordance with IAS 20, under the heading of "operating grants".

(**) Includes movements on deferred items due to foreign currency exchange fluctuations.

The movement in deferred income tax assets and liabilities during 2020 and 2019 is as follows:

Deferred tax assets (thousand euros)	2020	2019
Hedge instruments	2,872	2,958
Non-deductible provisions and other temporary differences	111,639	86,023
Tax losses	26,697	31,069
Tax credits	39,123	50,396
TOTAL	180,331	170,446

Deferred tax liabilities (thousand euros)	2020	2019
Goodwill	39,940	31,288
Fair value gains ^(*)	30,007	33,434
Exchange fluctuations	106	248
Accelerated depreciation and others	71,600	64,057
TOTAL	141,653	129,027

(*) It includes the effects of the fair value of first conversion assets and the allocation of capital gains in the acquisition of subsidiaries and the revaluation of credits.

The detail of non-deductible provisions includes the impact of the recognition of €9.4 million of deferred tax assets related to temporary differences in the subsidiary Golde Lozorno Spol. sro, which was incorporated in the scope of CIE Golde's roof business acquisition (Note 2) and which were not recognized at that time or subsequent evaluations, because these had been concluded as not recoverable following the projections of margins with those that were considered in financial year 2019. In recent months, and after almost two years since its incorporation, the efforts of the Group's management in the aforementioned company began to show its results, projecting a significant improvement in the future profitability in the short term, and therefore, being able to estimate these deferred tax assets as recoverable. The rest of the temporary differences recognized in the year correspond mainly to provisions and other operating and non-operating expenses which are not tax deductible.

The Group, after its yearly update of the consolidated taxable income of the Basque Tax Group in 2020 expected for the coming years, derecognised tax credits for an approximate amount of €11 million, given that their use is now estimated beyond the year 2030. It should be noted that the reduction in the projected taxable income does not originate in a downward trend in business results, but rather in the use of tax incentives to the taxable income not previously applicable. In 2019, the Group proceeded to write off tax losses in Germany for an approximate amount of €12 million.

The main variations in deferred tax liabilities correspond to the deductibility of financial goodwill in various territories for an approximate amount of €12 million in fiscal year 2020 (€13 million in 2019), the record of tax provisions for an amount of approximately €4 million in 2020 and 2019 (Note 28), accelerated depreciation of certain assets and the tax impact of certain capital gains resulting from the different business combinations carried out by the Group in the past.

The detail of recognised tax losses and credits by tax territories is as follows:

Thousand euro	Segment	2020		2019	
		Tax losses	Tax credits	Tax losses	Tax credits
Basque tax group	Rest of Europe	8,045	32,747	7,954	43,360
Spanish tax group	Rest of Europe	1,209	1,336	909	1,371
	Rest of Europe /MCIE				
Rest of Europe	Europe	1,734	3,762	1,308	4,538
Brazil	Brazil	4,823	-	9,860	-
United States	North America	6,546	1,278	5,957	1,127
Other territories	-	4,340	-	5,081	-
TOTAL		26,697	39,123	31,069	50,396

Recoverability of losses and tax credits

The Group performs, at least at the end of each year, an impairment assessment for its deferred tax assets based on the projections included in its budget (Note 7) and an estimate of adjustments to the taxable income for each year, based on the applicable tax regulations of each tax territory in force at the end of the evaluation exercise. In the context of this assessment, deferred tax assets evolve based on the results and estimates projected by each plant, together with the existing knowledge about the behavior of the market in which they operate and the tax specificity of each jurisdiction.

Deferred tax assets are recognized when there is sufficient evidence of their recoverability within a reasonable time horizon, and which the Group defines, in general, in a maximum period of 10 years. At December 31, 2020 and 2019, the Group has recognized recoverable tax credits and losses within the estimate carried out.

As of December 31, 2020 and 2019, the Group had not recognized tax losses for €331.6 million and €328.6 million, respectively, in different jurisdictions since the necessary conditions for their recognition were not met. In the same way, the Group has not recognized tax credits for €60 million (€49 million at December 31, 2019), which mainly correspond to the Basque tax group and which have not been recognized since their recoverability is estimated in a period of more than 10 years.

22. Commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

Thousand euro	31.12.2020	31.12.2019
Germany	79,329	80,320
India	5,099	5,967
Italy	3,889	2,719
Mexico	96	722
TOTAL PENSIONS	88,413	89,728

The main commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups disclosed by country are the following ones:

- 1) Post-employment benefit plans and other long-term employee benefits in Germany fully covered through in-house provisions, such as, length-of-service awards and supplements under phased retirement arrangements.
- 2) Post-employment benefit plans in India which are mostly under in-house provisions: lifetime retirement pensions, retirement awards financed externally under insurance contracts and retirement awards in the event of the termination of the employment contracts.
- 3) Post-employment benefit plans in Italy. The pension model is currently TFR. This was a defined benefit plan that was converted into a defined contribution plan as a result of the Pension Reform which took place in December 2005.

The movement of the defined benefit obligation and the long-term benefits to personnel during 2020 and 2019 has been as follows:

December 31, 2020									
Thousand euro	31.12.2019	CHANGES/ADDITIONS TO CONSOLIDATION SCOPE (Note 2)	CURRENT SERVICES COST	EXPENSES/ (INCOME) BY INTEREST	CALCULATION OF ASSESSMENTS		PAYMENT OF FEES	TRANSLATION DIFFERENCES	31.12.2020
					(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS	(PROFIT) / LOSSES FROM EXPERIENCE			
Post-employment benefits ⁽¹⁾	87,010	1,961	(56)	1,016	2,471	(1,283)	(4,033)	(604)	86,482
Long-term benefits with staff	2,718	-	677	(192)	(14)	-	(1,161)	(97)	1,931
TOTAL PENSIONS	89,728	1,961	621	824	2,457	(1,283)	(5,194)	(701)	88,413

December 31, 2019									
Thousand euro	31.12.2018	CHANGES/ADDITIONS TO CONSOLIDATION SCOPE (Note 2)	CURRENT SERVICES COST	EXPENSES/ (INCOME) BY INTEREST	CALCULATION OF ASSESSMENTS		PAYMENT OF FEES	TRANSLATION DIFFERENCES	31.12.2019
					(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS	(PROFIT) / LOSSES FROM EXPERIENCE			
Post-employment benefits ⁽¹⁾	31,415	45,294	2,278	731	9,959	138	(2,756)	(49)	87,010
Long-term benefits with staff	1,634	861	702	643	-	-	(1,122)	-	2,718
TOTAL PENSIONS	33,049	46,155	2,980	1,374	9,959	138	(3,878)	(49)	89,728

⁽¹⁾ It corresponds to retirement pensions for life in Germany and India, as well as retirement awards in India and post-employment benefit plans in Italy and Mexico.

The financial-actuarial assumptions used in the actuarial valuations are set out below:

2020				
	Germany	India	Italy	Mexico
Interest rate	0.53% - 0.74%	5.00% - 6.60%	0.00% - 0.34%	5.71%
Expected performance active plan	N/A	5.25% - 7.20%	N/A	N/A
Future growth of wages	0%	5% - 8%	0% - 0.5%	4.54%
Future growth of pensions	1% - 1.8%	0% - 8%	2.40%	N/A
Table of mortality	Dr. K.Heubeck Richttteln 2018 G - RT 2018 G	IALM 2006-2008 y 2012-2014	RG48	EMSSAH 2009
Retirement age	65 years	58 years for workers, 60 years for others	58 years - 63 years	65 years
Method of valuation	PUC	PUC	TFR	PUC

2019				
	Germany	India	Italy	Mexico
Interest rate	0.94% - 0.98%	6.60% - 7.70%	0.31%	7.02%
Expected performance active plan	N/A	6.60% - 7.70%	N/A	N/A
Future growth of wages	2.30% - 2.50%	5% - 9%	0%	4.54%
Future growth of pensions	1% - 1.8%	0% - 8%	2.63%	N/A
Table of mortality	Dr. K.Heubeck Richttteln 2018 G - RT 2018 G	IALM 2006-2008 y 2012-2014	RG48	EMSSAH 2009
Retirement age	65 years	58 years for workers, 60 years for others	63 years	65 years
Method of valuation	PUC	PUC	TFR	PUC

The contributions to these plans in the next financial year 2021 would amount to approximately €2,601 thousand.

23. Provisions

The breakdown of the movements in Group provisions in 2020 and 2019 is as follows:

Thousand euro	31.12.2020	31.12.2019
Beginning balance	298,694	175,516
Additions / (variations) in consolidation scope (Note 2)	27,805	123,120
Additions / (Reversals)	46,222	32,358
Income statement	45,048	22,261
Equity	1,174	10,097
Application and payments	(28,386)	(33,245)
Transfers and other movements (*)	(19,346)	945
Ending balance	324,989	298,694
NON-CURRENT PROVISIONS	208,881	231,958
CURRENT PROVISIONS	116,108	66,736

(*) Mainly relate to exchange rate effects in subsidiaries.

Non-current provisions at December 31, 2020 mainly include the following:

- A €93.5 million provision for other personnel liabilities (2019: €92.3 million), including €85.1 million relating to pension plans (2019: €85.0 million).
- A €78.9 million provision (December 31, 2019: €98.4 million) to cover the operating risks of the business which it is considered to be payable in the long term, corresponding in a significant part to liabilities associated with contracts with clients for a value of €24.1 million (December 31, 2019: €22.2 million) and the coverage of guarantees negotiated with clients related to the manufacture of solar roofs worth €11.9 million (December 31, 2019: €12.4 million).

- A €34.7 million provision (December 31, 2019: €39.5 million) corresponding almost entirely to tax contingencies in Brazil, mainly related to taxes and fiscal charges other than corporate tax, of which €1.5 million are on court deposit pending court rulings at December 31, 2020 (December 31, 2019: €2.2 million).
- A €1.8 million provision established to guarantee the sale of assets and closure and winding up of companies as of December 31, 2020 and 2019.

Current provisions at December 31, 2020 are basically for the following purposes:

- The hedge of operational risks of the business in various Group companies classified as payables in the short term (2020: €105.7 million; 2019: €51.5 million) corresponding in a significant part to both the hedge of guarantees negotiated with customers related to the manufacture of solar roofs worth €50.7 million (December 31, 2019: €33.3 million) as well as the hedge of customer claims, recognized at fair value, and that the Group Management estimates will be resolved throughout 2021.
- The adaptation of productive structures of Group companies as well as short-term liabilities with staff (2020: €7.6 million, of which €3.3 million correspond to pensions; 2019: €7.4 million, of which 4.7 correspond to pensions).
- They include other tax contingency risks and customer complaints at certain subsidiaries (2020: €2.8 million; 2019: €7.8 million).

24. Operating income

Thousand euro	Note	2020	2019
Revenue			
- Sale of products		2,882,494	3,461,052
Changes in inventories of finished goods and work in progress	10	(29,835)	(8,498)
Other operating income		90,021	114,227
TOTAL		2,942,680	3,566,781

The heading "Other operating income" basically includes the government grants and the transfer of grants relating to assets to the income statement, as well as the sale of scrap and gains on the sale of fixed assets.

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousand euro) is as follows:

Thousand euro	2020	2019
US dollar	736,560	908,020
Chinese yuan	414,620	315,729
Brazilian real	185,623	325,512
Indian rupee	286,891	376,319
Other	99,731	85,863
TOTAL	1,723,425	2,011,443

25. Other operating expenses

Thousand euro	Note	2020	2019
Utilities		72,756	76,447
Transport		36,266	44,969
Repairs		42,800	62,700
Provision for impairment of accounts receivable	9	1,818	(1,347)
Provision for inventory impairment (obsolescence)	10	9,922	8,287
Other operating expenses ^(*)		113,308	110,292
TOTAL		276,870	301,348

(*) It mainly includes independent professional services, travel and representation expenses, insurance, and taxes.

26. Employee benefit expense

Thousand euro	2020	2019
Wages and salaries	427,429	478,347
Social security cost	86,183	89,217
Other welfare expenses	31,594	45,349
Personnel restructuring costs	15,987	10,322
TOTAL	561,193	623,235

The average Group headcount by category is as follows:

Category	2020	2019
Executives	988	922
University graduates, specialists and administrative employees	6,857	7,239
Semi-skilled workers	16,638	18,698
Total	24,483	26,859

Likewise, the average number of people employed in the course of the fiscal year with a disability greater than or equal to 33% is 311 people (2019: 363 people).

The gender breakdown of the Group's staff and Board of Directors at December 31, 2020 and 2019 is as follows:

Category	2020			2019		
	Men	Women	Total (*)	Men	Women	Total (*)
Members of the Board of Directors ^(*)	11	3	14	11	2	13
Executives	877	99	976	876	115	991
University graduates, specialists and administrative employees	5,687	1,200	6,887	6,368	1,252	7,620
Semi-skilled workers	14,168	3,164	17,332	16,221	3,291	19,512
TOTAL	20,743	4,466	25,209	23,476	4,660	28,136

(*) As of December 31, 2020 and 2019 two of the members of the Board of Directors are also executive officers of the Group.

Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of December 31, 2022, with zero interest rate. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from January 1, 2018 to December 31, 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under non-current financial assets in the consolidated balance sheet and, as of December 31, 2020, amount to €23 million (2019: € 25.0 million) (Note 8).

27. Finance income and expenses

Thousand euro	2020	2019
Finance costs:		
-Bank borrowings interest	(52,237)	(55,097)
Interest income:		
- Other interest and finance income	9,210	16,891
Net gains/(losses) on foreign currency transactions	4,358	6,824
Net gains/(losses) on financial instruments at fair value	2,260	(554)
TOTAL	(36,409)	(31,936)

28. Income tax

Thousand euro	2020	2019
Current year tax	49,571	53,816
Net variation deferred tax (Note 21) ^(*)	8,248	35,084
Total income tax expense	57,819	88,900
Tax expense of discontinued operations (Note 12) ^(*)	(33)	884
Tax expense	57,786	89,784

(*) It includes €4 thousand of deferred expense generated by the discontinued operations in 2020 (€7 thousand of income in 2019).

Below is the reconciliation between the income tax that would result from applying the general tax rate in force in the provincial regulations of Bizkaia to the profit before tax and the expense recorded for said tax that appears in the consolidated income statement corresponding to financial years 2020 and 2019:

Thousand euros	2020	2019
PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED ACTIVITIES	253,065	403,144
<i>Nominal tax rate of the Parent company</i>	24%	24%
Theoretical expense resulting from applying the nominal rate of the Parent company	60,736	96,755
Tax rates adjustments	3,218	10,499
Tax impact of local gaap adjustments	(1,698)	(1,806)
Permanent differences due to impairment of discontinued companies	-	(7,411)
Other permanent differences	(10,193)	(17,437)
Net impact of tax deductions	(1,568)	(5,130)
Other losses and tax credit movements (Note 21)	9,159	10,108
Recognition of temporary differences (Note 21)	(9,377)	-
Tax credits generated from other operating income (Note 21)	1,732	150
Recognition of tax provisions	4,189	3,688
Other impacts	1,621	(516)
Taxes from discontinued operations (Note 12)	(33)	884
Income tax expense	57,786	89,784

In 2019, the impairment related to the Biofuel business that was recorded in previous years became tax deductible, both in the Basque tax Group and the Spanish tax territory, once the liquidation or sale of the businesses took place. In the Spanish tax territory, the impact of the deductibility of these impairments generated a negative taxable income that was not recognised and that therefore, its tax impact was reduced to €1 million.

The income related to the rest of the permanent differences in both 2020 and 2019 corresponds to the application of tax incentives to the taxable income in different tax territories, mainly in the Basque territory, Brazil and China.

The detail "Other losses and tax credit movements" mainly includes the derecognition of tax credits in the Basque territory in 2020 and the derecognition of tax losses in Germany in 2019 (Note 21).

As mentioned in Note 2.21, some companies of the Group are authorised to file consolidated tax returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation for each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filling tax returns passes.

The corporate income tax legislation applicable to the Parent company of the Group in 2020 is the one relating to Bizkaia Regional Regulation 11/2013 (December 5), modified by the Bizkaia Regional Regulation 2/2018, March 12.

For the preparation of the Group's Consolidated Annual Accounts, with regard to the estimation of corporation tax, the Directors of the Parent company consider tax regulations of the different jurisdictions / tax groups in which the Group operates. Likewise, this assessment includes the possible risks associated with the divergence between the interpretation of certain tax regulations by the tax authorities and the Group; as well as, where appropriate, the resolutions of completed inspections and communications with tax authorities in tax audits that may be in progress in the different countries. As of December 31, 2020 and 2019, no additional significant impact is expected for the periods opened to tax audits.

29. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Parent company's shareholders by the weighted average number of ordinary shares outstanding in the year, excluding treasury shares acquired by the Parent company (Note 13).

	2020	2019
Profit attributable to the Parent company's shareholders (thousand euro)	185,225	287,475
Profit / (loss) from discontinued operations attributable to the Parent company's shareholders (thousand euro) (*)	292	922
Weighted average number of ordinary shares outstanding (thousand)	125,276	129,000
BASIC EARNINGS	1.48	2.23
Basic earnings per share from continuing operations (euro per share)	1.48	2.22
Basic earnings per share from discontinued operations (euro per share)	0.00	0.01

(*) The profit / (loss) from discontinued operations of the Group (2020: €266 thousand, 2019: €941 thousand) which corresponds to the shareholders of the Parent company is €292 thousand in 2020 and €922 thousand in 2019 (Note 12).

30. Dividends per share

On December 16, 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 gross per share, implying a total payout of €30,638 thousand. Payment has been effective on January 7, 2021.

On April 29, 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which amounted to a total of €46,206 thousand. The payment was effective on July 6, 2020.

On December 4, 2019, the Board of Directors approved the payment of an interim dividend from 2019 profit of €0.37 gross per share, implying a total payout of €47,730 thousand. Payment was effective on January 3, 2020.

On May 8, 2019, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2018 fiscal year, approving the distribution of a complementary dividend of €0.31 gross per share entitled to a dividend, which has amounted to a total of €39,990 thousand. The payment was effective on July 3, 2019.

On December 12, 2018, the Board of Directors approved the payment of an interim dividend from 2018 profit of €0.31 gross per share, implying a total payout of €39,990 thousand. Payment was effective on January 4, 2019.

31. Commitments

Capital expenditure agreements committed for at the period end, but not yet incurred is as follows:

Thousand euro	2020	2019
Property, plant and equipment	33,410	35,501

These investments are financed mainly through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and if necessary, bank borrowings.

32. Related parties transactions

The direct shareholders of the Group (including non-controlling interests), key executive managers, close relatives and those companies consolidated using the equity method are considered as related parties.

The following transactions were carried out with related parties:

a) Compensation and loans to key management personnel

The total compensation accrued by key management personnel in 2020, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €6,073 thousand (2019: €5,999 thousand).

As explained in Note 26, the Board of Directors of CIE Automotive agreed in 2018 to implement a plan to allow the participation of certain employees in the company's share capital. The total nominal amount of loans to members of the key management, pending collection as of December 31, 2020 is €8,330 thousand (2019: €9,511 thousand).

The Group has entered into no commitments related to pensions or other types of complementary post-employment benefits with key management personnel.

b) Parent company Directors compensation

Total compensation paid to the members of the Board of Directors has amounted to €5,535 thousand (2019: €6,782 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares, or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2020 year end, there is no outstanding amount arising from other transactions with these related parties (in 2019 there was no outstanding amount).

The Parent company has entered into no commitments relating to pensions or other types of complementary retirement remuneration with the Directors.

c) Balances and transactions during the year with Group companies and related parties

Balances in thousand euro	31.12.2020	31.12.2019
Receivables from related parties	32,405	33,934
Payables to related parties	(5,182)	(6,631)
Loans and credits from related parties	1,949	3,608
Advances to related parties	9,100	10,400
Receivable balances with entities with significant influence	16,800	16,800
Payable balances with entities with significant influence	(34,000)	(34,319)
Dividend payable	(30,638)	(47,730)
Transactions in thousand euro	2020	2019
Services received	4,558	6,292
Services rendered	2,753	3,072
Financial expenses	145	201
Purchases ^(*)	10,597	22,881
Sales ^(*)	128,513	201,123

(*) Both purchases and sales correspond, mainly, to commercial operations of purchase and sale of pieces with the Mahindra & Mahindra group.

d) Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Parent company, during the year 2020 the administrators who have occupied charges in the Board of Directors have complied with the obligations foreseen in the article 228 of the recasted text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the above mentioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

e) Complementary incentive based on the value of the shares

At the General Shareholders' Meeting held on April 24, 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of 9 years (reference periods), with a base price of €21.30 per share and the closing value of the average of the contribution corresponding to one quarter of the periods predetermined within the established period, in the terms approved by the General Shareholders' Meeting.

33. Other information

a) Auditors fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. and other PwC network firms for audit services performed in 2020 amount to €1,423 thousand (2019: €1,467 thousand). From the total of audit services contracted in 2020, €555 thousand have been rendered in Spain (2019: €560 thousand).

Other services rendered by PricewaterhouseCoopers, S.L. and other firms associated to PricewaterhouseCoopers have amounted to €468 thousand (2019: €519 thousand). Other assessment services different from audit fees rendered by PricewaterhouseCoopers Auditores, S.L. have amounted to €64 thousand in 2020 (2019: €143 thousand), and mainly refer to the review of the Spanish SCIIF report related to Internal Control Management on Financial Information, as well as advice and verification of non-financial indicators.

The fees charged by other firms for financial statements audit services in respect of other investees amount to €866 thousand in 2020 (2019: €856 thousand). This amount includes the services rendered for all the period of the companies joined to the consolidation scope in the period.

b) Environmental issues

The Parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

Capital expenditure intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2020 in relation to environmental protection worked amounted to €4.5 million (2019: €6.9 million, without any expense from discontinued activities) and are recorded under the element headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating income/expenses" on the accompanying income statement.

34. Financial risk management

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market risk

(i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

CIE Automotive Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at December 31, 2020, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €228/€187 million (2019: increased/decreased by €228/€189 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2020 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €15.4/€12.6 million higher/ lower, respectively (2019: €18.7/€15.3 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro).

If as of December 31, 2020, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		Profit after tax (million euros)	
	Devalued euro 10%	Revalued euro 10%	Devalued euro 10%	Revalued euro 10%
Chinese yuan	76	(63)	5.8	(4.7)
US dollar	54	(44)	5.7	(4.7)
Indian rupee	53	(43)	0.9	(0.7)
Brazilian real	21	(17)	0.9	(0.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2020 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,227 thousand lower/higher (2019: €1,056 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €798/€802 thousand, respectively (2019: €1,093/€1,277 thousand increase/decrease, respectively).

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centers and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services. However, as of May/June, industrial activity began to gradually recover and in the Automotive sector, world vehicle production recovered drastically, reaching levels in the last quarter of 2020, with production levels 2.5% higher than the same period of 2019 (prior to the pandemic).

When preparing these Consolidated Annual Accounts, the Group does not expect that the remaining period of the pandemic will impact again in the same way as it did in the second quarter of 2020, given that no new scenarios of industrial stoppage are considered. Regarding the demand for vehicles during the period of the economic crisis, the Management updates the market estimates on a monthly basis in each of the geographical areas in which it operates and carries out, making use of the flexibility of the management model, the necessary measures to adapt to the expected demands.

Additionally, there are recent independent external reports that support the theory that collective transport or the use of shared cars may begin to lose steam, in favor of the recovery of the use of private vehicles, either out of fear or as a precautionary measure of the drivers, turning this fact into a market opportunity.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at December 31, 2020 and 2019 as follows:

Thousand euro	Note	31.12.2020	31.12.2019
Cash and cash equivalents	11	565,561	514,691
Other financial assets	8	105,176	104,223
Undrawn lines of credit	18	806,494	501,105
Liquidity buffer		1,477,231	1,120,019
Bank borrowings	18	2,248,031	2,120,967
Other financial liabilities	8	17,630	19,914
Cash and cash equivalents	11	(565,561)	(514,691)
Other financial assets	8	(105,176)	(104,223)
Net financial debt		1,594,924	1,521,967

Additionally, as of December 31, 2020, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method (Note 8), has a net treasury of €39 million (€33.3 million in 2019).

The evolution of the Net Financial Debt in 2020 and 2019 is shown in the following table:

Thousand euro	Cash and cash equivalents (Note 11)	Other financial assets (Note 8)	Bank borrowings (Note 18)	Other financial liabilities (Note 8)	TOTAL
Net Financial debt January 1, 2019	248,895	160,804	(1,340,015)	(17,924)	(948,240)
Cash flow	204,188	(86,425)	(737,496)	-	(619,733)
Exchange rate adjustments	(4,589)	(643)	(4,260)	-	(9,492)
Changes in consolidation scope (Note 2)	66,197	30,584	(33,230)	-	63,551
Other non-monetary movements	-	(97)	(5,966)	(1,990)	(8,053)
Net Financial debt December 31, 2019	514,691	104,223	(2,120,967)	(19,914)	(1,521,967)
Cash flow	83,253	11,866	(123,041)	-	(27,922)
Exchange rate adjustments	(36,803)	(4,794)	18,715	-	(22,882)
Changes in consolidation scope (Note 2)	4,420	57	(25,574)	(39)	(21,136)
Other non-monetary movements	-	(6,176)	2,836	2,323	(1,017)
Net Financial debt December 31, 2020	565,561	105,176	(2,248,031)	(17,630)	(1,594,924)

Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2021 will allow facing all year recurrent payments without increasing net financial debt.

Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities (Note 18).

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2020: €28 million; 2019: €25 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at December 31, 2020 of €806 million of undrawn credit lines and loans (December 31, 2019: €501 million) (Note 18).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at December 31, 2020 and 2019:

Thousand euro	Note	31.12.2020	31.12.2019
Inventories	10	370,632	416,120
Trade and other receivables	9	344,831	356,918
Other current assets		38,290	25,751
Current tax assets		58,739	56,373
Current operating assets		812,492	855,162
Other current financial assets	8	60,811	55,100
Cash and other cash equivalents	11	565,561	514,691
Current assets		1,438,864	1,424,953
Trade and other payables	19	851,328	858,894
Current tax liabilities	20	61,219	64,215
Current provisions	23	116,108	66,736
Other current liabilities	20	165,855	184,663
Current operating liabilities		1,194,510	1,174,508
Current financial borrowings	18	586,694	524,755
Other current financial liabilities	8	30	19
Current liabilities		1,781,234	1,699,282
TOTAL WORKING CAPITAL		(342,370)	(274,329)

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the operational needs while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

In Notes 18 and 20 borrowings and other non-current liabilities are disclosed by maturity.

There are no significant restrictions to the use of cash/other cash equivalents (Note 11).

In the context of the risks derived from the Covid-19 pandemic, the Group has estimated that the existing liquidity reserve as of December 31, 2020 is more than sufficient to meet any future payment.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.11.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 9.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 3.11).

As detailed in Note 9, the Group does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies where the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

34.2 Hedge accounting

According to IFRS 9, the effectiveness of the hedge is determined at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate hedge between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

a) Fair value hedges of a recognised asset or liability or a firm commitment

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

c) Net investment hedges

As of December 31, 2020 and December 31, 2019, the Group did not have foreign resources denominated in foreign currency that were designated as hedges of the net investment.

d) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

e) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by the Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective (prior periods) and prospective basis.

Based on the underlying asset and the type of hedge, the Group also uses the variance reduction method and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: The Group uses several tools to measure and manage derivative-related risk. The measurement of derivative instruments is carried out internally; these measurements are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialised financial analytics libraries are used for this purpose.

34.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other IFRS.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at December 31, 2020 and December 31, 2019:

2020 - thousand euro	Note	Level 2	Level 3	TOTAL
Credits at fair value	8-26	-	22,947	22,947
Total assets at fair value		-	22,947	22,947
Derivatives	8	(17,630)	-	(17,630)
Debts for business acquisitions	2	-	(6,693)	(6,693)
Total liabilities at fair value		(17,630)	(6,693)	(24,323)
2019 - thousand euro	Note	Level 2	Level 3	TOTAL
Credits at fair value	8-26	-	25,022	25,022
Derivatives	8	10	-	10
Total assets at fair value		10	25,022	25,032
Derivatives	8	(19,914)	-	(19,914)
Debts for business acquisitions	2	-	(7,499)	(7,499)
Total liabilities at fair value		(19,914)	(7,499)	(27,413)

There were no transfers between levels during 2020 and 2019.

a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

- i) Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.
- ii) Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.
- iii) It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.
- iv) The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 8).

b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

As of December 31, 2020, there are loans granted to Group employees valued at fair value and amounting to €22,947 thousand (2019: €25,022 thousand) (Notes 8 and 26). Likewise, there is a contingent liability valued at fair value resulting from the acquisition of AEL for an amount of 600 million rupees (equivalent as of December 31, 2019 to €7,499 thousand and as of December 31, 2020 to €6,693 thousand) (Notes 1 and 2).

The Group has not agreements for the offset of financial assets and liabilities.

34.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which are shown in the Consolidated Annual Accounts. Total capital employed is calculated as 'equity', as shown in the Consolidated Annual Accounts, plus net debt.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50. In fiscal year 2020, mainly due to the impact of the currency translation on the Group's equity, and the acquisition of treasury shares (Note 13), the leverage ratio has risen to 0.62, not modifying the defined strategy. The gearing ratios at December 31, 2020 and 2019 are as follows:

Thousand euro	Note	2020	2019
Borrowings	18	2,248,031	2,120,967
Financial liabilities	8	17,630	19,914
Less: Cash and cash equivalents and financial assets	8/11	(670,737)	(618,914)
Net financial debt	34.1.b)	1,594,924	1,521,967
Equity		994,974	1,234,974
Total capital used		2,589,898	2,756,941
Gearing ratio		0.62	0.55

At December 31, 2020 and 2019, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 18).

During the first half of 2020, the Group signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as the current one.

In this way, and as a consequence of signing the aforementioned documents, the Group complies, as of December 31, 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different financial institutions as of that date.

35. Events after the balance sheet date

As of the date of preparation of these Consolidated Annual Accounts, there have been no significant events subsequent to the end of the year 2020 that could alter or have any effect on the Consolidated Annual Accounts for the period ended on December 31, 2020.

Company	Parent company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
CIE Berriz, S.L. ^(*)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Belgium Forge, N.V. (dormant)	CIE Berriz, S.L.	Manufacture of automotive components	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecatur, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Barcelona	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Recycle, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Recycle CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Inyctametal, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of automotive components	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. ^(*)	CIE Berriz, S.L.	Manufacture of automotive components	Portugal	-	100.00%
CIE Stratis-Tratamentos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of automotive components	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Unitools Press CZ, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of automotive components	Morocco	-	100.00%
CIE Praga Louny, a.s.	CIE Berriz, S.L.	Manufacture of automotive components	Czech Republic	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (without activity)	CIE Berriz, S.L.	Waste management and recoveries	Bizkaia	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of automotive components	France	-	100.00%
Biosur Transformación, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Huelva	-	100.00%
Comlube s.r.l. ^(*) (dormant) ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Italy	-	80.00%
Glycoleo s.r.l. (without activity) ⁽²⁾	Comlube s.r.l.	Production and marketing of glycerine	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. ⁽²⁾	CIE Berriz, S.L.	Agro-biotechnology	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. ^(*) ⁽²⁾	CIE Berriz, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. ⁽²⁾	Gestión de Aceites Vegetales, S.L.	Marketing of fatty oils	Madrid	-	88.73%
Reciclados Ecológicos de Residuos, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Marketing of fatty oils	Alicante	-	100.00%
Recogida de Aceites y Grasas Maresme, S.L. ⁽²⁾	CIE Berriz, S.L.	Marketing of fatty oils	Barcelona	-	100.00%
Biodiesel Mediterráneo, S.L.U. ⁽²⁾	CIE Berriz, S.L.	Biofuel production and sale	Alicante	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of automotive components	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L.	Manufacture of automotive components	Bizkaia	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L.	Manufacture of automotive components	Slovakia	-	100.00%
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L.	Manufacture of automotive components	Brazil	-	100.00%

Company	Parent company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
GAT México, S.A. de C.V.	CIE Berriz, S.L	Manufacture of automotive components	Mexico	-	100.00%
SC CIE Matricon, S.A.	CIE Berriz, S.L	Manufacture of automotive components	Romania	-	100.00%
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L	Manufacture of automotive components	People's Republic of China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L	Manufacture of automotive components	Russia	-	100.00%
CIE Automotive Goiain, S.L.U.	CIE Berriz, S.L	Manufacture of automotive components	Álava/Araba	-	100.00%
Somaschini, S.p.A. ^{(1)(9)(*)}	CIE Berriz, S.L	Manufacture of automotive components	Italy	-	100.00%
Somaschini Automotive, SRL ⁽¹⁾⁽⁹⁾	Somaschini, S.p.A.	Manufacture of automotive components	Italy	-	100.00%
Somaschini International, Inc ^{(1)(*)}	Somaschini Automotive, SRL	Holding company	USA	-	100.00%
Somaschini North America, LLC ⁽¹⁾	Somaschini International, Inc	Manufacture of automotive components	USA	-	100.00%
Somaschini Realty, LLC ⁽¹⁾	Somaschini International, Inc	Holding company	USA	-	100.00%
Autometal, S.A. ^(*)	CIE Berriz, S.L	Manufacture of automotive components	Brazil	-	100.00%
Durametal, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. ⁽⁴⁾	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. ^(*)	Autometal, S.A.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas Ltda.	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
Autometal ML Cromação, Pintura e Injeção de Plásticos Ltda	Autometal, S.A.	Manufacture of automotive components	Brazil	-	100.00%
CIE Autometal de México, S.A. de C.V. ^(*)	CIE Berriz, S.L	Holding company	Mexico	-	100.00%
Pintura y Ensamblajes de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V. ^(*)	CIE Autometal de México, S.A. de C.V.	Scrap	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
Percaser de México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Facilities	Mexico	-	100.00%
Maquinados de Precisión de México S. de R.L. de C.V. ⁽⁵⁾	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Plásticos México, S.A. de C.V.	CIE Autometal de México, S.A. de C.V.	Manufacture of automotive components	Mexico	-	100.00%
CIE Automotive, USA Inc ^(*)	CIE Autometal de México, S.A. de C.V.	Facilities	USA	-	100.00%
CIE Investments USA, Inc	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Century Plastics, LLC ^(*)	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real estate company	USA	-	100.00%
Newcor, Inc ^(*)	CIE Automotive, USA Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real estate company	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real estate company	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of automotive components	USA	-	100.00%
Golde South Africa, LLC	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%

Company	Parent company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
Golde Auburn Hills, LLC	CIE Automotive, USA Inc	Manufacture of automotive components	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U. ^(*)	CIE Berriz, S.L.	Holding company	Bizkaia	-	100.00%
PIA Forging Products, S.L.U.	Participaciones Internacionales Autometal Dos S.L.U.	Holding company	Bizkaia	-	100.00%
Mahindra CIE Automotive Ltd. ^{(*) (3)}	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of automotive components	India	-	60.18%
Stokes Group Limited ⁽²⁾	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	United Kingdom	-	60.18%
CIE Galfor, S.A.U. ^(*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Orense	-	60.18%
Mahindra Forgings Europe AG ^(*)	CIE Galfor, S.A.U.	Holding company	Germany	-	60.18%
Gesensschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of automotive components	Germany	-	60.18%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of automotive components	Gipuzkoa	-	60.18%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of automotive components	Lithuania	-	60.18%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Electricity production and sale	Orense	-	15.05%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of automotive components	Italy	-	60.16%
BillForge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	Mexico	-	60.18%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	60.18%
Aurangabad Electricals, Ltd. ^(*)	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	60.18%
Aurangabad Deutschland GmbH	Aurangabad Electricals, Ltd.	Manufacture of automotive components	Germany	-	60.18%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of automotive components	India	-	18.05%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of automotive components	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S. ^(*)	CIE Automotive, S.A.	Manufacture of automotive components	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd. ^(*)	Advanced Comfort Systems France, S.A.S.	Manufacture of automotive components	People's Republic of China	-	100.00%
Advanced Comfort Systems Wuhan Co. Ltd.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of automotive components	People's Republic of China	-	100.00%
Autokomp Ingeniería, S.A.U. ^(*)	CIE Automotive, S.A.	Facilities	Bizkaia	100.00%	-
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	Mexico	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of automotive components	People's Republic of China	-	50.00%
Componentes Automotivos Taubaté, Ltda. ^(*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of automotive components	Brazil	-	100.00%
CIE Automotive Boroa, S.L.U.	CIE Automotive, S.A.	Finance services	Bizkaia	100.00%	-
CIE Roof Systems, S.L.U. ^(*)	CIE Automotive, S.A.	Holding company	Bizkaia	100.00%	-
Golde Holding, BV ^(*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	People's Republic of China	-	100.00%
Golde Wuhan Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	People's Republic of China	-	100.00%
Golde Shandong Co., Ltd.	Golde Holding, BV	Manufacture of automotive components	People's Republic of China	-	100.00%
Golde USA, LLC ^(*)	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%

Company	Parent company	Activity	Registered office	% effective	
				Sharedholding of CIE Automotive	
				Direct	Indirect
Inteva Products (Barbados), Ltd. ⁽¹⁾	Golde USA, LLC	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of automotive components	People's Republic of China	-	100.00%
Golde Changchun Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of automotive components	People's Republic of China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of automotive components	People's Republic of China	-	100.00%
Golde Netherlands, BV ⁽¹⁾	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India Pvt Ltd.	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Germany, GmbH	Golde Netherlands, BV	Technology center / Manufacture of automotive components	Germany	-	100.00%
Golde Oradea, SRL	Golde Netherlands, BV	Manufacture of automotive components	Romania	-	100.00%
Golde Lozorno, Spol, s.r.o.	Golde Netherlands, BV	Manufacture of automotive components	Slovakia	-	100.00%
Golde Mexico Holdings, LLC ⁽¹⁾	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S. de R.L. de C.V.	Golde Mexico Holdings, LLC	Manufacture of automotive components	Mexico	-	100.00%
SIR S.A.S. ⁽¹⁾	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. ⁽¹⁾	SIR S.A.S.	Manufacture of automotive components	People's Republic of China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd.	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of automotive components	People's Republic of China	-	50.00%

(1) Companies added to consolidation scope in 2020 together with their subsidiaries.

(2) Discontinued companies at December 31, 2020

(3) Merged in 2019 with BillForge Pvt. Ltd.

(4) Merged in 2020 with Autocromo Cromação de Plásticos, Ltda.

(5) Merged in 2020 with Cortes de Precisión de México S. de RL. de C.V.

(6) Merged in 2020 with Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL.

(*) Parent company of all investees listed subsequently in the table.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive (from now on, “CIE” or “The Group”, interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in the Automotive components business.

The business of Automotive components, which encompasses the design, production and distribution of integral services, components and sub-assemblies for the global Automotive market, is CIE Automotive’s main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

1.2 Mission, Vision, and Values

Mission

CIE Automotive is a supplier of components, assemblies and sub-assemblies to the global Automotive market using complementary technologies and a range of associated processes and with an integrated vision of the entire value chain.

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 and we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

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

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service

Values

Honesty, fairness and integrity are the basis of all our values

At CIE Automotive we attach importance to people:

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

At CIE Automotive we attach importance to climate change:

- Taking a preventative approach.
- Promoting the circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources.

At CIE Automotive we attach importance to transparency in management:

- 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 through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

Corporate policies

To develop its mission and advance in its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies that are mandatory for all members of the organization and which have been updated mostly between 2019 and February 2021.

This ethical framework is developed in these series of corporate policies developed by each of the responsible departments that are structured as:

Environmental, Social and Governance Policies (ESG)

- ESG
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

Governance policies

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market
- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditor's relations policy

1.3 Business Units – Automotive components

CIE is a supplier of completeness services, components and sub-assemblies for the Automotive market.

The Group develops all its line of products across seven basic processes or technologies: machining, tube stamping and shaping, forging, plastic, aluminium injection, steel foundry and roof systems. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and steering sets, and exterior and interior of the vehicle.

The customer portfolio is divided into two big categories: vehicle's manufacturers (OEMs) and suppliers of the first level (TIER 1). Both categories represent approximately 70% and 30%, respectively.

Since its creation in 1996, CIE Automotive's progress as a supplier of components and sub-assemblies for the Automotive industry has been driven by cycles of economic prosperity and hampered by other crises, such as the current one, that the Group has overcome and passed thanks to the features that define its business model: multilocation, commercial diversification, multitechnology, investments control and de-centralised management.

This model has been enriched in recent years by the incorporation of ESG criteria, which now make up the sixth pillar of its business model.

2. EVOLUTION OF THE BUSINESS

2.1 Financial indicators

CONSOLIDATED GROUP:

(Thousand euro)	2020	2019
Consolidated revenue	2,882,494	3,461,052
Gross operating profit/(loss)-EBITDA	431,234	594,359
Net operating profit/(loss)-EBIT	283,420	427,077
Profit/(loss) before taxes from continuing activities - EBT	252,766	402,894
Profit/(loss) for the year from continuing activities	194,980	313,110
Profit/(loss) on discontinued operations	266	941
Profit/(loss) attributable to non-controlling interests	(10,021)	(26,576)
Profit/(loss) attributable to Parent company	185,225	287,475

Business performance:

CIE Automotive's sales in 2020 reached €2,882 million, in a very difficult year for the Automotive sector, which has seen global vehicle production contract by 16%, almost 21% considering the group of countries in those that the Group operates.

The Group's net income for 2020 amounted to €185 million, despite the drop in activity caused by the coronavirus pandemic, that has led to a drastic contraction of the world economy, representing a formidable challenge for CIE Automotive in 2020 with the temporary closure of industrial activities and the unprecedented collapse of the global Automotive market.

CIE's response has consisted of an action plan focused on profitability, safety in factories, the safety of our employees and safety in operations, which has permitted to close the year with positive results in the worst year for the Automotive sector in history.

2.2 Summary of the year

2020 has been a year of the consolidation of the new perimeter of CIE Automotive, to which the Italian Somaschini joined in January. In addition, CIE increased its stake in the MCIE group throughout the year up to 60% of the capital.

By geographical areas, the summary of the year 2020 is the following:

Europe:

This is CIE Automotive's main market. The Group has 43 manufacturing facilities in eleven countries: Spain, France, Germany, Italy, Portugal and the UK in Western Europe and the Czech Republic, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has one factory in Morocco. In this market, it combines the productive plants of the MCIE group, with a strong link to the industrial vehicles, and the historical CIE plants, linked to the passenger vehicles.

CIE Automotive's sales in Europe decreased by 18.2% to €1,194.8 million, in the context of a 22.1% drop in production. However, margins remained high both at CIE Automotive's traditional plants, linked to light vehicles, and at MCIE Europe plants, mainly linked to trucks. The plants in the traditional market achieve an EBITDA of 13.3% and an EBIT of 6.9%, while those of Mahindra CIE present an EBITDA margin of 7.8% and an EBIT margin of 3.0%.

North America:

CIE Automotive has production centres in 20 locations in Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia. Its evolution is the most profitable of the Group and its growth potential, one of the largest worldwide, has EBITDA margins of 20.5% and an EBIT margin of 15.8%.

Brazil:

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron smelting, aluminum injection and machining, being especially competitive in plastic, body-color and chrome paint technology. In Brazil, one of the key markets in recent decades for its projection, the Group has production centres in 15 plants. In the same context of strong contraction due to the pandemic and other factors that had already been pressing the market, the company has achieved sales of €186 million, 24% less than in 2019 compared to -32% in the market, with a margin EBITDA of 15.7% and EBIT of 10.7%.

Asia:

Following the businesses acquired in 2019 and CIE's commitment to the Indian market with the acquisition in 2020 of an additional 4% of its share in Mahindra CIE Automotive, Ltd, the Group owns 32 plants in Asia, a joint-venture and a technology center. The Group's presence in India comes from the alliance with the Indian group Mahindra & Mahindra Ltd., which gave rise to the Mahindra CIE group. The presence in China was strongly reinforced in 2020 with the incorporation of the companies from Golde's roof business. India is one of the engines of development in the region and China, the world's leading car producer.

In the same context of a declining economy, with a Chinese market with recovered production dropping 4% and an Indian market falling above 23%, CIE has experienced an increase of 34% and a contraction of 17% respectively. The joint EBITDA margin of this segment stands at 14.6%.

2.3 Predictable evolution of the Group

Market environment

Global economy suffered a severe recession in 2020, with a 5.2% contraction due to the widespread of the coronavirus pandemic and the confinements adopted to contain it.

In this unprecedented context, the Automotive industry, which was already suffering the consequences of the global economic slowdown, geopolitical uncertainties and technological demands to adapt to environmental regulations, was one of the hardest hit by this health crisis. In 2020, the annual vehicle production plummeted 16.2% to 74.5 million vehicles, whereas sales decreased by 14.4%, to 76.8 million registrations.

All regions have been affected by this pandemic, adding this crisis to other previous aspects with also impact on the evolution of the sector.

Thus, in Europe the pandemic adds to the economic slowdown of a mature market, still uncertain about Brexit, and adaptation to the new regulations on polluting emissions.

In North America the recovery has been faster than in Europe due to a higher level of stimulus from both the government and the OEMs themselves.

Brazil joins the strong decline in the sector with a slower recovery of factory production than other geographies, the difficulty of the authorities to contain the pandemic and the sharp increase in unemployment which slowed down domestic consumption.

On the other side of the globe, in India, the pandemic was the last straw for the Automotive sector, already seriously affected by other temporary circumstances such as the delicate situation of some financial entities or safety regulations on emissions, among others, while China, the world's leading producer, beats all expectations with a very fast recovery, reaching pre-covid productions by mid-year.

According to the statistics published by IHS Markit in relation to the perspectives of the sector at a global level, we have been able to see how 2020 has been marked by a first quarter where the first impacts the pandemic was going to have on the global evolution of production of vehicles began to be identified in a context of considerable uncertainty. The second quarter saw the biggest drop of the year as the pandemic progressed and the containment measures adopted by OEMs with announcements of plant closures and limitations on dealer activities. There is a change in trend in the third quarter of the year with a rapid generalized recovery in practically all geographies, a trend that is ratified in the last quarter of the year.

The productions of the CIE plants this year have followed the evolution of the market, closing the year with normalized production levels. In the fourth quarter, the profitability level achieved in the Group was well above the standard margin of the sector in a normal situation and improved our own pre-covid returns.

To date, with the latest production and registration data available, we can identify a minor contraction in production forecasts for 2021 and a recovery of pre-covid production levels for 2022.

With a view to 2021, and taking into account the market recovery, the Group will rely on the axes of its business model in order to achieve the following strategic objectives:

- Consolidate the incorporations of recent years
- Ensure the standardization of productions according to market forecasts
- Maximize the efficiency of margins and returns in all geographic areas
- Maintain its high level of operating cash generation by reducing the leverage ratio.

Trends in the Automotive industry

In a convulsive context, actors in the Automotive sector face the four trends that will define the evolution of the motor industry in the coming years.

1- Climate change

In recent years, the automotive industry has managed to cut the emissions generated by the vehicles they make. However, the most recent regulations designed to combat climate change - the most restrictive of which in Europe and China - are obliging the OEMs and their suppliers to take further steps to reduce their environmental footprints.

The auto parts suppliers are committed to delivering the decarbonisation targets laid down in the Paris Agreement, contributing technology and helping design an efficient and effective regulatory environment conducive to job and competitiveness preservation in what is a vital component of the European manufacturing industry.

For decades now, the entire value chain comprising the Spanish Automotive sector has been investing heavily in R&D in order to put increasingly cleaner and efficient vehicles on to the market, an effort articulated around the following trends:

- Electrification of new components.
- Reduction of engine sizes.
- Lighter weight vehicles.
- More comfortable interior spaces.

2- Demographic developments

The experts believe that a number of mobility options, notable among which car-sharing formulae, will co-exist in the cities of tomorrow. Although the number of vehicles may diminish, their useful lives will similarly decline, driving higher vehicle turnover. As a result, the forecasts suggest that overall output remains broadly similar to current levels.

In addition, population and economic growth in some African countries and Iran is expected to drive growth in the vehicle market.

3- Technology developments

In order to reduce the weight of vehicles, multimaterial solutions, which differ from one vehicle to the next, have been gaining prominence. That requires mastery of a range of technological solutions and a new mix of materials in vehicle construction.

4- Geopolitical developments

Until now, the globalisation of the Automotive sector has been underpinned by free trade. However, long-standing trade agreements are currently under threat from a new surge in protectionism. In this climate, the 'local production, local supply' philosophy makes more sense than ever.

2.4 Business Strategy and Covid-19 Action Plan

The unprecedented events in 2020 that have led to a sharp contraction in the Automotive market have highlighted the effectiveness of CIE's business model. A resilient, solid and flexible model, with the experience of the best team and the necessary technological capacity to face the challenges that arise.

Our business model has been, without any doubt, key to overcome the challenges of 2020 supported by the following axes:

- A geographical diversification to provide a global service and mitigate stoppages in the different regions.
- A diversified and wealthy portfolio of clients has helped us mitigate the decreasing demand.
- Multi-technology to supply changes needed in the trend towards electrification.
- The focus on the efficiency of processes.
- The strict financial discipline of controlling fixed costs adapted to variable volumes, focused on liquidity and cash generation
- Decentralized management in each geographic area and division, making the most appropriate decisions in each circumstance with a common strategy (lean structure).
- Long-term investment in human capital.
- The appliance of an opportunistic M&A strategy criteria without losing sight of the need to carefully select and closely control all types of investments.
- The clear industrial vocation with financial mentality.
- Keeping the reputation level and Group's image.
- The progress on the digitalisation front towards Industry 4.0 factories.

CIE Automotive's business strategy is focused on profitability and cash flow generation. To achieve these priority goals in circumstances as adverse as those of 2020, the Group defined and deployed a COVID-19 Action Plan. This temporary worldwide initiative revolved around four axes:

- 1) Labor flexibility: applying measures according to each regulation and motivating teleworking in the positions where possible.
- 2) War economy: maximum reduction of fixed costs and essential investment limitation.
- 3) Liquidity and financing: absolute approach to the efficient management of working capital.
- 4) Productive planning: availability of seals in all centers to guarantee fluidity of supply to our customers.

ESG Strategy

The Group integrates social, labor, environmental, and respect for human rights concerns into its management model and strategy in order to generate shared value for the company and its stakeholders. CIE Automotive brings shared value to the company and its stakeholders by integrating social responsibility criteria into its business model, strategy and daily activity.

After the compliance in 2019 of the 2019-2020 CSR Strategic Plan, which deepened the systematization and standardization of CSR management throughout the Group, improving measurement, communication and reporting systems, and establishing an ESG (Environmental, Social and Governance) work methodology for each department, in 2020 CIE continues to advance its ESG strategy.

In 2020 it reinforces its commitment to Environmental, Social and Good Governance values through the development of a new scorecard for all plants with 79 ESG indicators. In addition, it has provided training to employees, has updated its corporate documents to include sustainability criteria and has conducted surveys of its stakeholders to find out their concerns and base its reporting on them.

3. NON-FINANCIAL INFORMATION STATEMENT – ANNUAL REPORT

In accordance with Law 11/2018, 28 December, in terms of non-financial information and diversity, CIE Automotive's Group has prepared "NON-FINANCIAL INFORMATION STATEMENT" for 2020 in the file denominated Annual Report, which is part of the Director's report, as prescribed in at.44 Code of Commerce, and is attached as a separate document.

4. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website www.cieautomotive.com, in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report may be consulted on the website of the National Securities Market Commission after being published by the Group:

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452>

<https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452>

5. FINANCIAL RISK MANAGEMENT

CIE Automotive has a Policy of Identification and Management of risks, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces -between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet-, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risks identification, risk analysis, risk evaluation, risk treatment, risk supervision, updating and acting against non-compliance.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market Risk

(i) Foreign Exchange risk

The Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, the Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, the Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at December 31, 2020, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €228/€187 million (2019: increased/decreased by €228/€189 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2020 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €15.4/€12.6 million higher/ lower, respectively (2019: €18.7/€15.3 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro).

If as of December 31, 2020, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		Profit after tax (million euros)	
	Devalued euro 10%	Revalued euro 10%	Devalued euro 10%	Revalued euro 10%
Chinese yuan	76	(63)	5.8	(4.7)
US dollar	54	(44)	5.7	(4.7)
Indian rupee	53	(43)	0.9	(0.7)
Brazilian real	21	(17)	0.9	(0.7)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2020 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,227 thousand lower/higher (2019: €1,056 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

Specifically, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €798/€802 thousand, respectively (2019: €1,093/€1,277 thousand increase/decrease, respectively).

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centers and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services. However, as of May/June, industrial activity began to gradually recover and in the Automotive sector, world vehicle production recovered drastically, reaching levels in the last quarter of 2020, with production levels 2.5% higher than the same period of 2019 (prior to the pandemic).

When preparing these Consolidated Annual Accounts, the Group does not expect that the remaining period of the pandemic will impact again in the same way as it did in the second quarter of 2020, given that no new scenarios of industrial stoppage are considered. Regarding the demand for vehicles during the period of the economic crisis, the Management updates the market estimates on a monthly basis in each of the geographical areas in which it operates and carries out, making use of the flexibility of the management model, the necessary measures to adapt to the expected demands.

Additionally, there are recent independent external reports that support the theory that collective transport or the use of shared cars may begin to lose steam, in favor of the recovery of the use of private vehicles, either out of fear or as a precautionary measure of the drivers, turning this fact into a market opportunity.

b) Liquidity Risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt.

Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2021 will allow facing all year recurrent payments without increasing net financial debt.

Group's treasury department monitors Group's liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2020: €28 million; 2019: €25 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at December 31, 2020 of €806 million of undrawn credit lines and loans (December 31, 2019: €501 million) (Note 34).

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the operational needs while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

In the context of the risks derived from the Covid-19 pandemic, the Group has estimated that the existing liquidity reserve as of December 31, 2020 is more than sufficient to meet any future payment.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.11.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 9.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 3.11).

The Group does not estimate that the pandemic has had or will have an impact on the collectibility of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

6. R&D ACTIVITIES

The global trend of mobility increase, the limitation of fossil fuels and climate change continue to influence the sustainability of the transport sector.

The decarbonisation of transport, electrification, as well as connectivity and the autonomous driving of vehicles are, among others, the main challenges faced during the last years by active companies in the Automotive sector.

Working on the sustainability of the system has led the sector to the current situation of technological coexistence and that of the coming years, finding the best combination possible between the need for mobility, the concept of vehicle and the type of fuel.

2020 work lines

CIE Automotive makes strong investments to analyse market trends, with a gradual entry into production of projects defined according to the challenges and opportunities that the sector will provide in the coming years, in the following areas and projects:

- Automatic measurement projects, online both cold and hot.
- Use of computer vision to acquire, process and analyse the images of the components during the process.
- Sensorization, capture, analysis and visualization of the parameters of the process critical variables.
- Unitary traceability.

Additionally, by 2020 CIE intends to continue building on the work done in 2019 and launch new pilot projects related to 4.0 Industry that boost its digital transformation, such as the Digital Twin and 5G in confined spaces adapted to the automotive industry.

We maintain our presence in the regional, national and international forums (Presidency of the Automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of manufacturers of components SERNAUTO, members of the executive commission of the TECNALIA technology centre, we continue participating in the R&D and Industrial forums of CLEPA, EGVA, etc).

CIE Automotive introduces its innovation strategy in its facilities and management model in order to make its production processes more efficient and respond to the needs of the Automotive sector. In 2020, the COVID 19 pandemic has highlighted the application of Industry 4.0 tools to respond with agility to the demands of a turbulent market and obtain positive results.

7. TRADING WITH TREASURY SHARES

The balance of treasury shares in the existing portfolio of the Parent company at the end of 2020 and 2019 amounted to 0 shares, after the capital reduction carried out by the Parent company against treasury shares acquired during the 2020 financial year.

Similarly, the mandate conferred at the Shareholders' Meeting of April 29, 2020, whereby the Parent company's Board of Directors is empowered to buy at any time and as often as it considers appropriate shares in CIE Automotive, S.A. through any legal means, including acquisitions with a charge to profit for the year and/or freely available reserves, and to subsequently dispose of or redeem such shares, in accordance with article 146 et seq, of the Spanish Companies Act, is in effect until April 29, 2025.

8. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2020 and 2019 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5 of July, is as follows:

Days	2020	2019
Paid operations ratio	72	72
Outstanding operations ratio	76	75
Average payment period to suppliers	64	65

Payments in thousand euro	2020	2019
Payments made	414,711	517,579
Outstanding payments	181,202	242,554

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

9. STOCK EXCHANGE INFORMATION

IBEX35

After a 2018 marked by the volatility of the share in its first year on IBEX35 and a 2019 affected by the negative growth of the markets, the geopolitical convulsions and the uncertainty of the sector, in 2020 the stock could not avoid suffering the effects of COVID-19.

In 2020, the maximum and minimum prices of the share amounted to €22.52 and €9.71 per share, respectively, in a year that is also exceptional in the behavior of the stock markets. At the end of the year the share was trading at €22.06.

In the context of the pandemic and the associated crisis, during the first 9 months of the year the share price was negatively affected, recovering this situation in the last quarter of the year to a year-on-year growth of 5%.

The lag between the evolution of the business and the value of its share throughout the year may be due to the carry-over effect of all the stock exchanges, the increasing use of automatic decision-making systems that do not consider either the historical performances of the Group or its potential growth and profitability or the speculative effect of short positions.

Dividend

CIE Automotive has been loyal to politics of remuneration to shareholders, based on distribute one third of the estimated net profit. The Board of Directors approved in December an interim dividend agreeing the disbursement of an interim dividend charged to 2020 of €0.25 gross per share. The disbursement was effective on January 7, 2021.

10. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

As of the date of preparation of these Consolidated Annual Accounts, there have been no significant events subsequent to the end of the year 2020 that could alter or have any effect on the Consolidated Annual Accounts for the period ended on December 31, 2020.



ANNUAL REPORT 2020



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HOW DID WE TACKLE A YEAR OF UNPRECEDENTED CHALLENGES?

-  *We focused our efforts on achieving RESULTS*
-  *We defended our SHAREHOLDERS' interests*
-  *We offered our CUSTOMERS solutions they can count on*
-  *We ensured EMPLOYEE safety*
-  *We stepped up collaboration with our SUPPLIERS*
-  *We renewed our ENVIRONMENTAL commitments*
-  *We reaffirmed our COMMUNITY commitments*

THE KEYS TO OUR RESILIENCE

-  *A resilient BUSINESS MODEL*
-  *Our COMMITMENT to excellence and sustainability*
-  *Our profitability-oriented STRATEGY*
-  *Our strategic focus on TECHNOLOGY and INNOVATION*

THE CORPORATE GOVERNANCE THAT GUIDES US

-  *A high-quality governance STRUCTURE*
-  *Professional governing BODIES*
-  *The ETHICS FRAMEWORK that shape us*
-  *RISK readiness*
-  *Progress on ESG management*

ABOUT THIS REPORT

CHAIRMAN AND CEO'S
STATEMENT**Antón
Pradera**
Chairman

“THE YEAR THAT BROUGHT OUT THE BEST IN US”

Dear friends of CIE Automotive:

2020 will forever go down in the history books as the year of the COVID-19 pandemic. A year in which we looked on powerless as the virus spread, taking the lives of over two million people across the planet, confined us to our homes, paralysed industry and services and ushered in the worst global recession in 75 years. However, in the midst of that catastrophe, the human race once again demonstrated its ability to resist, find solutions and find a way through extreme conditions. We are proud to say, without wanting to blow our own trumpet, that CIE Automotive was a paradigm of that resilience.

For those of us in the CIE Automotive family, that annus horribilis will also be remembered as the year in which we gave our best: we prioritised the safety of our employees, uninterrupted supplies for our customers and protection of our shareholders' investments, while supporting our suppliers

**Jesús M^a
Herrera**
CEO

and maintaining our environmental and community commitments. Thanks to that formidable effort, we managed to end the year with almost €1.5 billion of surplus liquidity, putting us in a strong financial position, having generated a net profit of €185 million in the worst year on record for the automotive industry, all while making firm continued progress on our ESG agenda.

In the 2020 Annual Report you have before you we will describe in detail how we managed to remain profitable in a year in which the automotive market contracted by 16.2%. We will also tell you about the considerable progress we made on measuring our environmental footprint and advancing towards a circular economy, as well as what we did as a socially responsible company vis-à-vis all of our stakeholders. We would like to use these lines to sincerely thank everyone who accompanied us on this complicated journey.

Looking back on the events of 2020, and fully aware that the pandemic is far from over, it would be pretentious to say we were ready for what lay in store. Nobody was. What we can tell you, however, is that we had the solidity and flexibility needed to tackle the challenges induced by it. Having learned our lessons in the wake of prior crises, we had a resilient business model in place, the know-how of an unbeatable team and the technological capabilities needed to tackle the ensuing challenges.

Our business model was, without a shadow of a doubt, the key to surmounting the difficulties encountered in 2020. Our geographical diversity, with 110 manufacturing facilities in 16 countries, enabled us to service the global OEMs throughout and partially offset successive stoppages in certain regions with

ongoing activity in others. Thanks to our customer diversification, specifically a well-populated portfolio of OEMs and Tier-1 suppliers, we were able to mitigate the drop in demand from some of them. Our multi-technology approach enabled us provide our customers with products that match their evolving vehicle mixes and needs as vehicle electrification accelerated further in 2020. The strict financial discipline that frames every single decision we take was critical to keeping our EBITDA-to-cash conversion ratio at 59%. Our decentralised management made it possible for each region and division to take the best decisions for its specific circumstances, underpinned by a common strategy, thus helping to create value for the group as a whole. Lastly, the integration of ESG criteria into our model, which materialised in the rollout of a new dashboard with 79 performance indicators in every factory's management plan, coupled with our renewed pledge to upholding the United Nations Global Compact principles, meant that our values and determination to attain excellence and sustainability remained unshakeable even at the height of the pandemic.

We had, therefore, a very solid base on which to layer a global strategy aimed at maintaining profitability in the face of the pandemic: the COVID-19 Response Plan. We launched that plan



"Thanks to that formidable effort, we managed to end the year with a net profit of €185 million in the worst year on record for the automotive industry"

during the second quarter, articulating it around four key lines of initiative: (i) work flexibility measures, aligned with the legislation and specifics of each country; (ii) war economy tactics, which meant strict control over fixed costs, capex and working capital; (iii) liquidity and financing, which translated into new and extended credit lines; and (iv) astute production planning, including new safety measures at the factories and stock buffers to ensure supply continuity.

Coordinated execution of that plan and the gradual improvements eked out at the more recently integrated companies underpinned EBITDA and EBIT margins of 15% and almost 10%, respectively, very high levels considering the double-digit contraction in the automotive market which had a highly adverse impact on most sector players' profitability. In addition, thanks to high operating cash flow, we were able to contain net debt, close our M&A transactions, pay our shareholders the agreed-upon dividend and cancel shares to boost remuneration.

Although the resilience displayed by CIE Automotive in the face of the pandemic was not tangible in its share price performance throughout the year, our shares did end 2020 higher than they started, at €22.06, a gain of 4.6%, despite the dire performance sustained by Spanish equities, with the benchmark Ibex-35 index correcting by over 15%.

All of our markets contributed to our healthy earnings performance with positive operating margins. Revenue in constant currencies declined by 13.2% even though vehicle production in our markets collapsed by over 20%.

"Our healthy performance across Europe, North America, Brazil and Asia is largely attributable to the reliability and quality of our supply chain worldwide"

Our healthy performance across Europe, North America, Brazil and Asia is largely attributable to the reliability and quality of our supply chain worldwide. In the midst of the pandemic, when many automotive parts suppliers were facing difficulties in honouring their obligations, CIE Automotive was able to offer business continuity thanks to good production planning and supply chain optimisation. To achieve that feat, we relied on the invaluable contribution of our suppliers, 92% of which are local.

That being said, we had to take difficult decisions to safeguard our viability as a company. In the face of the government decreed closures and the attendant ramifications on the industry, we were forced to temporarily reduce our headcount, availing of the schemes and measures put in place in each country. During the second half of the year, however, as our business picked up, we began to bring people back to work, ending the year with a headcount of 25,196.

While employee safety has always been a priority, in 2020 it became the key factor driving all our decisions. To ensure their safety, in addition to formulating and overseeing a prevention protocol at every factory, we introduced remote working arrangements for all positions not requiring in-person presence. In parallel, we continued to make progress on a series of initiatives designed to guarantee application of universal labour rights and equal opportunities across our diverse workforce.

Given our vested interest in the automotive industry, to tackle the challenges induced by the pandemic, we joined the sector in its call for an emergency action plan for the sector, and we continued to work through a number of associations on shaping the mobility of tomorrow. We believe we are well positioned to continue to respond to the prevailing trends in the automotive sector: vehicle electrification; decarbonisation and productive process efficiency; vehicle light-weighting; and process digitalisation.

With the mobility of tomorrow ever closer to becoming a reality, in 2020 we launched a number of projects in the electric and hybrid vehicle segment; we worked to collect data for the purpose of calculating our carbon footprint; we took our first steps in the self-generation of clean energy with photovoltaic facilities at a number of factories; and we continued to work on a number of projects related with the implementation of Industry 4.0 capabilities at the factory level.

In tandem, we fortified our global positioning with the completion in January of the acquisition of Italy's Somaschini, a deal which makes us a top global player in gear systems; the inauguration of greenfield facilities by CIE Plastics in Mexico and by AEL in India; and

an increased shareholding in MCIE, the venture resulting from our strategic alliance with Mahindra&Mahindra.

"You will never find a better sparring partner than adversity", said Golda Meir. Adversity was our sparring partner for every day of 2020 and it ended up boosting our motivation and resilience, leaving us stronger and better prepared for the next challenge. Stick with us because we will continue to exceed your expectations.

Antón Pradera
Chairman



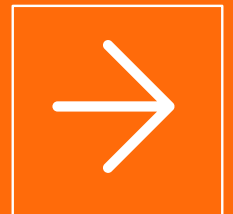
Jesús M^a Herrera
CEO

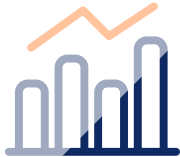




2020: GOOD THINGS TOO

The COVID-19 pandemic, which has sadly taken the lives of more than two million people and caused a drastic global recession, represented a formidable challenge for CIE Automotive in 2020. We responded to the temporary shutdown of manufacturing activity and the unprecedented collapse in the global automotive market with an action plan focused on profitability, the safety of our employees and business continuity, ending the year in the black.



						
REVENUE	EBITDA	EBIT	NET PROFIT	EBITDA-TO-CASH CONVERSION	NET DEBT/EBITDA**	EQUITY
MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	RATIO	MILLIONS OF EUROS
2,882.5	431.2	283.4	185.2	239.0	3.59x	995.0
-13.2% vs -20.7% CIE MARKETS*						

(*) CIE markets: calculated by weighting the markets in which CIE Automotive has manufacturing facilities.

(**) Both the net debt and EBITDA figures include 50% of the SAMAP JV.

For the definition of all of the above concepts, refer to Section 6.4 Data tables and glossary

WE ARE AGENTS OF CHANGE



WE GENERATE VALUE AROUND US



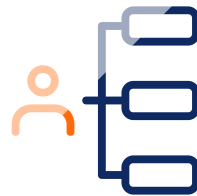
SHAREHOLDERS

- **93.9** million paid out in DIVIDENDS
- **95.4** million invested in the SHARE BUYBACK programme
- **16** conferences and **16** roadshows with analysts



CUSTOMERS

- Uninterrupted **supply** to over 80 TIER-1 and OEM CUSTOMERS
- **+ 7,000** SKUs across 7 technologies
- **10** R&D centres
- **70** FACTORIES with triple certification



EMPLOYEES

- **25,196** employees
- **427** million paid in SALARIES*
- **25** million in SUPPORT FOR OUR EMPLOYEES
- **548,184** hours of TRAINING



SUPPLIERS

- Nearly **€1.9** billion spent on PROCUREMENTS
- **92%** LOCAL SUPPLIERS
- **353** SUPPLIER AUDITS



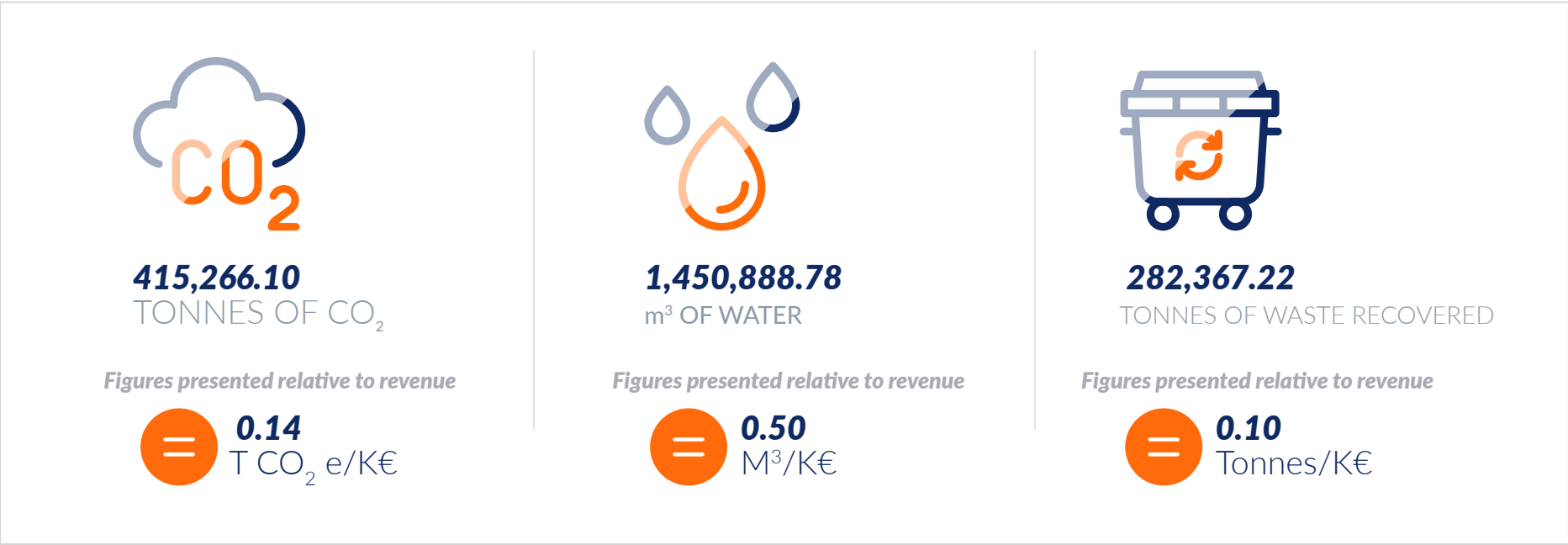
SOCIETY

- **Membership** of the leading sector ASSOCIATIONS
- **€43** million paid in CORPORATION TAX
- **€941,253** invested in COMMUNITY WORK

* Wages without social security contributions.

WE RESTRAIN OUR ENVIRONMENTAL FOOTPRINT

- CALCULATION CONSIDERING 17 DIFFERENT IMPACTS
- COMMISSIONING OF 3 PV SOLAR FACILITIES IN EUROPE AND ANOTHER 5 IN INDIA



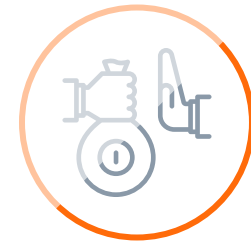
COMMITTED TO ETHICS AND TRANSPARENCY



79 ESG INDICATORS
added to factory
management plans



IMPLEMENTATION of the
criminal compliance model
in four new countries



TRAINING PROVIDED
on Criminal Liability and
Anti-Corruption Effort

2020 MILESTONES



JANUARY

Completion of the acquisition of **Somaschini**, a deal that consolidates CIE Automotive as a top global player in gear systems



JUNE

Inauguration of **CIE Plásticos México**, a factory devoted to moulding, injection processes and assembly
CIE Automotive ties its syndicated loan agreement to **ESG criteria**



DECEMBER

Commissioning of AEL's new facility in **Aurangabad** (India)



FEBRUARY

Rollout of **CIE WIKI**, an innovation platform that enables the factories to share their know-how



JULY

CIE Plasfil and CIE Stratis create their own photovoltaic solar farm in Figueira da Foz (Portugal)



NOVEMBER

CIE completes its **share buyback programme**
CIE publishes its **Protocol** for the Prevention and Handling of Workplace Harassment



Over the course of 2020

purchase of an additional 4% shareholding in **MCIE**

HOW DID WE TACKLE A YEAR OF UNPRECEDENTED CHALLENGES?



The events of 2020 put the resilience of our business model and the reliability of our profit-oriented strategy to test. Thanks to the collective efforts of the entire CIE Automotive team, and with the help of our stakeholders, we continued to provide our customers with excellent service, we supported our suppliers in their time of need, we defended our shareholders' investments and we continued to make progress on our social and environmental commitments.



We focused our efforts on achieving **RESULTS**

CIE Automotive posted a profit of €185 million in 2020, despite the contraction in volumes induced by the coronavirus pandemic. The company defended its healthy profitability and cash generation thanks to the rollout of its COVID-19 Response Plan and a margin protection effort at the factory levels, enabling it to control its leverage while executing a share buyback programme and paying its shareholders their dividend.



OBJECTIVE

To stay profitable and maintain a solid financial position so that we generate long-term value for all of our stakeholders



LINES OF INITIATIVE UNDERTAKEN IN 2020

- **Integration** of Somaschini to create a top global player in gear systems
- **Maintenance** of the dividend and share buyback programme
- **Earnings** defence in the context of sharply contracting business volumes
- **Linkage** of financing to ESG criteria
- **Continued** cash flow generation to control debt

EARNINGS PERFORMANCE

CIE Automotive reported net profit of €185 million in 2020, down 36% from 2019, but nevertheless an exceptional performance considering the temporary closure of the company's factories during the second quarter and the scale of the contraction in the global automotive market last year (-16.2%), a contraction that was even sharper in the universe of markets in which the group operates (-20.7%).

Faced by the unprecedented challenge posed by the coronavirus pandemic, CIE Automotive implemented its COVID-19 Response Plan, articulated around four lines of initiative: flexible working arrangements; war economy tactics vis-a-vis fixed costs, capex and working capital; financing and liquidity; and astute production planning.

Its business model, reinforced by execution of that action plan and margin expansion at the companies more recently integrated, enabled CIE Automotive to maintain its EBITDA and EBIT margins at 15.0% and 9.8%, respectively, and to convert 59% of that EBITDA into cash.

Thanks to strong operating cash flow, the group was in turn able to control its net debt, service the payments derived from its acquisitions, repurchase shares to reduce its share capital and honour its dividend commitments.

→ EARNINGS PERFORMANCE

(€ M)	2019	2020	Var.%
Revenue	3,461.1	2,882.5	-16.7%
EBITDA (*)	594.4	431.2	-27.4%
EBITDA margin %	17.2%	15.0%	
EBIT (*)	427.1	283.4	-33.6%
EBIT margin %	12.3%	9.8%	
Net profit (*)	287.5	185.2	-35.6%

(*) EBITDA: earnings before interest, tax, depreciation and amortisation; EBIT: earnings before interest and tax; Net profit: profit attributable to owners of the parent.

EBITDA
€431.2
 MILLION
 -27.4% vs 2019





CAPEX AND ACQUISITIONS

CIE Automotive expanded its consolidation scope in 2020 with the integration of Italy's Somaschini in January. In addition, CIE increased its shareholding in the MCIE group over the course of the year to over 60%.

The group, which in previous years combined healthy organic growth with a dynamic M&A strategy, stripped its capex down to the bare minimum for permitting maintenance work, ensuring employee safety, enabling supply continuity and carrying out the projects already committed to.

On the capacity expansion front, it is worth highlighting two new builds: the CIE Plastics factory in Mexico and the AEL facility in Aurangabad (India), and two new projects, the new automatic liquid painting line at CIE Autometal Diadema (Brazil) and the servo press purchased at CIE Egaña (Spain), among others.



INTEGRATION OF SOMASCHINI

CIE Automotive completed the acquisition of Somaschini for €77.1 million in January 2020.

With two manufacturing facilities in Bergamo (Italy) and a third in Indiana (US), Somaschini is a significant supplier of gear systems to multiple vehicle segments: cars, commercial and industrial vehicles, tractors and off-road vehicles.

Its integration with the existing Italian facility in Metalcastello and the Indian gear division positions CIE Automotive as a top global player in gear systems with a footprint in the three major regions (Europe, North America and Asia).

The company has brought the group nearly 300 employees and its revenue in 2019 was of €70 million.

FINANCIAL SITUATION

CIE Automotive reported net debt of € 1,594.9 million at year-end 2020, implying adjusted leverage of 3.59 times EBITDA, a figure seriously affected by the slump in volumes induced by COVID-19.

Of that sum, close to €300 million corresponds to non-operating payment obligations, including payment for the acquisition of Somaschini; the earnout corresponding to the purchase of the roof systems division of Inteva; the acquisition of an additional 4% of MCIE (lifting its stake to over 60%); the €93.9 million dividend distribution; and the €95.4 million share buyback programme.

→ Comparative balance sheet

(€ M)	2019	2020
Fixed assets	3,393.5	3,293.2
Net working capital	(275.5)	(356.4)
Total net assets	3,118.0	2,936.8
Equity	1,235.0	995.0
Net debt	1,522.0	1,594.9
Other (net)	361.0	346.9
Total equity and liabilities	3,118.0	2,936.8

→ FINANCIAL RATIOS

2020
2019

NET DEBT/
EBITDA*

3.59
2.3



NET DEBT/EQUITY

1.6
1.2



LEVERAGE RATIO**

0.62
0.55



(*) Both the net debt and EBITDA figures include 50% of the SAMAP JV.

(**) Leverage ratio: net debt divided by total capital employed (equity + net debt).

Financing arrangements

In 2020, CIE Automotive reached out to all of its financiers to expand its financing and improve the terms.

Notably, in the first half of the year it entered into several financing agreements with Spain's official credit institute, the ICO, totalling €442 million; those loans are secured by the Spanish state and are part of the package of aid rolled out to mitigate the economic fallout from the pandemic. At year-end, the company had drawn down €297 million against those loans.

The Treasury Department systematically monitors the group's forecast liquidity requirements to ensure it has enough headroom on its undrawn committed borrowing facilities at all times so as to have sufficient cash to meet its operational needs without breaching borrowing limits or covenants on any of its borrowing facilities. Due to the earnings impact of the paralysis of manufacturing activity at the height of the pandemic, the organisation switched all of its efforts (during the earliest stages of the lockdown) to locking in liquidity and amending the contractual terms of all of its financing agreements to prevent any potential breach of covenant.

→ Debt maturity profile

(€ M)	2018	2019	2020
Within one year	282.3	524.8	586.7
Between 1 and 2 years	161.9	244.8	353.6
Between 3 and 5 years	789.6	1,146.4	1,111.7
Over 5 years	106.2	205.1	196.0
Total equity and liabilities	1,340.0	2,121.1	2,248.0

SUSTAINABLE Finance

In 2020, CIE Automotive reaffirmed its commitment to sustainability by tying the cost of its financing to environmental, social and governance (ESG) criteria, aligned with its commitment to creating value and growth in the long term.

Specifically, in June, the company amended the terms of its €690 million syndicated loan to turn it into a sustainable financing facility: annually, and as a function of a score to be assigned by an independent consultant, the group's borrowing cost will be adjusted in accordance with the trend in its sustainability indicators, which are in turn aligned with the United Nations Sustainable Development Goals.

That newly modified agreement joins other financing agreements tied to sustainability criteria in the amount of €984 million, of which €639 million (40% of net debt) has been drawn down.

CIE Automotive's debt structure

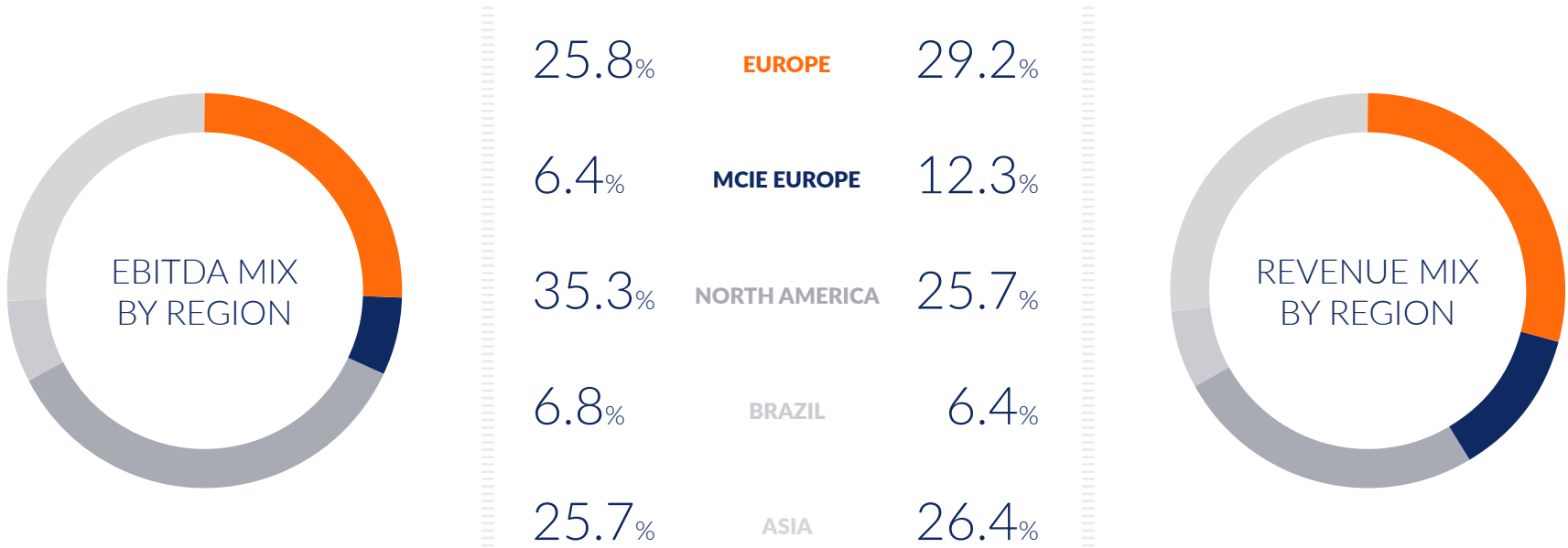
(€ million)	2016	2017	2018	2019	2020	Due date	Characteristics
Syndicated loan	≈ 550	≈ 466	≈ 400	≈ 480	≈ 345	Apr. 2025	• Euro-denominated loan • Rate range based on ND/EBITDA • €345m in the form of a loan and €345m in the form of a revolving facility
EIB and IFC-EDC	≈ 70	≈ 61	≈ 82	≈ 247	≈ 261	Apr. 2031 and Jun. 2028	• Euro-denominated and dollar-denominated loan • Partially fixed rate
Long-term loan	≈ 85	≈ 81	≈ 81	≈ 77	≈ 68	July 2026	• Euro-denominated loan • Partially fixed rate
México	≈ 71	≈ 162	≈ 163	≈ 156	≈ 122	Sundry	• Dollar loans
Other	≈ 359	≈ 384	≈ 616	≈ 1161	≈ 1,452	Sundry	• Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.
Gross debt	≈ 1,135	≈ 1,158	≈ 1,340	≈ 2,121	≈ 2,248		
Cash and cash equivalents	≈ 240	≈ 201	≈ 392	≈ 599	≈ 653		
Net debt	≈ 895	≈ 957	≈ 948	≈ 1,522	≈ 1,595		

PERFORMANCE BY REGION

CIE Automotive posted a profit in the worst year in the history of the automotive industry, a year in which vehicle production contracted by 16.2%. After the factory closures during the second quarter to halt the spread of the virus, activity levels remained very subdued upon reopening in May and June, going on to gradually recover but only revisiting pre-pandemic levels in China.

[For more information, refer to Section "Market environment and trends".]

The business environment was even worse in the markets where CIE Automotive has operations: production in those markets plummeted by 20.7%. Nevertheless, the group managed to defend its healthy margins in all of its operating regions.



The group's earnings performance by region:

EUROPE

CIE Automotive's revenue in this region declined by 18.2% to €1,194.8 million, against the backdrop of a contraction in vehicle production of 22.1%. Nevertheless, margins remained healthy. CIE Automotive's traditional factories, associated with light vehicles, benefitted during the second half of the year from government schemes rolled out to incentivise car-buying, whereas the MCIE Europe facilities were hurt by the end of the truck cycle and economic crisis.



CIE Automotive's traditional European factories



REVENUE

€840.3

MILLION

-9.9% vs 2019



EBITDA MARGIN

13.3%



EBIT MARGIN

6.9%



MARKET

-22.1%



MCIE European factories



REVENUE

€354.6

MILLION

-32.8% vs 2019



EBITDA MARGIN

7.8%



EBIT MARGIN

3.0%



LIGHT VEHICLES

-22.1%



TRUCKS IN GERMANY*

-23.6%

(*) The market to which CIE Automotive is most exposed in this segment

NORTH AMERICA



REVENUE

€741.7

MILLION

-17.3% vs 2019
LFL



EBITDA MARGIN

20.5%



MARKET

-19.1%

EBIT MARGIN

15.8%

The North American factories generated €741.7 million of revenue in 2020, down 17.3% from 2019, compared to a market contraction of 19.1%. The recovery, which has been stronger than in Europe due to lower inventory levels and the hefty direct price discounts provided by the OEMs, was beneficial for CIE Automotive, which defended its strong margins in this market.

BRAZIL



REVENUE

€185.6

MILLION

-23.5% vs 2019
LFL



EBITDA MARGIN

15.7%



MARKET

-32.1%

EBIT MARGIN

10.7%

In Brazil, CIE Automotive reported revenue of €185.6, down 23.5% from 2019, compared to market shrinkage of 32.1%. The company posted EBITDA margin of 15.7% and EBIT margin of 10.7%, notwithstanding the sharp market contraction due to the difficulties encountered by the authorities in reining in the pandemic but also other factors that had already been pressuring the market: a slowdown in consumption due to the sharp rise in unemployment; uncertainty regarding emission standards; and the collapse in exports to Argentina.

ASIA



REVENUE

€760.3

MILLION

+5.4% vs 2019
LFL



EBITDA MARGIN

14.6%



MARKET

-7.0%

EBIT MARGIN

10.2%

In India, the pandemic added to what was already proving a perfect storm in the country's automotive sector: an economy headed south; increasing car ownership costs; the weakness of certain financial institutions; and consumer reluctance to purchase vehicles with internal combustion engines. Even in that context, CIE Automotive managed to post revenue of €329.4 million (down 17.6%) and defend its profit margins.

In China, which topped expectations by staging a V-shaped recovery in production, CIE Automotive's revenue increased by 34.0%.

We defended our **SHAREHOLDERS'** interests

CIE Automotive's share price was hit hard in 2020 by the collapse in Spanish equities in the wake of the coronavirus pandemic, a situation which led to an unsubstantiated mismatch between the company's fundamentals and its market value. To support its share price, protect its shareholders' investments and boost their remuneration, CIE Automotive decided to buy back shares. That decision, coupled with the company's earnings momentum in the adverse environment, helped pave the way for a share price recovery, to end the year at €22.06.



OBJECTIVE

To generate long-term value for our shareholders and investors



LINES OF INITIATIVE UNDERTAKEN IN 2020

- **Capital** was reduced by 5% to boost shareholder remuneration
- **€93.9** million paid out in dividends
- **Continuous contact** with the market (shareholders and investors) in order to communicate the company's situation and plans
- **Telling** the CIE Automotive equity story in order to underpin the share price

SHARE PRICE PERFORMANCE

In 2020, CIE Automotive's share price was naturally not immune to the ramifications of the COVID-19 pandemic. Indeed, having started the year at €21.08 euros, already feeling the pressure of global geopolitical turmoil and an uncertain outlook for the automotive industry in recent years, the share price fell as low as €10 in March but went on to recover, ending the year at €22.06.

Faced by the persistent and unjustified drop in its share price, the group decided in February to carry out a share buyback programme in order to reduce its share capital by 5%. With that plan, not only did it manage to give the share price a new lease of life, it also increased each shareholder's remuneration going forward, as they will now receive more for the same number of shares.

Although the company's share price outperformed Spain's benchmark index, the Ibex-35, in 2020, and was one of the few index constituents to post a gain for the year, we believe that our share price in no way corresponds to the resilience displayed in the face of the pandemic relative to other sector players: whereas CIE Automotive's shares gained a slim 5%, despite the healthy earnings reported, the Stoxx Europe 600 Automobiles & Parts index gained 4%, even though the automotive market contracted by 16%, bringing the sector's earnings down with it.

The mismatch between CIE Automotive business and share price performance over the course of the year may be attributable, in

addition to the knock-on effect of the pandemic on all of the stock markets, to the growing use of automated trading systems controlled by the hedge funds, systems that fail to take into account CIE Automotive's reliable track record, growth potential or profitability, as well as the impact of speculative short positions in the market. Indeed, during the worst moments of the crisis, the analyst community's target price was double the company's share price.

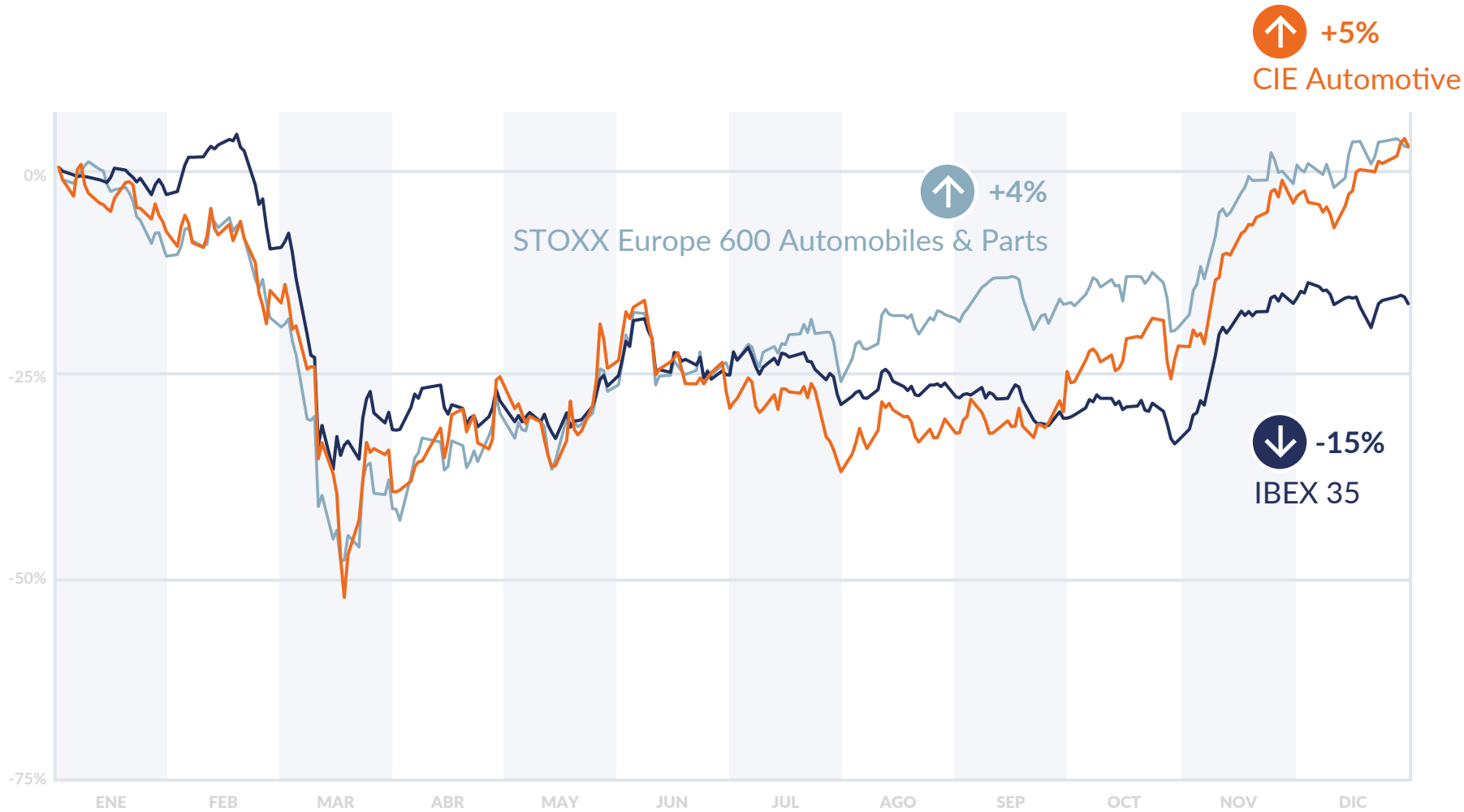


CIE AUTOMOTIVE'S Stock market indicators

	2018	2019	2020
Number of shares at year-end	129,000,000	129,000,000	122,550,000
Share price at year-end (€)	21.44	21.08	22.06
Market capitalisation at year-end (€ M)	2,765.8	2,719.3	2,703.5
Average trading volume	87,149	57,296	79,535
P/E multiple*	11.4	9.5	14.6

(*) P/E multiple: ratio between share price and EPS 2018: normalised earnings in the automotive segment.

CIE AUTOMOTIVE'S SHARE PRICE PERFORMANCE
comparison with the Ibex-35 and the Stoxx Europe 600 Automobiles & Parts



→ ANALYST RECOMMENDATIONS

(as 15 February 2021)

Company	Analyst	Recommendation	Target price	Actualización
Alantra Equities	Álvaro Lenze	Buy	26.80 €	10/2020
Bankinter	Esther Gutierrez de la Torre Coll	Buy	21.80 €	05/2020
Bestinver Securities	Enrique Yáñez	Buy	18.40 €	01/2021
Caixabank BPI	Bruno Bessa	Hold	24.20 €	02/2021
Exane BNP Paribas	Francisco Ruiz	Hold	17.00 €	11/2020
Intermoney Valores	Virginia Pérez	Buy	22.00 €	07/2020
JB Capital Markets	José María Cánovas	Hold	25.50 €	02/2021
Kepler Cheuvreux	Alexandre Raverdy	Buy	23.00 €	12/2020
Link Securities	Iñigo Isardo	Under review	Under review	05/2020
Mirabaud Securities	Manuel Lorente	Buy	24.45 €	02/2021
Nau Securities	Pedro Baptista	Buy	27.00 €	07/2019
Norbolsa	Ander Peña	Buy	22.03 €	11/2020
Oddo BHF	Anthony Dick	Reducir	17.00 €	12/2020
Renta 4	Álvaro Aristegui	Hold	23.00 €	12/2020
Sabadell	Alfredo del Cerro	Under review	Under review	01/2021
Santander	Robert Jackson	Hold	17.50 €	07/2020
CONSENSUS	-	-	22.12 €	-



ANALYST Recommendations



MCIE's share price performance on the Indian stock exchanges

The shares of MCIE, which are traded on India's two main stock exchanges - the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange (BSE) - gained 4% in 2020. As with the rest of the automotive sector players, the share prices of the companies in India sustained significant corrections during the first and second quarters of the year due to the pandemic, going on to recover as consumer demand began to rebound. Specifically, Mahindra CIE's share price marked a low of INR59.05, but went on to trade above INR160 during the second half of the year.

	CONCEPTO	2018	2019	2020
Number of shares at year-end	millions	378.78	379.01	379.01
Share price at year-end on the BSE	INR	253.45	164.75	171.8
Share price at year-end on the NSE	INR	257.00	164.75	172.00
High for the year on the BSE	INR	301.8	258.3	179.1
Low for the year on the BSEE	INR	199.2	135.55	59.05
Market capitalisation on the BSE (12/31)	millions of INR	96,002	62,442	65,114
Volumen medio de negociación en BSE	'000 shares	75,674	47,831	16,302
Volumen medio de negociación en NSE	'000 shares	456,739	185,060	207,911

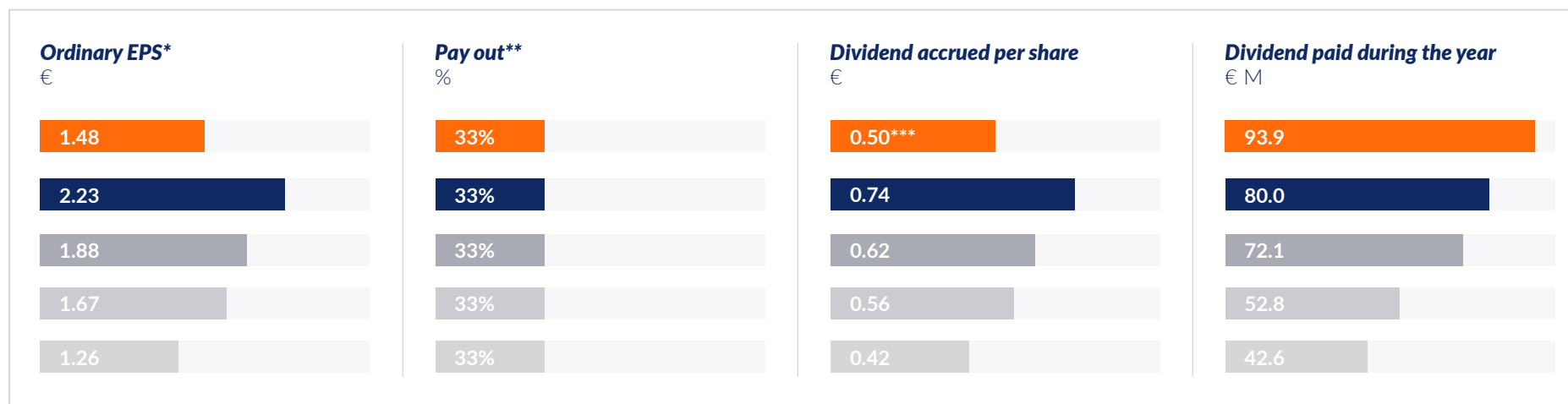


SHAREHOLDER REMUNERATION

Each year, CIE Automotive pays out one-third of its profits to its shareholders. Under that policy, shareholder remuneration has been experiencing double-digit growth in recent years, in line with the company's earnings.

True to that dividend policy, in 2020 it distributed €93.9 million against 2019 earnings. That dividend was paid in two instalments of €0.37 per share (before withholding tax), the first on 3 January and the second on 6 July.

In December 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 per share, which was paid on 7 January 2021.



(*) 2018 EPS calculated using normalised earnings in the automotive segment.

(**) Payout: percentage of profit paid out to shareholders.

(***) Estimate as of the date of publication of this report.

2020

2019

2018

2017

2016

Capital reduction to boost SHAREHOLDER REMUNERATION

In February 2020, CIE Automotive announced a plan to buy back own shares in order to reduce its share capital. Between then and November, the group repurchased 6,450,000 shares, equivalent to 5% of its share capital, for €95.4 million. Those shares were acquired at an average price of €14.80 per share.

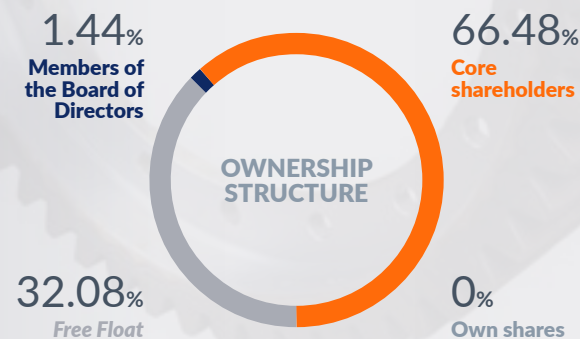
Having cancelled the shares bought back, CIE Automotive has 122,550,000 shares outstanding, each with a par value of €0.25.

The share buyback strategy opened up a new way of remunerating shareholders in a year in which the company's profits were eroded by the pandemic, as its shareholders will receive a bigger share of the dividend payment with the same number of shares, as well as benefitting from the resulting share price gain.

OWNERSHIP STRUCTURE

CIE Automotive boasts a stable core of long-term, benchmark shareholders. Those shareholders held 66.48% of the company's shares at year-end 2020, while the Board of Directors held a 1.44%; the remaining 32.08% is freely floated.

Most of the holders of the freely floated shares are Spanish, but funds from the US, UK, France, Ireland, Canada, Germany, Belgium, Portugal, Norway and Denmark are also meaningfully represented.



Change in SHAREHOLDER STRUCTURE

	2018	2019	2020
ACEK Desarrollo y Gestión Industrial, S.L.	14.90%	14.91%	15.69%
Grupo Inversiones Insec. S,L,	10.00%	10.00%	10.53%
Corporación Financiera Alba. S,A,	10.10%	10.15%	12.73%
Elidoza Promoción de Empresas. S,L,	10.00%	10.00%	10.89%
Mahindra&Mahindra. Ltd,	7.43%	7.43%	7.83%
Addvalia Capital. S,A,	5.00%	5.00%	5.26%
Alantra Asset Management. SGIC. S,A,	3.50%	3.74%	3.55%
Total core shareholders	60.93%	61,24%	66.48%
Autocartera	0%	0%	0%
Miembros del Consejo de Administración	1.37%	1.37%	1.44%
Free float	37.70%	37.39%	32.08%

INVESTOR RELATIONS

CIE Automotive's policy of engaging with the investor community transparently ensures all of its shareholders and investors receive equal treatment in terms of the information they receive and their right to participate in and cast their votes at its Annual General Meeting, as is set down in its Market Information and Communication Policy and Spain's Corporate Enterprises Act.

The Board of Directors is the highest power tasked with supervising the information provided to the company's shareholders and the markets in general, taking the opportune measures to enable them to exercise their rights, framed by the Shareholder and Market Information and Communication Policy.

PRINCIPLES OF THE MARKET information communication policy



Publication of information that is transparent, clear, accurate, uniform and reaches everyone at the same time



Protection of the legitimate rights and interests of all shareholders



Compliance with the law and the company's corporate governance rules and its principles for cooperating transparently with the authorities, regulatory bodies and competent authorities



Equal treatment in acknowledging the rights of all shareholders and facilitating their exercise



Provision to shareholders of information continuously and permanently



Collaboration with shareholders in a bid to ensure reporting practices are transparent, effective and aligned with the company's interests



Development of information tools and communication channels that make the most of emerging technologies



The company communicates openly via its corporate website, www.cieautomotive.com. Under the "Shareholders and investors" tab it publishes relevant and up-to-date information about the group, along with the details for contacting the Investor Relations Department, whose mission is to provide the investor community with a regular flow of accurate information.

In 2020, the IR Department continued to provide the analyst and investor communities with information and assistance remotely on account of the pandemic, transforming the in-person events organised by the company into virtual meetings.

As part of its communication effort, it met with around 600 investors, including online and in-person meetings; it participated in 16 roadshows and 16 conferences; and organised the corresponding results presentations and the Annual General Meeting, which in 2020 was held remotely. **For additional information about the AGM, refer to Section "Professional governing bodies"**

The IR Department used those events to focus on investor and analyst concerns about the company's borrowing levels and liquidity buffer, earnings flexibility, visibility into the sector's outlook in the short and medium term, etc.

To facilitate its work, the IR Department uses Nasdaq IR Insight, a management platform that allows it keep a detailed record of its meetings (content and labelling), bringing up information about investor profiles and contacts and generating real-time market alerts. The company is working to leverage that tool to standardise some of its internal ad hoc publications, to develop internal reports about market developments and the company's share price performance and to better target potential investors, among other functionalities.

ACCOLADES

CIE Automotive's work on the investor relations front was recognised by Institutional Investor, the leader in investor relations research, which awarded it 14 prizes from the 16 possible categories.



Most Honored Companies



Best CEOs



Best IR Professionals



Best IR Team



Best IR Program



Best IR Events



Best ESG Metrics

SMALL & MIDCAPS	Most Honored Companies		Best CEOs		Best IR Professionals		Best IR Team		Best IR Program		Best IR Events		Best ESG Metrics		SMALL & MIDCAPS
	CIE Automotive	1º	Jesús María Herrera (CIE Automotive)	1º	Lorea Aristizabal (CIE Automotive)	1º	CIE Automotive	1º	CIE Automotive	1º	CIE Automotive	1º	CIE Automotive	1º	
	Gestamp Automoción	2º	Francisco López (Gestamp Automoción)	2º	Juan Camiña (CIE Automotive)	2º	Gestamp Automoción	2º	Gestamp Automoción	2º	Gestamp Automoción	2º	Gestamp Automoción	2º	
ALL CAPS	Faurecia	3º	Klaus Rosenfeld	3º	Álvaro Bachiller (Gestamp Automoción)	3º	-	3º	Faurecia	3º	Pirelli & C.	3º	Faurecia	3º	ALL CAPS
	CIE Automotive	1º	Carlos Tavares (Peugeot)	1º	Lorea Aristizabal (CIE Automotive)	1º	Volkswagen	1º	BMW	1º	BMW	1º	CIE Automotive	1º	
	Peugeot	2º	Herbert Diess (Volkswagen)	2º	Andrea Bandinelli (Peugeot)	2º	CIE Automotive	2º	CIE Automotive	2º	CIE Automotive	2º	BMW	2º	
ALL CAPS	Volkswagen	3º	Jesús María Herrera (CIE Automotive)	3º	Helen Beckermann (Volkswagen)	3º	BMW	3º	Volkswagen	3º	Volkswagen	3º	Gestamp Automoción	3º	ALL CAPS

We offered our **CUSTOMERS** solutions they can count on

In the midst of the COVID-19 pandemic, when many automotive parts suppliers were facing difficulties in honouring their obligations, CIE Automotive demonstrated its reliability as a supplier and the quality of its products thanks to good production planning and an investment focus on projects already committed to. In a market in which electric cars are gaining momentum, CIE Automotive once again proved its ability to offer flexible solutions that evolve well in response to shifting market trends.



OBJECTIVE

To become a benchmark partner for original equipment manufacturers (OEMs) and Tier-1 suppliers by offering a broad range of innovative solutions and quality products at competitive prices.



LINES OF INITIATIVE UNDERTAKEN IN 2020

- **Production** planning to ensure uninterrupted supplies for our customers
- **Enhanced** positioning of CIE Automotive with respect to the rollout of electric cars
- **Concentration** of investments on projects already committed to
- **Integration** of Somaschini to become a top global player in gear systems

VALUE-ADDED OFFERING

CIE Automotive provides its customers with the solutions they need, when and how they need them, as dictated by its Health, Safety, Environment and Quality (HSEQ) policy. Honouring that promise became a real challenge at the onset of the pandemic, when factories all over the world had to close their doors in an attempt to slow its spread and prevent the collapse of the health services.

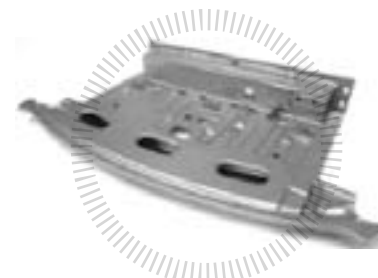
In those unprecedented circumstances, certain actions became crucial: the efforts made by the sales teams to offer flexible solutions all over the world and astute production planning, which meant keeping stock buffers at all of the factories during the lockdown for the manufacture of critical parts and prototypes, while guaranteeing minimum stock levels and the continuity of projects under development.

With the aim of offering its customers enhanced service levels and boosting its market share, in January 2020 CIE Automotive completed the acquisition of Italy's Somaschini, so becoming a top global player in gear systems. In parallel, it continued to invest in greenfield builds and committed projects, selected in response to market trends. [Further information can be found in Section 3.1.1. "Earnings performance".](#)

→ **PRODUCT families**



ROOF SYSTEMS



BODYWORK, CHASSIS & STEERING



INTERIOR AND EXTERIOR TRIM



TRANSMISSION AND BRAKES



ENGINES AND GEARBOXES



COMMERCIAL VEHICLES



Response to market trends: VEHICLE ELECTRIFICATION

The automotive sector is in the midst of far-reaching change as the world moves towards new mobility solutions, a thrust that is shaping a series of simultaneous trends such as vehicle electrification, decarbonisation, productive process optimisation and vehicle light-weighting.

Thanks to its technological and geographic diversification, CIE Automotive is well prepared for adapting to market shifts. That is evident in the fact that over 80% of its product portfolio can be used in any vehicle, irrespective of whether it has an electric motor, an internal combustion engine or a hybrid system.

2020 witnessed institutional backing for accelerating vehicle electrification, particularly in China and Europe, although progress remains gradual and is markedly different from one region to the next.

CIE Automotive is already well positioned in the key parts for electric vehicles, including batteries, electric motors and electronics, poised for the anticipated growth in market and customer volumes.

On the electrification front it is working with legacy OEMs (Renault, VW, Nissan, etc.) and has already made inroads with new players (Tesla, Rivian, etc.).

The mix of combustion, hybrid and electric engines forecast for the coming decades, with hybrid vehicles expected to play a dominant role, means electrification represents a key opportunity for CIE Automotive to boost the value of its engine propositions.

MILESTONES BY REGION

NORTH AMERICA

- Successful development of stamped aluminium parts in the battery area for different customers.
- New customer and business win: the VW Chattanooga SUV ID.4, giving the company a solid positioning with VW in electric vehicles.
- New win at CIE Nugar: variety of products for the Model S and Model X by Tesla.
- New project for MANDO in steering technology: first Korean customer.
- New project win: stamping technology for transmission products for ZF (Tier-1 supplier).
- Business win entailing new technology: suspension parts for Continental.
- Customer diversification: two new forged crankshaft customers - Hyundai and Ford.
- Start-up of new greenfield factory by CIE Plásticos in Derramadero, Mexico in July.
- CIE Pensa Saltillo, finalist for the FCA 2020 supplier of the year award.
- CIE Pensa Saltillo, supplier integration management (SIM) recognition from FCA for the successful launch of the MCA platform.

BRAZIL

- Development of the painting process for *wheel covers* at the Minas factory in a significant boost for the company's competitiveness.
- Consolidation of CIE Autoforjas' new line producing *driveline* parts for NTN and Nexteer.



EUROPE

- Launch of a number of projects in the electric and hybrid vehicle segments.
- Integration of Somaschini within the machining division.
- New business win: stainless steel rails for petrol engines for VW.
- Purchase by CIE Egaña of a 2,000 MT servo press that will enable it to make new types of highly-complex parts in the near term and position itself well for the manufacture of battery parts for electric vehicles.



INDIA

- Transfer of the two composites factories to a single *greenfield* factory in Kahne, which includes new production lines and a painting line.
- Start-up of the new AEL *greenfield* factory for the production of HPDC aluminium parts in Aurangabad.
- Start-up of the new Billforge *greenfield* factory in Hosur for the production of fuel rails, as well as forged and machined parts.
- Expansion of the gears factory in Rajkot (Gujarat).

MODELO DE CALIDAD TOTAL

CIE Automotive is a benchmark in total quality in the auto parts industry, having embedded the basic principles of total quality (as set down in its [HSEQ Policy](#)) - safety, training, systematic reviews and ongoing learning - into all of its processes. Everyone who works at CIE Automotive is committed to the “zero defects, zero accidents and zero pollution” policy.

Underpinned by that total quality methodology, the company is working towards its goal of achieving triple certification at all of its factories by securing the corresponding quality, environmental and health and safety management certifications.

In 2020, it completed the process of adapting its OHSAS 18001 certifications for the new ISO 45001 standard.

→ Global CERTIFICATION Snapshot

	Total factories Certifications		IATF 16949				ISO 14001				ISO 45001			
	2019 2020		2019 2020				2019 2020				2019 2020			
	Nº	Nº	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
Europe*	42	45	42	100%	44	98%	38	90%	42	93%	32	76%	38	84%
North America	16	17	15	94%	16	94%	11	69%	15	88%	1	6%	3	48%
Brazil	12	12	12	100%	12	100%	12	100%	12	100%	3	25%	6	50%
Asia (India/China)	31	32	28	90%	29	91%	19	61%	26	81%	20	65%	23	72%
Total	101	106	97	96%	101	95%	80	79%	95	90%	56	55%	70	66%

*Includes the factories located in Morocco and Russia.



Consumer health and safety measures

Although CIE Automotive has no direct contact with end consumers, dealing instead with the OEMs, it meets all the health and safety standards required of it by its customers, as well as upholding sector-specific regulations, such as the IATF standard (group delivery with which is shown in the certification snapshot table provided below).

The IATF 16949 standard is the international quality standard most widely used in the automotive industry and harmonises the different assessment and certification systems in the global automotive supply chain.



Customer satisfaction

Customer satisfaction is the ultimate goal of CIE Automotive's business activities and the key to its success. To that end it works tirelessly surpass expectations all throughout the customer relationship process: from the sales pitch and project management to on-time production and service, including a swift response in the event of any deviations and the purposeful gathering of feedback. The company's customer pledge is tangible in CIE Automotive's process map, where the customer lies at the centre with its satisfaction in the outer ring.



Consumer claims, complaints and grievance systems

In line with the modus operandi in the automotive sector to which it belongs, CIE Automotive manages the claims and complaints fielded from its customers (OEMs and TIER-1 suppliers) following the procedures stipulated in the terms of contract (as it does not have direct contact with end consumers, it does not have proprietary customer grievance management systems). The company did not receive any complaints related with end customer health or safety in 2020 or 2019.



Confidentiality

CIE Automotive collaborates with its customers in order to provide innovative solutions for their projects. The nature of this development work means having to duly guarantee the confidentiality of sensitive information at the corporate and individual division levels. As a result, the company has designed a project to specifically protect confidential information, framed by the following lines of initiative:

Benchmark international standards: ISO 27001, ISO 27005 and 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.



Accolades

The satisfaction of CIE Automotive's customers and its reputation among its peers were evidenced by a battery of accolades in 2020.

In the media, the Brazilian supplement "Valor 1000", the North American publication "Automotive News" and the Lithuanian newspaper "Verslo Zinios" acknowledged CIE's strong positioning in their rankings on account of its performance in 2019. Whereas "Valor 1000" ranked CIE Autometal #4 in the general sector classification in Brazil, the "Automotive News" list of Top Suppliers ranked the group #59 worldwide, a climb of seven positions. In Lithuania, meanwhile, CIE LT Forge was ranked among the top 10 manufacturing and energy companies in Lithuania by the leading business daily, "Verslo Zinios".

Brazilian journal Valor 1000, North American publication Automotive News and Lithuania's Verslo Zinios all acknowledged CIE Automotive's positioning in the automotive sector.



PRIZES and accolades

Cliente	Planta	País	Reconocimiento
Honda	Cie Autoforjas	Brazil	"Atende sem restrições"
SMG	CIE Golde Shandong	China	Impeccable launch and support during product phase
GMK	CIE Golde Shandong	China	Quality of the launch of project 9B for several suppliers and parts
General Motors	MCIE	India	Excellent quality performance
Siemens	MCIE- Gears	India	Gold Award for its efforts to attain a zero-defect quality culture

We guaranteed the safety of our **EMPLOYEES**

The COVID-19 pandemic brought new and unforeseen challenges for human resource management at CIE Automotive. On top of the need to temporarily reduce the workforce due to the lockdowns and other legal restrictions, the group was forced to adapt in double time for home-based work, arrangements put in place in all locations, albeit affecting those in office jobs to a greater extent. In that unpredictable environment, employee safety became the number one priority. The COVID-19 response protocol sent to all of the company's HR departments around the world on 11 and 12 March 2020 stated that "The first and key recommendation is to follow the indications set by the authorities and in the corresponding legislation in each country. Concern for the wellbeing of our professionals must be the key factor in decision-making".



To guarantee a decent and safe work environment framed by respect for diversity and inclusion, the reduction of inequalities and the provision of equal opportunities.



- **Prioritisation** of employee safety in every area of CIE Automotive and continuous improvement of the health and safety indicators, particularly the injury frequency and severity rates.
- **Management** of a number of work-related measures in response to the pandemic: remote working arrangements; extraordinary health and safety measures; extraordinary flexibility measures; and, in general, the urgent resolution of unexpected situations.
- **Materialisation** of the CIE Automotive Diversity Plan embarked on in 2019: formulation, publication and endorsement by every factory and HR manager of the Protocol for the Prevention and Handling of Workplace Harassment.
- **Integration** of the new factories acquired by the group in Italy and USA, and the greenfield factories commissioned during the year.

OUR RESPONSE TO THE PANDEMIC

CIE Automotive ended 2020 with 25,196 employees, 2,928 fewer than in 2019. The spread of the coronavirus through the various regions in which it operates obliged the group to introduce a series of workplace flexibility measures to tackle the fluctuations in demand derived from the pandemic and the limitations imposed by the various governments around the world, including mobility restrictions, curfews, lockdowns and the closure of non-essential activities.

The group had to downsize its workforce significantly on account of the pandemic but a very significant portion of those adjustments proved transient: although the number of people furloughed remained very considerable through June, once the initial lockdowns began to be eased, the headcount began to recover in line with production, albeit without revisiting pre-pandemic levels by the time of writing. Based on the headcount figures on record at the end of each month, during the second half of the year, employment recovered by more than 1,100 people from the June low, increasing from almost 24,100 mid-year to close to 25,200 by year-end.

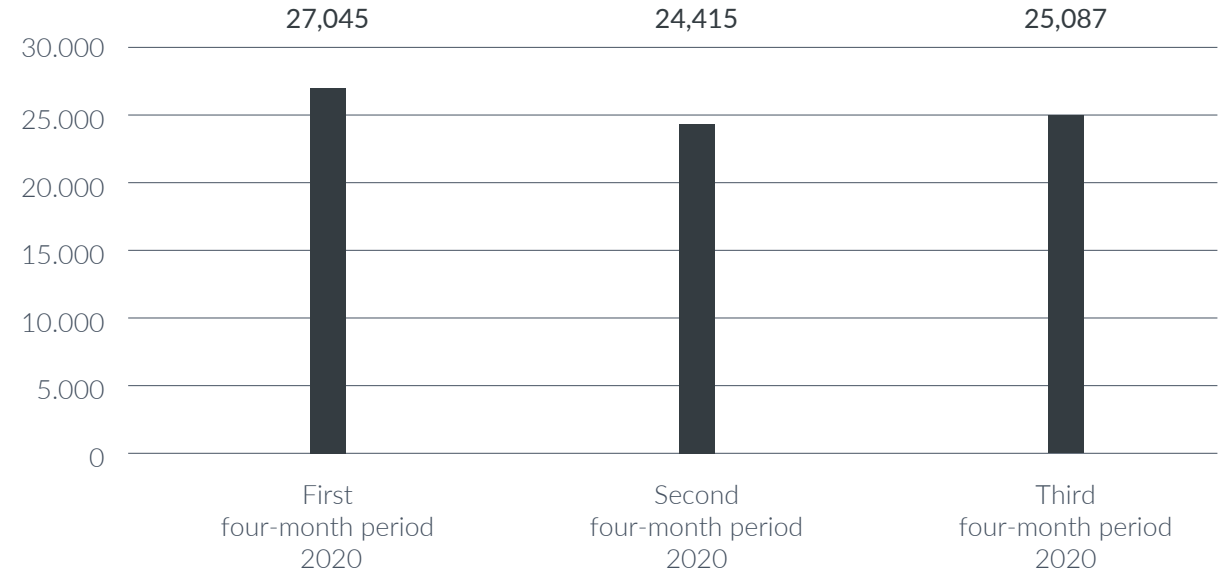
Given the group's geographic diversity, as well as its long-standing decentralised management style, the measures taken in response to the pandemic took different paths not only in every country but even in every factory, depending on the specific circumstances of each. In every instance, however, the responses complied with the labour legislation and pandemic measures dictated by the various

national authorities. Most of the European factories availed of the different furlough schemes put in place, whereas in the Americas other concepts such as the anticipation of collective annual leave and working hour pool schemes prevailed. In other places working hours were reduced. There were even workplaces where the specific circumstances of the factory or offices in question meant that flexibility measures were not required.

In all instances, employees' labour rights were scrupulously respected and once again, the decentralised management approach, factory by factory, emerged as a competitive advantage that enabled CIE Automotive to react swiftly. For example, by the last week of March 2020 all of the company's factories in Spain had made significant progress on negotiating or even launching the corresponding flexibility measures, which were not identical from one facility to the next. That approach also enabled the company to respond differently to situations that, while similar, insofar as the pandemic affected us all, presented nuances in each location which warranted consideration for the purpose of designing the corresponding flexibility and health and safety measures.

For further information on employment, contract types and redundancies in 2020, refer to the detailed tables provided in Section "Data tables and glossary".

→ Four-monthly trend in EMPLOYMENT



The chart above shows the average headcount at CIE Automotive by quarter in 2020. As shown, the average headcount in the first quarter already fell below the 2019 average, as the coronavirus pandemic began to take a heavy toll worldwide as early as March. That reduction became more pronounced in the second quarter, when virtually all of the measures rolled out by the various governments to stem the spread of COVID-19 (lockdowns, curfews, mobility restrictions, among others) were in effect. June was the month in which

employment hit bottom (at close to 24,100). From then on, as is evidenced by the third-quarter figures, the headcount began to recover, reaching a quarterly average of 25,087 in the last quarter and hitting its highest level since June - almost 25,200 - in December.



SUCCESSFUL ROLLOUT OF REMOTE WORKING DURING THE PANDEMIC

In all countries, home-based working was implemented for all positions that did require in-person performance. Remote working arrangements of one form or another were introduced in all factories and regions, tailored for the specific circumstances of each factory, labour regime and job. The company's professionals were encouraged to request home-based working if they were needed for care-giving purposes or if they had specific health concerns, among other reasons.

Those arrangements implied a significant effort to ensure the availability in record time of the equipment and digital tools needed to keep the business running.

Employee Safety, our TOP PRIORITY

Concern for the wellbeing of CIE Automotive's professionals emerged as a key decision-making factor in 2020. In early March, the company drew up a COVID-19 response protocol for all group entities, establishing individual safety measures and the steps to be taken in the event of a professional catching the virus.

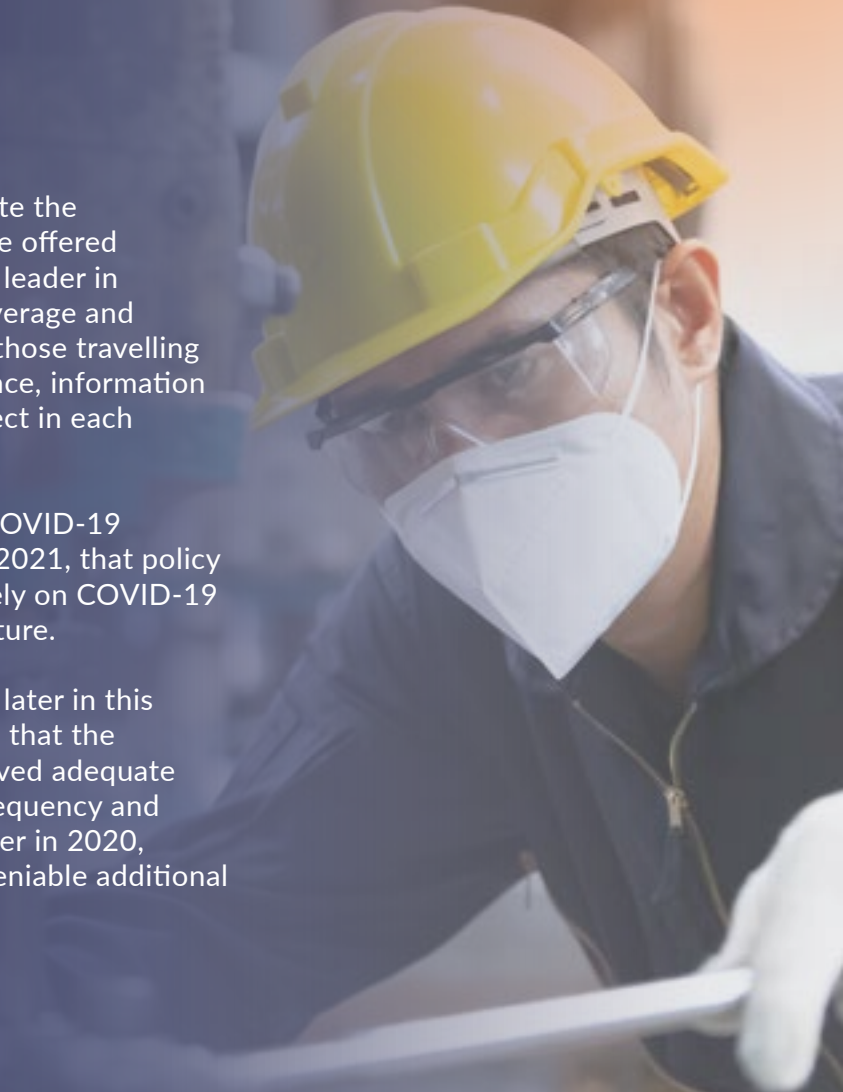
The protocol establishes basic rules for respiratory, hand and environmental hygiene to be followed inside company facilities and mandatory supplies for the various workplaces (dispensers, containers, waiting areas and signage). The protocol also limited travel to that strictly necessary and required pre-clearance for any such essential trips.

In line with the decentralised management approach, the managers at each workplace were urged to use their judgement to take additional measures based local circumstances. Here it is worth highlighting the good work done by the human resource departments at each workplace who played a vital role in ensuring compliance with the safety measures and legislation in effect in each market.

The company's employees who, despite the restrictions, had to travel abroad, were offered the services of International SOS, the leader in international medical and security coverage and assistance. Thanks to those services, those travelling had 24-hour access to medical assistance, information and advice about the measures in effect in each country.

The company also arranged specific COVID-19 coverage to boost traveller safety; in 2021, that policy will expand from focusing exclusively on COVID-19 so as to cover any pandemic in the future.

Although analysed in greater detail later in this Annual Report, it is worth noting here that the health and safety measures taken proved adequate considering the fact that the injury frequency and severity ratios continued to trend lower in 2020, marking record lows, despite the undeniable additional risks implied by the pandemic.



PROGRESS ON THE DIVERSITY FRONT

Geographic and cultural diversity is a hallmark of CIE Automotive's workforce: its more than 25,000 professionals work in 17 countries.

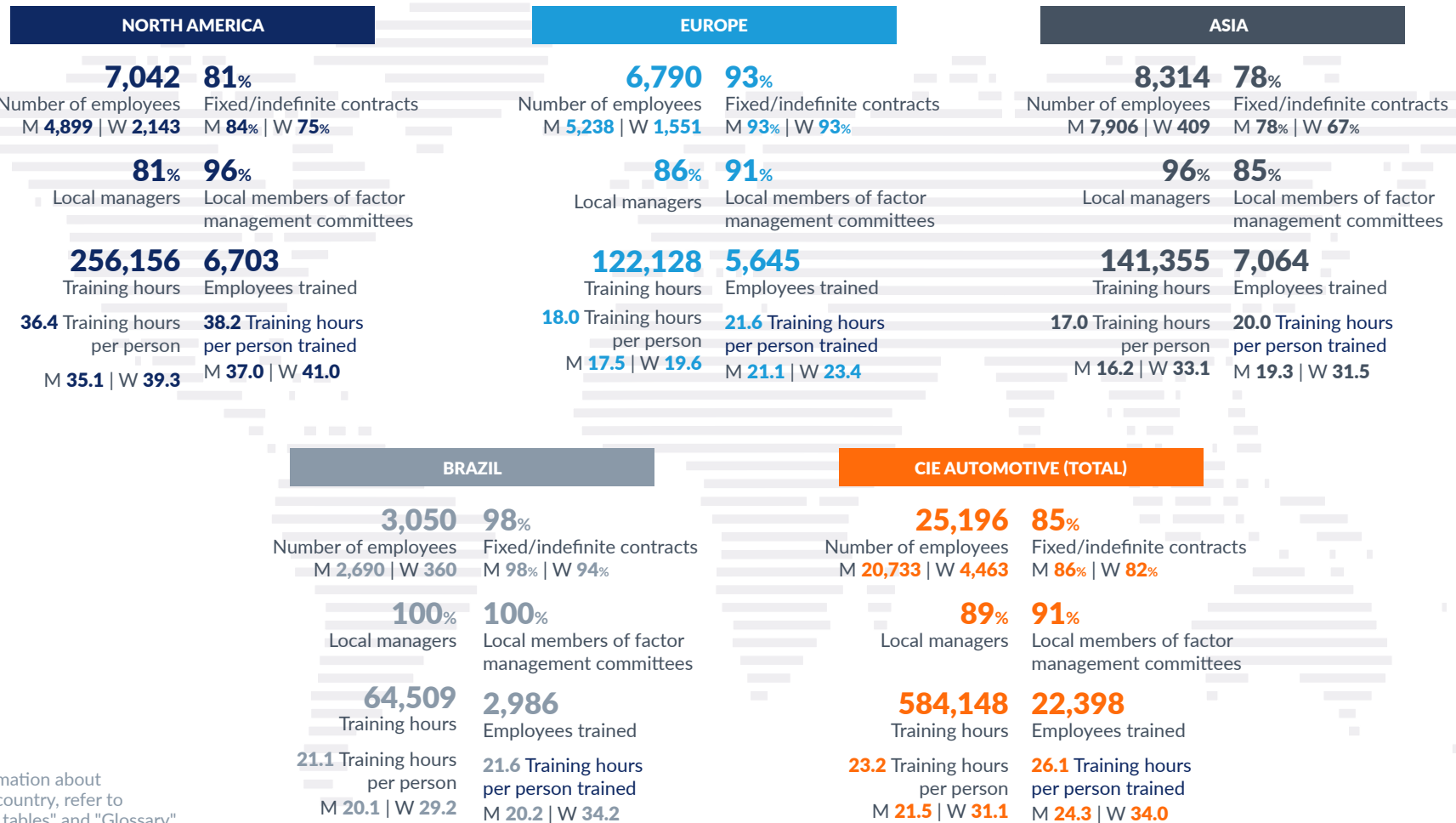
CIE Automotive is strategically committed to hiring local talent, which it views as a source of creativity and innovation and the best way of achieving healthy earnings. Some 89% of its factories are managed by local managers and 91% of the more than 500 professionals sitting on the factories' management committees hail from the local markets, evidencing the fact that CIE Automotive's commitment to talent in each region is not limited to the factory boss but trickles right down the management ranks. It also demonstrates the faith the company has (i) in the staff working in the factories it acquires and their ability to integrate and (ii) in the capabilities of CIE professionals irrespective of their country of birth, culture, race or gender.

The group works to find opportunities for professionals from different cultures to cooperate and embrace the company's shared identity and goals. Thanks to the Diversity Plan formulated in 2019, a Diversity Committee will be set up in 2021; it will be populated by representatives from all of the company's business markets, who will meet from time to time to work, firstly, on diagnosing the diversity situation factory by factory and, after that, on establishing a common set of minimum thresholds and, later, on drawing up action plans to reach those thresholds. That process will run until 2025.

Among the initiatives designed to spark bonding between people

from different countries, the Ulysses Project stands out. That initiative combines mobility and talent attraction, bringing young graduates from the countries in which CIE Automotive has factories in for training in their home countries initially, after which they spend several months at Spanish factories and training centres. In that manner the programme delivers four objectives: embedding the group's values; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence. Although the Ulysses Programme had to be suspended in 2020 on account of the coronavirus pandemic, the human resource teams are working to relaunch the initiative as soon as possible (ideally in 2021, pandemic permitting) with the aim of involving more people and at least three different countries in the programme.

Eighty-nine per cent of the factories are managed by local managers and of the more than 500 professionals sitting on the factories' management committees, 91% hail from the local markets

JOB MAP AT CIE AUTOMOTIVE
 (at year-end)


For more information about employees by country, refer to Sections "Data tables" and "Glossary"

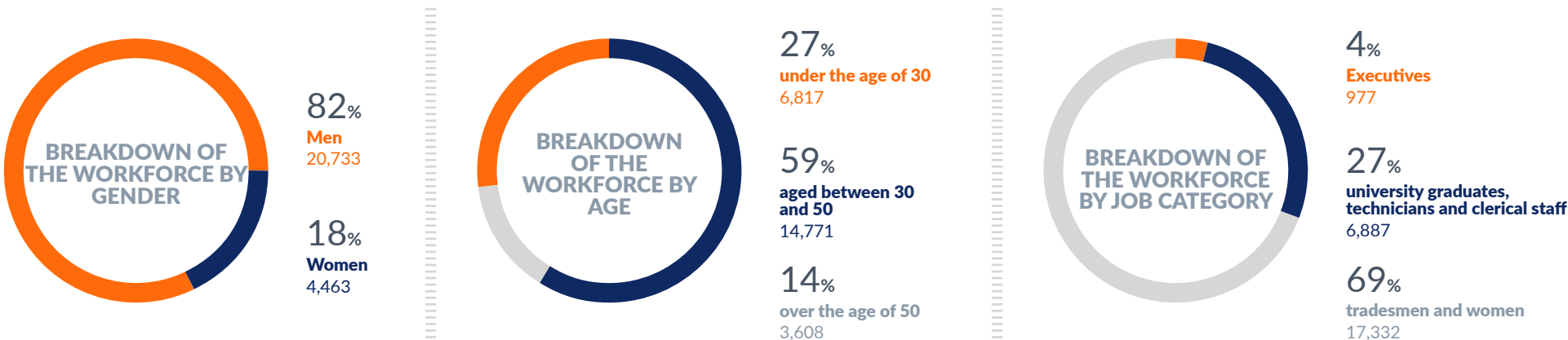
EDUCATIONAL, GENERATIONAL and GENDER mix

CIE Automotive's capacity for integration is also evident in the inclusion of people of different genders, generations and capabilities. Around 27% of its employees are under the age of 30; 59% are aged between 30 and 50; and 14% are over the age of 50.

Gender-wise, although the percentage of women remains low due to the automotive sector's traditional perception as a 'man's industry' and still lower female participation in STEM degrees, the group is working hard to increase the percentage of women in its workforce: female representation increased from 16% in 2019 to 18% in 2020, thanks to growth in the percentage of new hires that were female, which stood

at 21% in 2020, compared to 18% in 2019. CIE Automotive expects female participation to increase in all areas and at all levels between 2020 and 2025, boosted by the creation of the group's Diversity Committee, among other measures.

As for education levels, 69% of its employees are tradesmen and women, 27% are university graduates and 4% are executives, data in line with the previous year.



For further information about the employee breakdown by gender, age and job category and by contract type, refer to Sections "Data tables" and "Glossary"

*CIE Automotive
worked on
drawing up
an Equality
and Diversity
Plan which
emphasises the
plurality of
nationalities,
cultures and
gender*

ACCESSIBILITY FOR PERSONS WITH DISABILITIES

CIE Automotive employs 311 people with some form of disability; that is 1.2% of its current workforce (similar to last year: 1.3%).

The group is a member of the Advisory Board of the integration initiative in the Basque region called Foro Inserta led by ONCE. That platform's purpose is specifically to facilitate the integration and employability of people with differing capabilities.

The expectation is that in the coming years, boosted by specific measures such as the creation of the Diversity Committee and buoyed by healthier market momentum, the number of employees with differing abilities will increase considerably.

DIVERSITY PLAN

Throughout 2019 and 2020, CIE Automotive worked on drawing up an Equality and Diversity Plan which emphasises not only the plurality of nationalities and cultures but also gender variety within the organisation, in keeping with the United Nations Sustainable Development Goals.

One of the first initiatives to emanate from that plan, which was formulated with the input of over 250 employees via personal interviews and focus groups, was the design and drafting of the Protocol for the Prevention and Handling of Workplace Harassment, in line with the United Nations principles on inclusion and non-discrimination.

NEW PROTOCOL FOR THE PREVENTION OF WORKPLACE HARASSMENT, including sexual and gender-based harassment

To guarantee a harassment-free workplace in which everyone respects everyone else, CIE Automotive has drawn up a Protocol for the Prevention and Handling of Workplace Harassment. It is binding across all group facilities. The protocol was approved by the Corporate HR Department and signed by the CEO before it was published and distributed.

The protocol addresses mobbing and sexual and gender-based harassment and defines a series of prevention measures, including a zero-tolerance attitude towards harassment, the sharing of responsibility by all employees for monitoring workplace conduct and the establishment of communication programmes.

In addition, with the aim of ensuring that no instance of harassment goes unreported due to uncertainty about whom to report to, the corresponding procedure can be initiated in two ways: through the HR area (factory or corporate) or through the group's whistle-blowing channel, which is not managed by the HR departments.

The key steps stipulated in the protocol are designed to deliver a speedy solution and provide protection throughout, as follows:

- Guaranteed confidentiality and protection of the privacy and dignity of the people involved
- Prioritisation and urgent handling
- Exhaustive investigation of the events
- Guaranteed action, including potential disciplinary measures
- Protection against retaliation

To ensure that everyone at the group is familiar with and respects the Protocol, the following measures were taken in 2020:

- Publication of the Protocol on the corporate website.
- Publication of the Protocol in the in-house newsletter for the second half of 2020 which is distributed to all group facilities.
- Endorsement of the Protocol by the CEO, Head of HR and the managers and HR heads of all of the group's factories. The commitment assumed by the above executives in signing the Protocol is two-fold: they undertake to comply with it but also to make sure the people they manage are familiar with it.

WOMEN at CIE Automotive

CIE Automotive has been working to increase female participation in its leadership ranks in recent years, as is evidenced by the fact that 40% of the group's Management Committee (four executives) are female. In addition, the percentage of women on the Board of Directors has increased from 15% to 21%.

Although female representation remains low in percentage terms, at 18%, reflecting the fact that the automotive sector has traditionally been perceived as a 'man's industry', coupled with still limited female access to certain STEM courses and degrees, it increased by two percentage points in 2020 thanks to efforts being made by CIE Automotive to hire more women (21% of all hires in 2020, which is 3 points higher than female representation in the workforce at year-end 2020 and also 3 points higher than the percentage of females hired in 2019).

→ GENDER indicators

	% of women working at the company committee	% of female new hires	% of women on the Group's Management
2019	16%	18%	40%
2020	18%	21%	40%

As in other areas and in line with its decentralised approach, CIE Automotive manages its female diversity at different levels:

- **Factory:** The factories, in addition to managing the everyday aspects of the vast number of areas under their purview, spearhead key processes whose objective is to move each facility towards effective equality. At present, several factories are preparing gender equality plans which must be negotiated with the works committees and will translate into individual four-year action plans to be overseen by management and worker representatives.
- **Corporate:** having examined the issue with the objectivity brought by the corporate area, in 2019 CIE Automotive launched its Diversity Plan, which is not limited to gender but rather addresses diversity in all its manifestations. That plan, for which the aim was to capture the various diversity-related sensitivities across CIE Automotive, has already given rise to new protocols and is behind the plans for the creation of a Diversity Committee in 2021, whose mission will be to conduct an internal benchmarking exercise, study best practices in the field, implement action plans as needed and ensure the group as a whole advances towards effective equality.
- Despite the progress made in recent years, there continues to be a gender wage gap of 7% at the company (average annual pre-tax earnings for men of €16,147 versus €15,004 for the company's female employees), which is essentially attributable to the gender composition of the hierarchical ranks in certain countries.

GENDER PAY GAP

The gender pay gap stood at 7% in 2020 (5% in 2019). That figure is calculated on the basis of pre-tax earnings per employee, including fixed and variable remuneration, whether in cash or in-kind; it does not include social security contributions.

Without considering where in the world they work or what positions they hold, CIE Automotive's female employees earn €15,004 on average, compared to the €16,147 earned on average by their male counterparts. However, the gender pay gap varies by job category. For example, among executives and university graduates, the women earn more than the men, whereas in the most populated category - skilled tradesmen and women - the men earn 14% more than their female counterparts.

The aggregate gap widened by two points due to shifts in the relative weight of certain countries in the total. The mere existence of a gender pay gap is a matter for prioritisation by the above-mentioned Diversity Committee in the years to come.

Although the gender pay gap affects all the sector players and also depends on exogenous factors (reduced female access to STEM training and even unequal female access to the labour market in some countries), CIE Automotive is set on reducing its gender pay gap by analysing the equality situation factory by factory and introducing a range of diversity and inclusion initiatives.

AGGREGATE gender pay gap	2019			2020		
	No. of employees	Average earnings	Gap %	No. of employees	Average earnings	Gap %
Male	23,547	15,450	95%	20,195	16,147	93%
Female	4,577	14,750		4,288	15,004	

Gender pay gap by CATEGORY	2019			2020		
	No. of employees	Average earnings	Gap %	No. of employees	Average earnings	Gap %
Male executives	877	52,395	106%	875	57,081	101%
Female executives	115	55,635		113	57,677	
Male graduates	6,368	18,282	117%	5,701	18,378	118%
Female graduates	1,252	21,425		1,156	21,692	
Tradesmen	16,302	12,356	86%	13,619	12,584	86%
Tradeswomen	3,210	10,682		3,019	10,846	

(*) The number of people included in the denominator in 2020 is the group's average headcount, adjusted as warranted by employment contracts suspended as a result of the flexibility measures rolled out in response to the pandemic (furloughs and similar schemes).

Gender pay gap BY SIGNIFICANT LOCATION**

EUROPE

Spain	78%
Germany	80%
Slovakia	82%
Czech Republic	82%
Romania	84%

ASIA

China	92%
India	85%

AMERICA

Mexico	68%
US	78%
Brazil	82%

(**) Signification locations for these purposes refers to the countries in which the headcount at year-end exceeded 500 employees.

OUR EMPLOYEE VALUE PROPOSITION

CIE Automotive provides its employees with decent work, pay aligned with individual responsibilities and capabilities and training so that they can grow professionally in a safe and healthy environment. That value proposition is set down in the company's Human Resources Policy which stipulates the guiding principles for human capital management at all places of work.

COMPLIANCE WITH HUMAN RIGHTS POLICY ACROSS THE VARIOUS WORKPLACES

Commitments



Prevention of discriminatory practices.

→ Formulation of a Protocol for the Prevention and Handling of Workplace Harassment.



Zero-tolerance stance on compulsory or child labour.

→ None of the factories surveyed in 2020 identified risks of forced or child labour.



Provision of decent work.

→ Remuneration aligned with the job, dedication and performance and above minimum wages in all regions.



Protection of its people's safe and healthy.

→ Dissemination of the COVID-19 Response Protocol and follow-up.
→ Continuous improvement of the health and safety indicators. Those key performance indicators improved significantly in 2020: the number of accidents decreased by 27% while the injury frequency and severity ratios, which factor in the number of hours worked in each reporting period, improved by 8% and 11%, respectively. In 2020, we offered our employees 202,886 hours of health and safety training.

Commitments



Facilitation of collective bargaining and freedom of association.

→ 59% of CIE Automotive's employees are covered by collective bargaining agreements, six points more than in 2019.



Promotion of a culture of respect for human rights and employee awareness-raising in this area.

→ 30,839 hours of human resources training provided to 8,553 group employees.



Respect for indigenous and local communities.

→ 89% of factory managers are local.
→ 91% of the factory management committees are local.



Contribution to the effort to fight corruption and protect privacy.

→ Training on corporate liability and anti-corruption matters provided to 104 CIE Automotive executives in 2020, as well as to all the members of the Board of Directors, including its Secretary. That training effort is set to be broadened in 2021.

REMUNERATION

Employee remuneration at CIE Automotive complies amply with the minimum wage requirements in each country.

The group uses a 'total comp' model made up of a fixed remuneration component, which depends of the characteristics of each job and a job performance evaluation. In addition, more than 7,000 employees also received a bonus in 2020 as a result of delivery of set targets and/or excellent or improved performances.

In addition to their wages, in 2020 the group continued to provide its employees with a series of company benefits which enhance their and their families' quality of living and entailed an investment of almost €25 million.

For further information about average remuneration and the trend broken down by gender, age and job category or equivalent metric, refer to Sections "Data tables", "Glossary" and "Gender wage gap".

When a company is integrated into the group, labour due diligence is performed to verify compliance with the law and ensure the acquiree's employees are provided with the same rights as the rest of the group's professionals.

In 2020, CIE Automotive analysed the situation at the three companies it integrated, two in Italy and one in the US, following the acquisition of Somaschini. That analysis revealed that all three companies pay their male and female employees significantly more than the local minimum wages. In the case of their female employees, In the case of their female employees, the wage earned by the lowest-earning women at each of the three companies is 1.6, 1.6 and 2.1 times the local minimum wage respectively; in the case of the male employees, the wage earned by the lowest-earning men at each is 1.3, 1.6 and 2.9 times the local minimum wage respectively..



Employee remuneration complies amply with the minimum wage requirements in each country. Each time CIE Automotive acquires a new company, its HR Department verifies such compliance.

 SUPPORT for our employees


Around €15 million on health insurance coverage or in-house medical services

- United Healthcare, among other providers, at some of the US factories
- Premium health cheques in certain cases in Slovakia
- Private health insurance coverage at the Spanish, Brazilian, Chinese and Mexican factories, among others
- Specific COVID coverage added to the group's travel insurance (to be reconverted to a policy with pandemic coverage, COVID or otherwise, in the future)



Around €5 million earmarked to food services

- Fully or partially subsidised company canteens
- Food vouchers (with and without tax benefits)



Around €5 million of subsidies related with transport

- Transport service for candidates for working at the Mexican factories
- In-house buses and transport services
- Company cars and transport vouchers



Around €0.5 million earmarked to education

- University support fund at Brazilian factories
- Distribution of school materials for children of employees in Morocco, the Czech Republic and Mexico, among others
- Prizes for the children of employees with the best school grades at Mexican factories
- Third-level education support programme at the Portuguese factories

DECENT WORK and right to collective bargaining

CIE Automotive is committed to the provision of decent work in every country it operates in, in line with the labour rights acknowledged in the United Nations Global Compact.

The percentage of people on indefinite contracts increased by four percentage points in 2020, to account for 85% of the workforce (86% of male employees and 82% of female employees); indefinite arrangements are very high in Spain and Brazil (93% and 98% of total contracts, respectively), compared to around 80% in Asia and North America.

The increase in the percentage of women on indefinite contracts is attributable, in addition to the long-term nature of most of the employment contracts entered into by the Group, to the headcount reductions induced by the pandemic. Unquestionably, the employee departures which were concentrated in the first half of the year and were not fully mitigated by the more than 1,100 jobs recovered in the second half, have had a significant impact on the hiring of temporary workers during production peaks. CIE Automotive hopes to recover the jobs lost in the years to come and maintain a high percentage of fixed employment.

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. Employee relations are based on respect for others and transparency.

In 2020, 59% of the company's employees were covered by collective bargaining agreements that protect those rights.

Over the course of 2020, the company signed 39 collective bargaining agreements (at the regional, sectoral or factory levels) at a number of manufacturing facilities in the following countries: Germany, Brazil, China, Slovakia, Spain, France, India, Mexico, the Czech Republic and Romania. In 2019 it arranged 36 agreements. [102-41]

As a rule, all of the agreements make special mention of workplace health and safety matters, this being one of the most important topics.

The percentage of people on indefinite contracts increased by 4 percentage points in 2020, to account for 85% of the workforce

→ COLLECTIVE BARGAINING COVERAGE by country

	2019			2020		
	Headcount Nº	Employees covered Nº	%	Headcount Nº	Employees covered Nº	%
Germany	1,058	921	87%	879	818	93%
Brazil	3,499	3,350	96%	3,050	3,047	100%
China	707	205	29%	628	176	28%
Slovakia	1,763	358	20%	1,570	347	22%
Spain	829	230	28%	837	215	26%
France	2,490	2,253	90%	2,333	2,208	95%
Guatemala	1,652	-	0%	1,582	-	0%
Netherlands	346	342	99%	338	338	100%
India	1	-	0%	-	-	-
Italy	8,772	2,660	30%	6,744	2,683	40%
Lithuania	284	280	99%	439	436	99%
Morocco	242	-	0%	221	-	0%
Mexico	132	-	0%	103	-	0%
Portugal	5,318	3,247	61%	5,460	3,694	68%
Czech Republic	5	-	0%	4	-	0%
Romania	317	316	100%	323	323	100%
Russia	616	616	100%	611	611	100%
UK	92	-	0%	74	-	0%
US	1	-	0%	-	-	-
TOTAL	28,124	14,778	53%	25,196	14,896	59%



Organisation of working hours

As with nearly everything it does, CIE Automotive organises its working arrangements on a decentralised basis, which it views as the best way to let its factories opt for the flexible or work-life balance measures that best suit the idiosyncrasies of each factory, division or country.

This section outlines the flexibility measures in place at the group under 'normal' circumstances, i.e., without addressing the special flexibility measures rolled out in response to the pandemic, which are described elsewhere in this report.

Some of the most common measures found across the group are: flexible start and end times; adjustment of working hours for alignment with care-giving responsibilities; home-based working; days' maternity/paternity leave additional to statutory requirement; and protective measures for pregnant employees.

In 2020, 90% of the company's workplaces had measures designed to facilitate work-life balance and sharing of caring responsibilities, compared to 70% in 2019.

Moreover, at eight CIE Automotive facilities (one more than in 2019), in five different countries (Germany, France, Slovakia, Brazil and the Czech Republic) have specific 'right to disconnect' from work policies to ensure digital disconnection (PCs, company phones, etc.) outside of working hours and during leave and vacation. The company believes it could do better in that respect, given the number of factories it has. It expects to work hard on this area in the coming years, in tandem with its efforts to boost diversity and inclusion, among others.

Absenteeism was 5% at the company in 2020, flat year on year. That 5% translates into the loss of 2.5 million hours of work (in 2019, the total number of hours was close to 3 million). The company believes that its absenteeism rate is reasonably stable at that percentage and, despite being partially manageable, it is also heavily affected by exogenous factors such as the pandemic, the age of the factories' employees and the general economic situation in the various regions.



TRAINING *and career development*

In a sector in the midst of transformation, in which the players' survival will depend largely on their ability to adapt to new market trends, employee learning is a key factor in boosting competitiveness. Aware of the importance of training, CIE Automotive helps its professionals acquire new skills and offers them opportunities for growth via mobility and training.

Internal mobility is one of CIE Automotive's hallmark traits. The company encourages its employees to take on new responsibilities within and outside their businesses or functions and even their countries of residence. It is worth singling out the Ulysses Programme among the initiatives put in place by the company to attract talented youths keen to get international exposure; although that programme had to be put on hold in 2020 on account of the pandemic, it is expected to be revived in the coming years as it is an excellent tool for generating shared knowledge and camaraderie in a decentralised group. It is also worth highlighting the company's collaborations with a broad range of universities, technology centres and vocational training centres, etc.

In recent years, the training provided across the group has focused on aspects that have traditionally been important to its human capital management effort (health and safety, soft skills and hard skills) as well as on topics that are relatively new in the world of business that are likely to grow in importance going forward.

Specifically, in 2020, the company provided its professionals with 30,839 hours of training on human rights evidencing the group's strategic shift to focusing on ESG matters. In 2019, there were provided 5,469 training hours in human rights.

CIE Automotive has a dedicated training plan protocol which establishes the steps any training plan at the group needs to follow: gap identification, planning, definition, execution, evaluation and feedback.

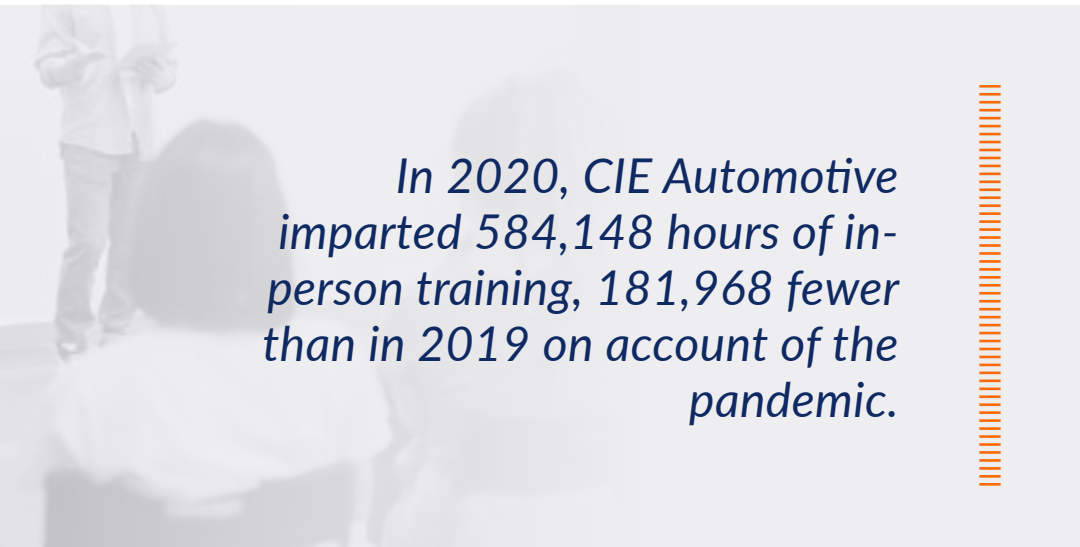
In addition, at the corporate level, a non-binding proposal is presented to the CIE Automotive factories each year itemising all of the training initiatives to be undertaken on a centralised basis in the year ahead. Those initiatives include sessions aimed at providing advanced management and interpersonal skills for individuals with certain abilities and/or potential, ESG training and training on ethics and conduct codes.

In 2020, training remained a core part of the human capital management effort despite the fact that it was hindered by the pandemic. At the onset of the pandemic during the first half of 2020, the training sessions programmed had to be put on hold in order to comply with some of the health and safety measures contemplated in the COVID Action Plan.

As the weeks went by and it became clear that the pandemic was going to last longer than initially anticipated, new measures were taken to proceed, within reason, with the various training initiatives, stepping up the corresponding safety measures, particularly the number of people in attendance per session, while making greater use of remote learning tools.

In 2020, CIE Automotive imparted 584,148 hours of in-person training, 181,968 fewer than in 2019. The breakdown by job category was 24,476 hours for executives, 157,039 hours for university graduates and 402,633 hours for factory workers.

The majority of employees who benefitted from training were men - 81.7% - reflecting the company's predominantly male workforce. However, the number of training hours provided to female employees - 34 hours per female recipient - was higher than that provided to their male counterparts - 23.4 hours. That phenomenon was common to all regions.

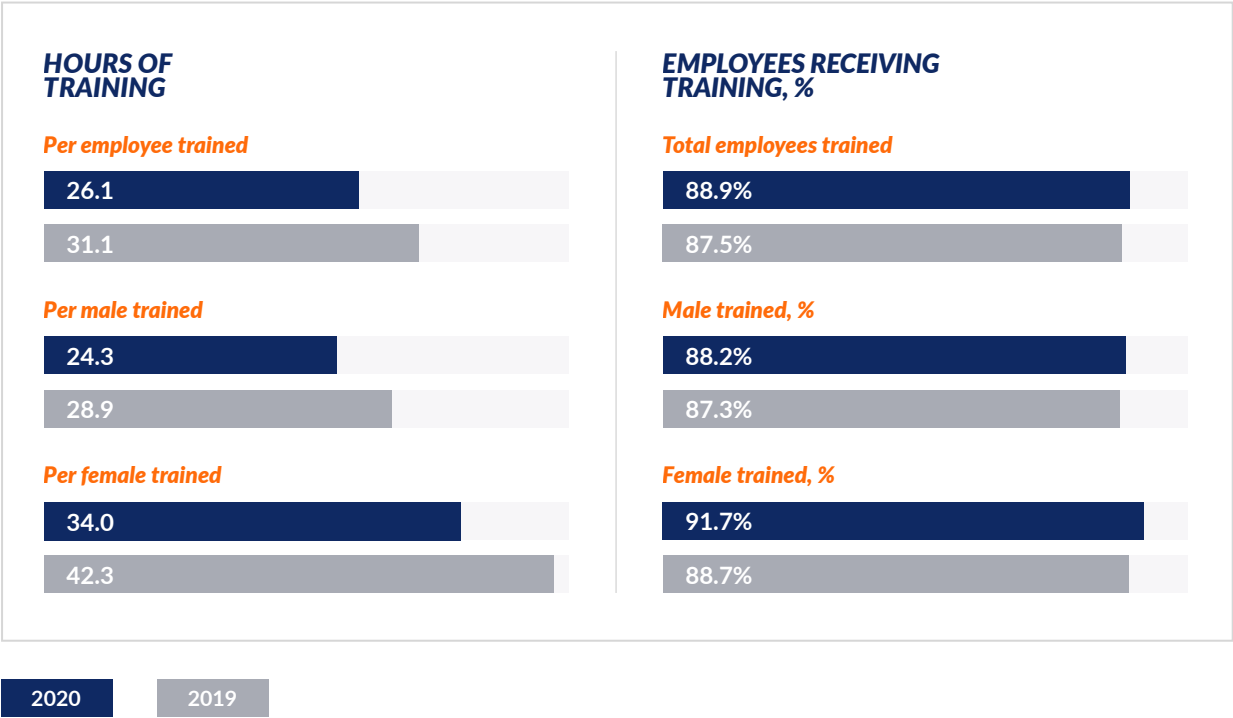


In 2020, CIE Automotive imparted 584,148 hours of in-person training, 181,968 fewer than in 2019 on account of the pandemic.



➔ Training hours by job category

Job category	No. of training hours		No. of employees receiving training	
	2019	2020	2019	2020
Executives	29,140	24,476	766	850
University graduates	231,994	157,039	6,748	6,173
Tradesmen and women	504,982	402,633	17,103	15,375



The originally scheduled training programmes had to be halted as a result of the coronavirus outbreak. They were subsequently reactivated, reinforcing the related safety measures and making greater use of distance learning tools.

SAFE and healthy environment

Before the COVID-19 pandemic spread around the globe, CIE Automotive was already placing a priority focus on occupational health and safety, as set down in its [Health, Safety, Environment and Quality \(HSEQ\) Policy](#), centred on prevention, risk minimisation and the elimination of potential dangers for its people.

Occupational health and safety is managed on a decentralised basis. Specifically, 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. That effort is shored up by a corporate health and safety department which regularly audits the factories 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 factory 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 facilities have a health and

safety officer who, in addition to monitoring accidents and the key performance indicators, is tasked with improving ergonomic aspects, protecting employees from exposure to harmful substances and monitoring employee health, stress levels and psychosocial risks.

Employees receive safety training tailored to the risks posed by their jobs. Groupwide, 202,886 hours were devoted to health and safety training for 17,392 employees in 2020 (14,065 men and 3,327 women). The year-on-year increase in health and safety training hours - 74% - partially reflects new training needs induced by COVID-19. In 2019, the group provided 116,567 hours of health and safety training to 12,306 people.



Elsewhere, there were 414 accidents in 2020, 52 affecting women and the remaining 362 affecting men. In 2019, there were 567 accidents, 517 affecting men and 50 affecting women.

The injury frequency and severity rates have been improving significantly in recent years. The severity rate was 0.15 in 2020, while the frequency rate remained below 9. All of the accidents were minor and there were no fatalities.

As for subcontractors, there were no serious accidents affecting the people employed at any manufacturing facility in 2020.

Lastly, the group detected 33 cases of work-related ill health in 2020, 28 affecting male employees and the remaining five, female employees (2019: 25 cases; 16 men and 9 women).



* Injury: an accident occurring at work that causes at least one lost day.
** Frequency: injuries per million hours worked..
*** Severity: days lost due to injuries per thousand hours worked.
**** Absenteeism: absences not substantiated by holidays or other leave.

Delivery of the 2020 OHS Strategic Plan

CIE Automotive embarked on the implementation of its 2020 OHS Plan in 2017. That plan was articulated around the following lines of initiative: continuous improvement of the injury frequency and severity rates; implementation of evaluation questionnaires at every factory; and ISO 45001 certification across all factories.

Now complete, it is possible to draw the following conclusions::

- Indicators. The continuous improvement target has clearly been met. The injury frequency and severity rates have come down considerably in recent years: in 2020, the frequency rate stood at 8.9 (2019: 9.7), while the severity index fell to 0.15 (2019: 0.17); there were 414 accidents in 2020 (2019: 567).
- One hundred per cent of the group's factories are following the CIE SAFETY survey, which is of particular importance for those that have yet to obtain OHSAS 18001/ ISO 45001 certification by providing them with a vital safety tool.

- As for delivery of the certification targets:

- In 2017, the year the plan was launched, 85 factories were included, i.e., all except for those acquired or built subsequently (the CIE Somaschini, CIE Golde, AEL or CIE Mapremex factories, and the greenfield factories built in Mexico, Spain, India and China).
- Of the originally identified 85, 68 are currently certified (80% delivery rate). Two additional factories, not included under the initial scope of the certification schedule, are also already certified, so that at year-end 2020, 70 of the company's manufacturing facilities had obtained certification.
- A further 10 factories will be certified by the end of April 2021, lifting the delivery rate to 92%.
- The company believes that those numbers amply evidence the group's efforts on the certification front. Despite not having achieved 100% delivery of this target, it is important to note that certification activities were seriously disrupted in 2020, the year for which the highest number of certifications had been planned. The fact that by April 2021, 92% of the scheduled certifications will have been obtained indicates a satisfactory performance in this regard.

Framed by 2020 OHS Strategic Plan, the injury frequency and severity rates and the absolute number of accidents have been coming down in recent years.



SMOOTH *employee communication*

CIE Automotive communicates openly with its employees, mainly through the company dashboards and intranet. The company also publishes a twice-yearly in-house newsletter in which it updates employees on the most significant developments at the company on the economic, environmental, social governance and fronts.

Every two years it conducts a workplace climate survey at every factory. The average score gleaned from the surveys carried out in 2020 was very satisfactory: 7.4 points out of 10. The results of those surveys will be used to formulate annual or bi-annual action plans for improving employee satisfaction.



In 2020 CIE Automotive conducted workplace climate surveys at 41 manufacturing facilities to gauge employee satisfaction, obtaining a score of 7.4 out of 10

We stepped up collaboration with our **SUPPLIERS**

CIE Automotive's supply chain proved its resilience during the coronavirus pandemic in 2020. The constant and close collaboration between the company's buyer teams and their suppliers, mainly local firms, meant that the factories were able to resume activity swiftly after the lockdowns and fulfil their customers' orders without delays, while preserving quality and service standards in all markets.



OBJECTIVE

To optimise the purchase of materials and services globally, while guaranteeing (i) strict compliance with the defined standards of quality, safety, service and environmental management and with national and international laws and regulations; and (ii) respect for social rights and equality, specifically including gender equality. To strengthen the business model despite limits on travel and physical contact. To build on the management tools that enabled us to successfully navigate the events of 2020.



LINES OF INITIATIVE UNDERTAKEN IN 2020

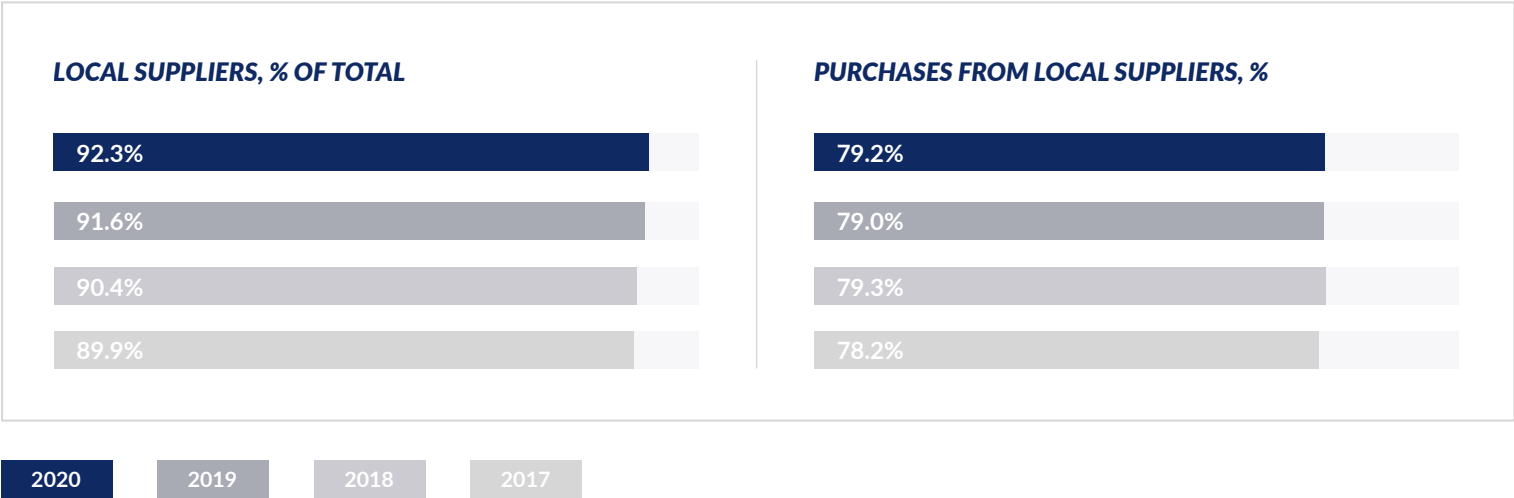
- **Integration**, under CIE Automotive standards, of Somaschini.
- **Partner** and supplier training via the update of the Supply Chain video.
- **Quarterly** monitoring of the percentage of local suppliers.
- **New** edition of the ESG awards for the suppliers exhibiting the greatest commitment to environmental, social and governance topics.
- **Reissue** of the Global Supply Chain Manual and the Purchasing Policy.
- **Consolidation** of the global launch of the Suppliers Portal for productive suppliers.
- **Global**, in-person and online training on ESG matters for global buyer teams.
- **Addition** of a new questionnaire to the Suppliers Portal: Civil liability insurance coverage.

WE FINE-TUNED THE SUPPLY CHAIN

The buyer teams focused their efforts on optimising qualitative and quantitative aspects of the company's supply chain in order to ensure business continuity and navigate the problems the new COVID-19 paradigm implied not only for the company but also the nearly 23,000 suppliers that make a difference to its value proposition. Supplier purchases topped €1.9 billion in 2020.

CIE Automotive's long-standing commitment to local suppliers proved to be a significant advantage during the pandemic, reducing logistics and tariff costs, mitigating exchange risk and facilitating the management of non-financial matters thanks to physical proximity and mutual commitment. In 2020, 92% of the company's supplier base constituted local firms, which represented 79% of group procurements.

The company's model of securing its supplies locally (on-shoring) and/or regionally (near-shoring) overcomes cultural, linguistics and time-zone barriers as well as logistics complexities, while also facilitating regulatory uniformity, among other benefits.



SUPPLIER SUPPORT AND AUDITS IN PANDEMIC TIMES

Framed by the group's supplier certification standards, supplier audits to analyse fit for purpose are key. Despite the difficulties encountered during the year on account of COVID-19, the company continued to audit its suppliers using management tools implemented of late for extraordinary circumstances, tools that can be shared with suppliers so that they can do a self-assessment that is later verified by experts at CIE Automotive.

Thanks to that effort, the company was able to continue its legacy certification procedures without undermining the results. In 2020, CIE Automotive conducted 353 supplier audits, down from 2019 (687) on account of the pandemic.





SUPPLIER CERTIFICATION AT CIE AUTOMOTIVE

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.

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

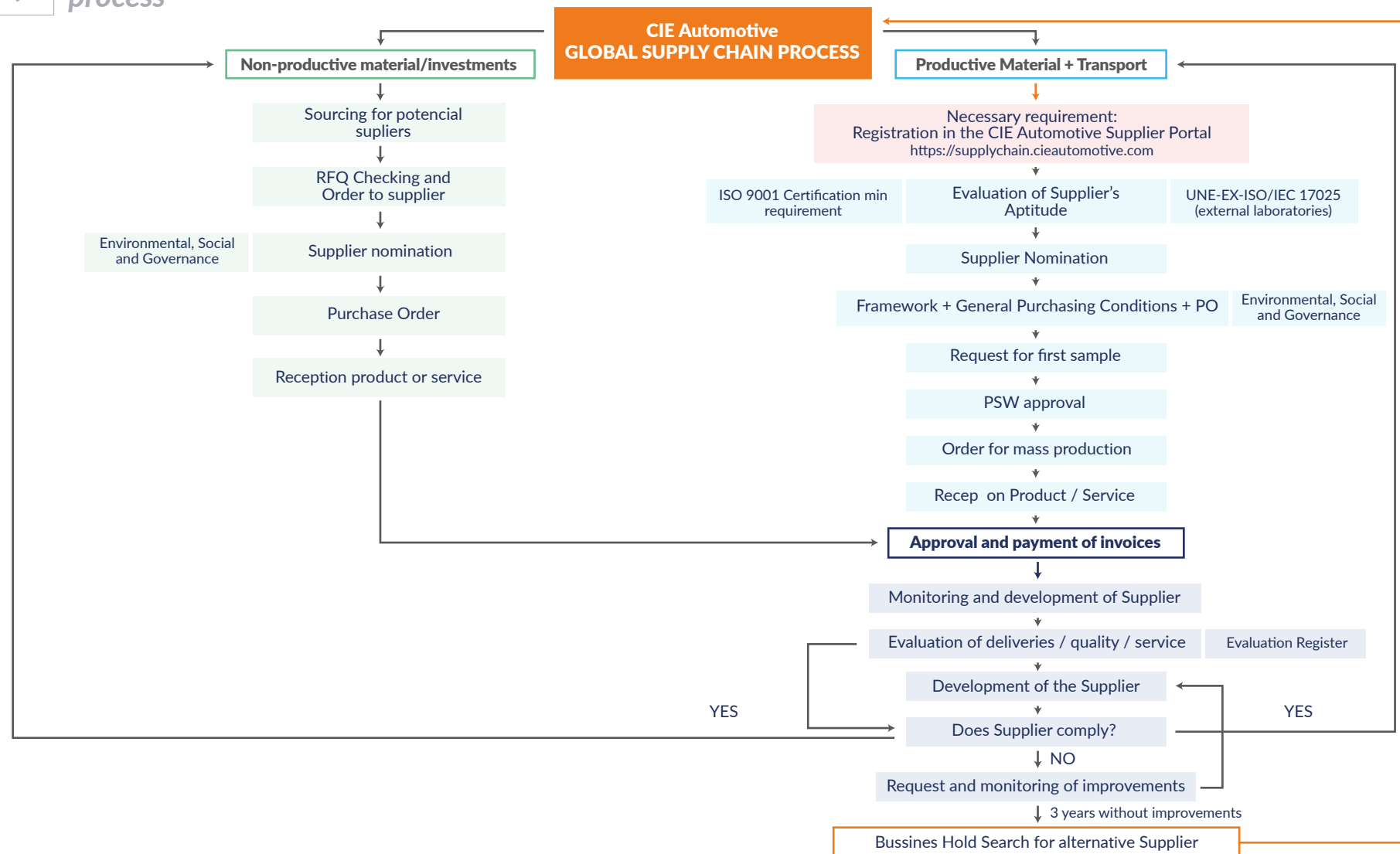
Supplier evaluations are rounded out by audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and ESG criteria.

ESG criteria

In several of the above areas, specific mention is made of critical environmental and workplace safety criteria and the suppliers are explicitly audited on those matters. In addition, in the dedicated section, the company verifies that existing and newly audited suppliers' processes comply with the environmental, social and governance (ESG) requirements CIE Automotive endorses and promotes in its supply chain.

Twenty-five per cent of all suppliers registered in the Supplier Portal evidenced environmental certification under ISO 14001, which is one point more than in 2019.

→ PROCUREMENT process



INTEGRATION OF SOMASCHINI AND GREENFIELDS SUPPORT

Given the wide variety of suppliers, CIE Automotive's buyer teams work hard to inject uniformity into its supply chain, as this is essential to maintaining product reliability and quality, as well translating into synergies and, by extension, cost savings. That is why it is essential to provide training to the supply chain teams at newly integrated companies.

In 2020, the Somaschini companies acquired in January received due training on the company's management, quality and safety standards and procedures, and also on CIE Automotive's values and ESG practices and demands. To provide that training in spite of the restrictions induced by the pandemic, the online channel was beefed up.

SUPPLIERS PORTAL

The Suppliers Portal has been one of the tools that has made the biggest difference in enabling the measurement and delivery of the group's non-financial objectives for the supply chain. The Portal is an online platform that is free to use and accessible from the Supply Chain tab on the corporate website on which existing and prospective suppliers of products and services to CIE Automotive can register. It aims to deliver two targets: (i) facilitating access for new suppliers and their prior assessment; and (ii) providing a channel for submitting enquiries to procurement managers.

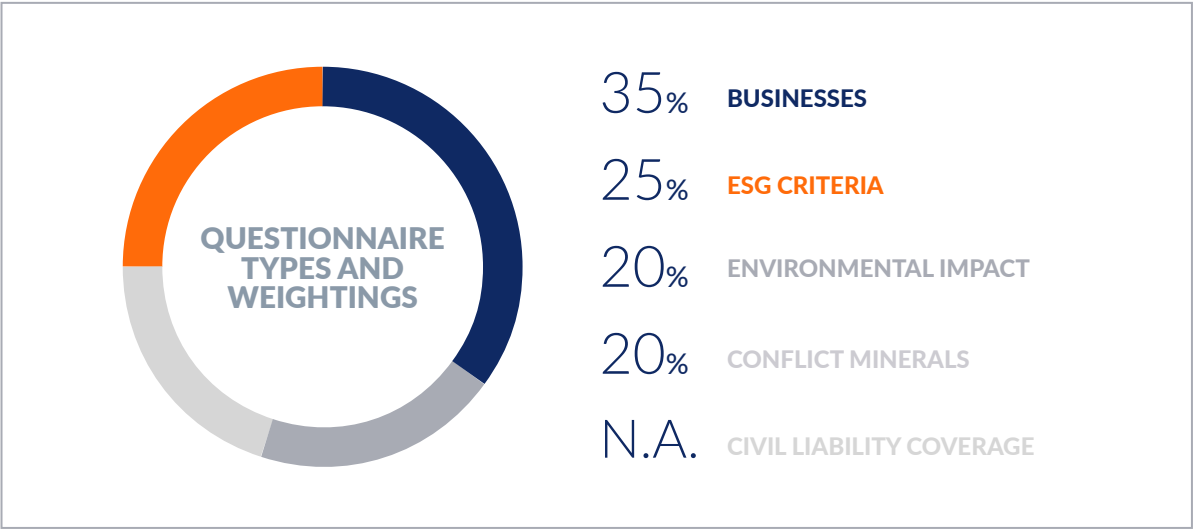
The global rollout of the Suppliers Portal guarantees standardisation of the procurement process framed by identical criteria of objectivity, impartiality and equal opportunities across all geographies.

Suppliers are making increasing use of the Portal around the world, which is helping CIE Automotive to generate ever more reliable and user-friendly information and paint an increasingly accurate picture of its supplier base. Over 2,300 firms made use of the channel in 2020. A non-web version, with the same assessments and scoring system as the web-based platform, has been created for suppliers encountering difficulties in registering with the Portal.

Currently, suppliers registering with the Suppliers Portal have to answer five questionnaires (4 until 2019) about how they manage their businesses, environmental impact, ESG criteria, conflict minerals and civil liability coverage; they are available for consultation on the Supply Chain tab of the company's corporate website.

The "Civil liability insurance coverage" questionnaire was added in 2020 and relates to the policies each supplier must have to cover any damages deriving from the supply of defective products or services. Specifically, the suppliers are asked to provide substantiated information about the insurance provider, the type of policy written, the scope and amount of coverage, renewal date, etc. In that manner the company addresses the dual goal of minimising risks for CIE Automotive and getting a better idea of the coverage underwritten by the constituents of CIE Automotive's supply chain.

For the time being the new questionnaire does not compute in the final score assigned to each of the registered suppliers; it is rather an initial assessment of their suitability and unquestionably helps the group assess the level of potential risk latent in its supplier base.



Based on the data gathered via the Suppliers Portal, the group has learned that around 78% of the existing and prospective suppliers that have completed the registration process have formulated and distributed a code of conduct; 25% have attached ISO 14001 certification for their environmental management; and 100% said that they either did not use conflict minerals or that when they are used in their productive processes they were able to guarantee they did not originate in conflict zones.

MANAGEMENT APPROACH TO THE SUPPLY CHAIN

The progress made on fine-tuning the supply chain is underpinned by the Purchasing Policy, which is designed to guide all procurement professionals with the ultimate aim of building a solid base of suppliers and partners, while enabling all group companies to purchase goods and services on the best possible terms.

That Policy has materialised in the Global Supply Chain Manual, accessible to any interested party and of value to suppliers, which 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 requirements suppliers must meet in order to work with CIE Automotive.

The General Purchasing Terms and Conditions (in sections 15 “Supplier lawfulness”; 16 “Safety and environmental management”; 17 “Endorsement of rules”; and 18 “ESG criteria”) and the Global Supply Chain Manual attest to the

company's requirement that the supply chain constituents commit to complying with and enforcing applicable local ESG regulations. Moreover, section 15 of the Supplier ESG Commitment details what is required of suppliers environmental-wise in the course of doing business.

Both the Purchasing Policy and the Global Supply Chain Manual were reissued in 2020. In updating the Global Supply Chain Manual new sections were added, such as “Management in times of crisis”, outlining steps to and considerations for extraordinary circumstances such as those experienced during the COVID-19 pandemic.



PRODUCT PURCHASE FAMILIES

The approach to supply chain management is articulated around purchasing product families and the allocation of internal resources to their management, as well as to the measurement and control of the related KPIs.

 PROCUREMENT
product families

PRODUCTIVE PURCHASE			NON PRODUCTIVE PURCHASE		
RAW MATERIAL	COMPONENTS	SUBCONTRACTION	MRO	ENVIRONMENT	PROFESSIONAL SERVICES
STEEL	BAR-TURNING	TTT	PNEUMATIC	WASTE PROCESING	CONSULTING
ALUMINUM	STAMPING	SUPERFICIAL COVERING	HYDRAULIC	SANITARY	AUDIT
PLASTIC	FORGING	FOUNDRY	MECHANICAL	ENVIRONMENTAL CONSUMABLES	INDUSTRIAL DESIGN
ALLOY COMPONENTS	FOUNDRY	FORGING	ELECTRICAL		INSURANCE
RAW MATERIAL TOOLS	MOTOR COMPONENTS	STAMPING	ELECTRONICS	OTHER CONSUPTIONS	DATA PROCESING
	SINTERING	MACHINING	TECHNICAL SERVICE		COMMUNICATION
	THERMOFORMING	INSPECTION & ASSEMBLY	FIRE EXTINCTION		CLEANING
	TISSUE	CUTTING	GENERAL MAINTENANCE		MEDICAL SERVICE
TOOLING	INJECTION & OVERINJECTION	WELDING		CHEMICAL	TRAVELLING
CONTROL TOOLING	GLASS			PACKAGING	HUMAN RESOURCES
MACHINING				CUTTING TOOLS	SECURITY SERVICES
TTT & WELDING				INDUSTRIAL SUPPLY	MARKETING
STAMPING TOOLING				WELDING	
MOLDES				OFFICE CONSUMABLES	
TUBE FORMING				PPES&CLOTHES	
SPARE PARTS	LOGISTICS			INDUSTRIAL GAS	
REPAIRING &	TRANSPORT			HARDWARE & SOFTWARE	
MODIFICATIONS	STORAGE				
			ENERGY		INVESTMENTS
			WATER		MACHINERY
			ELECTRICITY		EQUIPMENTS
			GAS		BUILDINGS
			FUELS		OTHERS

INTERNAL MANAGEMENT AND ESG TRAINING

CIE Automotive's purchasing model is a GLOCAL one - global management with local application - underpinned by 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.

There are more than 250 highly engaged local procurement professionals worldwide,

30% of whom are female. That team of professionals, together with the group's corporate purchasing department, guarantees the correct implementation of the company's policies, procedures, values and objectives around the world, framed by a global policy.

The corporate purchasing team is in charge of transmitting the ESG targets set for the supply chain at the group level; measuring

progress and ensuring their delivery; and making sure they are embedded into everyday dealings with the company's suppliers.

As for the ESG dashboard created in 2020 and added to every factory's management plan, 18 of the 79 ESG indicators are centred on supply chain management.



SUPPLIER ENGAGEMENT

The company's purchasing professionals engage constantly with the group's suppliers using the various local and corporate communication channels in place; they also reach out to the supplier community via meetings, talks given at universities, participation in specialist forums, attendance at trade fairs and one-on-one contacts by phone or email.

The email contact address for suppliers, as displayed on the Suppliers Tab of the corporate website, is purchasing@cieautomotive.com; that inbox receives over 10,000 messages a year.



Annual ESG awards for suppliers

Once again in 2020, CIE Automotive sought to distinguish its top-performing suppliers on ESG criteria, without neglecting those that stood out on more classic measures such as quality, claims, incidents, etc.

To that end the company awarded prizes to the suppliers in its various markets who obtained the highest ESG scores in the Suppliers Portal. Specifically, the group awarded such prizes to two suppliers in Mexico, three in India and two in Europe.



Update of the Supply Chain video

Last year the company updated its corporate "Supply Chain" video, which it uses as an educational tool to graphically depict the main supply chain management procedures and to outline the shared goals the company aims to achieve together with its suppliers

[That video](#) specifically outlines CIE Automotive's objectives in the ESG arena, what it expects from its suppliers in that respect and how it can help them achieve the minimum required standards. A dedicated email inbox has been set up for handling supplier enquiries with respect to these matters: esg@cieautomotive.com.



We renewed our **ENVIRONMENTAL** commitments

CIE Automotive is set to contribute to combatting climate change by gradually decarbonising its processes and introducing circular economy criteria throughout its value chain. In 2020, it focused its efforts on collecting data from the factories to calculate their environmental footprint, a complex process that will enable it to understand and track all of the impacts associated with its activities and to therefore take the optimal decisions for reducing them. It also took its first steps in energy self-generation, installing photovoltaic solar facilities in Spain, Portugal and India.



OBJECTIVE

Measure the entire company's environmental footprint.



LINES OF INITIATIVE UNDERTAKEN IN 2020

→ **Collection** of data from the factories for calculating the environmental footprint.

→ **Installation** of self-generation capacity.

→ **Calculation** of the cost of emissions in relation to the value added.

*CIE Automotive
is committed to
preserving the
environment
for future
generations*

APPROACH TO THE ENVIRONMENT

As a forward-looking company, CIE Automotive is committed to preserving the environment for future generations, as is set down in its Mission, Vision and Values and its Health, Safety, Environmental and Quality (HSEQ) Policy.

The group is working to slow global warming and reduce its impacts on the environment, specifically including its greenhouse gas emissions, under the umbrella of an Environmental Plan, through which it is gradually introducing environmental criteria into the management of all of its processes. The corporate environment department is responsible for setting guidelines and coordinating related initiatives across all the factories.

At CIE Automotive, the industrialisation of any product entails an assessment of the environmental aspects of its production, from raw materials to waste disposal. Each factory analyses its consumption not only from the financial standpoint but also in environmental terms (per kWh, m3. etc.), using other measurement criteria designed to help ensure the necessary environmentally-friendly approach.

To gain a more faithful vision of its environmental impact, in 2020 the company continued to work on calculating its footprint.

CLIMATE CHANGE ACTION

CIE Automotive's value chain impacts the climate. The inevitable use and consumption of raw materials, water and energy in its business activities is managed by means of annual risk assessments at each of its locations, framed by the ISO 14001 standards and a continuous monitoring regime.

Aligned with the United Nations 2030 Agenda, CIE Automotive has set environmental targets to be met by each of its factories and in all of its operating regions; those targets are based on the Global Reporting Initiative (GRI) standards.

In defence of the position taken at the Paris Climate Conference to halt global warming, CIE Automotive joined Forética's Climate Change Cluster, a platform whose mandate is to transpose into the Spanish landscape the main global climate change trends and debates and become an authority on corporate environmental matters.

	GRI	Description	Annual target	2030 Agenda target
ENERGY	302-1	Energy consumption within the organisation Reduction in energy consumption (electricity) Reduction in energy consumption (gas)	2%	20%
	305-1	Direct (Scope 1) GHG emissions Reduction in GHG emissions	2%	-
	305-2	Energy indirect (Scope 2) GHG emissions Increased use of electricity generated from renewable sources	5%	100%
WASTE	301-2	Recycled input materials used	-	-
	306-2	Waste by type and disposal method Decrease in the total volume of waste generated Increase in the percentage of waste sent for recycling	5% 5%	- 90%
WATER	303-3	Water withdrawal by source	2%	-
		Reduction in water consumption Increased use of recycled water	2%	-

POLLUTION CONTROL

CIE Automotive's environmental management systems are based on the ISO 14001 standard and ensure pollution does not exceed the thresholds stipulated in prevailing regulations.

Under the slogan “measure to move forward”, CIE Automotive's global dashboard includes environmental cost as a function of revenue as a key performance indicator. That indicator includes the cost of emissions calculated in terms of emission allowances (EUA), even though it does not participate in the global emission trading scheme.

Noise pollution can be a relevant issue, depending on factory technologies and locations. However, CIE Automotive's factories are located in industrial areas at a sufficient distance from residential districts so as not to pose a problem.

Light pollution is not a relevant consequence of CIE Automotive's activities.



BIODIVERSITY PROTECTION

Given that CIE Automotive carries out its business activities in industrial areas/estates, it believes that its impact on biodiversity is not significant and therefore not material for the purpose of the group's reporting effort. No information is therefore provided with respect to biodiversity in this report.

Under the slogan “measure to move forward”, CIE Automotive's global dashboard includes environmental cost as a function of revenue as a key performance indicator

ENVIRONMENTAL RISK MANAGEMENT

CIE Automotive tackles its environmental commitments by taking a preventive approach. The risk of industrial accidents is covered under the company's global civil liability policy. The company additionally began to cover gradual liability for the following factories in Spain in December 2019:

- CIE Alcasting, with aluminium technology.
- CIE Amaya, with two technologies: aluminium and machining
- The three Spanish factories with Integrated Pollution Prevention Control (IPPC) permits: CIE Galfor (forging), CIE Inyectametal and CIE Vilanova (the latter two with aluminium technology).

The claims limit on that gradual pollution insurance policy for those five factories is €3 million. The company is also working to minimise the adverse impacts the manufacturing and distribution of automotive parts and roof systems could have on the environment, as set down in its Mission, Vision and Values and in its Health, Safety, Environmental and Quality (HSEQ) Policy, and Risk Management and Control Policy.

Elsewhere, climate change is posing a growing risk to delivery of the company's strategic objectives. To that end, CIE Automotive has specifically factored climate change risk into its risk mapping process, addressing not only the risks deriving from the company's impact on the environment and climate change, but also the risks posed to the company by the environment and climate change, and the interrelationship between the two.

To reinforce the management of its environmental and safety risks, CIE Automotive has embarked on a joint project with the technical experts from Marsh (insurance broker) and HDI (the company's current underwriter). Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies, to then formulate plans for their elimination or at least mitigation.

In 2020, that project focused on the Spanish facilities, specifically evaluating the factories with IPPC permits, CIE Galfor and CIE Inyectametal, as well as CIE Egaña and CIE Legazpi, and on the Mexican operations, where assessments were conducted at the CIE PEMSA Celaya, CIE Forjas de Celaya, CIE Matic, CIE Mapremex, CIE Celaya Aluminio and CIE Celaya Metal factories.

The group has classified its climate change risks into the following categories:

- Transition risks: risks that arise in the course of transitioning to a low-carbon, climate-resilient economy, including political, legal, technological, market and reputational risks. Changes in local legislation, new international treaties (Paris Climate Agreement), limits on greenhouse gas emissions, emissions and carbon footprint regulations, etc. increase compliance risks for the organisation, including by extension, the risk of reputational damage and sanctions, which could be monetary or related with the revocation of permits.
- Physical risks: risks that affect the availability and supply of water and energy for production processes: raw material extraction, equipment cooling, cleaning processes, etc. Those risks can be categorised into:
 - a. Acute physical risks that arise from ad-hoc extreme events (storms, flooding, fires, heatwaves, etc.).
 - b. Chronic physical risks related to temperature change such as rising sea levels, reduced availability of water, loss of biodiversity and soil degradation.



INVESTMENTS

In 2020 the company adapted its production facilities to meet the environmental requirements of the countries in which they are located.

More specifically, it invested in minimising its environmental impact and environmental protection and restoration work, in addition to incurring expenditure on waste management and environmental consultancy, measurement and certification. The combined amounts of investments and expenses accrued in 2020 in relation to environmental protection work totalled €4.5 million (€6.9 million in 2019).

The company did not receive any significant fines for non-compliance with environmental laws or regulations in either 2020 or 2019. Significant fines are those of €30,000 or more.

PROGRESS ON CALCULATING OUR ENVIRONMENTAL FOOTPRINT

The manufacture of parts and subassemblies for the automotive industry on a global scale has an adverse impact on the environment. CIE Automotive believes it is essential to know its precise environmental footprint in order to evaluate the environmental aspects of its business activities, identify the opportunities for reducing its adverse impacts and take competitiveness-driven environmental decisions.

The company embarked on the process of calculating its environmental footprint in 2018 by defining the objectives and scope of the process; that scope spans the entire value chain, from generation of the raw materials to when its products leave the factory doors. Framed by those parameters, in 2019 the company came up with a prototype for calculating its environmental footprint which contemplates 17 impact variables, from destruction of the ozone layer to soil transformation.

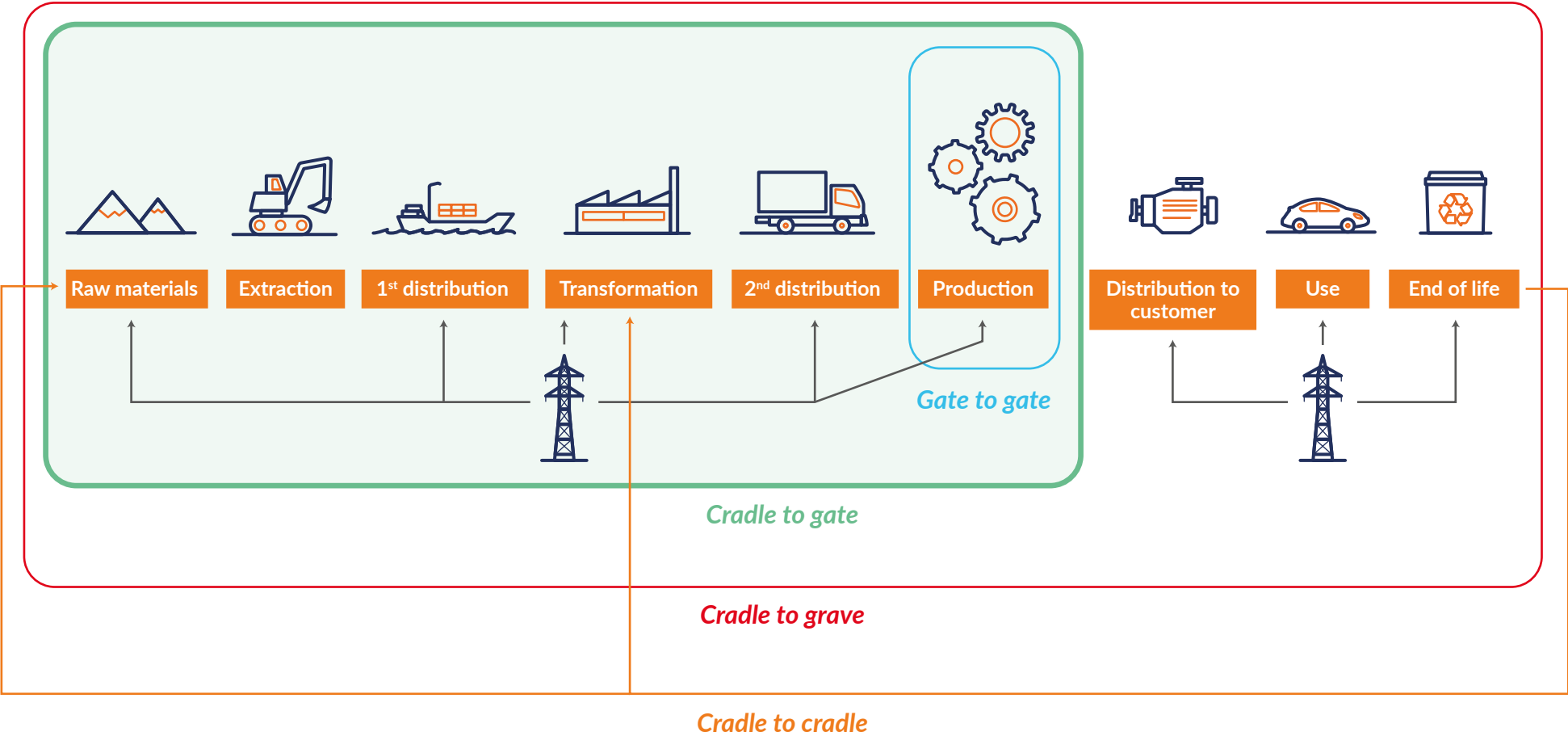
In 2020, the company worked on the design and implementation of an IT tool within the corporate intranet that coordinates the collection of data related with its resource usage so as to enable direct calculation of its footprint.

With the aim of improving the calculation, the information the factories were already reporting regularly was broken down further, particularly in the materials and waste management areas. Based on that information, the idea is to calculate the environmental footprint of the Spanish and European factories in 2021, adding the rest of CIE Automotive's manufacturing facilities in the medium term.

The company uses the ReCIPE life cycle impact assessment tool to calculate its environmental footprint, to which end it is receiving assistance from the Basque regional government's environmental management company, IHOBE.

The company designed and implemented an IT tool within the corporate intranet for calculating its environmental footprint

➔ Scope of CIE Automotive's ENVIRONMENTAL FOOTPRINT



**The 17 impacts
ANALYSED**

 Climate change (human health)	 Ionising radiation	 Soil ecotoxicity	 Urban land occupation
 Depletion of the ozone layer	 Climate change (ecosystems)	 Freshwater ecotoxicity	 Natural soil transformation
 Toxicity for humans	 Soil acidification	 Marine ecotoxicity	 Use of natural resources
 Formation of photochemical smog	 Seawater eutrophication	 Rural land occupation	 Use of solid fuels
 Formation of fine particles			

TOWARDS A CIRCULAR ECONOMY

CIE Automotive is embracing circular economy criteria, striving to reduce raw material, water and energy consumption and waste year after year. To that end, it is taking action at every stage of its value chain, introducing energy efficiency measures throughout its processes and facilities that not only help minimise its environmental impact but also reduce energy costs.

CIE AUTOMOTIVE *and the circular economy*

Suppliers:

- Raw materials:
 - Use of raw materials originating from recycling processes, above all steel and aluminium.
- Energy:
 - Use of electricity generated from renewable sources (100% in Spain).
 - Installation of photovoltaic facilities.
- Transport optimisation.

Sales:

- Use of returnable packaging in collaboration with its customers.
- Transport optimisation.

Internal process

- Reuse of waste generated:
 - Aluminium casting.
 - Steel casting.
 - Plastic injection moulding.
- Specialist waste handlers.

Eco-design

- Remanufacture of parts and systems, integrating recycled materials into parts and ensuring their subsequent recyclability.

In 2020, CIE Automotive reinforced its strategic commitment to renewable energies with the installation of photovoltaic panels at some of its factories

ENERGY EFFICIENCY AND EMISSIONS

Energy efficiency is a top priority for CIE due to its impact on its environmental footprint and because it represents a source of competitiveness. CIE Automotive has managed to cut its relative greenhouse gas emissions by 10% during the last three years to 415,276.10 metric tonnes of CO₂ per €1,000 of revenue.

In 2020, the company reinforced its strategic commitment to renewable energies. As well as purchasing clean energy to power its facilities, it installed photovoltaic panels at some of its factories. It forwent emissions equivalent to 121.386,24 metric tonnes of CO₂ thanks to the purchase of power generated from renewable sources.

→ Energy consumption and savings

Gigajoules	2018	2019	2020
Direct energy consumption	1,608,941.20	1,662,755.19	1,521,671.97
Indirect energy consumption	3,924,977.41	3,955,226.55	3,340,296.56
Indirect energy consumption	2,216,060.35	2,093,457.91	1,774,612.12
Indirect energy consumption from renewable sources	1,708,917.05	1,861,768.64	1,565,684.45
TOTAL	5,533,918.61	5,617,981.74	4,861,968.53

For further information on energy consumption by region, refer to the detailed table provided in Section "Data tables".



The emissions factors corresponding to the company's energy consumption were obtained on the basis of version 3.4 of the Ecoinvent life cycle inventory database, using the ReCiPe life cycle impact assessment method. The fuel factors used take into consideration the type of technology used to generate the fuel. In accordance with Directive 2003/87/EC of the European Parliament and of the Council, biomass is deemed a source of energy with an emission factor of zero.

Lastly, the emission factors associated with electricity consumption were determined on the basis of each country's generation mix.

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

→ Emissions

CO ₂ TM	2018	2019	2020
Direct emissions	93,702.22	96,093.59	90,859.13
Indirect emissions	365,175.97	354,869.08	324,416.97
TOTAL	458,878.19	450,962.67	415,276.10

For further information on emissions by region, refer to the detailed table provided in Section 6.4 "Data tables and glossary"

→ Emissions foregone as a result of the purchase of energy generated from renewable sources

CO ₂ TM	2018	2019	2020
Indirect emissions foregone	137,773.27	146,052.76	121,386.24



SELF-GENERATION at CIE Automotive factories

2020 was the year CIE Automotive embarked on the process of generating its own clean energy by installing photovoltaic solar panels at a number of its factories in Europe and India. The self-generation effort seeks two objectives: reducing emissions and lowering its energy bill.

The Portuguese factories, CIE Plasfil and CIE Stratis de Figueira da Foz, devoted to plastic part injection moulding and painting, built their own photovoltaic solar facility during the first half of the year with the aim of covering 19% of their energy needs and cutting CO₂ emissions by 845 tonnes of CO₂ per annum. In Orense, Spain, CIE Galfor covered its car park with photovoltaic panels.

In India, work has begun on the construction of photovoltaic facilities. The Indian stamping factories have been the first to launch this initiative. Thanks to these self-generation projects and the detailed information they have generated, CIE Automotive is analysing the options for expanding this line of initiative to other facilities in the future.



CONSUMPTION OF WATER AND MATERIALS

CIE Automotive uses water extensively in making parts that require material transformation at high temperatures. In order to minimise water discharges, it has proprietary water treatment systems that enable its recovery.

→ Water consumption

<i>m³/ year</i>	2018	2019	2020
Surface water	306,015.00	328,251.00	282,218.00
Surface water	212,896.00	355,167.00	338,394.00
Rainwater	28,199.00	31,808.00	30,286.00
Municipal networks	1,045,627.85	934,006.32	799,990.78
TOTAL	1,592,737.85	1,649,232.32	1,450,888.78

For further information on consumption by region, refer to the detailed table provided in Section 6.4 "Data tables".

The company reviews all of its processes constantly to ensure the responsible use of raw materials. A good example of this practice is the concerted effort to reduce the gross weight of the products made by the company, which is key to using raw materials more efficiently. That effort lowers the generation of waste and the consumption of energy and other products needed in the manufacturing process.

→ Materials consumption

<i>kilograms</i>	2018	2019	2020
Raw materials used	1,472,819,976.00	1,510,283,589.00	1,270,687,234.00
Raw materials recovered	460,625,898.00	411,191,542.00	300,992,757.00
Raw materials recovered	31%	27%	24%

For further information on consumption by region, refer to the detailed table provided in Section 6.4 "Data tables".

WASTE MANAGEMENT

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes. The waste generated that cannot be recycled is collected by expert handlers who prioritise recycling over the landfill disposal method. In 2020, 13% of all waste generated was sent to landfill, while the remaining 87% was reused.

→ Aluminium

The injection moulding and machining processes generate 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 casting process.

→ Plastics

The plastics division recycles sprue and other remains returned by its injection moulding process.

→ Steel

This is the material with the highest associated volume of waste. As it cannot be recycled in full within the group's factories, it is delivered to a number of different local suppliers for full reuse.

→ Waste management

TM	2018	2019	2020
Hazardous waste disposed of	26,906.63	25,239.28	16,329.20
Non-hazardous waste disposed of	348,470.43	339,855.78	266,038.02
TOTAL	375,377.06	365,095.06	282,367.22

For further information on waste generation by region, refer to the detailed table provided in Section 6.4 "Data tables".

CIE Automotive understands that its responsibility for the waste it generates does not end when that waste is removed from its facilities. To that end, in addition to its waste minimisation plans, the company is planning to devise a new waste classification system sorted by **method of elimination**, thereby seeking to reduce its environmental impact.

Albeit unrelated to the group's core business, all of the facilities with canteens or food vending machines for employees are subject to the most stringent quality and safety rules, including food waste prevention criteria to the extent feasible.



We reaffirmed our **COMMUNITY** commitments

As part of the automotive parts ecosystem, CIE Automotive participates in a number of Spanish and international platforms that in 2020 upheld the sector's interests in the face of the situation induced by the pandemic, while continuing to reach out to the various institutions to help shape the mobility of tomorrow. Beyond the repercussions for society of the work done through those sector platforms, the company remained involved in a number of community projects and continued to generate benefits for its community stakeholders.



OBJECTIVE

To help shape the mobility of the future through participation in business associations and contribute to development in the communities where it does business by creating wealth, paying taxes and doing community work.



LINES OF INITIATIVE UNDERTAKEN IN 2020

- **Defending** the sector's interests in the face of the pandemic.
- **Continuing** its community work effort in terms of the number of projects, employee participation and the number of beneficiaries.
- **Forging** ahead with its alliance with Save the Children.

SHAPING THE MOBILITY OF TOMORROW

CIE Automotive is a significant player in the automotive parts sector and as such it champions fair and responsible regulation of its activities so as to benefit the sector, its stakeholders and society.

To that end, it participates actively in the Spanish association of auto suppliers, SERNAUTO, which, together with the rest of the automotive sector in Spain, called on the government to draw up an emergency plan for tackling the difficulties derived from the coronavirus pandemic.

Through its membership of SERNAUTO, CIE Automotive advocates for a constructive, proactive and negotiated model for the automotive industry in which the targets for the decarbonisation and digitalisation

of the stock of vehicles in Europe are attained while preserving the sector's manufacturing capabilities, skilled jobs and market size, underpinned by an inclusive transition designed to pave the way for the transformation of the current productive fabric with as few adverse effects as possible.

The company's membership of a range of associations also helps it to remain abreast of sector developments, market trends and other circumstances that could affect its business. In 2020, that close communication with other sector players gave it a broader vision of the repercussions of the pandemic and geopolitical developments with an impact on its activities.



CIE Automotive advocates for an automotive industry model that marries decarbonisation and digitalisation of the stock of vehicles on the road with preservation of the sector's manufacturing capabilities, skilled jobs and market weight

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** (*European Association of Automotive Suppliers*) – The European Association of Automotive Suppliers. Member of the R&D Committee.
- **EGVIA** (*European Green Vehicles Initiative Association*) – 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 Member of the Management Board.
- **CTAG** – The Galician automotive cluster.
- **ACICAE** – A private applied research centre Member of the Management Board.
- **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*.
- **FVEM** – the Vizcaya confederation of metal companies.
- **BASQUE ECODESIGN CENTER** – Founder.



RELATIONS WITH THE LOCAL AUTHORITIES

All engagement between CIE Automotive and the various authorities as a result of its industrial activity are framed by strict observance of prevailing legislation and the utmost transparency, in keeping with the principles laid down in its Code of Professional Conduct.

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 did not receive any significant fines for non-compliance laws or regulations in the social or economic arenas in either 2020 or 2019. Significant fines are those of €30,000 or more.

VALUE DISTRIBUTED TO SOCIETY

CIE Automotive's business activities generate value for its stakeholders and society as a whole. In 2020, of the €2,883 million generated, the company distributed €2,372 million to society between employee benefits, payments to suppliers, dividends for shareholders and taxes.

→ Value generated and distributed

€ M	2018	2019	2020
REVENUE	3,029.5	3,461.1	2,882.5
ECONOMIC VALUE DISTRIBUTED			
To shareholders (dividends)*	72.1	80.0	93.9
To shareholders (special dividend)**	404.7	-	-
To employees (employee benefits expense)	557.8	623.2	561.2
To suppliers (consumption of raw materials and auxiliary materials)	1,836.7	2,047.8	1,673.4
To society (income tax paid)	66.9	58.8	43.3

(*) Dividend paid during the year.

(**) Market value of the special dividend articulated to distribute CIE Automotive's interest in Dominion to its shareholders.



TAX PAID

CIE Automotive complies with its tax and social security obligations under prevailing law in each country, as stipulated in its Code of Professional Conduct. That Code expressly outlaws the evasion of taxes, the improper generation of tax benefits and applications for subsidies, tax exemptions or government funds on a fraudulent basis.

The table below outlines the profits generated country by country and the income tax paid.

 **Profits earned country by country
and income tax paid***

Tax jurisdiction	2019		2020	
	Profit/(loss) before income tax	Income tax paid (cash criterion)	Profit/(loss) before income tax	Income tax paid (cash criterion)
Basque Foral Territory	169.5	0.2	158	0.0
Mexico	135.5	22.1	120.7	23.7
China	48.7	5.7	63.5	9.9
India	42.4	7.6	21.0	1.0
Common Spanish Territory	36.6	8.0	21.0	2.5
US	20.4	0.3	12.0	-0.5
Slovakia	3.4	0.3	10.4	0.1
Romania	6.1	0.1	8.6	0.6
France	5.2	1.8	5.4	0.8
Lithuania	7.7	0.1	3.5	0.5
Czech Republic	5.5	1.1	3.4	0.6
Navarre Foral Territory	3.3	0.0	2.9	0.5
Russia	6.8	0.0	1.5	0.1
Portugal	2.5	0.5	1.4	0.3
Italy	6.5	0.8	1.2	0.2
Brazil	48.1	9.7	1.2	1.1
Morocco	1.0	0.0	0.4	0.0
Netherlands	-0.5	0.0	0.2	0.0
UK	0.0	0.0	0.0	0.0
Barbados	0.0	0.0	0.0	0.0
Guatemala	-0.1	0.0	-0.1	0.0
Germany	-8.4	0.5	-15.1	1.9
TOTAL (€ M)	540.3	58.8	421.1	43.3

Figures under IFRS, before consolidation adjustments.

* Note that the information included in the table is presented in Form No. 231, the 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.

In transposing that Directive, the obligation to present a country-by-country report was regulated in sections 10 and 11 of article 43 of Navarra Provincial Law 11/2013 on corporate income tax and article 21 bis of Basque Provincial Law 203/2013, enacting the corporate income tax regulation.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENTS

In 2020, CIE Automotive received €3.4 million of government grants, €2 million more than in 2019. Of the total received, it obtained €2.7 million in Spain; €0.2 million in each of Russia, Germany and Portugal and €0.1 million in China.

COMMUNITY WORK

In keeping with its Community Work Policy, which regulates its efforts in this area, CIE Automotive's community work must be aimed at addressing the difficulties and needs of its communities by providing solutions articulated around three lines of action:

- **Donations:** ad-hoc financial support for non-governmental organisations and similar organisations for the pursuit of their social activities.
- **Sponsorships:** whether carried out at the corporate or individual local company level, these initiatives are framed by the principles laid down in the Community Work Policy.
- **Community investment:** long-term investments aimed at giving back to the communities where the company does business.

In 2020, the company donated up to €940 thousand to community work programmes (€90 thousand directly linked to non-profit organisations) which involved over 1,500 employees and more than 12,000 equivalent work hours. The group's financial donations were near to €600 thousand in 2019.

Many of the community projects in which CIE Automotive participates are brought to the company's attention by its employees on the ground; the fact that most of its factories are managed by local managers makes it easier to respond to community needs and take decisions quickly in the case of social emergencies. The company collaborates with various organisations on local projects, in keeping with the United Nations Sustainable Development Goals. In addition to the strategic collaboration with Save the Children Mexico, since April 2019 it has been working on a specific project called "Caminando hacia el futuro", which means Walking towards the future, which 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.

COMMUNITY WORK: KEY PERFORMANCE INDICATORS FOR 2020





In 2020, the company donated up to €940 thousand to community work programmes

→ Community work BY REGION

	EUROPE	NORTH AMERICA	BRAZIL	ASIA
TOTAL €	402,356	17,351	32,699	488,847
Nº. of employees volunteering	432	126	4	940
Nº. of work hours devoted to community work	173	132	2,640	9,237

In 2020, CIE Automotive focused its efforts on helping to tackle the pandemic, channelling its donations to initiatives working to provide a rapid response to the health and social emergency in all its business markets. The following key initiatives stand out:

- In Spain, CIE Automotive lent support to a number of non-profit associations, including Doctors without Borders, thus helping to support the platforms coordinating the response to the epidemic and contributing to the creation of external hospitals set up to alleviate hospitals and health centres. In addition, CIE Automotive was one of the firms that sponsored EITB Maratoia's research into COVID.
- In parallel, CIE Automotive remained true to its commitment to supporting and helping the Food Banks which this year faced greater needs at the same time as fewer volunteers due to the COVID-19 social distancing measures. As a result, the company decided to give all the money normally set aside for the corporate Christmas dinner, cancelled this year due to the pandemic, to the Food Bank.
- CIE also gave to charity campaigns in hospitals in Romania and Morocco, supporting the people hit the hardest by the pandemic.



→ In Mexico, CIE Automotive joined forces with Doctors of the World to improve access to healthcare, protection and safety messaging for migrants and refugees in response to the COVID-19 pandemic. Among other initiatives, primary health care was provided at hostels in Tapachula that take in migrants and asylum seekers, who were offered cultural mediation assistance in addition to medical care. Follow-up care was provided, referring cases to specialists as required, prioritising children under the age of five, pregnant women, patients with chronic illnesses and anyone else especially vulnerable to COVID-19. Thanks to that collaboration, technical assistance was also provided to third-sector organisations and institutions via online training sessions on COVID-19, how to prevent it and what to do in the event of infection. Lastly, the initiative encompassed awareness campaigns with information about how to prevent transmission and how to get healthcare in event of presenting COVID-19 symptoms.

→ The MCIE 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. That is evident in the voluntary participation of nearly 1,000 employees who devoted over 9,000 hours of their personal time to a range of initiatives. Here it is worth highlighting the help provided by employees in India in distributing face masks, hand gels, food and healthcare materials to the neediest and those living in rural areas, particularly during the period of lockdown.

THE KEYS TO OUR RESILIENCE



In a context of extreme uncertainty and complexity, our business model, articulated around diversification, a lean organisational structure and strict financial discipline, allowed us to successfully implement the action plan designed to mitigate the impact of COVID-19 and continue move towards realisation of our full potential by leveraging innovation and service excellence.



A resilient **BUSINESS MODEL**

Ever since its origins in 1996, CIE Automotive's progression as a supplier of parts and subassemblies to the automotive industry has been buoyed by periods of economic prosperity and impeded by episodes of crisis, such as that prevailing, which the group has navigated and surmounted thanks to the hallmark traits of its business model: multiple locations, customer diversification, a multi-technology approach, disciplined investing and decentralised management. That model has been enriched in recent years by embedding stringent ESG criteria, which have emerged as the sixth cornerstone of its business model.

CORNERSTONES of the business model



Geographical balance

110 manufacturing facilities in 105 different locations across 16 countries

10 research centres



Customer diversification

70% OEMs

30% TIER-1 suppliers



Multi-technology approach

7 technologies

- Machining
- Metal stamping and tube forming
- Forging
- Plastics
- Aluminium injection moulding
- Casting
- Roof systems



Disciplined investing

Flexible standard machinery

High returns on investments

High EBITDA-to-cash conversion ratio



Decentralised management

4 autonomous geographic regions

1 corporate network to support the regions



Integration of ESG standards

Commitment to ethics

CIE culture: developing and retaining existing talent in a balanced and sustainable manner

Eco-efficiency: rationalised consumption and reuse of materials:

Active listening: stakeholder engagement

GEOGRAPHICAL BALANCE

CIE Automotive sites its manufacturing facilities close to the OEMs' assembly factories. At year-end 2020, it had 110 manufacturing facilities and 10 research centres in 16 countries in Europe, North America, Brazil and Asia, as well as offices in another three countries.

That healthy geographical balance enables it to offset adverse circumstances in certain regions with stronger momentum in others and presents a critical competitive advantage when it comes to servicing the global automotive platforms.

The company has expanded its footprint via and mix of mergers and acquisitions, alliances with other companies and greenfield factories in new markets. In 2020, despite the pandemic, the group managed to reinforce its global footprint with the acquisition of Italy's Somaschini, the inauguration of new facilities by CIE Plásticos in Mexico and by AEL in Aurangabad (India) and an increased shareholding in MCIE, the venture resulting from the strategic alliance with India's Mahindra&Mahindra.



CIE Automotive factories around the world

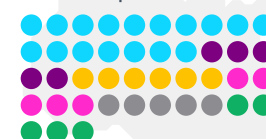


20 North America



Brazil 15

43 Europe



32 Asia



	TOTAL	Machining ²	Stamping ³	Forging ⁴	Plastics ⁵	Aluminium ⁶	Roof systems	Casting
Europe ¹	43	17	5	6	5	5	5	
North America	20	7	5	2	3	1	2	
Brazil	15	3	4	1	5	1		1
Asia (India and China)	32	3	6	8	1	3	9	2
TOTAL	110	30	20	17	14	10	16	3

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

(2) Includes three multi-technology factories (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 one multi-technology factory (CIE Autometal Diadema), as well as certain facilities in India and one in the US that use composites technology.

(6) Includes two multi-technology factories (CIE Autocom and CIE Celaya).

Europe

CIE Automotive has 43 manufacturing facilities between Western and Eastern Europe. The European market encompasses the MCIE group's factories, which are heavily focused on the commercial vehicle segment, and CIE Automotive's legacy factories, focused on passenger vehicles.

North America

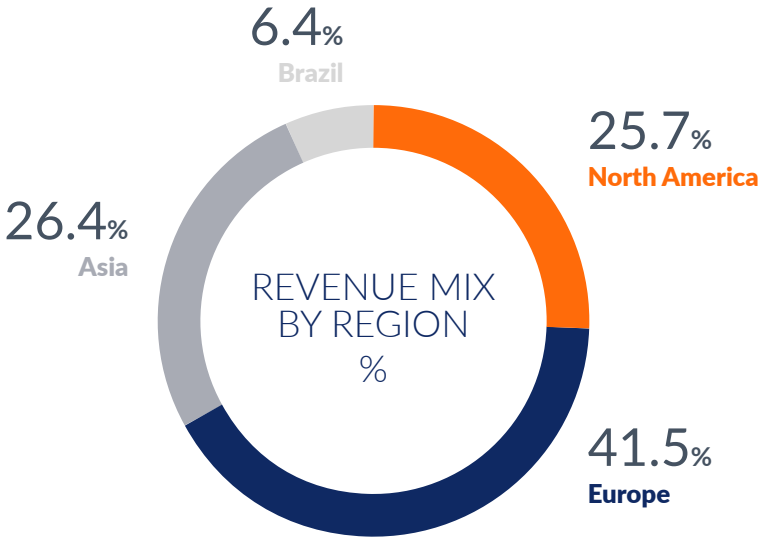
CIE Automotive has a manufacturing presence in 13 locations in Mexico and seven in the US. The company, which made its initial foray into the Mexican market 19 years ago, has been building a presence in the US market over the last nine years via a series of acquisitions.

Brazil

With 15 manufacturing facilities, Brazil remains one of CIE Automotive's core markets. The company has forged a meaningful position in this market in the wake of the OEM concentration observed in recent years.

Asia

CIE Automotive has 20 factories in India and 12 in China. The group's solid position in India stems from its alliance with the local group Mahindra&Mahindra Ltd., coupled with the acquisitions of the Bill Forge group (2016) and Aurangabad (2019). Its exposure to the Chinese market has been boosted in recent years by the integration of CIE Golde.

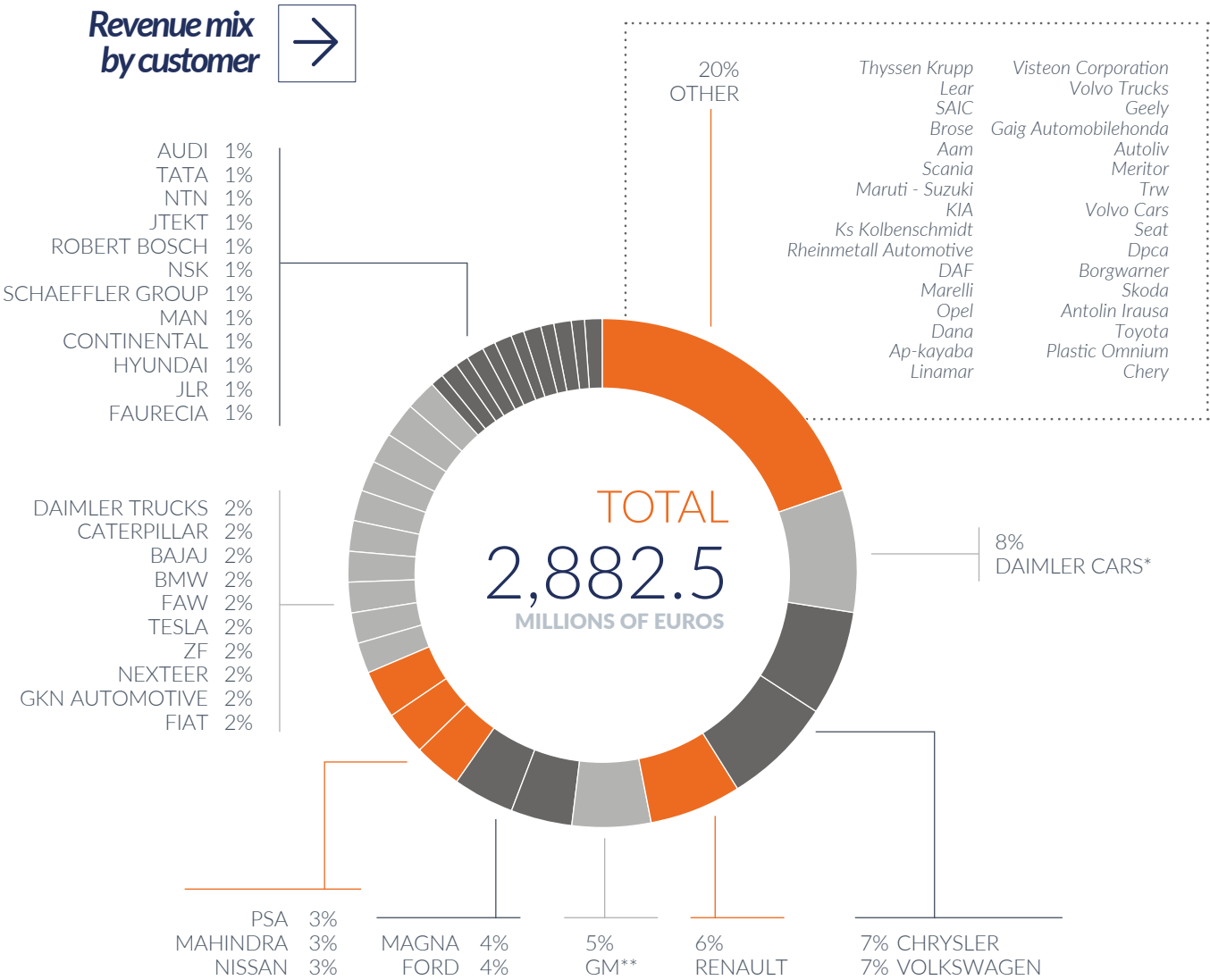


The company has expanded its footprint via and mix of mergers and acquisitions, alliances with other companies and greenfield factories in new markets

CUSTOMER DIVERSIFICATION

CIE Automotive's customer base comprises major multinational original equipment makers (OEMs) (70%) and Tier-1 parts suppliers (30%). No single customer accounted for more than 8% of total revenue.

As with its geographical expansion, the company's customer diversification enables it to even out revenue in the event of customer losses, while putting it in a strong position to negotiate prices so as to defend margins during episodes of heightened market pressure.



* Includes 5% sales to BBAC (BAIC-DAIMLER JV). | ** Includes 2% sales to SGM (SAIC-GM JV).

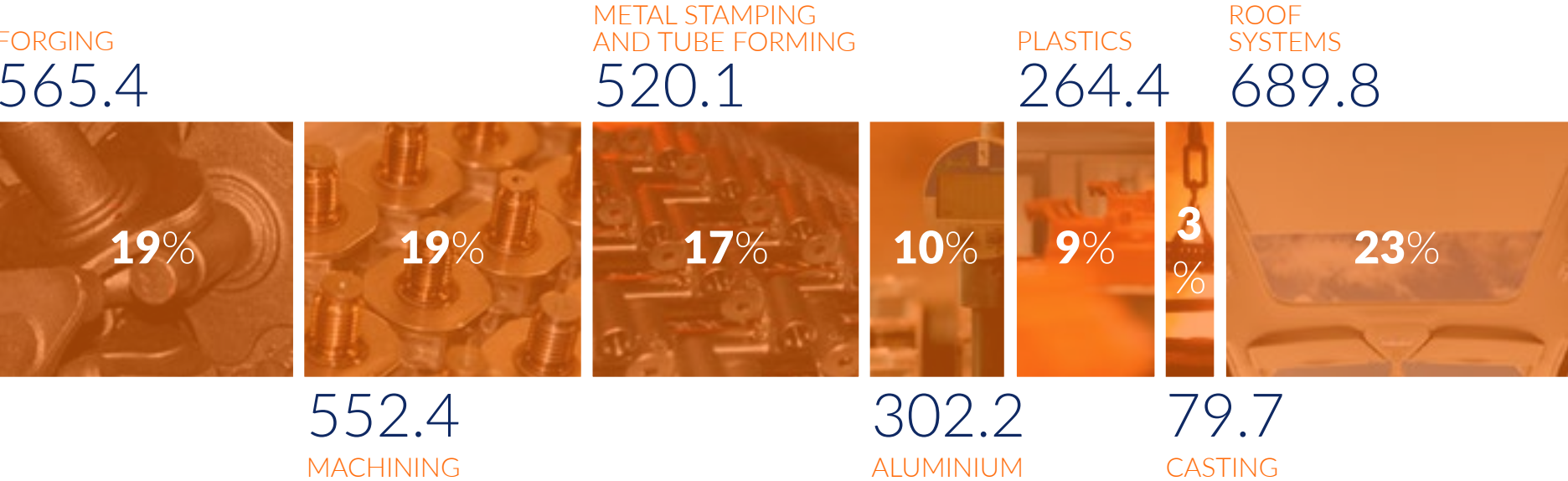
MULTI-TECHNOLOGY APPROACH

CIE Automotive carries over 7,000 vehicle parts and subassemblies, using seven different core processes or technologies: forging, metal stamping and tube forming, machining, roof systems, plastics, aluminium and casting.

Thanks to its mastery of such a broad range of technologies, it can offer different technological solutions for a given part and make a subassembly using a combination of processes. This means that customers can select the optimal solution without having to contact different suppliers and developer teams.

→ REVENUE BY TECHNOLOGY MILLIONS OF EUROS

TOTAL 2,974.0
MILLIONS OF EUROS
Includes €91.5m of intercompany sales



FINANCIAL DISCIPLINE

CIE Automotive's decisions are framed by rigorous financial discipline. It keeps fixed costs low and works constantly to make its processes ever more efficient. It maintains a strict sales policy so that it never puts volumes ahead of profitability.

Historically, the company has focused its investment effort on increasing its productive capacity and rendering its facilities more efficient, articulating that strategy around three cornerstones: flexible machinery; stringent return-on-investment hurdles and high EBITDA-to-operating cash conversion ratios.

In 2020, in order to mitigate the impact of the pandemic, investments were pared back to the bare minimum needed to ensure customer supply, employee safety and preventative factory maintenance.

PILLARS OF DISCIPLINED INVESTING STRATEGY



Flexible, standard equipment

- Enables high capacity utilisation.
- Recurring capex of ~4% of revenue, which is sufficient to enable facility maintenance and organic growth.



Strict investment discipline High return hurdles

- Capex 20% ROI.
- Net working capital ≈0.*



EBITDA-to-operating cash conversion ratio

- EBITDA-to-operating cash conversion ratio
- Target ratio of > 55%.

(*) Excludes non-recourse factoring.

DECENTRALISED MANAGEMENT

In order to speed up decision-making and deliver on its corporate targets, CIE Automotive has built a decentralised management model in which each region and each division takes the most suitable decisions in light of their circumstances, with the support of the Corporate Areas and Network Services vested with a group-wide remit: Europe, North America, Brazil and Asia.

Thanks to that lean structure and replication of that tried-and-tested strategy to tackle the pandemic, all of the regions joined the effort to contain fixed costs in order to maximise liquidity and recover pre-COVID profitability levels over the course of the year.



INTEGRATION OF ESG STANDARDS

In recent years, CIE Automotive has integrated benchmark Environmental, Social and Governance (ESG) criteria into its business model and financing agreements.

On the environmental front, it individually monitors each factory's environmental footprint. The company is also moving towards a circular economy by rationalising the use of resources and reusing materials when manufacturing its parts and subassemblies.

In terms of society, it engages with the stakeholders who make its business activities possible in order to satisfy their legitimate expectations to the extent possible. In parallel it does extensive community work, an area in which its strategic alliance with Save The Children stands out.

In the governance arena, in addition to a strong commitment to upholding stringent principles of ethics and keeping its internal rules and regulations aligned with legal requirements, it carries out dedicated training initiatives and constantly realigns its risk management effort, on which it reports transparently.

Framed by its membership of the Spanish automotive business

association, SERNAUTO, it is worth highlighting the company's active involvement, along with more than 15 sector players, on the Responsible Business Committee created by the latter. That committee is chaired by Miguel López-Quesada, Director of Communication, Marketing and Institutional Relations at Gestamp. Its main objectives are to:

- Raise the profile of the sector's current contribution to the 2030 Agenda and foster new initiatives to increase its impact on delivery of the Sustainable Development Goals (SDGs)
- Foster the implementation and/or improvement of the sustainability strategies of the firms on the committee.
- Create a forum for exchanging experiences and synergies; and
- Provide tools for carrying out initiatives and reporting on them.

The work performed in 2020 notably included the publication of the White Book - Contribution of the automotive parts industry to sustainable development - 2030 Agenda drivers, which sets down the best practices followed by the committee members.

Our **COMMITMENT** to excellence and sustainability

Despite the unprecedented challenges faced in 2020, CIE Automotive extended its steadfast commitment to the excellence and sustainability pledged in its Mission, Vision and Values.

MISSION

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.



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.

Our profitability-oriented **STRATEGY**

The automotive sector was one of the hardest hit by the profound economic crisis triggered by the COVID-19 pandemic, with vehicle production plummeting 16.2% in 2020.

MARKET ENVIRONMENT AND TRENDS

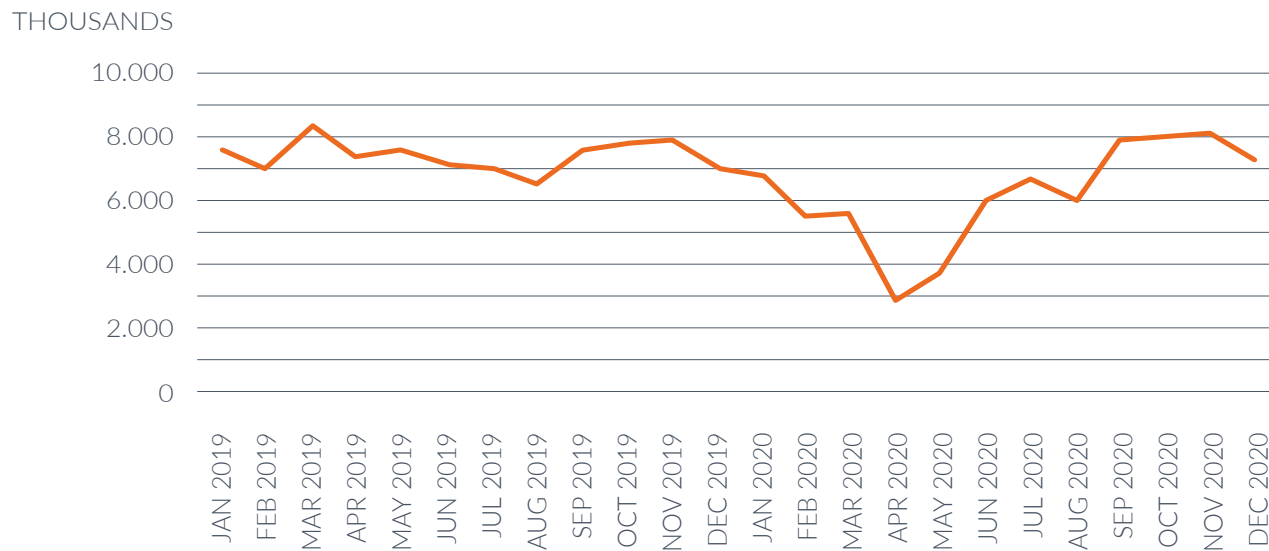
The global economy suffered the biggest recession since World War II in 2020, contracting 5.2% on the back of the widespread fallout from the coronavirus pandemic and the lockdowns imposed to contain it. According to the World Bank's estimates, the advanced economies saw drastic contractions (7%), while the universe of emerging and developing economies sustained a recession for the first time in 60 years (2.5%).

Against that unprecedented backdrop, the automotive industry, which was already suffering the consequences of a global economic slowdown, geopolitical uncertainties and technical requirements

to adapt to new emission regulations, was one of the hardest hit by the health crisis. In 2020, vehicle production plummeted 16.2% to 74.5 million, while sales, measured by new registrations, fell by 14.4% to 76.8 million.

During the initial months of confinement and restrictions following the spread of the coronavirus originating in China, the OEMs were particularly affected by their dependence on global supply chains, the difficulties in keeping their employees safe and, lastly, the shutdown of non-essential activities by the various governments. Once the restrictions were eased and the supply chain had stabilised, production began to recover.

The trend in consumer demand and the general and sector-specific incentives rolled out by the authorities were key to shaping the industry's performance in each region.

 **Trend in
vehicle production**

Source: IHS

In the universe of countries in which CIE Automotive operates, the automotive sector contracted by more than the global market, as evidenced by declines in production and sales of 20.7% and 18.4%, respectively. Below is an account of the sector's performance by region.

EVOLUCIÓN DEL SECTOR POR REGIONES



Europe

In Europe, the coronavirus pandemic only exacerbated the plight of the automotive sector, already struggling from mature economy fatigue, the fear of tariffs in the event of a no-deal Brexit and the cost of adapting to the new emissions standards.

The COVID-19 outbreak forced the OEMs to close their doors between March and May, after which they restarted activity at levels significantly below those of last year. Production began to recover during the second half, helped by the incentives provided in several European countries (including Germany, France, Italy and Spain) for car purchases.

Despite those programmes, which were less resounding than in other regions, vehicle production decreased by 22% in 2020 to 16.2 million units, while new registrations

declined by 20% to 16.3 million units.

That situation had very adverse effects for the automotive suppliers. According to CLEPA data, nearly all of the sector players saw their revenue decline by 20% or more last year, with more than half of them posting a loss.

It was not all bad news, however. After a year of uncertainty, the European Union and the UK sealed a deal on Brexit which is expected to have a limited impact on the automotive industry. Nevertheless, CIE Automotive's exposure to the UK market is very limited as it has not had a manufacturing presence in the country since 2018.



North America

Production in Mexico and North America totalled 13.0 million units, a decline of 20% compared to 2019, while new registrations amounted to 17.1 million, down 16%.

The North American assembly plants recovered faster than their European counterparts as a result of a combination of factors: firstly, the stimulus plan deployed by the US government to reactivate the economy; secondly, the fact that inventory levels were somewhat lower than in other regions; thirdly, the deals offered by the OEMs directly to end customers; and lastly, the grace period awarded for compliance with the USMCA Treaty (which replaces NAFTA), so that even though it took effect in July 2020, fines won't be imposed before 1 July 2021.



Brazil

Production in Brazil fell sharply (-32%, to 1.9 million vehicles), as did sales (-27%, to 2.0 million units).

The recovery has been slower at the Brazilian factories than in other regions following a 10-week-long closure, due to the difficulty in reining in the pandemic, a sharp rise in unemployment which weighed on internal demand and exporting dependence Argentina.



India

India, where CIE Automotive commands a meaningful presence through MCIE, closed its factories for six weeks from the end of March until early May.

The COVID-19 pandemic was the last straw for the automotive industry, which in previous months had already been seriously affected by a number of factors: the higher cost of car ownership; the delicate health of certain financial institutions; a deterioration in business sentiment; and reluctance to invest in vehicles with internal combustion engines for fear of emissions standards.

Nevertheless, pent-up demand, the replenishment of inventories ahead of the year-end season of festivities, increased use of private vehicles relative to public transport due to the pandemic and a good monsoon season, which boosted rural demand (which represents 40% of the total) meant that production in India ended the year at 3.2 million units (-23%) and 2.8 million registrations (-22%).



China

The world's largest producer topped all expectations in 2020, when it produced 23.6 million vehicles, a decline of 4% from 2019, and sold 24.1 units, down 5%. China has recovered very fast, reaching pre-Covid production levels by the middle of the year, fuelled by growing domestic demand, special offers direct from the OEMs and, above all, superior control over the pandemic all year long.

OUTLOOK

It is still too early to venture when the automotive sector might revisit pre-pandemic production and sales volumes. Some experts believe the sector will not repeat 2019 volumes before 2022-2023, and peak 2017 volumes before 2025. Either way, the future will depend on certain health-related drivers, and others related with the economy such as the trend in unemployment and consumer confidence, potential additional incentives for car purchases and international trade volumes.

What does look likely is that the over a medium-term horizon the automotive companies stand to emerge stronger from the crisis to the extent they can adapt to the new scenario, foreseeably characterised by the following factors:

- Reduction in surplus capacity.
- Concentration processes: fewer players that are larger, more diversified and more resilient vis-a-vis future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control.

Thus, in the last quarter of 2020, global vehicle production recovered dramatically, reaching production levels 2.5% higher than in the same period of 2019 (pre-pandemic).

Towards decarbonised mobility

The deals introduced to stimulate the purchase of cars to offset the COVID-19 crisis, which are strongly oriented towards electric and hybrid vehicles, have accelerated the transition towards decarbonised transportation, although the rhythm of vehicle electrification varies significantly from one region to the next.

China stands out in terms of electric vehicle penetration, underpinned by unconditional government support in the form of considerable subsidies and a multitude of models. The European Union, meanwhile, has unveiled its mobility strategy, specifically the target of reaching 30 million "zero-emission" vehicles in 2030 with virtually the entire fleet boasting that standard by 2050.

Attainment of those targets will imply significant investment by the automotive industry, according 2020 data, as just 3% of the vehicles produced in the world are electric, whereas hybrid cars, the natural path towards full electrification, account for a 10%.

The focus for now is on guaranteeing raw material availability, on the one hand, and battery development, which is key to reducing the cost of electric vehicles, on the other. More specifically, the thrust is concentrated on evolving from liquid lithium-ion batteries to solid-state batteries.

COVID-19 RESPONSE PLAN

CIE Automotive's business strategy is articulated around profitability and cash flow generation. To achieve those priority objectives in circumstances as adverse as those encountered in 2020, the group drew on the lessons learned from the last crisis in rolling out its COVID-19 Response Plan. That action plan, applied worldwide, pivoted around four key lines of initiative: flexible working arrangements; war economy tactics; liquidity; and astute production planning.



Flexible working arrangements

→ Rollout of measures aligned with legislation and specific circumstances

- Furlough schemes in Europe
- Anticipation of collective annual leave and working hour pool schemes in Mexico and Brazil
- Wage and working hour cuts in other markets

→ Remote working for all jobs possible



War economy tactics

→ Minimisation of fixed costs

→ Capex limited to strictly essential investments:

- Ensuring continuity of customer deliveries
- Guaranteeing employee safety
- Keeping facilities in good repair
- Preparing for new builds



Liquidity and financing

→ Efficient working capital management:

- Monitoring customer payments
- Overseeing projects in progress to manage payment terms
- Optimising inventory levels
- Rollover of credit lines and upping of limits
- Arrangement of state-secured loans in Spain
- Cooperation with institutions such as the EIB and banks in relation to bilateral loans in different currencies



Production planning

→ Buffer stocks at all facilities in order to ensure smooth supply:

- Equipment maintenance
- Revision of layouts
- Production of critical components and prototypes
- Setting aside of minimum stocks
- Design and implementation of employee safety measures

ESG STRATEGY

Having completed its 2019-2020 CSR Plan in 2019, last year CIE Automotive continued to make progress on its ESG strategy.

Compilation of ESG data:

- CIE Automotive believes that the key to achieving its ESG targets is to implement measurement systems that enable it to analyse the situation and assess the progress made and measures taken. With that in mind, in 2020 it drew up an ESG dashboard made up of four core lines of initiative populated in turn by 79 indicators, to be tracked by all of the company's factories all around the world.
- The indicators have to be reported either quarterly, semi-annually or annually and are framed by targets to be met within five years' time, starting in 2020.
- All of that information gets consolidated into a global ESG dashboard hosted within the group's corporate internet. Progress on the various indicators is reported to the Board's ESG Committee. Below the latter is a Cross-Group ESG Committee made up of the heads of the various corporate departments in which the board-level committee delegates compliance with the areas within each member's purview.

The company has also prepared a prototype for calculating its carbon footprint, which is one of its priority concerns as a socially responsible company.

Stakeholder communication:

To align its business strategy with the legitimate wishes of all the parties with a vested interest in its fortunes, CIE Automotive engages intensely with all of its stakeholders using a number of different communication channels, notable among which its corporate website, which contains a dedicated investor tab, the in-house newsletter and the Supplier Portal. In 2020, the company updated its materiality matrix to ensure it reflected all of the topics of greatest relevance to its stakeholders.

Integration of ESG criteria into the company's corporate governance effort:

In 2020, the company updated its internal policies to reflect the ESG criteria it embraces, align them with regulatory requirements and recommendations and reinforce the internal control system. On the training front, it launched a number of programmes on anti-corruption and criminal liability topics; it plans to round those courses out in 2021 with a universal course on the Code of Professional Conduct which all CIE Automotive professionals will have to take.

For more information, refer to section "Progress on ESG management"

Our strategic commitment to **TECHNOLOGY and INNOVATION**

CIE Automotive implements cutting-edge technology across its facilities and management models in order to make its productive processes more efficient and respond to sector demands. In 2020, the COVID-19 pandemic highlighted the value of the company's Industry 4.0 tools which enabled it to respond swiftly to shifting needs in a tumultuous market and remain profitable.

Against the backdrop of dizzying and disruptive transformation in car and car parts manufacturing processes, CIE Automotive has spent the last few years making its processes 'smarter' with a triple objective: (i) boosting its quality metrics (approaching its “zero defects” target); (ii) raising productivity (with compelling OEE ratios); and (iii) rendering its facilities increasingly flexible to facilitate new product references and ever-shorter production runs.

Those R&D investments proved critical to defending the company's margins in 2020. On the one hand, the digital tools deployed in the logistics operations, enabling real-time data management and communication with suppliers, facilitated optimal production planning and helped keep supplies running smoothly. On the other, the implementation of smart equipment, lines and factories helped keep production costs very low, which is essentially to propping up margins when volumes are falling.



MARKET REQUIREMENTS



Excellent time- and cost-to-market.



100% quality in products and customer relations.



Cost-cutting.



Greater availability.



Product traceability.



Paring back of low value-added operations.



Minimum stocks.

CIE AUTOMOTIVE'S LINES OF INITIATIVE

Automated production line measurements (hot and cold).



Use of artificial vision technology to acquire, process and analyse parts images during the various phases of the process.



Sensorisation, capture, analysis and visualisation for process-critical variables to anticipate deviations and facilitate decision-making.



Unit traceability.

When designing its investment roadmap, the company contemplates the various trends that are shaping the automotive sector, such as emission standard requirements, product and process digitalisation, new comfort-driven mobility concepts and vehicle electrification.

Implementation of Industry 4.0 tools

Along its journey towards smart manufacturing, CIE Automotive is developing and implementing a range of Industry 4.0 tools and enabling technologies that interact with and feed off each other. In parallel it is deploying sensorisation capabilities so that it can capture data and analyse it using algorithms.

→ INDUSTRY 4.0



→ ADDITIVE MANUFACTURING

- Validation of the mechanism and function
- Conceptual prototypes
- Complex tool concepts



→ NEW INTERFACES

- All data available in a single view; no paper trail
- Team briefings, skills-training and communication
- Maintenance alerts and support



→ ROBOTICS

- Flexible and collaborative robots



→ BIG DATA

- Real-time data capture for analysis, maintenance or automated learning in the systems involved in the process.



→ INTERNET OF THINGS

- Traceability of all product-related data



→ DIGITAL TWINNING

- Modelling the manufacturing process using different approaches, from simulation to cloud computing



→ PROCESS CONTROL

- Development of manufacturing cell models
- Data analysis | Predictive analysis



→ CLOUD

- All data retrievable from the cloud

The company **is working on multiple fronts** - strategy, organisation, technology, industrial processes, etc. - in order to model and simulate its processes using smart connection and collaboration modes. In the industrial division, the company is intervening at the start of the technology value chain by modelling and simulating the processes in a virtual environment and at the design engineering phase, fine-tuning the process parameters optimally by introducing sensors to critical aspects of the multivariable process and controlling in-line manufacturing sequencing. The critical variable control system enables the company to predict possible process deviations.

By melding the physical and digital worlds together, CIE Automotive aims to achieve maximum productivity, flexible automation, maximum quality, zero defects, large-scale personalisation, maximum reliability, unit traceability, proactive anticipation, digitalisation of its operations and new know-how.

At present, CIE Automotive is working on a number of Industry 4.0 related pilot projects, including “Digital Twin”, understood as the digital replica of a physical process; and 5G in confined spaces, technology set to have a major impact on data transmission and making productive processes more effective thanks to mobile communication between machines and robots in real time.

R&D funding

To fund its R&D work, an effort to which CIE earmarks around 2% of its revenue each year, CIE Automotive has different sources of financing, including the €80 million loan extended by the EIB for its investments in European factories and other funding obtained for specific projects from public agencies at the regional (Hazitek), national (CDTI) and European (Horizon 2020, soon to be Horizon Europe) levels.

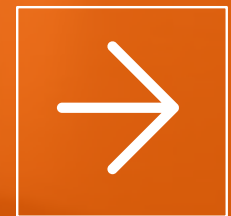


***CIE Automotive
is working on a
number of Industry
4.0 related pilot
projects, including
“Digital Twin” and
5G in confined
spaces***



THE CORPORATE GOVERNANCE THAT GUIDES US

CIE Automotive has designed its corporate governance structure with a view to ensuring its long-term sustainability, building credibility and generating value for its stakeholders.



A high-quality governance STRUCTURE

That model, framed by ethics principles and a commitment to transparency, is articulated around a body of in-house rules and regulations. It controls what the company's governing bodies do, establishes mechanisms for mitigating potential risks and provides a framework for stakeholder engagement.

The most significant of those rules and regulations include the Bylaws, the rules regulating the governing bodies, the [Code of Professional Conduct](#), the [Internal Securities Markets Code of Conduct](#) and the [Criminal Risk Prevention Manual](#).

Rules and regulations updates

From time to time the company reviews its rules and regulations in order to keep them aligned with the regulator's requirements and regulations. In 2020, an effort that has continued in 2021, the company also updated some of its regulations to include its ESG commitments. It has also drafted a new Compliance Manual.



Rules and procedures updated in 2020

Regulation of the Board of Directors

Regulations of the ESG Committee

(that committee was formerly called the CSR Committee)

ESG Policy

(that policy was formerly called the CSR Policy)

Control and Risk Management Policy

Internal Audit Statute and Manual

Compliance Manual (a new document)

In order to ensure transparency, both the rules and regulations formulated by the group and its Annual Corporate Governance and Annual Director Remuneration Reports are published on the corporate website, www.cieautomotive.com/en/web/investors-website/corporate-governance-annual-report, 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).

Member of the 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. Thanks to its global reach, the forum is able to transpose onto the Spanish context the key governance trends and debates taking place around the world, collaborating to this end with authorities and opinion leaders.

In 2020, in addition to embracing those international best practices, the Cluster helped its members to take their management of non-financial matters to higher level. The matters addressed included the following:

- Supplier management and value chain due diligence.
- Presentation of a study about sustainable boards of directors which analyses the extent to which sustainability has been integrated at the highest level of governance in order to identify the keys to attaining a sustainable corporate governance model.
- A hands-on workshop on non-financial information transparency and reporting, analysing the main reporting frameworks, the latest regulatory developments and the keys for improving corporate non-financial reporting.
- Monitoring the progress made by the European Commission on the Sustainable Finance Action Plan and the European Green Deal.



*CIE Automotive
has been a
member of the
Transparency,
Integrity
and Good
Governance
Cluster created
by the business
platform,
Forética*

Professional governing **BODIES**

CIE Automotive's most important governing bodies are the Annual General Meeting and the Board of Directors.

ANNUAL GENERAL MEETING

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

In 2020, the company held its AGM on 29 April. It was held remotely, via the corporate website, due to the state of emergency declared to manage the health crisis induced by COVID-19. It was attended by 257 shareholders, in person or via proxy, representing 81,61% of the company's share capital.

In order to ensure the attendees were duly identified and could exercise their rights, in the run-up to the AGM, the company's shareholders were asked to register and record their requests for information or clarification and those requests were answered during the AGM. The shareholders cast their votes remotely during the course of the meeting.

 Resolutions ratified at the 2020 AGM

 Approval of the separate financial statements and directors' report of CIE Automotive, S.A. and of the consolidated financial statements and directors' report for 2019.

 Grant of discharge to the Board of Directors.

 Approval of the proposed distribution of profit for 2019.

 Examination and approval of the non-financial statement of the group comprising CIE Automotive and its subsidiaries for 2019.

 Board authorisation for the derivative acquisition of own shares, either directly or through group companies, and the reduction of share capital in order to cancel own shares, delegating the powers needed to execute this resolution in the Board of Directors.

 Board authorisation to increase share capital under the terms and constraints stipulated in article 297.1.b) of the Spanish Corporate Enterprises Act, including the power to waive pre-emptive subscription rights under the terms of article 506 of the Corporate Enterprises Act.

 Determination of the number of members of the Board of Directors at 14. Appointment and re-election of directors.

 Approval of the maximum amount of remuneration payable to the directors in their capacity as such.

 Reappointment of the auditor of the separate and consolidated financial statements.

 Advisory vote on the Annual Report on Director Remuneration.

 Delegation of powers to execute the aforementioned resolutions.

Approval of the minutes of the meeting.



BOARD OF DIRECTORS

CIE Automotive's Board of Directors is made up of 14 members, including its Chairman. Two of the directors are executive, three are independent and nine are proprietary. The three independent directors sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee.

Its actions are governed by the Bylaws and by Regulation of the Board of Directors, which in 2020 was adapted to align it with the regulator's recommendations and the group's ESG commitments.

Diversity-wise, there are three female directors (21% of the total) while 12 of the directors are Spanish nationals and the other two are Indian. As evidenced by the curriculum vitae provided next, the company's directors boast a diversity of backgrounds and expertise; some have markedly industrial profiles while others have financial acumen.

In 2020, the Board of Directors met on eight occasions and all the meetings were presided by its Chairman.

To optimise its efficiency, the Board of Directors organises its work through committees.



Board of Directors (as of 31 December 2020)

	Position	Class of director	Strategy and M&A Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	ESG 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	Member			
Mr. Ángel Ochoa Crespo	Member	Independent		Member	Chairman	
Mr. Carlos Solchaga Catalán	Member	Independent		Chairman	Member	
Mr. Francisco José Riberas Mera	Member	Proprietary	Member	Member		
Mr. Juan María Riberas Mera	Member	Proprietary				
Mr. Fermín del Río Sanz de Acedo	Member	Executive	Member			
MAHINDRA&MAHINDRA, Ltd. represented by Mr. Shriprakash Shukla	Member	Proprietary				
MAHINDRA&MAHINDRA, Ltd. represented by Mr. Vankipuram Parthasarathy	Member	Proprietary				
CORPORACIÓN FINANCIERA ALBA, S.A. represented by Mr. Santos Martínez-Conde Gutiérrez Barquín	Member	Proprietary	Member			Member
ADDVALIA CAPITAL, S.A., represented by Ms. María Teresa Salegui Arbizu	Member	Proprietary			Member	Member
QMC DIRECTORSHIPS, S.L., represented by Mr. Jacobo Llanza Figueroa	Member	Proprietary				
Ms. Arantza Estefanía Larrañaga	Member	Independent			Member	

• Secretary, non-member: José Ramón Berecibar Mutiozabal

In keeping with recommendation #36 of Spain's Code of Good Governance for listed companies, the Board of Directors conducts an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:

- a. The quality and efficiency of the Board's operation.
- b. The performance and membership of its committees.
- c. The diversity of Board membership and competences.
- d. The performance of the Chairman of the Board of Directors and the company's chief executive.
- e. The performance and contribution of individual directors, with particular attention to the chairs of the Board committees.

The evaluation of Board committees starts from reports they send the Board of Directors, while that of the Board itself starts from a report issued by the Appointments and Remuneration Committee.

Every three years, the Board of Directors engages an external facilitator to aid in the evaluation process. That facilitator's

independence is verified by the Appointments and Remuneration Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group are detailed in the [Annual Corporate Governance Report](#). The process followed and areas evaluated are also detailed in the Annual Corporate Governance Report.

The purpose of the evaluation questionnaire is to help the members of the Board of Directors identify the key areas in which it could have done better in 2020 so as to add more value going forward.

The questionnaire is organised into ten general areas as a function of the issues prioritised by the Chairman of the Board and the Appointments and Remuneration Committee. It was drawn up in accordance with the above-mentioned recommendation #36 and the technical guidance provided by the regulator (CNMV) on nomination and remuneration committees. The priority aspects are outlined below; the remaining topics are categorised within group 9 (Other aspects evaluated):



Every three years, the Board of Directors engages an external facilitator to aid in the evaluation process

- 1 **Environmental, Social and Governance (ESG) aspects.**
- 2 **The quality and efficiency of the functioning of the Board.**
- 3 **The composition of the Board and its diversity and skill-sets.**
- 4 **The policy for communicating with investors and other stakeholders.**
- 5 **The composition and functioning of the Board committees.**
- 6 **Succession policies and plans.**
- 7 **The performance of the Chairman and CEO.**
- 8 **The contribution of each director.**
- 9 **Other aspects identified.**
- 10 **Individual suggestions.**

Each director is asked to provide an opinion on the scope for improving a series of specific aspects identified for each area. To that end, they are asked to provide a score to reflect their assessment of the room for improvement on a four-level scale:

A	Marginal room for improvement	High efficiency
B	Room for improvement	Medium-high efficiency
C	Significant room for improvement	Medium-low efficiency
D	Requires substantial improvement	Low efficiency

The report, compiled by the independent specialist, Evaluación de Consejos, concluded that the aggregate quantitative results demonstrate a reasonable level of satisfaction with how the Board of Directors is functioning. The aggregate average scope for improvement for all the areas analysed was 1.429, suggesting higher satisfaction by comparison with the assessment conducted in 2017. That figure is below the scores of similar companies, which, in the experience of the appraiser, tend to range between 1.8 and 2.1. In short, the level of satisfaction expressed by the directors of CIE Automotive with how the Board and its committees operate is higher than that observed, on average, at other comparable companies.

The study also reveals the progress made during the last three years in terms of both director satisfaction with the Board's functioning and the level of response alignment. That progress is particularly noteworthy in the following areas: board composition; chairman and chief executive performance; committee performance; and director contributions.

It is worth highlighting the fact that half of the Board members spontaneously alluded to the company's strong corporate culture, which is key to delivering results.

Fully in line with the 2020 Risk Map, the area presenting the greatest room for relative improvement (formal authorisation of a dedicated protocol to be officially notified to the Board of Directors) relates to succession plans, warranting an action plan aligned with the measures taken by the HR departments.

BOARD COMMITTEES

Strategy and M&A Committee

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 with respect to the strategic plans and plan updates submitted to the Board of Directors from time to time.

Given the events on the health front, this committee did not meet formally last year.

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 twice in 2020.

Audit and Compliance Committee

Its purview is to oversee the financial and non-financial reporting process and ensure the independence and effectiveness of the internal audit function. Its duties include revising the internal control and financial and non-financial 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 six meetings in 2020.

ESG Committee

This committee is made up of three members and its job is to promote CIE Automotive's ESG strategy.

It met twice in 2020.

DIRECTOR CVS



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. and F&F Inversiones.

**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.

**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 over 26 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 Ángel Ochoa Crespo EAF. 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: honorary 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, honorary member of the Reina Sofía Museum 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 currently sits on the boards of Telefónica and General de Alquiler de Maquinaria (GAM). He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. In addition, he chairs the Spain-China Council Foundation, the Spanish-Chinese Business Advisory Council and the Endeavor Foundation in China. He additionally presided the IEF (acronym in Spanish for the Family Business Institute) between May 2018 and June 2020.



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 has sat on the boards of a number of companies in the manufacturing industry, including 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), Banco Urquijo, S.A. (1994-1998) and Corporación Financiera Alba, S.A. (1998-2020), serving as CEO at the latter. He has served on the boards of numerous listed and unlisted companies across a wide range of business sectors. He currently sits on the boards of Corporación Financiera Alba, S.A., Acerinox, S.A. and Indra Sistemas, S.A.



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, before joining the Mahindra group. He currently presides several Aerospace & Defence and Special Steels subsidiaries and sits on the Executive Committee of Mahindra&Mahindra, Ltd. Previous posts at this group included director of strategy and of brand management. He is the chair of Mahindra CIE Automotive, Ltd.



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.



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.



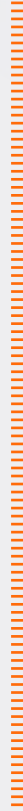
María Teresa Salegui Arbizu
DIRECTOR (PROPRIETARY)

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 and currently sits on the boards of Baztango, F&F Inversiones and BAS.



Arantza Estefanía Larrañaga
DIRECTOR (INDEPENDENT)

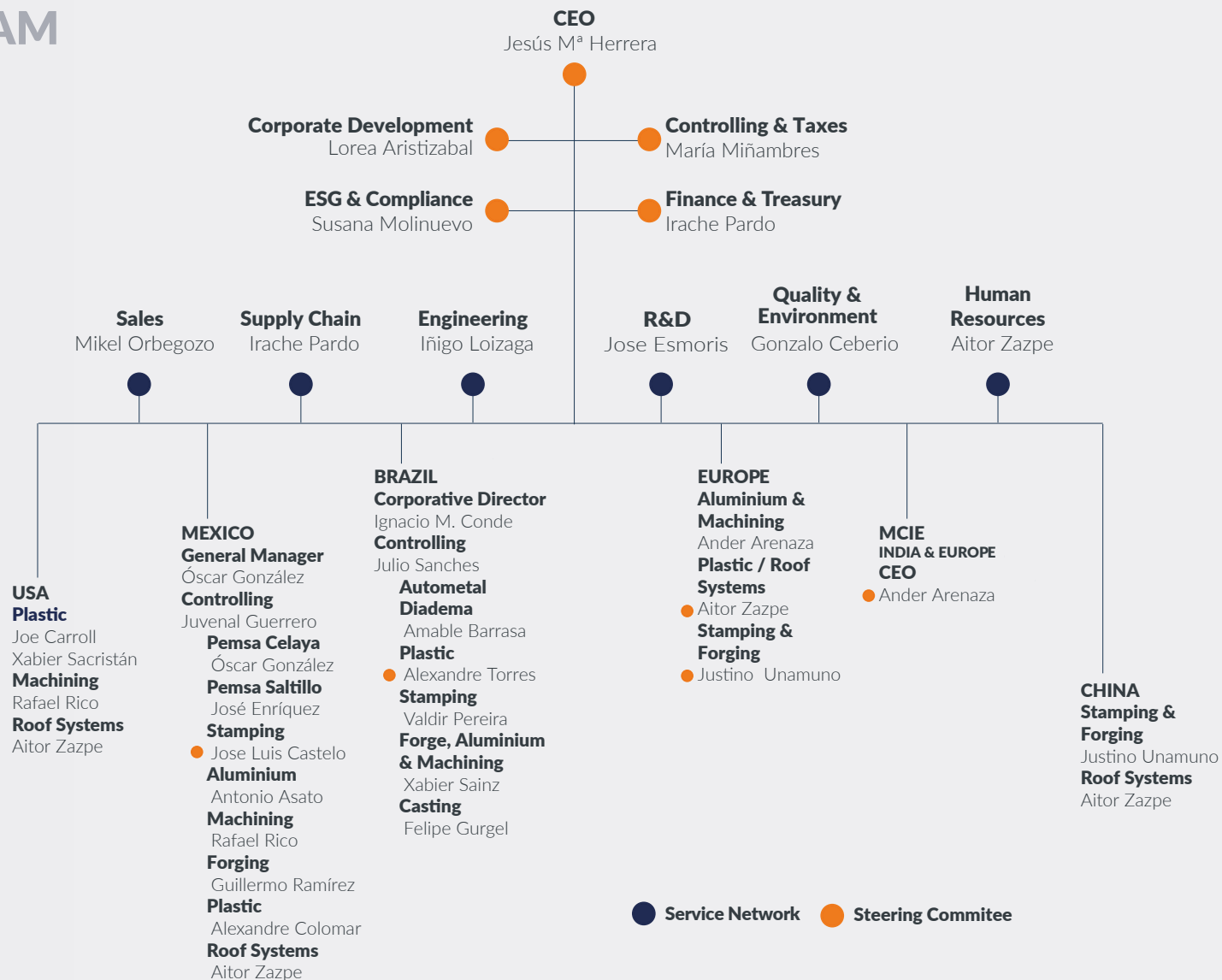
Arantxa graduated in law with highest honours from Deusto University. She boasts over 30 years' experience in corporate law, including her stint as managing partner at the law firm, Uría Menéndez Abogados S.L.P., in Bilbao, from when it was set up in 2000 until January 2019. In recent years she has built up a renowned practice specialising in compliance, white collar crime prevention, and environmental and safety law. At Uría, Arantxa sat on the board, on the professional practice management committee and on the criminal liability prevention committee. She has been named Best Lawyer in Spain many times, a leading lawyer in arbitration and mediation consecutively since 2013 and lawyer of the year in procedural law. She currently sits on the board of directors of Repsol as an independent director; she is also a member of that same company's appointments and sustainability committees. She presides the economic committee of the Basque regional government's economic and social department and is the board secretary at Bilbao Exhibition Centre S.A. Since May 2020 she has been a member of the board of Global Dominion Access, S.A. whose audit and compliance committee she heads up.



*At the 2020
AGM, the
company's
shareholders
agreed to
increase the
number of
directors to 14*

MANAGEMENT TEAM

The management team directly oversees management of the Business Units and coordination with the Corporate Areas with authority across all of CIE Automotive, including the Network Services. There is an Steering Committee which meets periodically and is made up of the heads of the various Business Units and Corporate Areas.



DIRECTOR REMUNERATION POLICY

[CIE Automotive's Director Remuneration Policy](#) stipulates that director remuneration be 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.

Average remuneration in euros for Directors and Senior Management, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender, was as follows:

2019	Total people	Men	Average remuneration €	Women	Average remuneration €
Directors*	5	5	1,357,000	0	-
Senior Management	9	5	954,000	4	307,000

*Remunerated directors: two executive directors, two independent directors and the Chairman.

2020	Total people	Men	Average remuneration €	Women	Average remuneration €
Directors*	6	5	1,096,249	1	53,333
Senior Management	9	5	978,180	4	323,223

*Remunerated directors: two executive directors, three independent directors and the Chairman.

For further details, refer to the notes headed Employee benefits expense and Related-party transactions in the group's consolidated financial statements for the year ended 31 December 2020 and to the 2020 Annual Director Remuneration Report and the Remuneration Policy itself, all of which are published on the corporate website: <https://www.cieautomotive.com/web/investors-website>



Remuneration policy principles

- 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.



The **ETHICS FRAMEWORK** that shapes us

CIE Automotive's actions are guided by its corporate values, which underpin the body of rules put in place to ensure that its people behave ethically; those rules are in turn complemented by compliance oversight and breach remedy mechanisms. The [Code of Professional Conduct](#) and most of the [corporate policies](#) that implement the company's ethics framework were updated between 2019 and February 2021.

CODE OF PROFESSIONAL CONDUCT

The [Code of Professional Conduct](#) provides the organisation's members with principles and guidance for how to conduct themselves professionally. Everyone who works at CIE Automotive is obliged to familiarise themselves and comply with the Code. The group also encourages its business partners (joint venturers, suppliers, customers, contractors and other partners) to align their conduct with the Code and apply equivalent standards of ethics.

The Code itself establishes compliance monitoring and breach remedy mechanisms. The ESG Committee is responsible for supervising due compliance with the Code of Professional Conduct. Any members of the organisation who breach the Code are subject to the penalties contemplated in applicable legislation.

 **CIE Automotive's
rules of conduct**

- Ethical and lawful conduct.
- Respect for people and society.
- Workplace health and safety.
- Ethical relations with authorities and third parties.
- Transparency, integrity and confidentiality.
- Compliance with tax obligations and proper use of public funds.
- Adequate use of firm resources and assets.
- Data protection.
- Respect for intellectual and industrial property rights.

WHISTLE-BLOWING CHANNEL

CIE Automotive has set up a procedure for managing notifications and enquiries with respect to Code of Professional Conduct breaches or anomalies.

All members of the organisation and any of its stakeholder groups may use to it make enquiries or notify unusual activity or breaches of the rules set down in the Code of Professional Conduct using the following channels:



WHISTLE-BLOWING CHANNEL E-MAIL INBOX:

whistleblowerchannel@cieautomotive.com



POSTAL CORRESPONDENCE ADDRESSED TO THE COMPLIANCE DEPARTMENT:

**Alameda Mazarredo 69, 8°. 48009 Bilbao
(Bizkaia), Spain.**



INFORMATION AND COMMUNICATION CHANNEL ON THE INTRANET AND ON THE CORPORATE WEBSITE

The Code of Professional Conduct has been modified to allow the submission of enquiries or notifications anonymously.

The Compliance Department is tasked with handling and analysing any such notifications and enquiries in a confidential manner. The data of the individuals involved are managed in keeping with prevailing data protection regulations in the country in question.

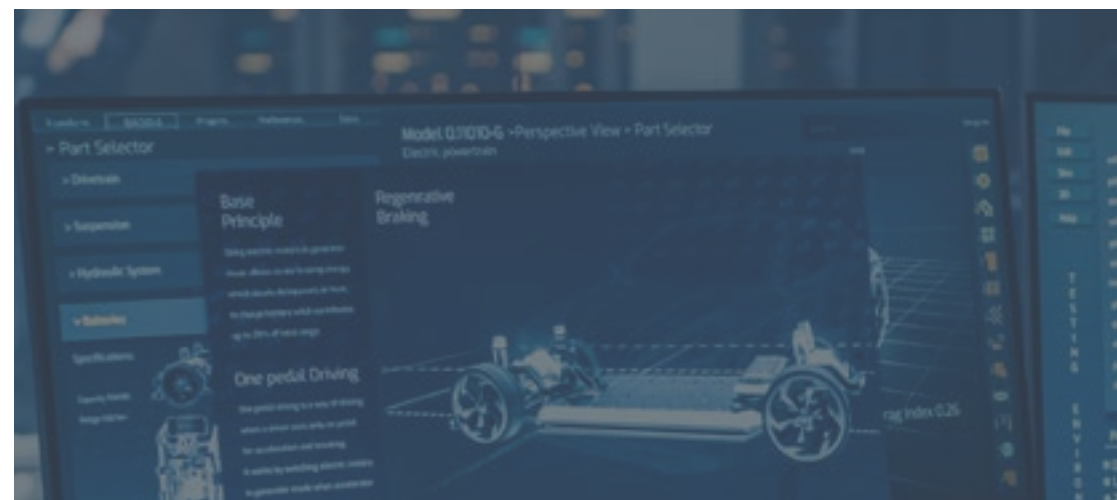
In 2020, the company received 10 complaints through its whistle-blowing channel, eight fewer than in 2019. Those complaints were related with:

- Personnel scheduling for everyday factory work purposes (four complaints in total).
- Workplace harassment (two complaints): potential cases of inappropriate attitudes on the part of managers vis-a-vis factory workers.
- Discrimination (one complaint): failure to guarantee equal opportunities.
- Breach of the Code of Professional Conduct (one): failure on the part of certain employees to uphold the rules of conduct.
- Business management (one): related with the company's dealings with its stakeholders.
- Fraud and corruption (one): malpractice on the part of a professional from one of the factory's purchasing department who required suppliers to pay certain amounts to that professional in order to secure business. Although the amounts involved were not material and the scale of the contracts with the supplier in question did not have a material impact on earnings at the factory involved, the events harmed the group's image and violated its ethics commitment.

In 2019, most of the complaints processed had to do with a lack of professional ethics and breaches of the Code of Professional Conduct (13 out of 18), corruption (three cases) and discrimination (two).

In all of the cases reported in 2020 and notified to the Audit and Compliance Committee, the opportune actions were taken to analyse, monitor and remedy or close the cases.

Those actions included the firing of the employee who participated in the fraud and corruption case reported and intervention by the corresponding executive and HR professionals to address the instances of discrimination and harassment reported and prevent their recurrence via enhanced education on the company's values and Code of Professional Conduct rules.



CORPORATE POLICIES

The ethics framework is implemented by means of a series of corporate policies which are drawn up by the corresponding departments. Those policies are binding upon all members of the organisation. CIE Automotive's corporate policies were approved by the Board of Directors for the first time in December 2015 and most of them have been revised, updated and re-approved between 2019 and February 2021.



ESG policies

- ESG
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and fraud
- Social action



Governance policies

- Internal Control over Financial Reporting (ICFR)
- Control and risk management
- Corporate governance
- Director remuneration
- Corporate tax
- Shareholder and markets reporting and communications
- Shareholder remuneration
- Selection and diversity of the Board of Directors
- Procurement policy and relations with the accounts auditor

The Compliance Department is responsible for overseeing the correct deployment and implementation of all of the group's corporate policies.

Below are examples of its supervisory work in 2020:

- Collaboration with the corporate HR Department to get all of the factory workers to endorse the group's Human Rights Policy. Somaschini, the latest company to be added to the group, has also signed it.
- Launch of two training courses on criminal liability and anti-corruption. After the provision of the related content, participants are asked to complete a test with questions about the Criminal Risk Prevention Manual and the Anti-Corruption and Fraud Policy.
- Development of a training course on the Code of Professional Conduct to be launched in early 2021; this new programme will be global in scope.
- Update of the Control and Risk Management Policy and distribution to the group's Senior Management and Management Team.
- Update of the Regulation of the Board of Directors Regulations and the Regulation of the ESG Committee to comply with the group's commitments in the ESG arena and to align both sets of regulations with the requirements and recommendations issued by the Spanish securities market regulator (CNMV).

ANTI-CORRUPTION AND BRIBERY STANCE

CIE Automotive is committed to combatting corruption in all its forms, including extortion and bribery, and to developing specific and exemplary policies in this arena. That commitment is tangible in its endorsement of the ten principles enshrined in the United Nations Global Compact.

In addition to the Code of Professional Conduct, whose rules include that of tackling fraud and corruption, the company has an official [Anti-Corruption and Fraud](#) policy which stipulates that dealings with public officials and authorities must be governed by the principles of transparency, integrity, objectivity, impartiality and lawfulness.

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.

One of the Internal Audit Department's duties is to oversee that the group companies are operating lawfully and in keeping with the defined corporate values.

As was the case in 2019, no public legal cases were brought against the organisation or its employees in relation with corruption in 2020.

Measures taken to combat money laundering.

The group introduced its Criminal Risk Prevention Model in 2015 and updated it in October 2019 to introduce a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance therewith. The company leverages that model to articulate its effort to thwart money laundering, as well as providing training on the Code of Professional Conduct and application of the various corporate policies.

Measures taken to prevent corruption and bribery

With the aim of impeding or minimising the probability of occurrence of irregular practices and, if any are detected, ensuring their cessation and demanding accountability, in 2020 the company: (i) made specific updates to the Criminal Risk Prevention Manual; (ii) deployed the criminal compliance model in Mexico, Brazil, India and China; (iii) approved, at the Audit and Compliance Committee level, the provision of two training courses on criminal liability and anti-corruption to 250 people, including the members of the Board of Directors, the global senior management team and the global top management team.

Both courses were put together by the Compliance Department and the Secretary of the Board of Directors with the help of an external consultant, Thomson Reuters. The courses concentrate on:

- The company's existing ethics framework and criminal compliance effort: Code of Professional Conduct and Criminal Risk Prevention Manual.

- The governing bodies responsible for those matters: the Board of Directors, Audit and Compliance Committee and ESG Committee, all of which assisted by the Internal Audit Department.
- The policies ([Anti-Corruption and Anti-Fraud](#)) and controls in place to prevent corruption and other irregular practices, the procedures for identifying, evaluating, managing and controlling the potential risks and the associated impacts, and the channels ([whistle-blowing channel](#) and its rules) for reporting potential breaches of the [Code of Professional Conduct](#).

In 2020 the company prepared specific training on the Code of Professional Conduct to be imparted all over the world starting in early 2021 to everyone who works at CIE Automotive.

As indicated above, in 2020 the company received one complaint specifically related with fraud and corruption through its whistle-blowing channel, in response to which it took the steps needed to study, monitor, remedy and close the case. Those actions included the firing of the employee who participated in the case of fraud and corruption reported.

HUMAN RIGHTS PROTECTION

CIE Automotive defends the universal rights set down in the United Nations Global Compact, which the company endorsed back in 2015. That commitment has translated into the Human Rights Policy [Human Rights Policy](#), through which it formally undertakes to respect those universal rights in everything it does, applying the policy not only to its employees but also its customers, suppliers and the communities surrounding its facilities and any of their indigenous peoples.

To that end it formally repudiates child labour, compulsory labour and workplace discrimination; fosters respect for the freedom of association and right to collective bargaining; and complies with prevailing legislation in all its business markets, framed by the internationally recognised human rights and its own Human Rights Policy.

The Human Rights Policy complies with the provisions contained in the International Labour Organisation's fundamental conventions on the freedom of association and the right to collective bargaining. The number of people covered by such agreements is provided in section "Our employee value proposition".

Although all of the factory managers and HR heads endorse this policy, thus committing to comply with it and enforce it, a survey is undertaken annually to identify which plants present human rights violation risks and take any measures warranted. 100% of the factories filled out that survey, with all responding that they had not identified any such risks.

The company therefore does not have business dealings or suppliers that pose a significant risk of presenting incidents of child or compulsory labour or, indeed, dealings or suppliers liable to violate the right to collective bargaining.

Note that the company did not receive any complaints related with human rights violations, understood as breaches of the right to decent work and a living wage, in keeping with the United Nations Declaration, in either 2020 or 2019.

Elsewhere, in 2020 the company drew up a new protocol for the prevention of workplace harassment which is applicable worldwide.

RISK readiness

CIE Automotive has an enterprise risk management (ERM) system to reduce to tolerable levels the risks that, were they to materialise, could jeopardise delivery of its corporate targets. The ERM, as set down in the corporate [Control and Risk Management policy](#), follows ISO 31000 methodology and is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee. In 2020 the company implemented its criminal compliance model in China, Brazil, Mexico and India.

ENTERPRISE RISK MANAGEMENT SYSTEM

CIE Automotive's EGM provides it with reasonable assurance that all significant risks - strategic, operational, financial/reporting (refer to the [Internal Control Over Financial Reporting \(ICFR\) Policy](#) and non-financial, ESG and compliance 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.

Enterprise risk management system - 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.

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

Risk mapping: procedure and scope

Each year, the company's senior executives and management team are tasked with 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):

	5- VERY HIGH	4 - HIGH	3- MEDIUM	2 - LOW	1 - VERY LOW
	>80%	61% - 80%	31% - 60%	10% - 30%	<10%
Materialisation in the past	Risk that materialised > 5 times in last 2 years	Risk that materialised > 5 times in last 5 years	Risk that materialised > 5 times in last 10 years	Risk that materialised between 1 and 4 times in last 2 years	Risk that has not materialised ever or at least for 10 years
Materialisation in the future	Materialisation of the risk would affect the organisation imminently (this year)	Materialisation of the risk would affect the organisation within 1 year (next year)	Materialisation of the risk would affect the organisation within 2 years' time	Materialisation of the risk would affect the organisation within 5 years' time	Materialisation of the risk would affect the organisation in more than 5 years' time

- Based on their impact along three dimensions: economic, organisational and/or reputational:

5- VERY SEVERE	4 - SEVERE	3- SIGNIFICANT	2 - SLIGHT	1 - VERY SLIGHT
Economic impact				
Very severe adverse impact on EBITDA. Impact on the P&L* of > 5%	Severe adverse impact on EBITDA. Impact on the P&L* of between 3.5% and 5%	A significant reduction in EBITDA guidance. Impact on the P&L* of between 1.5% and 3.5%	A slight reduction in EBITDA guidance. Impact on the P&L* of between 0% and 1.5%	No impact on EBITDA
Organisational impact				
Materialisation of the risk requires the intervention of the Board of Directors	Materialisation of the risk requires the intervention of the CEO	Materialisation of the risk can be addressed at the corporate level	Materialisation of the risk can be addressed by the corresponding division	Materialisation of the risk can be addressed by the corresponding factory
Reputational impact				
Loss of reputation on account of several developments that have a serious adverse impact on the company's image and share price	Loss of reputation on account of several developments that have an adverse impact on the company's image and share price	Occurrence of a development or event that is picked up on by high-profile publications and comes to the attention of the regulator/analysts	Occurrence of a development or event that is picked up on by the local media	No impact

*P&L: statement of profit or loss

In total, 66 people participated in drawing up the current risk map (up 14% from 2019). They considered a time horizon of until 2025 and their geographic and technology purviews in providing their answers,

which meant that some respondents were in a position to assess a given risk for more than one region and/or technology.

The 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.

For the second year in a row, the risk mapping process materialised in a detailed report presented top down, by region, by technology and by region and technology. It quantifies, in euros, the impact on EBITDA of the potential materialisation of each risk and the trends in the key risk factors over the past three years in all of the foregoing categories.

New this year is the assessment of the financial impact by region and technology, in addition to the overall impact, and inclusion of all of the controls for each key risk monitored by the internal management tool, SAP GRC.

For the second year in a row, the risk mapping process materialised in a detailed report presented top down, by region, by technology and by region and technology

RISKS EVALUATED IN 2020

Below is a list of the main financial and non-financial risks to which the group is exposed and that are evaluated in the course of drawing up its risk map, classified by the areas that are critical to the company:



People:

- Ability to guarantee the workplace health and safety of group employees.
- Erosion of the corporate culture, the bedrock of the company's successful business model.
- Lack of succession plans for key management personnel.
- Lack of human resources needed to maintain growth.
- Lack of training and talent management policy.



Human rights:

- Code of Professional Conduct breaches by group employees.



Corruption and bribery:

- Fraud and corruption.
- Failure to comply with legislation in any of the company's operating markets.
- Breach of any of the 10 principles enshrined in the United Nations Global Compact, of which the company has been a signatory since 2015 and/or failure to contribute to delivery of certain Sustainable Development Goals (SDGs).



Society:

- Reputational damage as a result of activities not linked directly to the company's operations.
- Non-alignment of the supply chain with the group's ESG commitments.
- Change in market trends.
- Failure to meet customer expectations.
- Management of M&A-led growth.
- Cybersecurity and data protection.



Environment:

- Impact of climate change on delivery of the company's strategic objectives.



Finance:

- Reliability of the financial information disclosed.
- An aggressive tax strategy or risks considered manageable becoming unmanageable.
- Financial risk understood as market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.



The initiatives taken and controls introduced in 2020 to mitigate certain risks deemed priority risks 2019 which no longer rank among the top concerns

2020 RISK MAP

The 2020 risk mapping process revealed growing concerns about cybersecurity and the financial damage its mismanagement could imply, as well as heightened awareness of the scope for fraud and corruption within the company, an area also linked to cybersecurity.

The map also depicts the consolidation as key risks some of those that are intrinsic to the sector and its development, such as change in market trends and customer satisfaction, and one associated with the company's performance, growth and future, namely management of M&A-led growth. Care for the company's most important assets - its people - emerged as a critical factor, along with the associated risks: having adequate training and internal promotion and succession policies.

Elsewhere, it is also worth highlighting the initiatives taken and controls introduced in 2020 to mitigate certain risks deemed priority risks 2019 which no longer rank among the top concerns. The risks so mitigated are the existence of a team to handle the company's growth, compliance and the corporate culture, known as "CIE Culture".

Key risks: description and action plans

Below is an analysis of the main risks depicted in the risk map with an average probability of materialisation during the Business Plan horizon and a moderate impact at the economic, organisational and/or reputational levels: Note that none of the risks has been rated as highly probable or of serious or very serious impact.

RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND LOW POTENTIAL IMPACT



CYBERSECURITY

Cybersecurity, understood as the shielding 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. It is vital to pay particular attention to users and possible improper usage; service outsourcing and potential sources of loss or damage (theft, fire, etc.). In addition, the current health crisis has prompted an increase in remote working arrangements and communication networks are more exposed to potential attacks.

→ Action plan:

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. The services it has worked on to date since embarking on this project:

- The Security Operations Centre (SOC)
- Security Information and Event Management (SIEM)
- Incident Response.

To complement those initiatives, the company also worked to improve its IT system access and usage systems, drew up contingency plans for the loss of data or facilities and upgraded its anti-virus protection. At the end of 2020 it launched a pilot test for raising awareness about cybersecurity which, having been approved, is set to be rolled out across the organisation.



FRAUD AND CORRUPTION

In recent years, we have been witnessing an uptick in fraud (in all of its manifestations and across all regions around the world), a situation only exacerbated by the prevailing global health crisis. CIE Automotive is articulating its anti-fraud effort around a dual objective: (i) prevention and mitigation of possible misconduct; and (ii) disclosure to the market of the internal mechanisms that have been put in place to guarantee the reliability of its financial and non-financial information.

The fact that the group operates in multiple markets all around the world increases its exposure to fraud. To that end, it is working on tightening its anti-fraud controls.

Applicable legislation is increasingly stringent such that the risk of non-compliance is also rising. In Spain, for example, Organic Law 5/2010 had the effect of modifying the Criminal Code in 2010, introducing the concept of criminal liability for legal persons into Spanish law (via article 31 bis, later amended in 2105), specifically making legal persons criminally liable for the commission of certain crime by their officers or employees in the course of discharging their professional duties. As a result, the universe of criminal risks to which legal persons are exposed has increased, specifically to include:

- Liability for crimes committed in the name and on behalf of the legal person and for their benefit by its legal representatives or actual or de facto directors.
- Liability for crimes committed, in the course of company-related activities, on their own behalf and for their own benefit by persons who, by virtue of falling under the authority of natural persons with managerial powers (employees), were able to conduct such crimes as a result of a lack of due control over them

→ Action plan:

CIE Automotive has a Criminal Risk Prevention Model which it uses to identify which crimes could be committed and allocate the internal controls needed to mitigate or eliminate those risks. The model, created in 2015 and updated in 2019 on the basis of a project carried out in collaboration with the external consultant, Deloitte, was implemented locally in Mexico, Brazil, China and India (ongoing) in 2020 and will be implemented worldwide over the course of 2021.

The model is underpinned by a Support Unit made up of:

- CIE Automotive's General Secretary, who is tasked with presiding, managing and coordinating the Support Unit.
- A representative from CIE Automotive's Internal Audit Department.
- Any professionals called on for their expertise.

The unit has independent intervention and control powers within the organisation and its mandate is to oversee compliance with the corporate Criminal Risk Prevention Model.

The additionally company relies on that model to prevent money laundering by leveraging its internal control system (via the SAP GRC module) to ensure compliance with legislation and the internal policies and procedures put in place to mitigate these risks.

Lastly, it is worth highlighting the launch, at the end of 2020, of training courses addressing criminal liability and anti-corruption aspects. Those courses have been provided to the members of the Board of Directors, Senior Management and much of the management team. In 2021, a year in which the company is also planning to provide worldwide training on the Code of Professional Conduct, the cornerstone of the Criminal Risk Prevention Model, the goal is to provide those courses to everyone at CIE Automotive.



CHANGE IN MARKET TRENDS

The automotive industry is undergoing disruptive changes for which the company needs to be prepared by maintaining the flexibility required to adapt to customers' unfolding or future demands, as well as increasingly stringent regulations.

New mobility technology (e.g., electric vehicles and diesel engine evolution) is reducing demand for some of our strategic products, while creating demand for new ones (electronics, etc.) for which the company is analysing a range of alternatives. The resulting idle capacity around the world is intensifying competition and exerting strong downward pressure on prices, squeezing margins.

On the telecommunications front, the advent of smart factories (Industry 4.0) may imply operational changes on which CIE Automotive is already working. For example, the new skill-sets required will impact its HR management. The inability to respond could lead to major difficulties in securing new business or maintaining existing business with an attendant loss of competitiveness in certain regions, warranting major restructuring to boost internal efficiency.

→ Action plan:

The company is working on remaining flexible vis-a-vis new trends and on readiness to adapt to customers' existing or future needs. The main lines of initiative being pursued are:

- Integrating electric vehicle parts (in the battery, motor and electronics categories, for example) into its product portfolio by setting annual sales targets, poised for the anticipated growth in market and customer volumes.
- Focusing the sales effort on functions not affected by electrification. Thanks to its technological and geographic diversification, CIE Automotive is well prepared for adapting to market shifts. That is evident in the fact that over 80% of its product portfolio can be used in any vehicle.
- Planning for the decline of the diesel engine and maximisation of capacity utilisation in petrol engines.
- Being a local supplier in a global market. Setting up close to the OEMs and not having to depend on global supply chains. In short, continuing to hone one of the group's core strengths: multiple locations.



FAILURE TO MEET CUSTOMER EXPECTATIONS

Suboptimal management of new projects and/or operations could lead to a failure to uphold the defined standards and potential breaches of contract (e.g., deadlines, milestones, quality specification), including the possibility of having to recall a product. In the event of such breaches, customers could potentially seek the supply of parts even while the issue gets remedied, or throughout the course of a lawsuit.

In addition, in the current global health crisis many of our customers are losing money or seeing their margins tumble, which is placing extra pressure on prices and driving production relocation to new regions, mainly in Asia; this has adverse consequences for the group's factories in the region via heightened competition and lower prices.

All of which would have a clearcut impact on the group's ability to manage and generate margins.

→ Action plan:

Although the group does not have a single or specific plan for mitigating this risk factor, all of its divisions and regions are working to improve their productive processes in a bid to become more efficient as well as more flexible in terms of adapting to customer demands.



SUCCESSION PLAN FOR KEY MANAGEMENT PERSONNEL & TRAINING AND PROMOTION POLICY

The current over-reliance on key management personnel, most of whom are over the age of 50, and the absence of a defined contingency plan could have an adverse effect on the company's business if it were to lose any such personnel via instability in decision-making, discoordination of everyday activities or the loss of the know-how needed to carry on the business.

That is why it is key to agree a unified training and promotion plan with the aim of planning, appraising and enhancing professionals' current and future skillsets in terms of delivering CIE Automotive's strategic objectives and preventing the various regions from acting in an individual and uncoordinated manner. Moreover, the need to continuously hire and train professionals is set to remain a major challenge in the years to come.

→ Action plan:

The corporate HR Department, together with the senior management team and the various regions and business divisions, has put together succession plans for the positions identified as key to delivery of CIE Automotive's strategic objectives and designated successors or defined strategies to be pursued to ensure that the company would not be affected in the event those individuals were no longer available. In parallel, it has stepped up both general and personalised training programmes, as is evident in the steady increase in training hours in recent years. Motivation and talent management that translate into a sense of pride in belonging are critical.

Lastly, it is important to note that the ESG strategy formulated by the ESG Committee and the Board of Directors, which is strongly championed by the CEO, includes a specific line of action and KPI for monitoring that this risk does not materialise and have an impact on the company.



MANAGEMENT OF M&A-LED GROWTH

As envisaged in the Business Plan, the current pace of M&A-led growth requires tighter control over operations and investments. The integration of new firms into the group requires an initial effort in order to adjust their respective cultures and ways of doing things to align with CIE Automotive's management methods and profitability thresholds. In addition, the existence of local partners (joint ventures and/or partnerships with public and private enterprises and organisations) is a source of potential corruption, compliance, conflicts of interest and reputational risks which could have a direct impact on the company's performance. To mitigate these risks, CIE Automotive works hard to embed its business model and corporate culture at newly acquired companies.

Lastly, the prevailing global health crisis and the attendant limits on mobility could imply a change in the management model by impeding the deployment and expatriation of personnel to help with the integration of new companies.

→ Action plan:

With the aim of speeding up and improving the integration of newly acquired companies into the group, the company is taking the following steps:

- Involving the management team in M&A transactions.
- Defining and implementing a clear management model designed to enable the company to assume control over new acquirees rapidly.
- Fostering the readiness and availability of key internal managers to tackle new integrations.



RISKS MITIGATED IN 2020

Thanks to the actions taken in 2020, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priorities in 2019, and, therefore, no longer deemed in need of priority attention in the 2020 risk map.



SHORTFALL OF 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 that 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. The company's human capital must embody the knowledge, skills, experience and authority needed for the adequate assumption of responsibilities. It is important to prevent the saturation of the project management teams.

→ Action plan:

The corporate HR department, together with the senior management team and the various regions and business divisions, has rolled out 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.
- Career development programme for executives and middle managers at each business unit.



FAILURE TO COMPLY WITH LEGISLATION IN ANY OF THE COMPANY'S OPERATING MARKETS

The company's senior officers and executives need to guarantee oversight and control of local, environmental, social and labour legislation and specific regulations in the regions in which it does

business, paying particular attention to potential political conflicts and legislative developments (abnormal market situations) that could result in financial losses, such as government changes, new global agreements (e.g. USMCA), new safety standards that oblige the discontinuation of certain models, bans on driving diesel engine cars in large cities, the impact on consumption of trends in consumer credit by regions, etc.

→ Action plan:

For the first time, in 2020 the company launched two courses on the online platform covering criminal liability and anti-corruption to reaffirm the company's commitment to upholding the law. In parallel, the rollout of the criminal compliance model in Mexico, Brazil, China and India also helped reduce the level of perceived risk.



LOSING CORPORATE CULTURE IN THE COMPANY'S CURRENT AND FUTURE ENVIRONMENT

The corporate culture (*CIE Culture*) encompasses the regulations, values and rules of conduct shared by everyone at CIE Automotive and is shaped by factors such as the personality of the senior officers,

the company's history and our surroundings. The CIE Culture is an integration factor and the senior officers are well aware that it is an area that needs work and alignment with the company's strategic objectives so as to create a consistent identity in every respect.

In the current environment of constant growth and international expansion, the absence of a corporate culture strongly aligned with the company's corporate objectives could undermine the ability to deliver the latter and result in deficient compliance effort and/or shortfall of transparency.

→ Action plan:

In 2020 the company distributed CIE Automotive's Code of Professional Conduct (which was updated in October 2019) globally, getting all its recipients to formally endorse it. That effort has helped cement and reaffirm the group's values across its manufacturing facilities, while increasing the level of ESG training provided to the company's employees. In early 2021, training on the Code of Professional Conduct is set to be provided globally, as noted elsewhere in this report.

CONTINUOUS IMPROVEMENT OF THE RISK MAP

Continuous improvement of the risk map:

- CIE Automotive continues to work to integrate strategic risk management at the operational level (i.e., risk management at the factory level by process in order to obtain IATF certification) into a single reporting tool whose reports will be published on the corporate intranet.
- The company plans to launch new controls in the criminal liability area, thanks to the global rollout of the compliance model.
- Lastly, it plans to develop the management of risks related with climate change, so complying with the corresponding EU Directive

CIE Automotive continues to work to integrate strategic risk management at the operational level into a single reporting tool whose reports will be published on the corporate intranet

RISK CONTROL AT THE INDIVIDUAL FACTORY LEVEL

CIE Automotive has defined 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 factory 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 (Strengths, Weaknesses, Opportunities and Threats).

CRIMINAL RISK PREVENTION MODEL

CIE Automotive put its Criminal Risk Prevention Model in place in 2015. There is a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Criminal Risk Prevention Model. The company relies on this Model in order to mitigate the risk of money laundering within the group.

CIE Automotive analyses the level of maturity attained by its compliance model regularly. During its last update, carried out between 2019 and 2020, it decided to identify the most significant subsidiaries in terms of criminal compliance, analyse the differences with respect to the legislation applicable in Spain and adapt the model to suit each country's characteristics. China, on account of its fast growth within the group and its increasing regulatory stringency, was the first country chosen for the international rollout of the criminal compliance model, in collaboration with the consultancy, Deloitte.

International rollout of the *criminal compliance model*

In 2020, the company implemented its criminal compliance model in China, Brazil, Mexico and India.

The work began with a regulatory benchmarking exercise to map out the regulations applicable in each jurisdiction, followed by the process of designing the corporate standards for controlling the main criminal risks to which the various regions are exposed. To design the new models, the company started from the compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

Once that was done a series of questionnaires were sent to the subsidiaries to identify criminal risks and controls for subsequent analysis and inclusion, along with the suggestions for improvement and other specific considerations.

That ultimately gave rise to an Action Plan which establishes the requirements stipulated in applicable legislation (the essential elements) as well as recommendations and lines of initiative to improve the model.

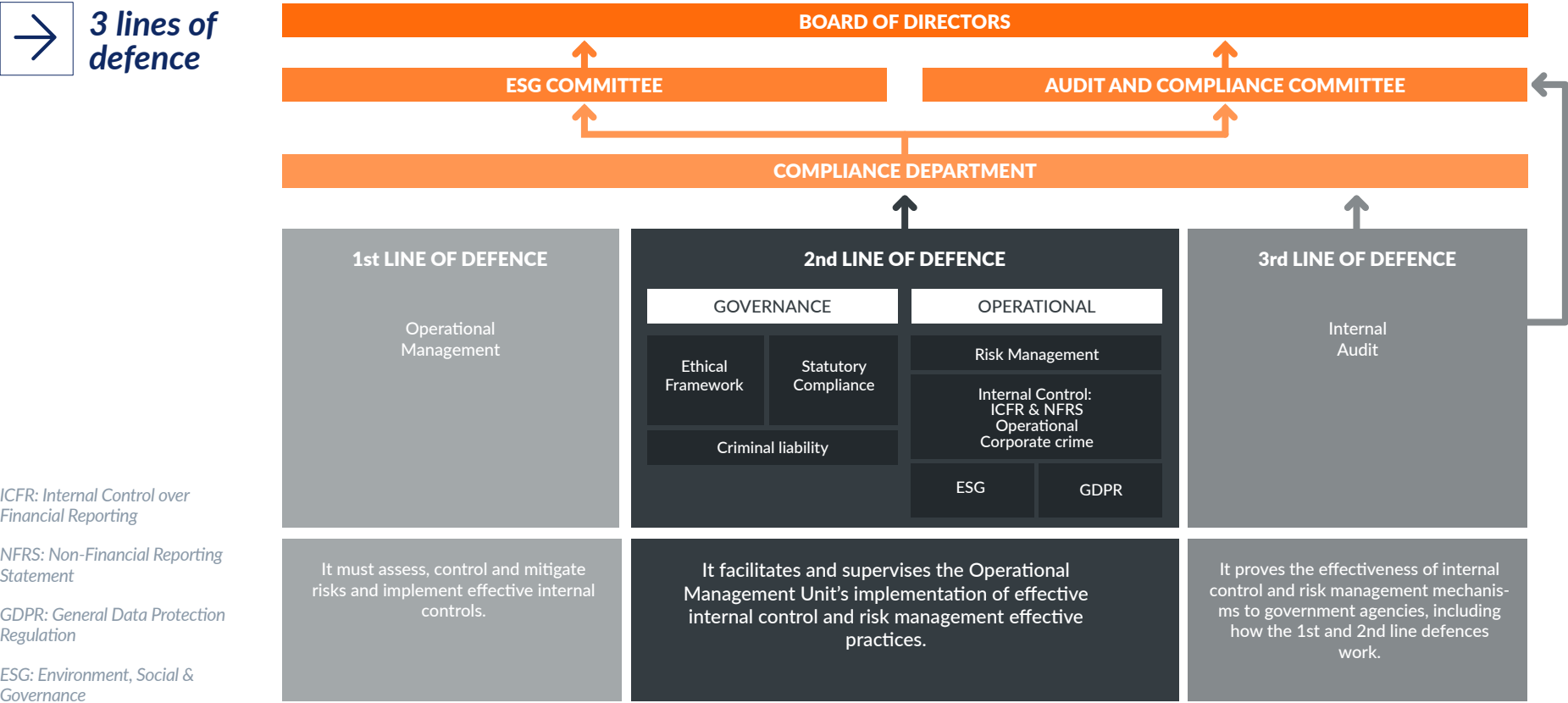
IMPACT, OVERSIGHT AND CONTROL

The risk oversight and control functions are performed via the Risk Management and Process Control modules of the SAP GRC tool operational in all of its productive facilities worldwide. Those modules define a specific number of controls (many of which are automatic) for each risk factor to be performed by different people. Due performance of those controls is monitored by the group's Compliance Department.

The results of the entire effort are the subject of a review by the Internal Audit Department as part of its Annual Audit Programme.

INTERNAL CONTROL SYSTEM

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

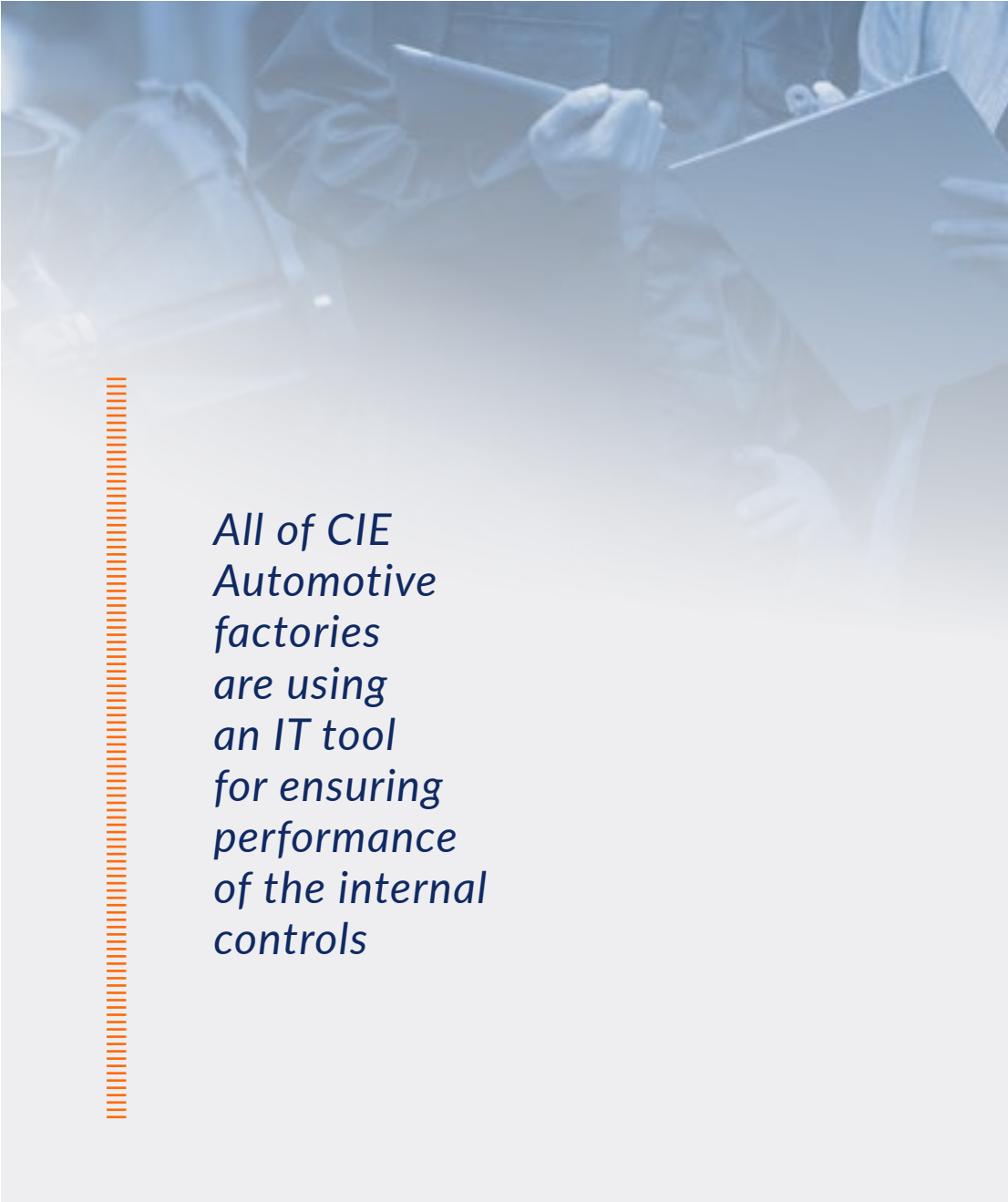


The Compliance Department is responsible for continuously reviewing and updating the internal control system and ensuring compliance with external regulations and the policies and procedures in place for mitigating the main legal, corruption and fraud risks. It is also in charge of the Criminal Risk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

All of CIE Automotive factories are using an IT tool for ensuring performance of the internal controls. That tool is SAP GRC (Governance, Risk and Compliance), 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 that procedure, CIE Automotive is supervising compliance with more than 200 financial (ICFR) and non-financial (ESG, criminal liability and data privacy) controls per facility.

Elsewhere, the Internal Audit Department, as part of its Annual Programme, 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 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.



***All of CIE
Automotive
factories
are using
an IT tool
for ensuring
performance
of the internal
controls***

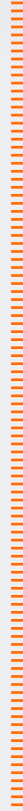
COMPLIANCE MODEL

In 2019, in collaboration with Deloitte, the company conducted a compliance maturity analysis in order to bring CIE Automotive's model to the desired level; in 2020, it continued to execute the tasks derived from the action plan resulting from the analysis.

TASKS PERFORMED

1. **Analysis and identification of the regulatory universe and key compliance aspects, with a special emphasis on criminal liability legislation in Spain, Mexico, Brazil, India and China.**
2. **Rollout of CIE Automotive's compliance model in Mexico, Brazil, India and China.**
3. **Interviews with the company's compliance heads to understand the current situation and their expectations and targets.**
4. **Benchmarking of the company's current situation against best market practices (UNE 19601 standard) along different dimensions: governance and leadership; rules, policies and procedures; risk identification and assessment; training and communication; reporting; code of professional conduct and whistle-blowing channel; oversight; third-party compliance.**
5. **Identification of areas for improvement and gaps with respect to each dimension and execution of the following actions:**
 - a. **Governance and leadership:** definitions of the compliance-related duties and responsibilities corresponding to the dedicated ESG Committee (formerly known as the CSR Committee), the Audit and Compliance Committee and the company's senior officers in drawing up the Compliance Manual.
 - b. **Rules, policies and procedures:** addition of new controls to the Criminal Risk Prevention Model and identification of the most significant subsidiaries in terms of criminal compliance, analysing the differences with respect to the legislation applicable in Spain and adapting the control activities for each country. The Criminal Risk Prevention Model was implemented in all subsidiaries in Mexico, Brazil, India and China, and the prevailing model in Spain was updated.
 - c. **Risk identification and assessment:** new controls have been added to the prevailing model to mitigate the risk of criminal conduct and new crimes (criminal conduct) have been introduced as a result of the benchmarking of the Spanish model against the other regions in which the compliance model has been rolled out. Work to mitigate those new risks will begin in 2021.
 - d. **Training and communication:** work has begun on a Training Plan for the prevention of criminal conduct and corruption which has been initially addressed at the Board of Directors, senior offices and senior executives; preparations have been made to extend training on the Code of Professional Conduct to all employees in 2021.

- e. Reporting:** in addition to the regular reports to the Audit and Compliance and ESG Committees and to the senior officers and executives, the plan is to add a dashboard with non-financial information to each factory's management plan in 2021 which will include indicators tracking the effectiveness of the compliance model. Note that the dashboard was approved by the Board of Directors and the ESG Committee in July 2020 and is being actively championed by the company's CEO.
- f. Code of Professional Conduct and whistle-blowing channel:** work continued on the introduction of termination clauses for contracts entered into with third parties that entitle CIE Automotive to terminate them in the event of mala praxis by counterparties in relation to the compliance model or the Code of Professional Conduct.
- g. Oversight:** the company has identified and determined indicators that track the effectiveness of the model, any deficiencies detected and the execution of any action plans underway at the recommendation of prior reports.
- h. Third-party compliance:** the company has improved how it analyses and studies professional or business relationships before entering into them, so minimising the possibility that the group may be held liable for materialisation of a corruption related risk.



All information regarding the suite of corporate policies and the Compliance Model is published on the group's corporate website and in the various reports the company is required to file with the regulator annually



Progress on **ESG** management

CIE Automotive generates shared value for the company and its stakeholders by integrating social responsibility criteria into its business model, business strategy and everyday activities. In 2020 the company made further progress on crystallising its commitment to Environmental, Social and Governance (ESG) criteria by drawing up a new dashboard for all of the factories with 79 ESG indicators. In parallel, it provided its employees with ESG-specific training, updated its corporate documents to include sustainability criteria and surveyed its stakeholders to understand their concerns in order to fine-tune its reporting effort in response.

COMMITMENT TO THE 2030 AGENDA

In October 2015, CIE Automotive formally endorsed the [United Nations Global Compact](#) and its 10 principles, thus placing its commitments to human, labour and environmental rights and to fighting corruption and fraud on public record. Five years on it is a signatory member of the [Spanish chapter of the Global Compact](#). It has fully embraced its role as an agent of change and is making progress on the integration of ESG criteria into its management in a bid to help deliver the United Nations 2030 Agenda by contributing to some of the corresponding Sustainable Development Goals.



In its capacity as manufacturer of parts and subassemblies for the automotive industry, its contribution is more tangible in respect of eight specific goals (ODS 3, 4, 5, 8, 9, 10, 12 and 17). It provides an account of its progress on those specific goals in this report:

3 GOOD HEALTH AND WELL-BEING 	3. HEALTH AND WELLBEING Ensure healthy lives and promote well-being for all at all ages. → We ensured EMPLOYEE safety	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation. → Our strategic focus on TECHNOLOGY and INNOVATION
4 QUALITY EDUCATION 	4. QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. → We reaffirmed our COMMUNITY commitments	10 REDUCED INEQUALITIES 	10. REDUCED INEQUALITIES Ensure equal opportunity and reduce inequalities of outcome; maintain a presence in less developed countries. → A resilient BUSINESS MODEL → Progress on the diversity front
5 GENDER EQUALITY 	5. GENDER EQUALITY Empowering women and girls has a multiplier effect and helps drive up economic growth and development across the board. → Progress on the diversity front	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	12. RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns. → Our COMMITMENT to excellence and sustainability → We stepped up collaboration with our SUPPLIERS → We offered our CUSTOMERS solutions they can count on
8 DECENT WORK AND ECONOMIC GROWTH 	8. DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all. → We ensured EMPLOYEE safety	17 PARTNERSHIPS FOR THE GOALS 	17. PARTNERSHIPS TO DELIVER GOALS Strengthen the means of implementation and revitalise the global partnership for sustainable development. → We reaffirmed our COMMUNITY commitments → Our COMMITMENT to excellence and sustainability → Our strategic focus on TECHNOLOGY and INNOVATION

Nearer to home, in our capacity as signatory member of the Spanish chapter of the Global Compact, which encompasses over 640 organisations, work is done in alliances in order to generate greater value for the businesses and their communities.

ESG POLICY IN ACTION

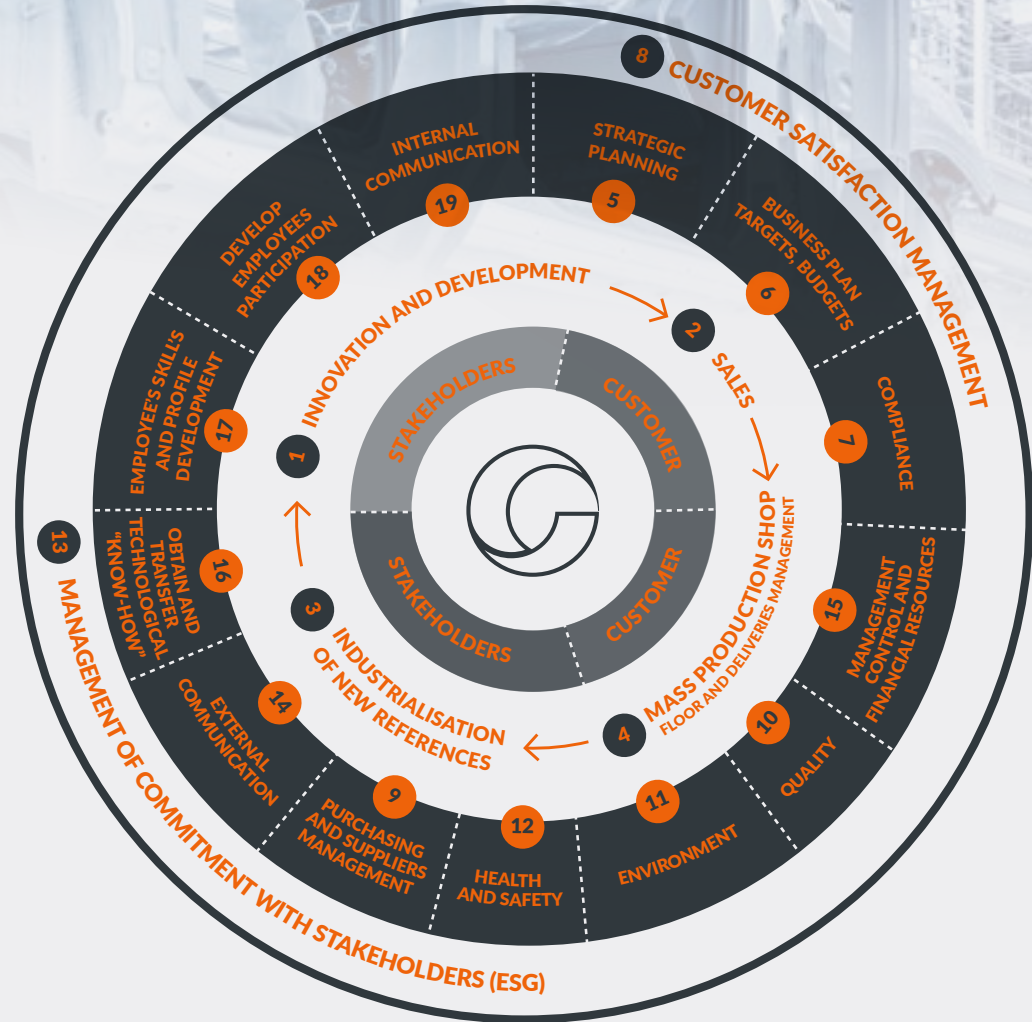
The company's environmental, social and governance (ESG) principles and framework are set down in the [ESG Policy](#), which lays out how social responsibility must ground the business model, strategy and productive processes.

Effective application of the ESG Policy and management of the risks associated with it are addressed in the [Risk Management and Control Policy](#), updated in 2020, which follows ISO 31000 methodology.

ESG and sustainability management are supervised by the ESG Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group ESG Committee.

To measure its performance along the different dimensions of its ESG effort, CIE Automotive established 79 ESG indicators for tracking at the global level; those KPIs are set to be included in each factory's management plans.

➔ How ESG is integrated into CIE Automotive's processes



CROSS-GROUP ESG COMMITTEE

- Permanent member
- Non-permanent member



● **Susana Molinuevo**
ESG & Compliance



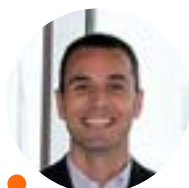
● **Aitor Zazpe**
Human Resources &
Business Management



● **Lorea Aristizabal**
Business Development



● **Gonzalo Ceberio**
Quality & Environmental
Management



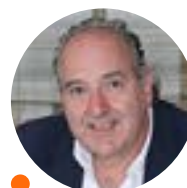
● **Iker Hernández**
Internal Control &
Risk Management



● **Mikel Orbegoza**
Sales



● **Irache Pardo**
Finance, Treasury &
Supply Chain



● **Ángel Zalduegui**
Community work



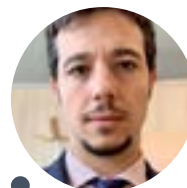
● **Iñigo Loizaga**
Engineering



● **María Miñambres**
Control & Tax



● **Jose Esmoris**
R&D



● **Javier Alvarez**
Human Resources

ESG and sustainability management are supervised by the ESG Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group ESG Committee

ROLLOUT OF NEW ESG INDICATORS AND OTHER PROGRESS

Following delivery in 2019 (one year ahead of schedule) of the targets set in the CSR Plan, CIE Automotive continued to work throughout 2020 towards the full integration of its ESG criteria into its management.

One of the most important initiatives was the formulation of a new dashboard with 79 ESG indicators and its integration into all of the factories' management plans. Each manufacturing facility is obliged to report those indicators. The expectation is that this new reporting effort will take place via the corporate intranet from the first quarter of 2021.

Approval of the new dashboard by the ESG Committee and the company's CEO evidences the company's commitment to environmental, social and governance values, while laying the groundwork for the upcoming ESG Plan.

Other progress made in 2020

In addition to the dashboard, progress was also made on the following fronts last year:

→ Updated rules and regulations

Over the course of the year, the company updated a number of its internal rules and regulations in order to include its ESG commitments (Board Regulations, ESG Committee Regulations, ESG Policy, Risk

Management and Control Policy, Internal Audit Statute and Manual). The company also formulated its Compliance Manual.

→ Rollout of the criminal compliance model

To implement the Compliance Model all across the group, the company proceeded to detail the control measures (rules, policies and procedures) applicable in each region, analyse the differences with respect to the legislation applicable in Spain and adapt the model as necessary for the characteristics specific to each country.

→ Training

As part of the company's effort to boost familiarity with corporate criminal liability and the anti-corruption matters, in 2020 CIE Automotive launched two online training initiatives: (i) specific training for the members of its Board of Directors, Senior Management and global executive team, which is scheduled for completion in early 2021; and (ii) worldwide training on the contents of the Code of Professional Conduct which is slated for deployment in early 2021.

The purpose of the courses is to familiarise and engage employees with the company's policies and bodies in these key areas and the tools and procedures in place for ensuring they are complied with and to raise broad awareness of their importance and benefits.

→ Materiality

The group analysed the topics of greatest importance to its stakeholders in order to update its materiality matrix. The outcome was the addition of new topics, which have been taken into consideration in drafting this integrated Annual Report, as is detailed in section "Materiality" below.

STAKEHOLDER ENGAGEMENT

Thousands of people and hundreds of institutions contribute to CIE Automotive's business activities or are affected by them. In order to systematise its knowledge of that diverse web of stakeholders and thereby try to meet their expectations, the group has identified nine key groups:

Shareholders	CIE Automotive generates value for its shareholders by increasing the company's value and via 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 wellbeing in a safe and healthy workplace. It facilitates collective bargaining. It promotes respect for human rights with an emphasis on the 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 and the 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.

In order to facilitate stakeholder engagement, the company has set up a series of information and communication channels, the most important of which is its corporate website, which houses all manner of information about the company; it also provides access to other dedicated channels such as the [Suppliers Portal](#) and the [Investors and Shareholders](#) tab within the corporate website.

Communication channels and contact details

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 tab with information for investors and shareholders containing all the documentation required under securities market regulations (CNMV Circular 3/2015).
Specific contacts for each stakeholder group	ESG and Society: Susana Molinuevo esg@cieautomotive.com Professionals: Aitor Zazpe 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: CIE Automotive's Compliance Department 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 Professional Conduct through this channel. Ethical channel e-mail inbox: whistleblowerchannel@cieautomotive.com



***CIE Automotive
was one of the
few listed
companies
whose 2019
Non-Financial
Statement was
carried
unanimously
at the Annual
General Meeting***

ANNUAL REPORT

CIE Automotive reports on its performance along the economic, Environmental, Social and Governance (ESG) dimensions in a single integrated Annual Report.

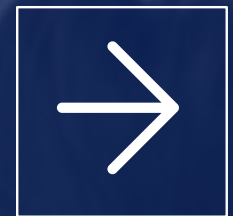
The 2019 Annual Report, published in February 2020, once again ranked very well on Informe Reporta, an assessment of the quality of the information reported by the companies listed on the Madrid stock exchange by analysing 36 indicators related with the principles of importance, relevance, transparency and accessibility.

The company ranked sixth on that list, scoring 85 out of 100 points, a 4% improvement on its prior-year performance. That mark is significantly above the average obtained by the companies evaluated - 46.5 points - and the average score of 49.7 points obtained by the companies populating the "Basic Materials, Manufacturing and Construction" subcategory to which CIE Automotive belongs.

Also evidencing the effort put into the report, the jury awarding the nineteenth edition of the AECA Awards for Corporate Transparency distinguished CIE Automotive as the firm with the best integrated report in 2019.

The 2020 Annual Report contains all of the information pertaining to the non-financial statement, an integral part of the documents that have to be authorised by the Board of Directors before submission for shareholder approval at the Annual General Meeting; the non-financial report must be approved by the shareholders as a separate agenda item to the financial and corporate governance information.

ABOUT THIS REPORT



METHODOLOGY

This Annual Report provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, Environmental, Social and Governance dimensions (ESG) dimensions in 2020 in all of the countries in which it is present.

To correctly interpret the financial and non-financial data contained in this report, the reader should note the first-time consolidation of the Somaschini group of companies, domiciled in Italy.

HOW THE NON-FINANCIAL INFORMATION WAS PREPARED

CIE Automotive's 2020 Non-Financial Statement (NFS) provides information about the performance of CIE Automotive, S.A. and its investees along ESG dimensions during the reporting period in the 16 countries in which it has operations and includes information for the group of companies most recently consolidated: Somaschini. Section 6.5 links that information with the group's disclosure requirements under Spain's Non-Financial Reporting Act.

The non-financial information was drawn up in keeping with the non-binding guidelines on non-financial reporting issued by the European Commission on 5 July 2017 (EU Guidelines 2017/C 215/01) and version 2016 of the GRI sustainability reporting guidelines (In-

accordance option: Core). The information has been independently assured by PricewaterhouseCoopers, which is also the group's statutory auditor. The Audit and Compliance Committee is tasked with ensuring that firm's independence.

The non-financial information, which is part of the NFS, included in this report was compiled with the input and oversight of the heads of all of the various departments and areas:

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

- The Board of Directors is ultimately responsible for approving it for issue, along with the Directors' Report. The Board of Directors is kept regularly abreast of the most significant ESG matters by its ESG Committee.

This report expounds on the relevant topics identified in the course of the materiality analysis conducted with stakeholder groups between 2019 and 2020 (as detailed in section 6.2.2 below), topics deemed material on account of their importance to the various stakeholders and to the company and the extent to which they are being duly addressed by the latter.

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 corporate website: [annual financial statements and directors' report](#), [Annual Corporate Governance Report](#) and [Annual Director Remuneration Report](#), along with all of the presentations published about different aspects of the group. Some of that information is included in the sections devoted to specific stakeholder groups.



HOW THE ANNUAL REPORT WAS PREPARED

This report expounds on the relevant topics identified as a result of the materiality assessment conducted in 2017 and updated most recently between 2019 and 2020 on the basis of questionnaires and analysis carried out to detect the topical issues deemed most important due either to the significance for the company and its stakeholders or due to the perception they are receiving insufficient management attention within the organisation.

Throughout the entire process of collecting and presenting its financial and non-financial 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 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.

The Annual Report was compiled with the input and oversight of the heads of all of the various departments and areas. The Marketing and Communication Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group ESG Committee.

MATERIALITY

CIE Automotive's 2020 Annual Report attempts to provide information about the matters deemed relevant to the company and its stakeholders.

In order to understand its stakeholders' expectations and plan an appropriate response, between 2019 and 2020, with the help of an external consultant, Deloitte, CIE Automotive reviewed and updated the materiality assessment conducted in 2017, when it identified which aspects were most important to both the company and the parties with a vested interest in its activities. To conduct that assessment, it consulted internal and external sources and, in 2018, complemented that analysis following the ESG 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 ESG issues of greatest concern in each country.

Note that the workshops scheduled for 2020 had to be postponed on account of the health crisis induced by COVID-19; the plan is to reschedule them in 2021 and for them to take place remotely rather than in-person.

To review and update the assessment, the company analysed the topics considered material for CIE Automotive, sustainability trends and commitments, media coverage, regulatory developments and the materiality analyses performed by peers. The update also factored in the demands of the analyst and investor communities, among other stakeholders.

→ HOW DID WE DO OUR MATERIALITY ASSESSMENT?



→ Materiality assessment: CALCULATING SIGNIFICANCE

The significance ascribed to each of the possible material topics emerging from the materiality assessment was calculated on the basis of two variables: importance with respect to each of the ESG categories analysed and weightings. The weightings were assigned as a function of the importance of the sources of information for CIE Automotive.

MATERIAL TOPICS

As a result of that exercise, 23 topics emerged for validation, five of which are new material topics: circular economy; employee wellbeing; equality, diversity and inclusion; product quality and safety; and stakeholder engagement. In addition, three material topics (workplace health and safety; compliance and environmental impact) were reiterated in 2020 (they had been included under several similarly named topics in 2018).

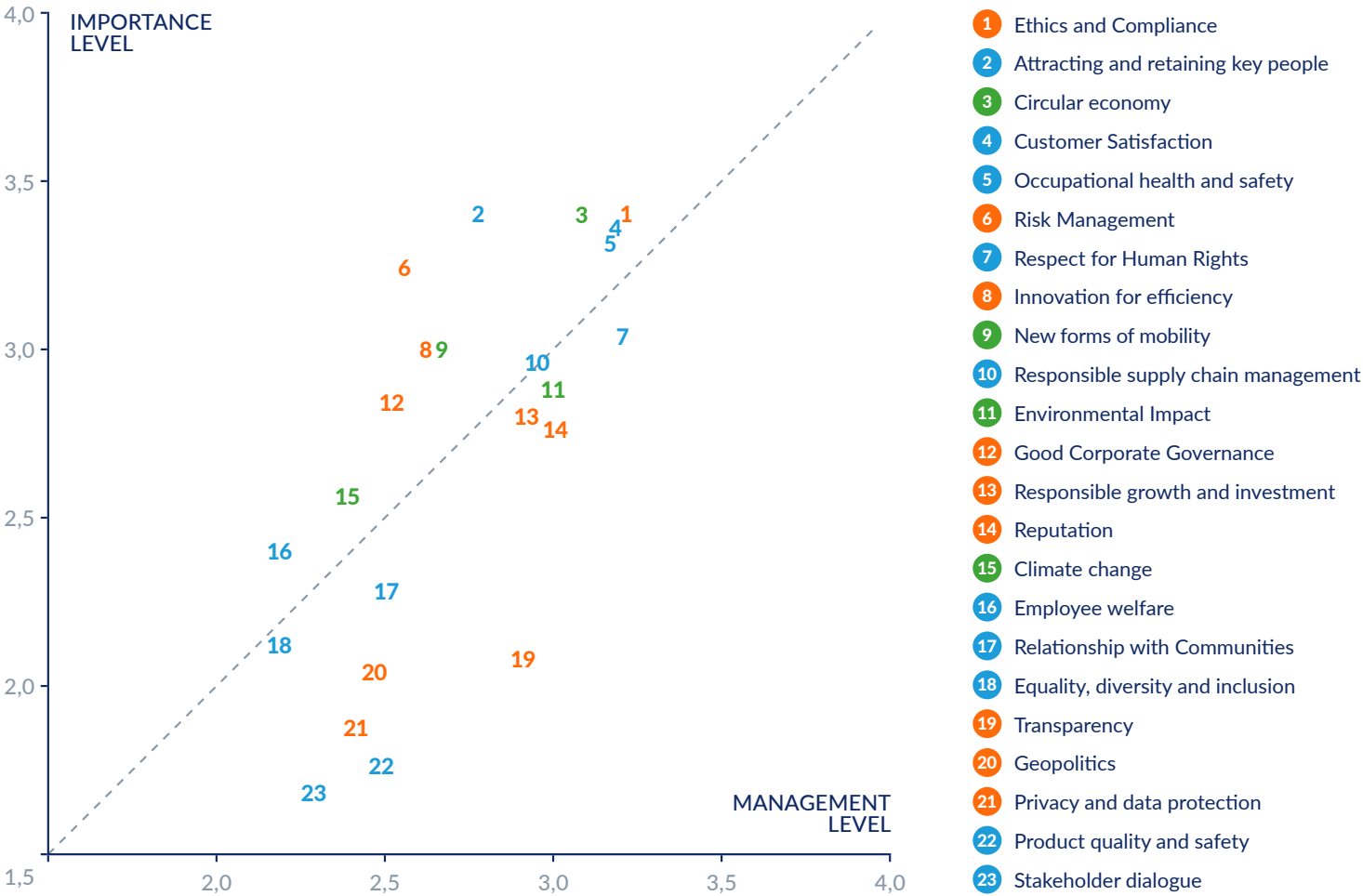
The topics increasing in importance the most were new forms of mobility (+5) and innovation to drive efficiency (+3), together with the new material topics identified in 2020, whereas transparency and reputation emerged as of significantly less concern (-10), thanks to the hard work put into that area.

DIMENSION	MATERIAL TOPIC 2020	Ranking 2020	Ranking 2018	YoY change	Section
GOVERNANCE	Ethics and compliance	1	1	0	- Our COMMITMENT to excellence and sustainability - The ETHICS FRAMEWORK that shape us - Progress on ESG management
SOCIAL	Expert talent management	2	5	1	- We ensured EMPLOYEE safety - Data tables and glossary
ENVIRONMENTAL	Circular economy: efficient use of resources and waste management	3	New	New	- We renewed our ENVIRONMENTAL commitments - Data tables and glossary
SOCIAL	Customer satisfaction	4	2	0	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Workplace health and safety	5	3	-2	- We ensured EMPLOYEE safety
GOVERNANCE	Risk management	6	7	1	- RISK readiness
SOCIAL	Respect for human rights	7	6	-1	- The ETHICS FRAMEWORK that shape us
GOVERNANCE	Innovation to drive efficiency	8	11	3	- A resilient BUSINESS MODEL - Our strategic focus on TECHNOLOGY and INNOVATION
ENVIRONMENTAL	New forms of mobility	9	14	5	- We offered our CUSTOMERS solutions they can count on - We reaffirmed our COMMUNITY commitments
SOCIAL	Responsible supply chain management	10	8	-2	- We stepped up collaboration with our SUPPLIERS
ENVIRONMENTAL	Environmental impact	11	10	-1	- We renewed our ENVIRONMENTAL commitments
GOVERNANCE	Strong corporate governance	12	12	0	- A high-quality governance STRUCTURE - Professional governing BODIES - RISK readiness
GOVERNANCE	Growth and responsible investment	13	13	0	- We focused our efforts on achieving RESULTS
GOVERNANCE	Reputation	14	4	-10	- Progress on ESG management
ENVIRONMENTAL	Climate change	15	16	1	- We renewed our ENVIRONMENTAL commitments
SOCIAL	Employee wellbeing	16	New	New	- We ensured EMPLOYEE safety
SOCIAL	Community relations	17	17	0	- We reaffirmed our COMMUNITY commitments
SOCIAL	Equality, diversity and inclusion	18	New	New	- We ensured EMPLOYEE safety
GOVERNANCE	Transparency	19	9	-10	- Progress on ESG management - We defended our SHAREHOLDERS' interests
GOVERNANCE	Geopolitics	20	18	-2	- Our profitability-oriented STRATEGY
GOVERNANCE	Privacy and data protection	21	15	-6	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Product quality and safety	22	New	New	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Stakeholder engagement	23	New	New	- Progress on ESG management

MATERIALITY MATRIX

Ascribing scores as a function of the level with which they are being duly managed at CIE Automotive and the assessment of their relative importance yielded the following materiality matrix:

The company's targets for 2021 include the running of new "ESG Workshops" around the world in order to share the results of this analysis across the various regions and enable a more detailed internal materiality analysis, of greater scope, so as to continue to generate feedback for the materiality matrix and drill down into what the group needs to prioritise.



CONTACT DETAILS

102-1

102-2

102-3

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102-53

Registered name **CIE Automotive S.A.**

Registered office **Alameda Mazarredo, 69 – 8º, 48009 Bilbao (Bizkaia).**

Telephone number **Spain: +34 946 054 835**

Website **www.cieautomotive.com**

Share capital **30,637,500 euros**

No. of shares **122,550,000**

Par value **0.25€ per share**

Business activity **Manufacture of automotive parts.**

Markets **CIE Automotive has factories in 16 countries and its shares are listed on the Bilbao, Madrid and Mumbai stock exchanges.**

DEDICATED CHANNELS for each stakeholder group:



ESG and community relations

Susana Molinuevo
esg@cieautomotive.com



Professionals

Aitor Zazpe
hr@cieautomotive.com



Investor relations and business partners

Lorea Aristizabal
ir@cieautomotive.com



Customers and sector

Mikel Orbegoza
sales@cieautomotive.com



Supply chain

Irache Pardo
purchasing@cieautomotive.com



Financiers

Irache Pardo
financierocie@cieautomotive.com



Public authorities

compliance@cieautomotive.com

DATA TABLES

EMPLOYMENT TABLES



Total number and breakdown of employees by gender, age and job category

Employee data is as of the end of 2020

		Men (M)			Total M	Women (W)			Total W	TOTAL
		<30	30-50	>50		<30	30-50	>50		
2019	Management Committee	-	2	4	6	-	4	-	4	10
	Executives	13	618	240	871	11	85	15	111	982
	University graduates	1,877	3,721	770	6,368	389	722	141	1,252	7,620
	Skilled employees	5,294	8,787	2,221	16,302	767	1,961	482	3,210	19,512
	Total	7,184	13,128	3,235	23,547	1,167	2,772	638	4,577	28,124
2020	Management Committee	-	2	4	6	-	4	-	4	10
	Executives	41	592	239	872	9	71	15	95	967
	University graduates	1,473	3,469	746	5,688	355	707	137	1,199	6,887
	Skilled employees	4,118	8,073	1,976	14,167	821	1,853	491	3,165	17,332
	Total	5,632	12,136	2,965	20,733	1,185	2,635	643	4,463	25,196



Total number and breakdown by contract category

Employee data is as of the end of 2020

	2019	2020
Indefinite contracts	22,738	21,478
Temporary contracts	5,386	3,718
Total employees	28,124	25,196
Full-time	27,933	24,995
Part-time	191	201
Total employees	28,124	25,196



Total number and breakdown of employees by country

Employee data is as of the end of 2020

	2019	2020
India	8,772	6,744
Mexico	5,318	5,460
Brazil	3,499	3,050
Spain	2,490	2,333
US	1,652	1,582
China	1,763	1,570
Germany	1,058	879
Slovakia	829	837
Czech Republic	707	628
Romania	616	611
Italy	284	439
France	346	338
Portugal	317	323
Lithuania	242	221
Morocco	132	103
Russia	92	74
Netherlands	5	4
Guatemala	1	-
UK	1	-
Total	28,124	25,196



Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category

Employee data is as of the end of 2020

Average contracts during 2019			Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
Indefinite	19,357	3,878	5,767	13,959	3,509	930	6,966	15,339
Temporary	4,623	779	2,959	2,083	360	74	827	4,501
Full- time	23,848	4,569	8,658	15,961	3,798	1,000	7,709	19,708
Part-time	132	88	68	81	71	4	84	132

Average contracts during 2020			Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
Indefinite	18,320	3,746	4,479	13,937	3,650	978	6,713	14,375
Temporary	2,840	737	2,179	1,209	189	18	461	3,098
Full- time	21,007	4,403	6,589	15,060	3,761	985	7,071	17,354
Part-time	153	80	69	86	78	11	103	119

→ Average earnings and trend broken down by gender, age, job category or equivalent metric

Employee data is as of the end of 2020

	Average annual pre-tax earnings*		Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
2019	15,450	14,750	7,786	15,805	29,690	52,771	18,799	12,081
2020	16,147	15,004	7,896	15,838	31,016	57,150	18,937	12,269

(*)All of the average annual pre-tax earnings figures provided in the table above are calculated by summing the total number of people employed by CIE Automotive in the category provided in the breakdown, without considering their origin or place of work.

→ Breakdown of hires and departures by age and gender

Employee data is as of the end of 2020

	2019								Total
	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	
New hires	3,949	1,555	283	5,787	618	555	95	1,268	7,055
Voluntary departures	3,495	1,258	301	5,054	526	518	107	1,151	6,205

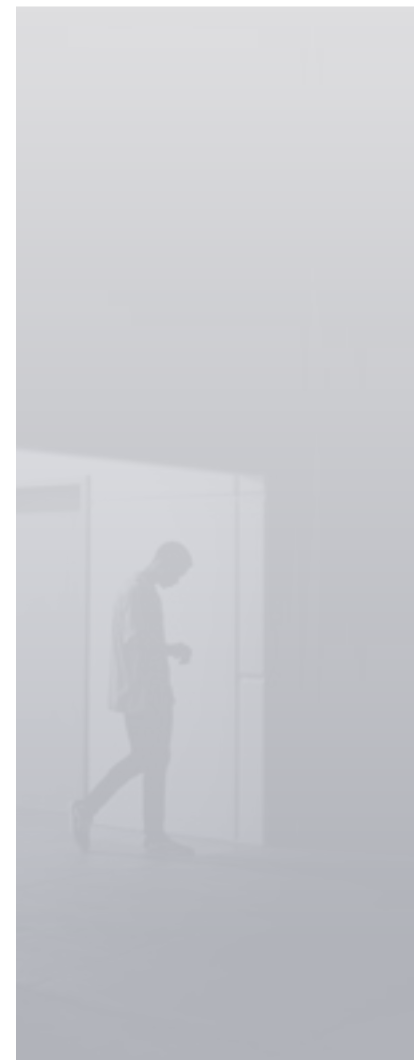
	2020								Total
	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total Women	
New hires	3,603	1,438	201	5,242	692	609	83	1,384	6,626
Voluntary departures	3,372	1,804	639	5,815	429	451	113	993	6,808

→ Number of dismissals by gender, age and job category

Employee data is as of the end of 2020

2019	Men (M)			Total M	Women (W)			Total W	TOTAL
	<30	30-50	>50		<30	30-50	>50		
Executives	1	11	16	28	1	3	2	6	34
University graduates	113	279	38	430	28	62	9	99	529
Skilled employees	359	480	157	996	74	185	40	299	1,295
Total	473	770	211	1,454	103	250	51	404	1,858

2020	Men (M)			Total M	Women (W)			Total W	TOTAL
	<30	30-50	>50		<30	30-50	>50		
Executives	-	15	11	26	-	8	1	9	35
University graduates	169	354	80	603	48	56	12	116	719
Skilled employees	916	689	201	1,806	85	190	59	334	2,140
Total	1,085	1,058	292	2,435	133	254	72	459	2,894



ENVIRONMENTAL MANAGEMENT TABLES

→ Water consumption

<i>m³/year</i>	Indicator	Definition	2018	2019	2020
Europe*	GRI 303-3 (1)	Surface water	2,009.00	64,363.00	31,385.00
	GRI 303-3 (2)	Underground water	47,574.00	30,893.00	36,803.00
	GRI 303-3 (3)	Rainwater	22,034.00	25,253.00	26,441.00
	GRI 303-3 (4)	Municipal networks	435,096.00	321,631.00	303,515.00
	TOTAL		506,713.00	442,140.00	398,144.00
North America	GRI 303-3 (1)	Surface water	393.00	2,048.00	-
	GRI 303-3 (2)	Underground water	79,016.00	69,589.00	59,079.00
	GRI 303-3 (3)	Rainwater	-	-	-
	GRI 303-3 (4)	Municipal networks	260,088.85	255,886.32	224,587.78
	TOTAL		339,497.85	327,523.32	283,666.78
Brazil	GRI 303-3 (1)	Surface water	52,698.00	-	14,242.00
	GRI 303-3 (2)	Underground water	37,784.00	75,234.00	56,906.00
	GRI 303-3 (3)	Rainwater	-	-	-
	GRI 303-3 (4)	Municipal networks	124,009.00	175,959.00	104,723.00
	TOTAL		214,491.00	251,193.00	175,871.00
Asia (India/China)	GRI 303-3 (1)	Surface water	250,915.00	261,840.00	236,591.00
	GRI 303-3 (2)	Underground water	48,522.00	179,451.00	185,606.00
	GRI 303-3 (3)	Rainwater	6,165.00	6,555.00	3,845.00
	GRI 303-3 (4)	Municipal networks	226,434.00	180,530.00	167,165.00
	TOTAL		532,036.00	628,376.00	593,207.00
TOTAL	GRI 303-3 (1)	Surface water	306,015.00	328,251.00	282,218.00
	GRI 303-3 (2)	Underground water	212,896.00	355,167.00	338,394.00
	GRI 303-3 (3)	Rainwater	28,199.00	31,808.00	30,286.00
	GRI 303-3 (4)	Municipal networks	1,045,627.85	934,006.32	799,990.78
	TOTAL		1,592,737.85	1,649,232.32	1,450,888.78

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

Materials consumption

Kg	Indicator	Definition	2018	2019	2020
Europe*	GRI 301-1	Raw materials used	546,033,547.00	545,320,860.00	383,474,092.00
	GRI 301-2	Raw materials recovered	247,023,857.00	230,418,938.00	145,243,605.00
			45%	42%	38%
North America	GRI 301-1	Raw materials used	307,241,576.00	370,013,007.00	300,490,431.00
	GRI 301-2	Raw materials recovered	43,254,069.00	8,205,673.00	9,820,027.00
			14%	2%	3%
Brazil	GRI 301-1	Raw materials used	196,503,649.00	187,910,073.00	152,235,258.00
	GRI 301-2	Raw materials recovered	57,297,757.00	70,114,134.00	54,837,125.00
			29%	37%	36%
Asia (India/China)	GRI 301-1	Raw materials used	423,041,204.00	407,039,649.00	434,487,453.00
	GRI 301-2	Raw materials recovered	113,050,215.00	102,452,797.00	91,092,000.00
			27%	25%	21%
TOTAL	GRI 301-1	Raw materials used	1,472,819,976.00	1,510,283,589.00	1,270,687,234.00
	GRI 301-2	Raw materials recovered	460,625,898.00	411,191,542.00	300,992,757.00
			31%	27%	24%

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

Waste management

TM	Indicator	Definition	2018	2019	2020
Europe*	GRI 306-2 (H)	Hazardous waste disposed of	16,874.07	16,056.07	9,240.72
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	101,945.57	129,598.75	82,926.86
	GRI 306-2	TOTAL	118,819.63	145,654.82	92,167.58
North America	GRI 306-2 (H)	Hazardous waste disposed of	2,937.95	3,125.34	3,126.86
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	82,375.98	73,696.89	68,823.73
	GRI 306-2	TOTAL	85,313.93	76,822.23	71,950.60
Brazil	GRI 306-2 (H)	Hazardous waste disposed of	3,980.26	3,654.90	2,155.99
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	48,432.53	41,572.17	37,774.96
	GRI 306-2	TOTAL	52,412.78	45,227.07	39,930.95
Asia (India/China)	GRI 306-2 (H)	Hazardous waste disposed of	3,114.36	2,402.97	1,805.63
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	115,716.36	94,987.97	76,512.47
	GRI 306-2	TOTAL	118,830.71	97,390.94	78,318.10
TOTAL	GRI 306-2 (H)	Hazardous waste disposed of	26,906.63	25,239.28	16,329.20
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	348,470.43	339,855.78	266,038.02
	GRI 306-2	TOTAL	375,377.06	365,095.06	282,367.22

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

Energy consumption and savings

Gigajoules	Indicator	Definition	2018	2019	2020
Europe*	GRI 302-1 (D)	Direct energy consumption	904,828.58	774,253.76	639,301.96
	GRI 302-1 (I)	Indirect energy consumption	1,498,492.08	1,471,786.54	1,160,924.20
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	637,465.70	504,262.80	401,043.59
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	861,026.38	967,523.75	759,880.62
	GRI 302-1	TOTAL	2,403,320.66	2,246,040.31	1,800,226.16
North America	GRI 302-1 (D)	Direct energy consumption	357,669.91	476,606.74	426,553.41
	GRI 302-1 (I)	Indirect energy consumption	734,755.93	723,266.73	693,956.78
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	598,914.08	581,783.97	537,472.46
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	135,841.85	141,482.76	156,484.32
	GRI 302-1	TOTAL	1,092,425.84	1,199,873.47	1,120,510.19
Brazil	GRI 302-1 (D)	Direct energy consumption	175,500.25	242,715.78	153,633.44
	GRI 302-1 (I)	Indirect energy consumption	638,508.15	687,884.31	536,138.85
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	90,360.33	76,045.27	41,090.25
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	548,147.82	611,839.04	495,048.60
	GRI 302-1	TOTAL	814,008.39	930,600.09	689,772.29
Asia (India/China)	GRI 302-1 (D)	Direct energy consumption	170,942.47	169,178.90	302,183.16
	GRI 302-1 (I)	Indirect energy consumption	1,053,221.25	1,072,288.97	949,276.73
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	889,320.24	931,365.88	795,005.82
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	163,901.01	140,923.09	154,270.91
	GRI 302-1	TOTAL	1,224,163.72	1,241,467.87	1,251,459.89
TOTAL	GRI 302-1 (D)	Direct energy consumption	1,608,941.20	1,662,755.19	1,521,671.97
	GRI 302-1 (I)	Indirect energy consumption	4,433,531.16	4,460,965.25	3,340,296.56
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	2,724,614.10	2,599,196.61	1,774,612.12
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	1,708,917.05	1,861,768.64	1,565,684.45
	GRI 302-1	TOTAL	6,042,472.36	6,123,720.43	4,861,968.53

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

Emissions

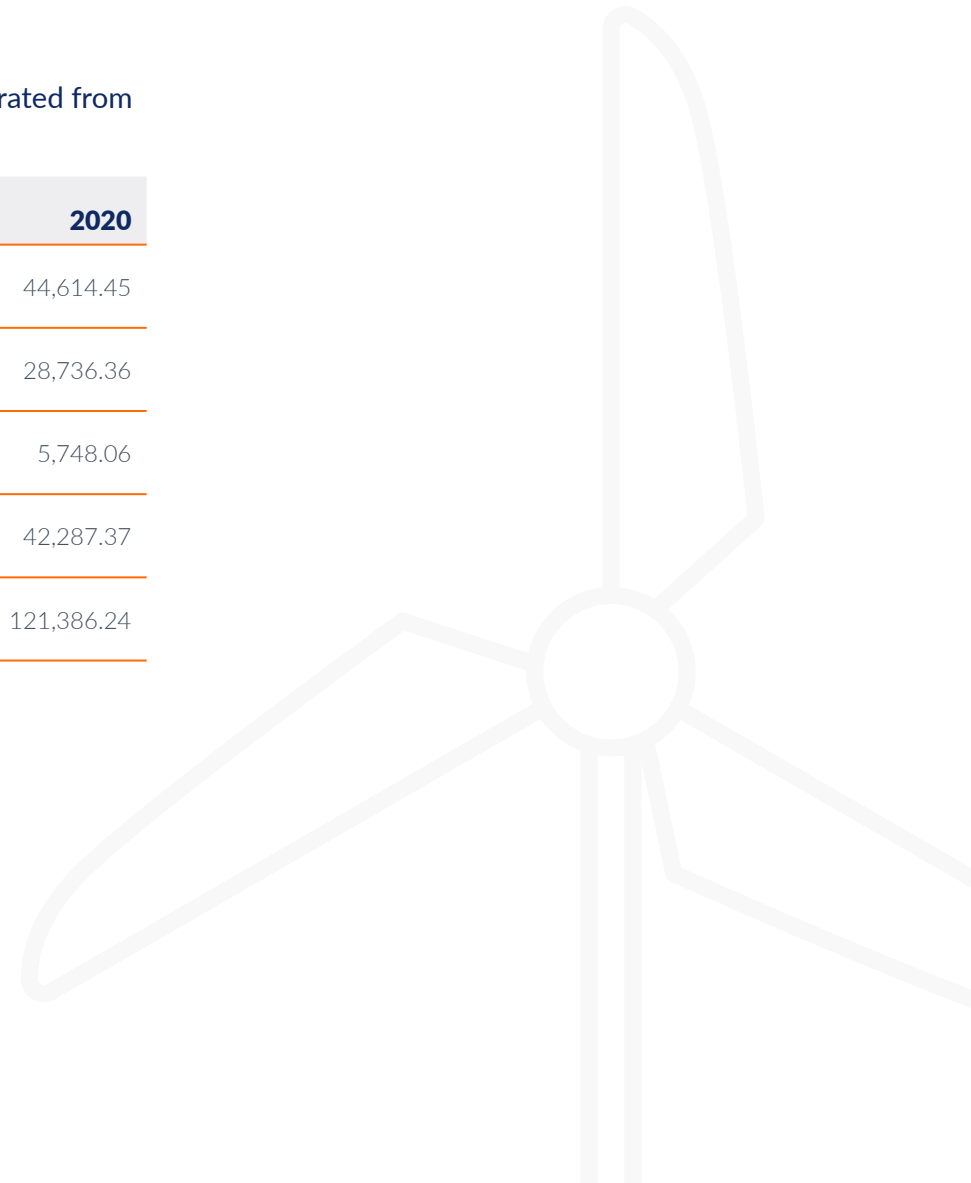
CO ₂ TM	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-1	Direct emissions	52,227.83	43,914.62	37,934.40
	GRI 305-2	Indirect emissions	78,277.93	60,798.05	38,420.00
	GRI 305	TOTAL	130,505.76	104,712.67	76,354.40
North America	GRI 305-1	Direct emissions	20,406.82	27,192.34	25,340.46
	GRI 305-2	Indirect emissions	78,860.08	76,247.68	85,385.01
	GRI 305	TOTAL	99,266.90	103,440.02	110,725.48
Brazil	GRI 305-1	Direct emissions	10,151.10	14,387.16	9,191.82
	GRI 305-2	Indirect emissions	1,706.81	1,436.41	477.10
	GRI 305	TOTAL	11,857.91	15,823.57	9,668.92
Asia (India/China)	GRI 305-1	Direct emissions	10,916.47	10,599.47	18,392.44
	GRI 305-2	Indirect emissions	206,331.15	216,386.94	200,134.86
	GRI 305	TOTAL	217,247.62	226,986.41	218,527.30
TOTAL	GRI 305-1	Direct emissions	93,702.22	96,093.59	90,859.13
	GRI 305-2	Indirect emissions	365,175.97	354,869.08	324,416.97
	GRI 305	TOTAL	458,878.19	450,962.67	415,276.10

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

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

CO ₂ TM	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-2	Indirect emissions	71,462.56	83,277.57	44,614.45
North America	GRI 305-2	Indirect emissions	17,020.41	17,709.85	28,736.36
Brazil	GRI 305-2	Indirect emissions	10,353.90	11,556.96	5,748.06
Asia (India/China)	GRI 305-2	Indirect emissions	38,936.40	33,508.38	42,287.37
TOTAL	GRI 305-2	Indirect emissions	137,773.27	146,052.76	121,386.24

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.



Energy intensity

Gigajoules/K€	Indicator	Definition	2018	2019	2020
Europe*	GRI 302-3 (D)	Direct energy consumption	0.65	0.53	0.54
	GRI 302-3 (I)	Indirect energy consumption	1.07	1.01	0.97
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.45	0.35	0.34
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.61	0.66	0.64
	GRI 302-3	TOTAL	1.71	1.54	1.51
North America	GRI 302-3 (D)	Direct energy consumption	0.47	0.52	0.58
	GRI 302-3 (I)	Indirect energy consumption	0.96	0.79	0.94
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.78	0.63	0.72
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.18	0.15	0.21
	GRI 302-3	TOTAL	1.43	1.31	1.51
Brazil	GRI 302-3 (D)	Direct energy consumption	0.54	0.75	0.83
	GRI 302-3 (I)	Indirect energy consumption	1.97	2.11	2.89
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.28	0.23	0.22
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	1.69	1.88	2.67
	GRI 302-3	TOTAL	2.52	2.86	3.72
Asia (India/China)	GRI 302-3 (D)	Direct energy consumption	0.32	0.22	0.40
	GRI 302-3 (I)	Indirect energy consumption	1.95	1.41	1.25
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	1.65	1.23	1.05
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.30	0.19	0.20
	GRI 302-3	TOTAL	2.27	1.64	1.65
TOTAL	GRI 302-3 (D)	Direct energy consumption	0.53	0.48	0.53
	GRI 302-3 (I)	Indirect energy consumption	1.30	1.14	1.16
	GRI 302-3 (I)	Indirect energy consumption	0.73	0.60	0.62
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.57	0.54	0.54
	GRI 302-3	TOTAL	1.83	1.62	1.69

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

Emissions intensity

CO ₂ TM /k€	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-4 (D)	Direct emissions	0.04	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.05	0.04	0.03
	GRI 305-4	TOTAL	0.09	0.07	0.06
North America	GRI 305-4 (D)	Direct emissions	0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.10	0.08	0.12
	GRI 305-4	TOTAL	0.13	0.11	0.15
Brazil	GRI 305-4 (D)	Direct emissions	0.03	0.04	0.05
	GRI 305-4 (I)	Indirect emissions	0.01	0.01	0.00
	GRI 305-4	TOTAL	0.04	0.05	0.05
Asia (India/China)	GRI 305-4 (D)	Direct emissions	0.02	0.01	0.03
	GRI 305-4 (I)	Indirect emissions	0.38	0.29	0.26
	GRI 305-4	TOTAL	0.40	0.30	0.29
TOTAL	GRI 305-4 (D)	Direct emissions	0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.12	0.10	0.11
	GRI 305-4	TOTAL	0.15	0.13	0.14

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

GLOSSARY

- **EBITDA:** earnings before interest, tax, depreciation and amortisation.
- **Adjusted EBITDA:** Last 12 months EBITDA annualised for companies added to the consolidation scope during the reporting period. Includes 50% of the EBITDA of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method
- **EBIT:** Earnings before interest and tax.
- **Net profit:** Recurring profit attributable to owners of the parent.
- **Net debt:** Borrowings from banks and other financial institutions less Cash and cash equivalents less Other financial assets.
- **Adjusted net debt:** Net debt including 50% of the net debt of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.
- **Fixed assets:** Property, plant and equipment, intangible assets, including goodwill but excluding rights of use over leased assets (IFRS 16).
- **Maintenance capex:** Capex designed to update the facilities with a view to handling anticipated organic market growth.
- **Operating cash flow:** EBITDA less Interest expense paid less Tax paid less Maintenance capex less IFRS 16 leases.

NON-FINANCIAL STATEMENT

TRACING COMPLIANCE WITH THE LAW ON NON-FINANCIAL INFORMATION AND DIVERSITY REPORTING

Contents of Law 11/2018 on non-financial and diversity reporting	GRI standards - version 2016 (*)	Section of the Annual Report	Page	Remarks / Direct response / Omissions
Brief description of the undertaking's business model, including disclosures related to: 1) their business environment; 2) their organisation and structure; 3) the markets where they operate; 4) their objectives and strategies; 5) the main trends and factors that may affect their future development.	102-1	Contact details	182	
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	102-20	ESG policy in action	169	
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		Management approach to the supply chain	72	
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		ESG Policy in action	169	
The outcomes of those policies, including the pertinent non-financial key performance indicators that are most useful in: 1) monitoring and assessing progress 2) supporting comparability across companies and sectors, relying on broadly recognised national, EU-based or international frameworks for each issue.	103	Engagement with shareholders and investors	31	
		Total quality model	39	
		Our employee value proposition	53	
		Management approach to the supply chain	72	
		Approach to the environment	77	
		Community work	96	
		The ethics framework that shape us	141	
		Director Remuneration Policy	140	
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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 - How the undertaking manages those risks; - Explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. - 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.	102-15	Risk readiness	148-160	
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2) Taking into consideration any form of air pollution specific to the business, including noise and light pollution.	103	Pollution control	79	
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		Climate change action	78	
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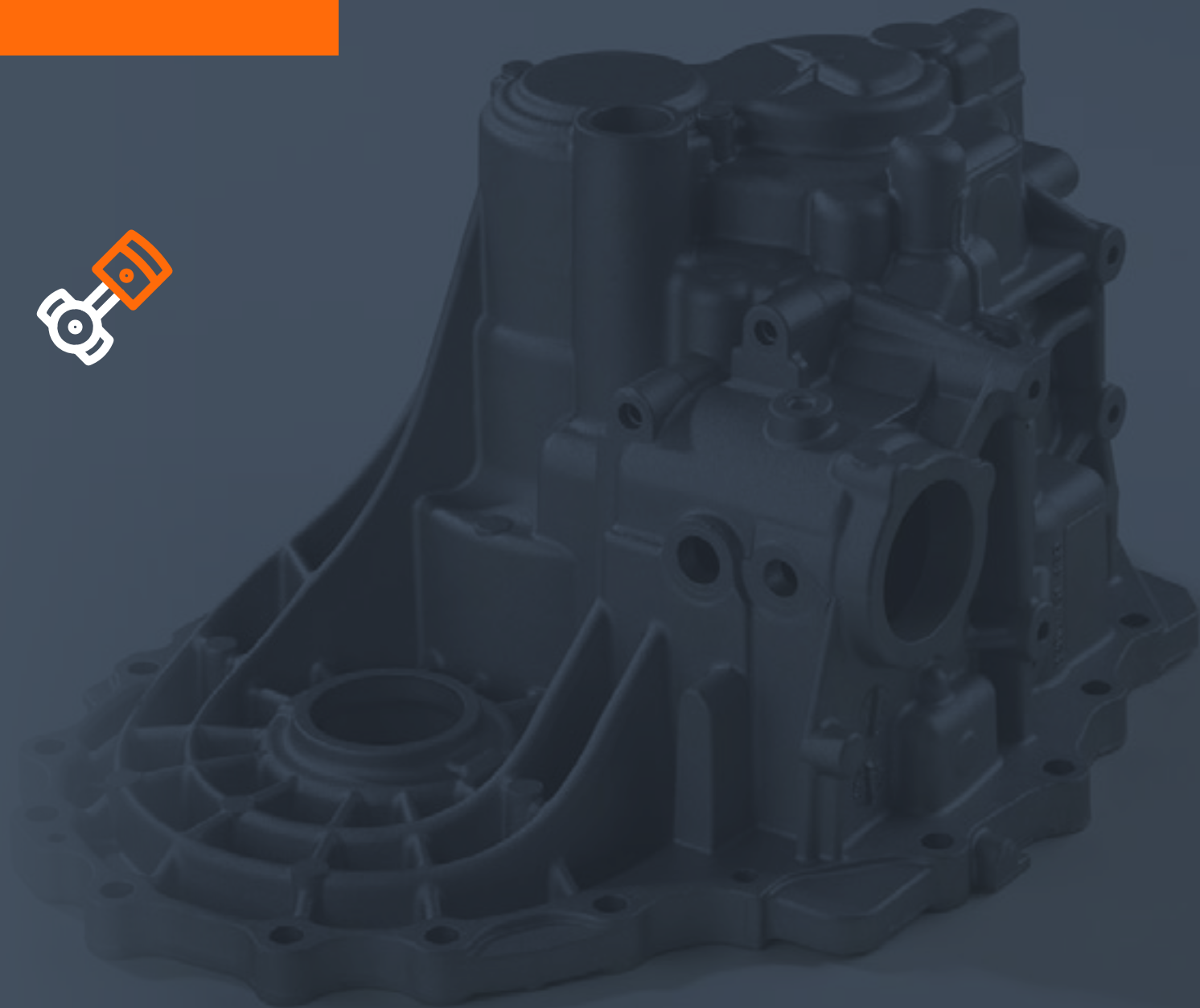
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EXTERNAL assurance



ANNUAL REPORT 2020





CIE Automotive S.A. and subsidiaries

Independent verification report
Non-Financial Information Statement
31 December 2020



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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 Consolidated Non-Financial Information Statement (hereinafter “CNFIS”) for the year ended 31 December 2020 of CIE Automotive, S.A. (the Parent company) and subsidiaries (hereinafter “CIE” or “CIE Automotive” or “the Group”), which is included in the attached CIE 2020 Annual Report, which forms part of the Group’s Consolidated Management’s Report.

The content of the Annual Report includes additional information to that required by the current commercial legislation on non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in Appendix “Tracing compliance with the law on non-financial information and diversity reporting” of the aforementioned accompanying Annual Report.

Responsibility of the directors of the Parent company

The preparation of the CNFIS included in the Group’s Consolidated Management’s Report and the content thereof, are responsibility of directors of CIE Automotive, S.A. The CNFIS has been drawn up according to the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (hereinafter “GRI Standards”) selected, described in line with the details provided for each topic in Appendix “Tracing compliance with the law on non-financial information and diversity reporting” of the aforementioned Annual Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to ensure that the CNFIS to be free of any immaterial misstatement, due to fraud or error.

The directors of CIE Automotive, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CNFIS 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.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by 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 assurance 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 assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several CIE Automotive's units that were involved in the preparation of the CNFIS, in the review of the processes for compiling and validating the information presented in the CNFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CIE Automotive personnel to ascertain the business model, policies and management approaches applied, 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 contents included in the CNFIS for 2020, based on the materiality analysis carried by CIE and described in the aforementioned CNFIS, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the CNFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the CNFIS for 2020 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



Conclusions

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention which may lead us to believe that CNFIS of CIE Automotive S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all of their significant matters, according to the provisions of current commercial legislation and with the GRI Standards selected, described, in line with the details provided for each topic in Appendix "Tracing compliance with the law on non-financial information and diversity reporting" of the aforementioned Annual Report.

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.

Original in Spanish signed by Pablo Bascones Ilundain

February 24th, 2021



ISSUER'S IDENTIFYING INFORMATION

Reference financial year closing date:

[12/31/2020]

Tax ID

[A-20014452]

Company Name:

[**CIE AUTOMOTIVE, S. A.**]

Registered office:

[ALAMEDA MAZARREDO, 69, 8º (BILBAO) VIZCAYA]

A. OWNERSHIP STRUCTURE

A.1. Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
11/25/2020	30,637,500. 00	122,550,000	122,550,000

Indicate if there are different classes of shares associated with different rights:

[] Yes
[✓] No

See notes in section A. 9 on the capital reduction due to the share buyback plan implemented in the year in question.

A.2. Details of the direct and indirect significant shareholdings at end-of-year, excluding directors:

Shareholder name or company name	% voting rights assigned to the shares		% voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CORPORACION FINANCIERA ALBA, S. A.	0. 00	12. 73	0. 00	0. 00	12. 73
ADDVALIA CAPITAL, S. A.	5. 26	0. 00	0. 00	0. 00	5. 26
MAHINDRA & MAHINDRA LTD	0. 00	7. 83	0. 00	0. 00	7. 83
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	5. 79	9. 90	0. 00	0. 00	15. 69
ELIDOZA PROMOCION DE EMPRESAS, S. L.	10. 89	0. 00	0. 00	0. 00	10. 89
ALANTRA MULTI ASSET SGIIC, S. A.	0. 00	3. 55	0. 00	0. 00	3. 55

ALANTRA EQMC ASSET MANAGEMENT, S. G. I. I. C. , S. A. and ALANTRA MULTI ASSET SGIIC, S. A. reached an agreement to exercise in concert the voting rights of the shares they hold in the investment entities they manage (EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC; MERCER INVESTMENT FUND (sub-fund of MERCER QIF COMMON CONTRACTUAL FUND); QMC III IBERIAN CAPITAL FUND FIL).

Details of indirect holdings:

Indirect holder name or company name	Direct holder name or company name	% voting rights assigned to the shares	% voting rights through financial instruments	% of total voting rights
CORPORACION FINANCIERA ALBA, S. A.	ALBA EUROPE SARL	12. 73	0. 00	12. 73
MAHINDRA & MAHINDRA LTD	MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD.	7. 83	0. 00	7. 83
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	RISTEEL CORPORATION, B. V.	9. 89	0. 00	9. 89
ALANTRA MULTI ASSET SGIIC, S. A.	CONCERTED ACTION	3. 55	0. 00	3. 55

Indicate the most significant shareholding movements from the year:

Most significant movements

The proposed changes are due to the amortization of the company's treasury stock due to the implementation of the plan to buy them back, which ended the capital reduction analyzed in section A. 1 of this report, registered in the Commercial Registry of Bizkaia on November 25, 2020.

A.3. Fill out the following tables on the members of the company's board who have voting rights from the shares in the company:

Board member name or company name	% voting rights assigned to the shares		% voting rights through financial instruments		% of total voting rights	% of voting rights that <u>may be transferred</u> through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERMIN DEL RIO SANZ DE ACEDO	0. 02	0. 00	0. 00	0. 00	0. 02	0. 00	0. 00
ANTONIO MARIA PRADERA JAUREGUI	0. 00	10. 53	0. 00	0. 00	10. 53	0. 00	0. 00
JESUS MARIA HERRERA BARANDIARAN	1. 42	0. 00	0. 00	0. 00	1. 42	0. 00	0. 00

total % of total voting rights held by the board

11.97

Details of indirect holdings:

Board member name or company name	Direct holder name or company name	% voting rights assigned to the shares	% voting rights through financial instruments	% of total voting rights	% of voting rights that <u>may</u> be transferred through financial instruments
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S. L.	10. 53	0. 00	10. 53	0. 00

Grupo Inversiones INSSEC, S. L. directly holds 5. 265% of the company's shares and indirectly holds (through Inversiones, Estrategia y Conocimiento Global CYP, S. L.) another 5. 265% of the company's shares. Grupo Inversiones INSSEC, S. L. and Inversiones, Estrategia y Conocimiento Global CYP, S. L. are both companies controlled by Antonio María Pradera Jáuregui.

- A.4. Indicate any family, commercial, contractual, and corporate relations between the holders of the significant shareholdings, insofar as they are known to the company, except where barely relevant or if they derive from ordinary business, and except for those reported in section A. 6:

Related name or company name	Type of relation	Brief description
No information		

- A.5. Indicate any family, commercial, contractual, and corporate relations between the holders of the significant shareholdings and the company and its group, unless they are barely relevant or if they derive from the ordinary course of business:

Related name or company name	Type of relation	Brief description
No information		

- A.6.** Describe any relations, unless they are barely relevant for the parties, between the shareholders who are significant or represented on the board and the directors, or their representatives, in the case of legal entity directors.

If applicable, explain how the significant shareholders are represented. Specifically, indicate any directors who were appointed in representation of significant shareholders, who were nominated by significant shareholders, or who are related to significant shareholders and entities of their group, specifying the nature of the relationships uniting them. In particular, if applicable indicate the existence, identity, and position of Board members or representatives of directors, of the listed company, who in turn are Board members, or its representatives, in companies that hold significant shareholdings in the listed company or in entities of the group of those significant shareholders:

Related board member name or company name or representative	Related shareholder name or company name	Name of the company of the group of the significant shareholder	Description of relation/position
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S. A.	CORPORACION FINANCIERA ALBA, S. A.	Santos Martínez-Conde Gutiérrez Barquín is an "other external" director of Corporación Financiera Alba, S. A.
JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	Juan María Riberas Mera is the individual representative of one of the joint directors of ACEK Desarrollo y Gestión Industrial, S. L.
ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	Antonio María Pradera Jáuregui is chairman and CEO of Inversiones, Estrategia y Conocimiento Global CYP, S. L.
ANTONIO MARIA PRADERA JAUREGUI	GRUPO INVERSIONES INSSEC, S. L.	GRUPO INVERSIONES INSSEC, S. L.	Antonio María Pradera Jáuregui is sole director of Grupo Inversiones Inssec, S. L.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S. L.	ELIDOZA PROMOCION DE EMPRESAS, S. L.	Goizalde Egaña Garitagoitia, proprietary director, is director of Elidoza Promoción de Empresas, S. L.

Related board member name or company name or representative	Related shareholder name or company name	Name of the company of the group of the significant shareholder	Description of relation/position
MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S. A.	ADDVALIA CAPITAL, S. A.	Maria Teresa Salegui Arbizu, proprietary director, is the individual representative of Addvalia Capital, S. A.
FRANCISCO JOSÉ RIBERAS MERA	ANTONIO MARIA PRADERA JAUREGUI	INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S. L.	Francisco José Riberas Mera is director of Inversiones, Estrategia y Conocimiento Global CYP, S. L.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	Francisco José Riberas Mera is the individual representative of one of the joint directors of ACEK Desarrollo y Gestión Industrial, S. L.
VANKIPURAM PARTHASARATHY	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Vankipuram Parthasarathy is CFO and IT director of Mahindra & Mahindra Ltd, in addition to sitting on its Executive Committee.
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	MAHINDRA & MAHINDRA LTD	Shriprakash Shukla directs the subsidiary Aerospace & Defence of the Mahindra Group, heads Mahindra Sanyo Special Steels Private Limited and sits on the Executive Committee of Mahindra & Mahindra Ltd.
JACOBO LLANZA FIGUEROA	ALANTRA MULTI ASSET SGIIC, S. A.	ALANTRA MULTI ASSET SGIIC, S. A.	Jacobo Llanza Figueroa is chairman of the board and CEO of ALANTRA MULTI ASSET SGIIC, S. A.

A.7. Indicate if the communicated has been notified of any shareholder agreements that might affect it pursuant to sections 530 and 531 of the Spanish Companies Act [*Ley de Sociedades de Capital*]. If so, describe them briefly and indicate the shareholders bound by the agreement:

☐ Yes

☒ No

Indicate if the company is aware of the existence of concerted actions between its shareholders. If so, describe them briefly:

☒ Yes

☐ No

Participants in concerted action	% of share capital affected	Brief description of the agreement	Agreement expiration date if any
ALANTRA MULTI ASSET SGIIC, S. A. , ALANTRA EQMC ASSET MANAGEMENT, SGIIC, S. A.	3. 55	According to the notification (form 1) available at the CNMV website with entry number 2018139166, ALANTRA MULTI ASSET SGIIC, S. A. and Alantra EQMC Asset Management SGIIC, S. A. (management companies of the Alantra Group) have a common policy for their shares in the investment companies they manage.	It is not specified in the notification.

Expressly indicate if there were any changes or ruptures to those agreements, covenants, and concerted actions during the year:

A.8. Indicate if there are any individuals or legal entities who exercise or may exercise control over the company pursuant to section 5 of the Spanish Security Markets Act [*Ley del Mercado de Valores*]. If so, identify them:

☐ Yes

☒ No

A.9. Fill out the following tables on the company's treasury stock:

At end-of-year:

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

(*) Through:

Name or company name of the direct holder of the stake	Number of direct shares
No information	

Explain any significant variations that occurred during the year:

Explain any significant variations
As a result of a stock buyback program approved by the general meeting held on April 29, 2020, the number of shares held as treasury stock of the company varied throughout the year (as periodically reported publicly), until six million four hundred and fifty thousand (6,450,000) shares acquired through the program were finally redeemed, reducing its capital by one million six hundred and twelve thousand five hundred euros (EUR 1,612,500). Subsequently and in implementation of the purpose of the share buyback program, the capital was reduced by one million six hundred and twelve thousand five hundred euros (EUR 1,612,500), as registered in the Commercial Registry of Bizkaia on November 25, 2020.

A.10. Details the conditions and term of the current mandate that the shareholders meeting gave to the board to issue, buy back or transfer treasury stock:

The mandate conferred by the General Meeting held on April 29, 2020 that empowered the Company's Board to acquire shares in the Company at any time and as many times it deems appropriate, by any means permitted by law, including using profits from the year and unrestricted reserves, as well as to subsequently dispose of or redeem the shares, all in accordance with and subject to the limits set forth in section 146 and related provisions of the Companies Act, is in force until April 29, 2025, inclusive.
Likewise, the mandate conferred by the General Shareholders Meeting held on April 29, 2020 is in force until April 29, 2025, inclusive, by virtue of which, in accordance with section 297(1)(b) of the Companies Act, it may increase the share capital, without prior consultation with the General Shareholders' Meeting, up to the amount of EUR 16,125,000, with the ability to exercise that power, up to the indicated amount, on one or several occasions, deciding in each case whether it is appropriate or convenient, and the amount and conditions that it considers appropriate.

A.11. Estimated floating capital:

	%
Estimated floating capital	32.08

A.12. Indicate whether there are any restrictions (in the by-laws, legislation or otherwise) on the transferability of securities and any restrictions on voting rights. In particular, the existence of any type of restrictions that may hinder taking of control of the company by acquiring its shares in the market must be reported, as well as any authorization and prior notice rules regarding acquisitions and transfers of the company's financial instruments that may be applicable to it under sectoral regulations.

☐ Yes
☒ No

A.13. Indicate whether the General Meeting resolved to adopt measures to neutralize a public takeover bid pursuant to Spanish Act 6/2007.

☒ Yes
☐ No

If so, explain the approved measures and the conditions in which the restrictions would become ineffective.

Explain the approved measures and the conditions in which ineffective

At its meeting of April 23, 2008, the Company's general meeting passed the following resolution from item six on the agenda:

"SIX. - Approval of the non-application of limitations to the actions of the governing and management bodies of the Company and its Group on the terms of section 60 *bis* (2) of Spanish Securities Market Act [*Ley 24/1988, del Mercado de Valores*] and section 28(5) of Spanish Royal Decree 1066/2007, of 27 July.

Pursuant to section 60 *bis* (2) of Securities Market Act Market and section 28(5) of Spanish Royal Decree 1066/2007, of July 27, 2007, on the rules governing public offers for the acquisition of securities [*Real Decreto 1066/2007, sobre el régimen de las ofertas públicas de adquisición de valores*], resolved to approve that the limitations on the actions of those bodies referred to in section 60 *bis* (2), and section 28(5) of Royal Decree 1066/2007, of July 27, 2007, will not apply to the governing and management bodies of the company and its group in the event that the company is the object of a public takeover offer formulated by an entity that does not have its registered office in Spain and that is not subject to those rules or equivalent ones, including those referring to the rules necessary for adopting decisions by the general meeting, or, by an entity controlled by it, directly or indirectly, in accordance with section 4 of Securities Market Act Market. "

A.14. Indicate whether the company has issued securities that are not traded on an EU regulated market.

☐ Yes
☒ No

If so, indicate the various share classes and for each share class, the rights and obligations conferred:

B. GENERAL MEETING

B.1. Indicate and, if applicable, provide details, if there are differences with the rules in the Companies Act on constituting quorums of the general meeting:

☒ Yes
☐ No

	quorum % difference from the % established in section 193 of the Companies Act for general cases	quorum % difference from the % established in section 194 of the Companies Act for the special cases of section 194 of the Companies Act
Quorum required on the 1 st call	50.00	50.00
Quorum required on the 2 nd call	0.00	25.00

Description of the differences

For general cases, article 13 of the Company's bylaws establishes that the general meeting, whether ordinary or extraordinary, will be validly constituted on first call when the shareholders present or represented by proxy hold at least 50% of the subscribed capital with voting rights. Therefore, a higher quorum is established for the meeting to be convened on first call in the case of general cases than the quorum specified in section 193 of the Companies Act (i. e. 25%).

No differences are established either with respect to the quorum for the second call for general cases or with respect to the quorum for the special cases provided for in section 194 of the Companies Act.

B.2. Indicate and, if applicable provide details, if there are differences with the rules in the Companies Act on adopting corporate resolutions:

☐ Yes
☒ No

B.3. Indicate the rules applicable to amending the company's bylaws. In particular, specify the majorities required to amend the bylaws, and any rules on protecting shareholder rights when amending the bylaws.

The rules on amending the company's bylaws are those set forth in the Companies Act (with the particularity set forth in section B. 1 above), and there are no majorities in the bylaws other than those legally applicable or rules for protecting shareholders other than those established in the general regulations.

- B.4. Indicate the attendance figures from the general meetings held during the reference year of this report and from the two preceding years:

General meeting date	Attendance figures				
	% present in person	% represented by proxy	% voting remotely		Total
			Electronic vote	Other	
4/24/2018	86. 37	8. 55	0. 00	0. 00	94. 92
of which are floating capital	22. 48	8. 55	0. 00	0. 00	31. 03
5/08/2019	63. 55	4. 40	0. 00	0. 00	67. 95
of which are floating capital	11. 73	4. 40	0. 00	0. 00	16. 13
4/29/2020	58. 46	23. 15	0. 00	0. 00	81. 61
of which are floating capital	17. 33	7. 08	0. 00	0. 00	24. 41

- B.5. Indicate whether the general meetings held during the year had items on their agenda that were not approved by the shareholders for any reason:

☐ Yes
☒ No

- B.6. Indicate if there are any restrictions in the bylaws establishing the minimum number of shares necessary to attend the general meeting or vote remotely:

☐ Yes
☒ No

- B.7. Indicate if it has been established that certain decisions, aside from those established by law, that entail acquisitions, disposals, or contributions of essential assets to other companies or other similar corporate operations, must be approved by the general meeting:

☐ Yes
☒ No

- B.8. Indicate the address, and method for accessing on the corporate website, of the corporate governance information and other information on general meetings that must be made available to shareholders on the Company's website:

The corporate website where information can be accessed on corporate governance and other information on general meetings is
<https://cieautomotive.com/web/investors-website>.

C. STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1. Board of directors

C.1.1 Maximum and minimum number of directors specified in the bylaws and the number set by the general meeting:

Maximum number of board members	15
Minimum number of board members	6
Number of board members set by the general meeting	14

C.1.2 Fill out the following table with the Board members:

Board member name or company name	Representative	Director category	Position on the board	Date first appointed	Date of last appointment	Election procedure
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN		Proprietary director	BOARD MEMBER	4/24/2018	4/24/2018	GENERAL MEETING RESOLUTION
JUAN MARÍA RIBERAS MERA		Proprietary director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
FERMIN DEL RIO SANZ DE ACEDO		Executive	BOARD MEMBER	12/21/2005	4/29/2020	GENERAL MEETING RESOLUTION
ANTONIO MARIA PRADERA JAUREGUI		Proprietary director	CHAIRMAN	6/24/2002	4/29/2020	GENERAL MEETING RESOLUTION
CARLOS SOLCHAGA CATALÁN		Independent director	INDEPENDENT COORDINATING DIRECTOR	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
JESUS MARIA HERRERA BARANDIARAN		Executive	CEO	1/21/2013	4/29/2020	GENERAL MEETING RESOLUTION

Board member name or company name	Representative	Director category	Position on the board	Date first appointed	Date of last appointment	Election procedure
ÁNGEL MANUEL OCHOA CRESPO		Independent director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
FRANCISCO JOSÉ RIBERAS MERA		Proprietary director	BOARD MEMBER	10/27/2010	4/29/2020	GENERAL MEETING RESOLUTION
VANKIPURAM PARTHASARATHY		Proprietary director	BOARD MEMBER	10/04/2013	4/29/2020	GENERAL MEETING RESOLUTION
SHRIPRAKASH SHUKLA		Proprietary director	BOARD MEMBER	6/25/2015	4/29/2020	GENERAL MEETING RESOLUTION
GOIZALDE EGAÑA GARITAGOITIA		Proprietary director	DEPUTY CHAIR	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
JACOBO LLANZA FIGUEROA		Proprietary director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
MARIA TERESA SALEGUI ARBIZU		Proprietary director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION
ARANTZA ESTEFANÍA LARRAÑAGA		Independent director	BOARD MEMBER	4/29/2020	4/29/2020	GENERAL MEETING RESOLUTION

Total number of board members

14

Indicate any directors who resigned or were removed by the general meeting during the reporting period:

Board member name or company name	Director category at time of removal	Date of last appointment	Date removed	Specialized committees the director sat on	Indicate if the director was removed due to term expiring
ADDVALIA CAPITAL, S. A.	Proprietary director	4/26/2016	4/29/2020	Audit and Compliance Committee and Corporate Social Responsibility Committee (now ESG Committee)	NO
QMC DIRECTORSHIPS, S. L.	Proprietary director	4/26/2016	4/29/2020		NO
ELIDOZA PROMOCION DE EMPRESAS, S. L.	Proprietary director	4/26/2016	4/29/2020	Corporate Social Responsibility Committee (now ESG Committee)	YES

Cause of removal, if before the end of the term of office and other observations; information on whether the director sent a letter to the other members of the board and, in the case of removals of non-executive directors, an explanation or opinion on the director removed by the general meeting.

To clarify, it should be noted that the above removals were not removals as such; rather they were directors whose term expired and was not renewed, since they were designated to replace those who had been their individual representatives.

C.1.3 Fill out the following tables on the members of its board and their various categories:

EXECUTIVE DIRECTORS		
Board member name or company name	Position in the company's organizational chart	Profile
FERMIN DEL RIO SANZ DE ACEDO	Executive director	He holds a Licentiate in Business Administration and Management (San Sebastián). He began his professional career as a tax advisor in 1975 and founded Norgestión (a consulting firm specializing in Mergers and Acquisitions, tax, and financial law). He worked there until 2008. He was in charge of the ADEGI section the (Entrepreneurs Association of Guipuzcoa) as well as a member of the Committee of Confederations of Entrepreneurs of the Basque Country (CONFEBASK). He acted as chairman of the company Autometal S. A.

EXECUTIVE DIRECTORS

Board member name or company name	Position in the company's organizational chart	Profile
		He sat on the boards of Fegemu S. A. , Viveros San Antón, S. A. and Global Dominion Access S. A.
JESUS MARIA HERRERA BARANDIARAN	CEO	He holds a licentiate in Economics and Business Administration from the University of the Basque Country, with a Master's Degree in Internationalization from Euroforum. He joined CIE Automotive in 1991 as Financial and HR Director at CIE Orbelan. In 1995 he was appointed deputy manager and in 1998 he took over the general management of the company. In 2000 he took over CIE Brazil, as well as CIE Plasfil in 2002. That year he was appointed worldwide director of CIE Plastics until 2005, when he took over responsibility for the general management of CIE America. Since 2010, he has been CEO of Autometal S. A. In 2011, and he was appointed COO of the entire group, although a year later he took over as CEO of CIE Automotive. In 2013, the Board appointed him CEO of CIE Automotive. He is also on the board of Global Dominion Access, S. A.

Total number of executive board members	2
% of total on board	14. 29

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
SANTOS MARTÍNEZ-CONDE GUTIÉRREZ BARQUÍN	CORPORACION FINANCIERA ALBA, S. A.	He is a Civil Engineer, with a Master's in Management and Business Administration from the ICADE and a Diploma in Nuclear Technology from the ICAI. He has worked at several engineering and financial companies: 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 sat on the boards of numerous companies in a wide range of business sectors, both listed and unlisted. He sits on the boards of Corporación Financiera Alba, S. A. , Banca March, S. A. , Acerinox, S. A. , Indra Sistemas, S. A. , Bolsas y Mercados Españoles, SHMSF, S. A. , BME. (BME), Artá Partners, S. A. , Artá Capital SGEER, S. A. , Deyá Capital SCR, S. A. and Deyá Capital IV SCR, S. A.

JUAN MARÍA RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	He holds a licentiate in Law and in Economics and Business Sciences from the Pontifical University of Comillas (ICADE E-3). He began his career at the Gonvarri Group in 1992 in the Business Development Division, and was later made its

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
		CEO. In 2005, he was the creating force behind ACEK Renovables, where he became Executive Chairman in 2007. Since 2010, he has been the chairman of Gonvarri Steel Industries and the co-chair of ACEK, the family holding company. He is also a sponsor of the Fundación Juan XXIII.
ANTONIO MARIA PRADERA JAUREGUI	ANTONIO MARIA PRADERA JAUREGUI	With a degree in Civil Engineering from Madrid Polytechnic University, in 1979 he began his career as a director at Banco Bilbao, where he remained until 1985. In 1988 he was appointed Executive Director of Nerisa, where he remained until 1993, when he moved to SEAT as Director of Strategy. He played an important role in the creation of INSSEC in 1995, of which he was CEO until 2010. He has been the Executive Chairman of CIE Automotive since 2002, where he has held positions in Strategic Management and Financial Design, as well as at Global Dominion Access, S. A. Since May 2015, he has been a director of Tubacex and since June 2015, of Corporación Financiera Alba. On December 31, 2017, he stepped down from his executive position at CIE Automotive, reinforcing the company's good governance practices.
FRANCISCO JOSÉ RIBERAS MERA	ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	He holds a licentiate in Law (1987) and a licentiate in Economics and Business Sciences (1988) from the Pontifical University of Comillas (ICADE E-3) in Madrid. He began his professional career holding different positions in the Gonvarri Group, as Director of Corporate Development and later as CEO. In 1997 he created Gestamp and since then he has been its Executive Chairman, over time forming what Gestamp is today. He is a member of the Boards of Directors of Telefónica and General de Alquiler de Maquinaria (GAM). He also sits on the boards of other Gestamp companies and companies of the family holding company Acek, including Acek Energías Renovables, Inmobiliaria Acek and Sideacero in the Gonvarri Group. He is also chairman of the Instituto de Empresa Familiar and participates in the Endeavor Foundation, among others.
VANKIPURAM PARTHASARATHY	MAHINDRA MAHINDRA LTD &	He holds a Bachelor's degree in Business from Gujarat University and a degree from Harvard Business School's Advanced Management Program. He began his professional career at Xerox, where he reached the position of associate director. He joined the Mahindra&Mahindra, Ltd. Group in 2000, where he has held various senior positions. He is currently CFO and CIO of Mahindra&Mahindra, Ltd. and sits on the group's Executive Committee and serves on the boards of fourteen subsidiaries (four of which are listed). He has received various awards in the fields of Finance, M&A, and IT.

EXTERNAL PROPRIETARY DIRECTORS

Board member name or company name	Name or company name of the significant shareholder that the member represents or who nominated the member	Profile
SHRIPRAKASH SHUKLA	MAHINDRA & MAHINDRA LTD	He holds a Bachelor's degree in Technology from the Indian Institute of Technology, Banaras Hindu University and an MBA from the Indian Institute of Management, Ahmadabad. His career has spanned several companies such as Dunlop India, Swisscom Essar (now Vodafone Essar) and Reliance Group, before joining the Mahindra Group. He currently chairs several subsidiaries of Aerospace & Defence and Special Steels, and is a member of the Executive Committee of Mahindra&Mahindra, Ltd. He previously held the positions of Group Strategy Director and Group Brand Director. He is chairman of Mahindra CIE Automotive, Ltd.
JACOBO LLANZA FIGUEROA	ALANTRA ASSET MANAGEMENT, SGIIC, S. A	He holds a Licentiate in Economics and Business Administration from the University of Paris. His professional career has been linked to investment banking, where he began in 1989 in various positions at Banque Indosuez and Bancapital, before creating and directing AB Asesores Moneda in 1992, a company of the AB Asesores Group. After that company was sold to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he was managing director of Equities and Derivatives for Latin America, Eastern Europe, Africa, and the Middle East. In 2002, he joined Alantra (formerly N+1), where he is currently Managing Partner and CEO of Alantra Asset Management.
GOIZALDE EGAÑA GARITAGOITIA	ELIDOZA PROMOCION DE EMPRESAS, S. L.	She holds a degree in Economics and Business Administration from the University of Deusto in San Sebastián, where she also completed a postgraduate course in "Business Competitiveness and Regional Development" and an "Executive Program in Financial Management". She began her professional career in 1989 in the Financial Department of CIBENSA (Compañía Ibérica de Encuadernaciones S. A.) and, subsequently, she was a member of the audit team of Attest Consulting (1990-92). She has been a Board member of INSSEC, and is currently sits on the Boards of Global Dominion Access, S. A. and F&F Inversiones.
MARIA TERESA SALEGUI ARBIZU	ADDVALIA CAPITAL, S. A.	She holds a Licentiate in Economics and Business Administration from the University of Deusto. She began her career at the transport company La Guipuzcoana (1988-2002), where she reached the position of general manager, a position she also held at DHL Express Iberia (2002-2004). She is currently chairman of Addvalia Capital and Perth Espacio y Orden, as well as participating in the governance and administration of companies such as One Facility Management, Baztango, and F&F Inversiones, where she is a director.

Total number of proprietary directors	9
% of total on board	64.29

EXTERNAL INDEPENDENT DIRECTORS

Board member name or company name	Profile
CARLOS SOLCHAGA CATALÁN	He holds a Licentiate in Economics and Business Administration from the Complutense University of Madrid and completed graduate studies at the Alfred P. Sloan School of the Massachusetts Institute of Technology (MIT). In 1980 he was elected member of the Spanish Parliament as a deputy for the Spanish Socialist Workers Party (PSOE) and was re-elected successively in 1982, 1986, 1989 and 1993, holding the post of chairman of the PSOE's Parliamentary Group in 1993-94. He was a member of the Basque Regional Government prior to the approval of the Statute of Autonomy of the Basque Country (1979-80), and was Chairman of the Interim Committee of the International Monetary Fund (1991-93), as well as being Spain's Minister of Industry and Energy (1982-85) and Minister of Economy and Finance (1985-93). He is currently an international consultant and chairman of the firm Solchaga & Recio Asociados. He also holds, among others, the positions of honorary chairman of the Euroamerica Foundation, chairman of the Architecture and Society Foundation, chairman of the Advisory Board of the Roca Junyent Law Firm, a member of the Scientific Council of the Elcano Royal Institute, an honorary member of the Reina Sofia Museum, and a Board member of Pharma Mar, S. A.
ÁNGEL MANUEL OCHOA CRESPO	He holds a Licentiate in Economics and Business Administration from the University of the Basque Country and a Master of International Business Administration (MIBA) from the United States International University of San Diego (USA). He has more than twenty-four years of experience in the financial sector, where he has held various positions: manager of the Multinational Department of Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager of Banque Privée Edmond de Rothschild Europe, branch in Spain and director of the Basque Country and Cantabria for Banco Sabadell Atlántico, among others. He has also sat on the boards of several Undertakings for Collective Investment in Transferable Securities (UCITS). He is currently a financial advisor in investment matters and partner of the firm Angel Ochoa Crespo EAF. He is also chairman of ISLOPAN, S. A.
ARANTZA ESTEFANÍA LARRAÑAGA	She holds a degree in Law with Honors and Extraordinary End of Degree Award from the University of Deusto. She has more than thirty years of experience in the field of corporate law, where she was managing partner of the law firm Uría Menéndez Abogados S. L. P. from its founding in 2000 to January 2019. In recent years she has developed an extensive practice in the area of compliance and criminal risk prevention, as well as environmental and safety. She has also been a member of that firm's Board, sitting on its Professional Practice Management Committee and its Criminal Risk Prevention Committee. She has been recognized by Best Lawyer in Spain annually and continuously since 2013 as a leading lawyer in arbitration and mediation practices and as lawyer of the year in the procedural area. She is currently an independent director of Repsol, a member of the Appointments Committee and a member of the Sustainability Committee. She is also Chairwoman of the Economic Committee of the Economic and Social Council of the Basque Regional Government and Secretary of the Board of Bilbao Exhibition Centre S. A.

Total number of independent directors	3
% of total on board	21.43

Indicate whether any directors classified as independent receive from the company, or from the same group, any sums or benefits other than director's remuneration, or maintain or have maintained, during the last fiscal year, a business relationship with the company or with any company in its group, either in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where appropriate, a reasoned statement from the board must be included as to the reasons why it considers that those directors may perform their duties as an independent director.

Board member name or company name	Description of the relation	Substantiated statement
No information		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and specify the reasons why they cannot be classified as proprietary or independent directors and their relations to the company, its managers, and its shareholders:			
Board member name or company name	Reasons	Company, manager, or shareholder to which the director is related	Profile
No information			

Total number of external directors	N. A.
% of total on board	N. A.

Indicate any changes to each director's category over the course of the year:

Board member name or company name	Date changed	Previous category	Current category
No information			

C.1.4 Fill out the following table with the information on the number of directors at the close of the last four financial years, and those directors' categories:

	Number of directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Executive					0.00	0.00	0.00	0.00
Proprietary	2	2	2	2	22.22	25.00	25.00	25.00
Independent	1				33.33	0.00	0.00	0.00
Other external					0.00	0.00	0.00	0.00

	Number of directors				% of total directors in each category			
	2020	2019	2018	2017	2020	2019	2018	2017
Total	3	2	2	2	21.43	15.38	15.38	15.38

C.1.5 Indicate whether the company has diversity policies in relation to the company's board of directors with regard to issues such as age, gender, disability, or professional training and experience. Companies defined as small or medium under the Spanish Auditing Act [*Ley de Auditoría de Cuentas*], will have to report, at least, the policy they have established in relation to gender diversity.

- ☒ Yes
☐ No
☐ Partial policies

If so, describe these diversity policies, their objectives, the measures, and way they are applied and their results during the year. Also indicate the specific measures the Board and the Appointments and Remuneration Committee took to ensure a balanced and diverse presence of directors.

If the company does not apply a diversity policy, indicate the reasons why it does not.

Description of the policies and measures and how they are applied, and the results obtained.

The company's diversity policy is directly accessible on the corporate website, where its contents can be easily consulted. Approving the diversity policy in 2019 was the most recent concrete measure carried out by the company to achieve a balanced and diverse presence of directors.

The company considers that the composition of its board of directors reflects the objectives pursued by the diversity policy, with there being a balanced and diverse presence of directors.

The diversity policy aims at selecting candidates to achieve a diverse and balanced composition of the Board as a whole, which enriches decision-making and brings pluralistic points of view to the discussion of matters under its purview.

In this sense, the Board is committed to promoting diversity in its composition, and to this end, when selecting candidates for directors, candidates will be considered whose appointment would help ensure that the Board members have different skills, expertise, experience, origins, nationalities, ages, and genders.

The diversity criteria are chosen with regard to the nature and complexity of the businesses carried out by the Group, as well as the social and geographical context in which it operates.

Additionally, depending on the needs of the Board, other criteria may also be taken into consideration.

In the process of selecting candidates, any type of bias that may imply any discrimination, among others, for reasons of sex, ethnic origin, age, or disability, will be avoided.

The Board of Directors will periodically evaluate the degree of compliance and effectiveness of its diversity policy and, in particular, the percentage of female directors existing at any given time, in order to assess the degree of compliance with the corporate governance recommendations regarding the presence of women on the Board.

C.1.6 Explain any the Appointments Committee has agreed on to ensure that the selection procedures do not suffer from implicit biases that hinder the selection of female directors, and that the company deliberately seeks and includes women among the potential candidates who meet the professional profile sought and that allows a balanced presence of women and men to be achieved.

Also indicate whether these measures include encouraging the company to have a significant number of female senior managers:

Explanation of the measures

The Appointments and Remuneration Committee must ensure that members of both sexes are considered who meet the conditions and capabilities required both for the position of member of the Board and for holding senior management positions. In this regard, with respect to the selection of female directors, the Company follows the guidelines set forth in the policy for selecting candidates for directors and diversity on the Board.

With regard to the selection of senior managers, although there are no specific measures, the Committee follows the same criteria as those established for the selection of directors, thus ensuring the absence of implicit biases that hinder the selection of female directors and senior managers.

If, despite any measures adopted, there are few or no female directors and senior managers, explain why:

Explanation of reasons

The Company considers that the number of female directors and senior managers is sufficient, on the understanding that, as a whole, it is neither low nor zero. In any case, the Company is constantly striving to increase the number of female directors and senior managers, as evidenced by the recent appointment of independent director Arantza Estefanía Larrañaga.

By way of illustration, it should be noted that the total percentage of female directors and senior managers with respect to the total number of Board members and senior managers is 30.43%.

C.1.7 Explain the Appointments Committee's findings on the verification of compliance with the policy aimed at favoring an appropriate composition of the board.

The Appointments and Remuneration Committee understands the importance of complying with policies aimed at favoring an appropriate composition of the board. In this regard, as indicated above, the Appointments and Remuneration Committee ensures that appointments of new directors do not suffer from an implicit gender bias, mainly in the case of non-proprietary directors (since this is where it has the greatest room to maneuver in the selection process) and that, as far as possible, the number of female directors is promoted, without prejudice to always taking into consideration candidates who meet the conditions and capabilities required for the position. In this regard, for example, in 2020, the number of female directors of the Company was increased from 13 to 14, with the new member being an independent female director.

C.1.8 Explain, the case being, the reasons why proprietary directors were appointed who were nominated by shareholders that hold less than 3% of the company's share capital:

Shareholder name or company name	Justification
No information	

Indicate whether formal requests have not been met for a presence on the Board from shareholders whose shareholding is equal to or greater than that of others at whose request proprietary directors have been appointed. If applicable, explain why the requests were not fulfilled:

[] Yes
[✓] No

C.1.9 Indicate any powers of attorney and representation the board has conferred upon directors and board committees:

Director or committee name	Brief description
JESUS MARIA HERRERA BARANDIARAN	The CEO has been delegated all of the board's powers, except those that may not be delegated.

C.1.10 Identify any board members who are directors, representatives, or managers of other companies in the listed company's group:

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal Comercio de Sucatas México, S. A.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap Autometal México, S. A. de C. V.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Gescrap-Autometal México Servicios, S. A. de C. V.	BOARD MEMBER	NO
FERMIN DEL RIO SANZ DE ACEDO	Autometal, S. A.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autokomp Ingenieria, S. A. U.	CHAIRMAN	NO
ANTONIO MARIA PRADERA JAUREGUI	Autometal, S. A.	BOARD MEMBER	NO
ANTONIO MARIA PRADERA JAUREGUI	CIE Berriz, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Galfor, S. A. U. ; CIE Legazpi, S. A. U. ; Autokomp Ingeniería S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra CIE Automotive, LTD	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mahindra Forgings Europe, AG	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Plasfil Plásticos da Figueira, S. A.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Berriz México Servicios Administrativos, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Celaya, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Forjas de Celaya, S. A. P. I. de C. V.	CHAIRMAN	NO

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
JESUS MARIA HERRERA BARANDIARAN	Maquinados Automotrices y Talleres Industriales Celaya S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Percaser de México, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura Estampado y Montaje, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Pintura y Ensamblajes de México, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Servicat Servicios Contables Administrativos y Técnicos, S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	GAT México. S. A. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Newcor, Inc	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Automotive USA, Inc	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Autometal de México, S. A. P. I. de C. V.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Nova Recyd, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Gameko Componentes de Automoción, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Mecanizaciones del Sur Mecasur, S,A,	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Transformaciones Metalurgicas Norma, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Inyectametal, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Orbelan Plásticos, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Industrias Amaya Tellería, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE Udalbide, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Recyde, S. A. U.	BOARD MEMBER	NO



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JESUS MARIA HERRERA BARANDIARAN	CIE Mecauto, S. A. U.	BOARD MEMBER	NO

Board member name or company name	Name of the group company	Position	Does the board member have executive duties?
JESUS MARIA HERRERA BARANDIARAN	Alurecy, S. A. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recytec, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Alcasting Legutiano, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE GOIAIN, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	Autometal, S. A.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Componentes de Automoción Recylan, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Denat 2007, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Egaña 2, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Advanced Comfort Systems Iberica, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Biodiesel Mediterraneo, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado Ecológico de Residuos, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Grupo Componentes Vilanova, S. L.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Biosur Transformación, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Reciclado de Residuos Grasos, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	Leaz Valorización, S. L. U.	BOARD MEMBER	NO
JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE BOROA, S. L.	CHAIRMAN	NO
JESUS MARIA HERRERA BARANDIARAN	CIE ROOF SYSTEMS, S. L.	CHAIRMAN	NO

C.1.11 Indicate any board members or representatives of legal entity board members of your company who sit on the board or represent legal entity board members of other companies listed in regulated markets other than your group, who have been communicated to the company:

Board member name or company name	Name of the listed company	Position
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	CORPORACIÓN FINANCIERA ALBA, S. A.	BOARD MEMBER
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	ACERINOX, S. A.	BOARD MEMBER
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	INDRA SISTEMAS, S. A.	BOARD MEMBER
JUAN MARÍA RIBERAS MERA	GESTAMP AUTOMOCIÓN, S. A.	BOARD MEMBER
JUAN MARÍA RIBERAS MERA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	TUBACEX, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	CORPORACIÓN FINANCIERA ALBA, S. A.	BOARD MEMBER
ANTONIO MARIA PRADERA JAUREGUI	GLOBAL DOMINION ACCESS, S. A.	CHAIRMAN
GOIZALDE EGAÑA GARITAGOITIA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
CARLOS SOLCHAGA CATALÁN	PHARMA MAR, S. A.	BOARD MEMBER
JESUS MARIA HERRERA BARANDIARAN	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
FRANCISCO JOSÉ RIBERAS MERA	GESTAMP AUTOMOCIÓN, S. A.	CHAIRMAN
FRANCISCO JOSÉ RIBERAS MERA	TELEFÓNICA, S. A.	BOARD MEMBER
FRANCISCO JOSÉ RIBERAS MERA	GAM GENERAL DE ALQUILER DE MAQUINARIA, S. A.	BOARD MEMBER
ARANTZA ESTEFANÍA LARRAÑAGA	GLOBAL DOMINION ACCESS, S. A.	BOARD MEMBER
ARANTZA ESTEFANÍA LARRAÑAGA	REPSOL, S. A.	BOARD MEMBER

C.1.12 Indicate and, if applicable explain whether the company has established rules on the maximum number of company boards its directors sit on, identifying, if applicable, where it is regulated:

☐ Yes
☒ No

C.1.13 Indicate the amounts of the following different types of pay related to the total remuneration of the board:

Remuneration accrued for the board in the year (thousands of euros)	5,535
Amount of total pension rights accumulated by current board members (thousands of euros)	
Amount of total pension rights accumulated by former board members (thousands of euros)	

C.1.14 Identify the senior manager who are not also executive directors, and indicate the total remuneration accrued in their favor during the year:

Name or company name	Position(s)
ALEXANDER TORRES COLOMAR	Plastics Director, Brazil, and Mexico
AITOR ZAZPE GOÑI	Director of the European Plastics and Roof Systems Divisions and Human Resources Director
JUSTINO UNAMUNO URCELAY	Director of CIE's Forging and Metal Divisions for Europe and China.
IRACHE PARDO VILLANUEVA	Director of finance, treasury, and corporate purchasing
SUSANA MOLINUEVO APELLÁNIZ	Director of corporate social responsibility and compliance
JOSÉ LUIS CASTELO SÁNCHEZ	Director of stamping, Mexico
MARIA MIÑAMBRES GARCIA	Director of corporate controlling and taxes
ANDER ARENAZA ALVAREZ	Director of the Aluminum and Machining Divisions and CEO of Mahindra CIE Automotive
LOREA ARISTIZÁBAL ABÁSOLO	Director of corporate development and investor relations

Number of female senior managers	4
Percentage of total members of senior management	44.44

Total senior management registration (in thousands of euros)	6,073

C.1.15 Indicate if there were any changes to the board's regulations during the year:

[☒] Yes
[☐] No

Describe the changes
The board resolved to amend the wording of articles 3 (amendment of the regulations), 5 (general supervisory function), 10 (vice-chair or vice-chairs), 12 (coordinating director), 14 (deputy secretary of the board), 15 (board committees), 16 (delegated executive committee), 19 (ASG committee), 19 <i>bis</i> (strategy and operations committee), and 21 (venue of meetings) of the Board Regulations, in order to adapt the Company's corporate documents to the reform of the Good Governance Code [Código de Buen Gobierno] approved by the CNMV on June 26, 2020, and with the purpose of modifying the name of the Corporate Social Responsibility Committee, which is now called the ESG Committee. Likewise, certain sections of the Audit and Compliance Committee Regulations and of the ESG Committee Regulations have been modified, consistent with the purposes described in the preceding paragraph.

C.1.16 Indicate the procedures for selecting, appointing, re-electing, and removing directors. Specify the competent bodies, the formalities required and the criteria to use in each procedure.

The general meeting is responsible for appointing board members, although the board has the power to designate members as replacements in the event of a vacancy. To that end, article 23 of the bylaws states that:

- "4. - It is not necessary to be a shareholder to be appointed to the board.
- 5. - Board members will hold their position for four (4) year terms, and they may be re-elected once or several times to similar terms.
- 6. - The Board members appointed by co-opting will hold office until the date of the first General Meeting.
- 7. - The Board members will cease to hold office when so decided by the General Meeting, when they notify the Company of their resignation or departure and when the period for which they were appointed has elapsed. In this latter case, the resignation will take effect on the day when the next General Meeting is held or when the legal term for holding the Meeting that must resolve on the approval of the accounts of the previous year has elapsed.
- 8. - The members of the administrative body will perform the duties stipulated by Law with the diligence of an orderly businessman, taking into account the nature of the position and the functions attributed to each of them. In addition, the Board members will perform their duties with the loyalty of a loyal representative, acting in good faith and in the best interest of the company. The Regulations of the Board will develop the specific obligations of the directors deriving from the duties included in the Law and, in particular, those of confidentiality, non-competition and loyalty, paying special attention to situations of conflict of interest. "

Article 23 of the Board Regulations also stipulates the following:

- "1. The Board Members will be appointed by the General Meeting or by the Board of Directors in accordance with the law.
- 2. The proposals for appointment and re-election of Members that the Board of Directors submits to the consideration of the General Meeting and the appointment decisions adopted by the Board, by virtue of the co-opting powers legally attributed to it, must be preceded by the corresponding proposal of the Appointments and Remuneration Committee, in the case of independent Directors, or by the report from that Committee, in the case of all other Directors. If the Board does not follow the report by the Appointments and Remuneration Committee, it must explain the reasons for not doing so and record its reasons in the minutes.
- 3. The proposals and reports of the Appointments and Remuneration Committee must expressly assess the candidates' honor, suitability, solvency, competence, experience, qualifications, training, availability, and commitment to their duties. For these purposes, the Appointments and Remuneration Committee will determine the estimated time of dedication, in number of hours per year, for non-executive Directors, stating this in the corresponding report or proposal.
- 4. The Appointments and Remuneration Committee must propose or report, in each case, the assignment of the Director to one of the categories specified in these Regulations and review it on an annual basis. "

C.1.17 Explain the extent to which the annual evaluation of the Board has led to significant changes in its internal organization and in the procedures applicable to its activities:

Describe the changes

The annual evaluation of the Board has served to reflect and take notes on the functioning of the Board and its collegiate bodies, but has not led to relevant changes in its internal organization or procedures.

Describe the evaluation process and the areas evaluated that have been carried out by the board of directors assisted, if applicable, by an external consultant, regarding the functioning and composition of the board and its committees and any other areas and aspects that have been subject to evaluation.

Description of the evaluation process and areas evaluated

The external advisor (Evaluación de Consejos) carried out the process by (i) examining all relevant corporate documents; (ii) preparing a questionnaire addressed to the directors and adapted to the objectives of the CIE Group; (iii) receiving and processing the information received; and (iv) comparing the opinions expressed in order to crystallize the most qualitative assessments.

In this context, the following areas were specifically addressed:

1. ESG aspects;
2. Operational quality and efficiency of the Board;
3. Diversity and composition of the Board;
4. Communication policy;
5. Functioning and composition of committees;
6. Succession policies and plans;
7. Performance of statutory roles;
8. Individual contributions of the Board Members.

C.1.18 For the years where an external consultant helped with the evaluation, a breakdown of the business relationships that the consultant and any companies in its group have with the company and any companies in its group.

For the annual evaluation of the year in question, the Board was assisted by Evaluación de Consejos, S. L. as an external consultant. Aside from that assistance, neither the external consultant nor any company of its group has any business relationship with the company or any company of its group.

C.1.19 Indicate the cases where directors must be dismissed.

Article 26 of the Board Regulations stipulates the following:

- "1. Board members or any of them will be dismissed in the terms provided in the legislation applicable at any given time.
2. Board members must place their position at the disposal of the Board and submit their resignation, if the Board deems it appropriate, in the following cases:
- a) In the case of proprietary Directors, when they or the shareholders they represent transfer their holdings in the Company.
 - b) In the case of executive Directors, whenever the Board deems it appropriate and, in any case, if they cease to hold an executive position in the Company and the companies of its Group.
 - c) If they have a conflict of interest or are prohibited from performing their position as specified by law.
 - d) If they are prosecuted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious misconduct by the supervisory authorities.
 - e) In the case of CEOs, they will be dismissed from their position at the age of 65, but may continue as Board Members, without prejudice to letter (b) above.
 - f) If they are seriously reprimanded by the Board following a report from the Audit and Compliance Committee for having breached their obligations as Board Members."

C.1.20 Are super majorities required beyond those provided by law for adopting any type of decision?

- ☒ Yes
☐ No

If so, describe the differences.

Description of the differences

Article 3 of the Board Regulations provides that a majority of at least two thirds of the directors present or represented at the meeting in question will be necessary to amend the Regulations, as opposed to the Companies Act, which does not provide for special majorities for this case.

C.1.21 Explain whether there are specific requirements, other than those relating to the directors, to be appointed chair of the board:

- ☐ Yes
☒ No

C.1.22 Indicate whether the bylaws or board regulations place an age limit on board members:

☒ Yes
☐ No

	Age Limit
Chair	N. A.
CEO	65
Director	N. A.

C.1.23 Indicate whether the bylaws or the board regulations establish a limited term or other more restrictive requirements beyond those provided by law for independent board members, aside from the regulations:

☐ Yes
☒ No

C.1.24 Indicate whether the bylaws or the board regulations establish specific rules for delegating voting in the board to other directors, the manner for doing so and, in particular, the maximum number of proxies that a director may have, as well as whether any limitation has been established regarding which categories may be proxies, beyond the limitations imposed by law. If so, give a brief description of these rules.

Article 22(2) of the Board Regulations stipulates the following:

"Board members must attend the meetings of the Board and, when they are unable to do so in person, they must delegate another board member to represent them, together with the appropriate instructions. Non-executive Directors may only delegate other non-executive Directors as proxies. Representation may not be delegated in relation to matters regarding which the Board Member is in any situation of conflict of interest. Proxies must be granted on a special basis for each meeting of the Board, and may be communicated by any of the means provided for convening meetings. "

C.1.25 Indicate the number of times the board met during the year. Also indicate, if applicable, the number of times the board met without the chair in attendance. The calculation should include proxies with specific instructions.

Number of board meetings	8
Number of board meetings without the chair in attendance	0

Indicate the number of times the coordinating director held meetings with the other board members without a CEO in attendance:

Number of meetings	0

Indicate the number of times the board's various committees met during the year:

Number of ASG Committee meetings	2
Number of Audit and Compliance Committee meetings	6

Number of Appointments and Remuneration Committee meetings	2

C.1.26 Indicate the number of times the board met during the year and the attendance information of its members:

Number of meetings with at least 80% of the board members present in person	8
In-person attendance % out of total votes during the year	93.64
Number of meetings with all board members present in person or represented by proxies with specific instructions	4
% of votes issued with in-person attendance and proxies with specific instructions, out of the total votes cast during the year	93.64

C.1.27 Indicate if the individual and consolidated annual financial statements submitted to the board for drawing up are certified first:

[] Yes
[√] No

If applicable, indicate the person(s) who certified the company's individual and consolidated annual financial statements, for drawing up by the board:

C.1.28 Explain any mechanisms the board put in place to ensure that the annual financial statements it submits to the general meeting are drawn up in accordance with accounting regulations.

Pursuant to Article 3 of the Audit and Compliance Committee Regulations, the committee's duties include:

- f) Analyzing, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- g) Supervising the process of preparing and reporting mandatory financial and non-financial information.
- h) Proposing to the Board, for submission to the General Meeting, the appointment, re-election, or replacement of the auditors, as well as the conditions for retaining them, in accordance with the applicable regulations, and to receive regular information from them on the audit plan and its implementation, in addition to preserving their independence in the exercise of their functions.
- i) Supervising the work of the Compliance and Internal Audit areas, which will functionally report to the Audit and Compliance Committee, and ensuring their independence.
- j) Proposing the selection, appointment, and dismissal of those responsible for the Compliance and Internal Audit services; proposing the budget for these services; approving the orientation and annual work plan, ensuring that their activity is focused primarily on the relevant risks; receiving periodic information on their activities; and verifying that Senior Management takes into account the conclusions and recommendations of their reports.

k) Establishing the appropriate relationships with the auditors to receive information on any issues that may jeopardize their independence, for examination by the Committee, and any others related to the process of auditing the accounts, along with any other communications specified in the legislation on auditing of accounts and in the other auditing standards.

l) In any case, it will receive annually from the auditors written confirmation of their independence in relation to the Company or entities directly or indirectly related to it, as well as information on additional services of any kind rendered and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them in accordance with the legislation on auditing of accounts.

m) Issuing annually, prior to the audit report, a report expressing an opinion on the independence of the auditors. This report must, in any case, express an opinion on the provision of the additional services referred to in the preceding section, on the terms established by law.

n) Informing the Board regarding the financial and non-financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that the interim financial statements are prepared under the same accounting criteria as the annual accounts and, to this end, considering the appropriateness of a limited review by the auditor.

C.1.29 Is the secretary of the board a board member?

[] Yes
[✓] No

If the secretary is not a board member, fill out the following table:

Name or company name of the secretary	Representative
JOSÉ RAMÓN BEREĆIBAR MUTIOZABAL	

C.1.30 Indicate the specific mechanisms that the company has put in place to preserve the independence of the external auditors, and the case being, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Article 46 of the Board Regulations regulates the relations with the external auditors: "Article 46. Relations with

Auditors

1. The Board's relations with the Company's external auditors will be channeled through the Audit and Compliance Committee, on the terms resulting from the Bylaws and the Regulations of the Audit and Compliance Committee.

2. In its report, the Board will report the fees paid by the Company each year to the auditor for services other than auditing.

3. The Board will endeavor to draw up the annual accounts in such a way that there is no room for qualifications by the auditor. However, when the Board considers that its opinion should be kept, it must explain the content and scope of the discrepancy. "

By virtue of this mandate, the Audit and Compliance Committee will be responsible for maintaining relations with the external auditors in order to receive information on any matters that may jeopardize their independence and on any other matters related to the process of auditing the financial statements, as well as any other communications specified in the legislation on auditing the financial statements and in the technical auditing standards.

C.1.31 Indicate whether the Company changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

[] Yes
[✓] No

If there were disagreements with the outgoing auditor, explain their content:

[☐] Yes
[☒] No

C.1.32 Indicate if the audit firm performs other work for the company and its group other than auditing services, and in that case state the amount of the fees paid for that work and the percentage it represents of the fees billed to the company and its group for audit services:

[☒] Yes
[☐] No

	Company	Group companies	Total
Amount of non-auditing services (thousands of euros)	157	311	468
Amount of non-auditing services / Amount of auditing services (in %)	100	24. 47	32. 89

The amount of the non-auditing services over the amount of auditing services is 103,29% as long as the non-auditing services are a higher amount than the auditing services in the stand-alone parent company.

C.1.33 Indicate if the audit report on the previous year's financial statements contained qualifications. If so indicate the reasons that the head of the Audit Committee gave to the general meeting to explain the content and extent of the qualifications.

[☐] Yes
[☒] No

C.1.34 Indicate the number of years that the current audit firm has been auditing the company's individual and consolidated annual financial statements without interruption. Also indicate the percentage of years audited by the current audit firm out of the total number of years with audited annual financial statements:

	Individual	Consolidated
Number of uninterrupted years	19	19

	Individual	Consolidated
No. of years audited by the current audit firm / No. of years the company and its group have been audited (in %)	52. 77	52. 77

C.1.35 Indicate, and if applicable provide details, whether there is a procedure for board members to get the necessary information to prepare for management body meetings sufficiently in advance:

[☒] Yes
[☐] No

Details of the procedure

In accordance with Article 20 of the Board Regulations, at the time the meeting is called, the directors will be sent the relevant information for the purposes of the meeting.

In addition, sufficiently in advance, the directors are sent a copy of the presentation that will serve as a guide for the meeting, so that they are aware in

advance of the content of the various items on the agenda and have enough time to prepare for the meetings.

In addition, Article 29 of the Board Regulations states that, in order to be assisted in the performance of their duties, any directors may request the engagement, at the company's expense, of legal, accounting, financial, technical, commercial, or other expert advisors, if they deem it necessary for the proper performance of their duties. The assignment must necessarily deal with specific problems of special complexity.

C.1.36 Indicate and, if applicable, provide details, on whether the company has put rules in place that require directors to report and, if applicable, resign when situations arise that affect them, whether or not they are related to their performance in the company itself, that could damage the credit and reputation of the company:

☒ Yes
☐ No

Explain the rules

Article 26. 2(d) of the Board Regulations requires its members to place their position at the disposal of the Board in the event that "(. . .) they are prosecuted for an allegedly criminal act or are the subject of disciplinary proceedings for serious or very serious misconduct conducted by the supervisory authorities".

C.1.37 Indicate, unless there have been special circumstances recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting director, whether or not it is related to their performance in the company itself, which could damage the credit and reputation of the company:

☐ Yes
☒ No

C.1.38 Provide details of any significant agreements that the company has reached and that come into force, are modified, or terminated in the event of a change in control of the company due to a public buyout bid, and their effects.

There are no such significant agreements.

C.1.39 Identify individually, in the case of directors, and in aggregate in all other cases, and indicate, in detail, any agreements between the company and its executives and directors or employees that provide for severance pay or golden parachute clauses if they resign or are unfairly dismissed or if the contractual relationship comes to an end as a result of a takeover bid or other types of operations.

Number of beneficiaries	1
Type of beneficiary	Description of the agreement
CEO of the company	The contract with the CEO complies with subsections (g) (clawback) and (h) (termination) of section IV of the Director Remuneration Policy. "(g) In view of the proposal, if applicable,

Type of beneficiary	Description of the agreement
	by the Appointments and Remuneration Committee, the Board has the power to claim any remuneration already paid out in relation to the commitment to remain and not compete (claw-back clauses) in the aforementioned circumstances. In addition, additional grievance measures may be taken in special situations such as fraud, and serious breach of law. " (h) The CEO will be entitled to receive the full amount of his long-term variable remuneration and the full amount of his tenure and non-compete commitment in the event that the General Meeting and the Board decide not to retain him in office for any circumstances within the ten (10) year period from January 1, 2018. In addition, he may also be entitled to receive an additional amount (at most, equivalent to two years' worth of his fixed and variable remuneration in the short term) to be included, if applicable, in his contract. "

Indicate whether, beyond in the cases provided for by regulations, these contracts must be reported to and approved by the bodies of the company or of its group. If so, specify the procedures, the cases envisaged and the nature of the bodies responsible for approving or communicating them:

	Board of directors	General meeting
Body that authorizes the clauses	√	
	Yes	No
Is the general meeting informed of the clauses?	√	

C.2. Board committees

C.2.1 Provide details on all of the board's committees, their members, and the proportion of executive, proprietary, independent, and other external board members on them:

ASG Committee		
Name	Position	Category
SANTOS MARTÍNEZ- CONDE GUTIÉRREZ BARQUÍN	MEMBER	Proprietary director
GOIZALDE EGAÑA GARITAGOITIA	CHAIRMAN	Proprietary director
MARIA TERESA SALEGUI ARBIZU	MEMBER	Proprietary director

% of executive directors	0. 00
% of proprietary directors	100. 00
% of independent directors	0. 00
% of other external directors	0. 00

Explain the duties delegated or attributed to this committee other than those already described in section C. 1. 9, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law, in the bylaws or in other corporate resolutions.

The ASG Committee is an internal informative and consultative body without executive functions that has the power to provide information, advice, and proposals in areas under its purview.

To this effect, the ESG Committee will have the following responsibilities:

- a) Ensuring the existence of a Code of Conduct in the Company, proposing its approval and its subsequent modifications to the Board, and promoting any relevant issue for the promotion of knowledge and compliance with the Code of Conduct.
- b) Supervising the regulations of the Company's ethics channel and internal procedures to verify their effectiveness in preventing inappropriate conduct and identifying any policies and procedures that may be more effective in promoting the highest ethical standards.
- c) Periodically reviewing the environmental policies, including climate change, social and corporate governance policies and proposing any modifications and updates to the Board for approval or submission to the General Shareholders' Meeting, that would contribute to their development and continuous improvement.
- d) Understanding, promoting, guiding, and supervising the strategy and performance of corporate governance in matters of sustainability and reporting on them to the Board.
- e) Supervising compliance with legal requirements and corporate governance standards.
- f) Supervising and assessing the relationship processes with the different stakeholders.
- g) Evaluating and reviewing the Company's plans for implementing ESG policies and tracking their degree of compliance.
- h) Reporting on the performance by entities of a foundational nature linked to the Group of the general interest and ESG activities entrusted to them.
- i) Reporting on the Company's Annual Corporate Governance Report prior to its approval, requesting reports from the Audit and Compliance Committee and the Appointments and Remuneration Committee in relation to the sections of the report that fall within its purview, and the annual report.
- j) Any other duties that may be resolved by the Company's Board.

During the year in question, the most significant actions have been the following:

- (i) reporting on the ACGR, CRR, and Annual Financial Report in the matters under its purview;
- (ii) reporting on the consolidated Statement of Financial Information and the circumstances related to its content;
- (iii) tracking the operation of the Code of Ethics and the incidents that occurred during the year as a result of the Ethics Mailbox;
- (iv) assessing corporate policies and actions to be implemented during the year, as well as making suggestions to modify existing policies.

Audit and Compliance Committee

Name	Position	Category
CARLOS SOLCHAGA CATALÁN	MEMBER	Independent director
ÁNGEL MANUEL OCHOA CRESPO	CHAIRMAN	Independent director
MARIA TERESA SALEGUI ARBIZU	MEMBER	Proprietary director
ARANTZA ESTEFANÍA LARRAÑAGA	MEMBER	Independent director

% of executive directors	0. 00
% of proprietary directors	25. 00
% of independent directors	75. 00
% of other external directors	0. 00

Explain the duties, including, if applicable, any beyond those required by law, assigned to this committee, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law or in the bylaws or in other corporate resolutions.

The Audit and Control Committee has the responsibility of assisting the Company's Board in the supervision of the financial and non-financial statements as well as in the exercise of the control function in the Company and the companies that are part of its Group.

To that end, the Audit and Control Committee will have the following powers:

- a) Periodically reviewing the risk policy and proposing amendments and updates to the Board.
- b) Approving the policy on retaining the auditor.
- c) Informing the General Meeting regarding any questions the shareholders in it raise on matters under its purview.
- d) Supervising the effectiveness of the internal control mechanisms of the Company and its Group, as well as their systems for managing financial and non-financial risks, including tax risks and risks related to corruption.
- e) Generally ensuring that the internal control policies and systems in place are applied effectively in practice.
- f) Analyzing, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- g) Supervising the process of preparing and reporting mandatory financial and non-financial information.
- h) Proposing to the Board, for submission to the General Meeting, the appointment, re-election, or replacement of the auditors, as well as the conditions for retaining them, in accordance with the applicable regulations, and to receive regular information from them on the audit plan and its implementation, in addition to preserving their independence in the exercise of their functions.
- i) Supervising the work of the Compliance and Internal Audit areas, which will functionally report to the Audit and Compliance Committee, and ensuring their independence.
- j) Proposing the selection, appointment, and dismissal of those responsible for the Compliance and Internal Audit services; proposing the budget for these services; approving the orientation and annual work plan, ensuring that their activity is focused primarily on the relevant risks; receiving periodic information on their activities; and verifying that Senior Management takes into account the conclusions and recommendations of their reports.
- k) Establishing the appropriate relationships with the auditors to receive information on any issues that may jeopardize their independence, for examination by the Committee, and any others related to the process of auditing the accounts, along with any other communications specified in the legislation on auditing of accounts and in the other auditing standards.
- l) In any case, it will receive annually from the auditors written confirmation of their independence in relation to the Company or entities directly or indirectly related to it, as well as information on additional services of any kind rendered and the corresponding fees received from these entities by the aforementioned auditors, or by the persons or entities related to them in accordance with the legislation on auditing of accounts.
- m) Issuing annually, prior to the audit report, a report expressing an opinion on the independence of the auditors. This report must, in any case, express an opinion on the provision of the additional services referred to in the preceding section, on the terms established by law.
- n) Informing the Board regarding the financial and non-financial information that, due to its status as a listed company, the Company must periodically make public, ensuring that the interim financial statements are prepared under the same accounting criteria as the annual accounts and, to this end, considering the appropriateness of a limited review by the auditor.
- o) Reporting to the Board, before it adopts the corresponding decision, on the creation or acquisition of shares in special purpose entities or entities domiciled in countries or territories considered as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, might undermine the transparency of the Group.
- p) Any other duties that may be resolved by the Company's Board.

During the year in question, the most relevant actions have been the following:

- (a) Analyzing the Periodic Public Information, prior to its submission to the CNMV and the Governing Bodies of the Bilbao and Madrid Stock Exchanges.
- (b) Analyzing the annual accounts (balance sheet, profit and loss account, statement of cash flows and statement of changes in equity and notes to the financial statements) and directors report of the Company and its consolidated group for the year ended December 31, 2019.
- (c) Following-up on the external audit procedures.
- (d) Analyzing the internal audit procedures and, in particular, the procedures related to the Internal Control System on the procedure for the preparation of financial information (ICFR).
- (e) Verifying the accounting liquidity status in relation to the approval of an interim dividend paid out from 2020 profits.
- (f) Analyzing the company's risk map. This year, the Audit Committee specifically analyzed the impact of the crisis arising from the health emergency resulting from COVID-19.
- (g) Reporting on the items under its purview on the general meeting's agenda, and especially on the corresponding re-selection of the external auditor.
- (h) Reporting on the CIE Group's tax policy.

Identify any board members on the audit committee who were appointed in view of their experience in accounting, auditing, or both, and reporting on the date when the committee's chair is appointed to the position.

Names of board members with experience	CARLOS SOLCHAGA CATALÁN
Date chair was appointed to the position	2/22/2019

The Appointment and Remuneration Committee		
Name	Position	Category
CARLOS SOLCHAGA CATALÁN	CHAIRMAN	Independent director
ÁNGEL MANUEL OCHOA CRESPO	MEMBER	Independent director
FRANCISCO JOSÉ RIBERAS MERA	MEMBER	Proprietary director

% of executive directors	0. 00
% of proprietary directors	33. 33
% of independent directors	66. 67
% of other external directors	0. 00

Explain the duties, including, if applicable, any beyond those required by law, assigned to this committee, and describe its procedures and rules of organization and operation. For each of these duties, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether by law or in the bylaws or in other corporate resolutions.

The Appointments and Remuneration Committee is an internal informative and consultative body without executive functions that has the power to provide information, advice, and proposals in areas under its purview.

To that end, the Appointments and Remuneration Committee will have the following powers:

- Proposing to the Board the remuneration policies for directors and senior managers and reviewing them periodically, proposing, where appropriate, modifications to them and updating the Board.
- Reporting on and reviewing the criteria to be followed for the composition of the Board and the selection of candidates and, in particular, the skills, knowledge and experience required, as well as evaluating the time and dedication required to properly perform their duties.
- Ensuring that, when filling new vacancies or appointing new directors, the selection procedures do not suffer from implicit biases that could imply any discrimination and, in particular, that they do not hinder the selection of female directors.
- Establishing a representation target for the under-represented gender on the Board and developing guidelines on how to hit this target.
- Submitting proposals to the Board on the appointment of independent directors for appointment by co-opting or for submission to the decision of the General Meeting, as well as proposals for the re-election or removal of those directors by the General Meeting, and reporting on proposals for the removal of those directors made by the Board.
- Reporting on the proposals for the appointment of the remaining Board Members for their appointment by co-opting or for their submission to the decision of the General Meeting, as well as the proposals for the re-election or removal of those Board Members by the General Meeting.
- Reporting on and submitting the proposals for the appointment of the internal positions of the Board and the members that should sit on each committee.
- Examining and organizing the succession of the Chair of the Board and the CEO of the Company and, where appropriate, sending the Board proposals so that the succession occurs in an orderly and planned manner, in accordance with the succession plan approved by the Board.
- Proposing to the Board the system and amount of the annual remuneration of the directors, as well as the individual remuneration of the CEOs and the other basic conditions of their contracts, including any compensation or indemnities that may be fixed in the event of their departure, in accordance with all cases with the directors' remuneration policy approved by the General Meeting.

- j) Supervising the process of selecting candidates for senior management of the Company and reporting on the Company's CEO's proposals regarding the appointment or removal of senior managers.
- k) Reporting and submitting to the Board the proposals by the Company's CEO regarding the remuneration structure of senior executives and the basic conditions of their contracts.
- l) Ensuring compliance with the Company's remuneration programs and reporting on the documents to be approved by the Board for general disclosure regarding information on remuneration, including the Annual Report on Directors' Remuneration and the corresponding sections of the Company's Annual Corporate Governance Report.
- m) Any other duties that may be resolved by the Company's Board.

In relation to its basic duties regulated under the Board Regulations, the committee's main actions this year were:

- (a) Analyzing the IAGC, the IARC and the Annual Financial Report in the areas under its purview.
- (b) Reporting on the remuneration of the Board members.
- (c) Monitoring the evaluation of the Board members.
- (d) Reporting on the type of each member of the Board.
- (e) Reporting on the process of searching for new independent Board members, until the appointment of a new independent director.
- (f) Reporting on the re-election and appointment of all the Board Members that make up the Company's Board, as resolved at the Ordinary General Meeting held on April 29, 2020.

C.2.2 Complete the following table with the information regarding the number of female directors on the Board's committees at the end of the last four years:

	Number of directors							
	2020		2019		2018		2017	
	Number	%	Number	%	Number	%	Number	%
ASG Committee	2	66.66	2	66.66	2	66.66	2	66.66
Audit and Compliance Committee	2	50.00	1	33.33	1	33.33	1	33.33
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, if applicable, the existence of regulations of the board committees, the place where they are available for consultation, and any changes that were made to them during the year. In turn, indicate whether an annual report on the activities of each committee has been prepared voluntarily.

Each of the committees of the Board described in the preceding sections has its own regulations. This information is available on the company's website (<http://www.cieautomotive.com/web/investors-website/comisiones-del-consejo-de-administracion>).

Certain articles of the Regulations of the Audit and Compliance Committee and of the Regulations of the ASG Committee have been amended, in coherence with the amendments made to the Regulations of the Company's Board, on October 27, 2020.

The Audit and Compliance Committee, the Appointments and Remuneration Committee and the ESG Committee have prepared the corresponding reports on their activities during 2020, which have been made available on the aforementioned website.

D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. Explain, where appropriate, the procedure and relevant bodies for approving related-party and intragroup transactions.

The transactions that the company or group companies carry out with directors and shareholders with a significant holding or are represented on the board of directors, as well as with their related parties, in the terms established by law, must be first submitted for approval before the board of directors after the Audit and Compliance Committee having issued its own report. In any case, whatever their nature, all related-party transactions are carried out at market prices and in compliance with the applicable regulations.

D.2. Provide a breakdown of the significant transactions by their amount or due to their type made between the company or group entities and significant shareholders of the company:

Name or company name of the significant shareholder	Name or company name of group company or entity	Nature of the relationship	Type of transaction	Amount (in thousands of EUR)
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Sales of finished and unfinished goods	109,791
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Purchases of finished and unfinished goods	10,184
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Services received	1,059
MAHINDRA & MAHINDRA LTD	MCIE GROUP	Commercial	Provision of services	34
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	MFE	Commercial	Sales of finished and unfinished goods	3,315
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	GRUPO MÉXICO	Commercial	Sales of finished and unfinished goods	10,989
ACEK DESARROLLO Y GESTION INDUSTRIAL, S. L.	GRUPO MÉXICO	Commercial	Purchases of finished and unfinished goods	217

- D.3.** Provide a breakdown of the significant transactions by their amount or their type made between the company or group entities and the directors or managers of the company:

Name or company name of director or manager	Name or company name of group company or entity	Relationship	Nature of the transaction	Amount (in thousands of EUR)
MR. JESUS MARIA HERRERA BARANDIARAN	CIE AUTOMOTIVE, S. A.	Jesús María Herrera Barandiarán CEO of CIE Automotive, S. A.	Others	9,100
MANAGEMENT TEAM	CIE AUTOMOTIVE, S. A.	Certain managers of the company group	Financing agreements: loans	22,947

- D.4.** Provide a breakdown of the significant transactions between the company and other group entities, except those that are removed during the preparation of the consolidated financial statements and that do not form part of the company's normal operations with regard to their purpose and conditions:

Any intragroup transaction carried out with entities incorporated in countries or territories that are considered tax havens must be reported:

Company name of the group entity	Short description of transaction	Amount (in thousands of EUR)
No data available		N. A.

- D.5.** Provide a breakdown of the significant transactions made between the company or group entities and other related parties that have not been detailed in the above sections.

Company name of the related party	Short description of transaction	Amount (in thousands of EUR)
Asociadas AEL	Sales	213
Asociadas AEL	Purchases	196
Asociadas AEL	Services received	99
SAMAP	Sales	4,205
SAMAP	Services rendered	2,703
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Services received.	3,127

Company name of the related party	Short description of transaction	Amount (in thousands of EUR)
FUNDACIÓN CIE AUTOMOTIVE I+D+i	Services rendered.	15
Banca March, S. A.	Financial expenses.	145
GLOBAL DOMINION ACCESS, S. A.	Services received.	273

D.6. Detail the mechanisms established for detecting, determining, and resolving possible conflicts of interest between the company and/or its group and its board members, managers, or significant shareholders.

Article 34 of the Board Regulations states the following: "Article 34. Conflicts of Interest
Board Members must take the necessary measures to avoid being involved in situations of conflict of interest as established by law.

It will be considered that there is a conflict of interest in any situation where the personal interest of a Board Member and the interest of the Company directly or indirectly clash with one another. A personal interest exists when an issue either concerns a Board Member or a Related Party. For the purpose of this Regulation, the Related Parties of a Board Member are the following:

1. The spouse of a Board Member or person in a similar relationship;
2. Ascendants, descendants, and siblings of a Board Member and those of the Board Member's spouse;
3. Spouses of the ascendants, descendants, and siblings of the Board Member;
4. Companies in which the Board Member, directly or by proxy, is found in any of the situations described in section 4 of Securities Market Act.

With regard to legal entities that are Board Members, Related Parties are understood to be the following:

1. With regard to the legal entity Board Member, Shareholders who are found in any of the situations described in section 4 of Securities Market Act;
2. Directors in fact or in law, receivers, and proxies with general powers of attorney for legal entity Board Members.
3. Companies belonging to the same group, as described in section 4 of Securities Market Act, and its shareholders.
4. With regard to the proxy of the legal entity Board Member, persons who are Related Parties to Board Members, pursuant to this section.

When there is a conflict of interest, the following rules will be applied:

Communication: the Board Member must inform the Board of Directors and the Audit and Compliance Committee, through the Chairman or the Secretary, of any situation of conflict of interest.

Abstention: the Board Member must leave the meeting and abstain from intervening during the debate and casting a vote in relation to any items on the agenda in which there is a conflict of interest with such Board Member. Proprietary Directors must abstain from voting on matters that may represent a conflict of interest between the shareholders having proposed their appointment and the Company.

Transparency: the Company will report, when required in accordance with the law, on any situation of conflict of interest involving the Board Members during the year in question and that it is recorded in the notice regarding the party concerned or by any other means. "

D.7. Indicate whether the company is controlled by another listed or unlisted entity under the scope of section 42 of the Commercial Code and has, directly or through its subsidiaries, business relationships with such entity or its subsidiaries (other than those of the listed company) or carries out activities linked to any of their activities.

☐ Yes
☒ No

E. CONTROL AND RISK MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Control and Risk Management Systems, including tax risk:

CIE Automotive has a Risk Management System (RMS) to reduce any risks that could jeopardize its corporate objectives to tolerable levels if they ever materialized. This model, defined under its Control and Risk Management Policy follows the ISO 31000 methodology and it is the responsibility of the Board, which delegates its oversight and proper functioning to the Audit and Compliance Committee.

CIE Automotive's RMS reasonably ensures that all significant risks - strategic, operational, financial, non-financial, ESG (Environmental, Social and Good Governance) and compliance - are prevented, identified, assessed, and subjected to continuous monitoring. These risks are approved by the Board of Directors and managed based on their risk appetite and risk tolerance levels.

Principles of the risk management framework:

- Promote a constructive view of the concept of risk.
- Commitment and skills of the persons involved.
- Communicate in a common language.
- Transparent communication within organization.

CIE Automotive's global corporate risk management process is based on the ISO 31000 methodology and has a five-step continuous cycle:

1. Identify key risks that may affect the achievement of the organization's objectives, including all the control objectives for financial and non-financial information, including tax risk.
2. Assess these based on their probability of occurring and their impact on the organization, always taking into account the existing controls. This ranking is used to place each risk on the Risk Map, being the main risk assessment tool.
3. Determine the response for each one.
4. Follow up on all agreed actions.
5. Report the outcome following the analysis.

E.2. Identify the company's bodies responsible for the preparation and performance of the Control and Risk Management Systems, including tax risk:

Responsibility for the performance of the risk management system, including the tax risk, rests with the Board of Directors, which relies specifically on the Audit and Compliance Committee for its oversight and proper operation.

CIE Automotive's control and risk management policy requires that all business divisions identify and assess the risks they face when achieving their business objectives, in order to identify the appropriate mitigating measures sufficiently in advance to reduce or eliminate the likelihood of the risk occurring and/or its possible impact on the objectives if it were to materialize.

E.3. Indicate the main risks, including tax risks and to the extent of the significance of those due to corruption (these under the scope of Royal Decree Law 18/2017), which may affect the achievement of the business objectives:

During the development of its activity, CIE Automotive is exposed to a range of risks inherent to the various lines of business carried out and the countries in which they are carried out.

Moreover, a shift in the degree of socioeconomic uncertainty existing in the markets where CIE Automotive operates may lead to risk factors, currently unknown or not considered relevant, which could affect the business, the results and/or the financial position of the company.

The following are the risk categories that CIE Automotive faces while meeting its business objectives:

- Strategic Risks: affect the high-level objectives directly connected to the Strategic Plan.
- Operational Risks: affect the objectives linked to the effective and efficient use of resources.
- Financial Risks: affect the planned information reliability objectives, both internally and externally.

- Compliance Risks: non-compliance risk enacted by Senior Management, the Management Team or employees associated with external and internal regulations.
- ESG (Environmental, Social and Good Governance) Risks: affect environmental, social, ethical, and corporate governance aspects and also compliance with laws and regulations.

The 2020 Risk Map highlights the growing concern of cybersecurity and the economic damage it can cause due to its poor management, as well as the increased perception of possible cases of fraud and corruption within the company associated with cybersecurity.

Also, the map shows the consolidation, as the main risks, of those intrinsic to the sector and their evolution, such as the risk of market trend changes and customer satisfaction, and another specific to the trajectory, growth, and future of CIE Automotive, which is inorganic growth management. For both scenarios, taking care of people, the company's greatest asset, is key and the risks that reside here are: having a training and talent policy and an appropriate generational change (succession plan).

E.4. State whether the entity has risk tolerance levels, including tax risks:

The Board of Directors has approved acceptable risk levels for each type of risk, business, and geographic location, as well as the levels of allowable deviation based on the strategic objectives and the strategic lines for their achievement. Acceptable risk levels are periodically updated in line with changes made to the corporate strategy and the business risk profile.

Risks that threaten the achievement of business objectives, including tax risk, are identified on a yearly basis, and are assessed according to how likely they are to occur and their possible economic, reputational and organizational impact, in order to determine the risk severity level.

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

The review of the 2020 Risk Assessment shows the alignment of the Risk Map with CIE Automotive's strategy, as well as the effectiveness of the Operational Internal Control System since none of the key risks materialized during the year.

E.6. Explain the response and oversight plans for the entity's main risks, including tax risks, as well as the procedures implemented by the company to ensure that the board of directors can respond to any new challenges as they arise:

The assessment and verification of the effectiveness of the corporate risk control and oversight system is carried out periodically by the Compliance department, which has qualified and expert personnel working independently of the business lines and every year a Risk Map is presented to the Audit and Compliance Committee for its monitoring and approval which is later reported to the Board of Directors.

The Risk Map is a comprehensive report, broken down by region, technology and by region and technology, which shows the impact (in EUR) on the EBITDA of any possible materialization for each risk, as well as the evolution of the main risks over the last three years for all listed categories. The entire process is monitored using the internal management tool called SAP GRC.

Measures adopted by CIE Automotive to oversee the main risks of the 2020 Risk Map: Cybersecurity:

CIE Automotive initiated a project in 2018 to protect these assets with an approach incorporating process reengineering and social engineering and based on the pillars of international standards, in order to manage information security in real time and maintain the traceability of all security management processes. The services that have been worked on from the beginning of the project and until now are the following:

- o SOC (Security Operations Center).
- o SIEM (Security Information and Event Management).
- o Incident Response.

Complementing these actions was work to improve access and user policies for information systems, contingency plans for data and equipment losses and antivirus improvements and, also, at the end of 2020 an pilot cybersecurity awareness project was launched that will be deployed within the organization after its approval and final test.

Fraud and Corruption

CIE Automotive has a Criminal Risk Prevention Model, through which it identifies possible crimes that could be committed and establishes the internal controls necessary to mitigate or eliminate them. The model, created in 2015 and updated in 2019 following the collaborative project carried out with the external consultant Deloitte, has been implemented locally during 2020 in Mexico, Brazil, China, and India (still in production) and in 2021 it will be implemented at a global level.

There is a Support Unit, composed of:

- o The General Secretary of CIE Automotive, who will carry out functions of the Chair, Management and Coordination of the Support Unit. o A representative of the CIE Automotive Internal Audit Department.
- o Others that are required due to the subject matter.

This body has autonomous powers of initiative and control within the organization and is responsible for ensuring compliance with the Criminal Risk Prevention Model.

The company relies on this model as a means to combat money laundering through its internal control system (via the SAP GRC tool), so as to ensure it is compliant with the external regulations and the policies and procedures in place to mitigate this risk.

Apart from this, it must be highlighted that training courses on criminal liability and anti-corruption were delivered to the Board of Directors, Senior Management, and most of the Management Team at the end of 2020, whose scope will be extended further in 2021, a year in which global training in the Code of Professional Conduct will take place, being the cornerstone of the criminal liability model, for everyone working at CIE Automotive.

Change in market trends:

The company is working at being flexible in the face of new trends, in order to adapt to current or future customer needs. The main lines of action are the following:

- o Include electric vehicle parts in the portfolio (such as battery, motor, and electronic components) by setting yearly commercial objectives with the expectation of the market and its customers increasing these volumes.
- o Focus commercial efforts on functions not affected by electrification. Due to its technological and geographical diversification and its financial capacity, CIE Automotive is prepared to adapt to market change. Proof of this is that more than 80% of the portfolio can be used for any vehicle.
- o Plan for the reduction in diesel engines and saturate the media with gasoline engines.
- o Be a local provider for a global scope. Being close to manufacturers and not depend on global supply chains. Ultimately, continue working on one of the pillars of the group: multi-location.

[due to the length of the explanation of this section, it continues under section H2 - Others of this Report]

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS FOR THE PROCESS OF REPORTING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the control and risk management framework regarding internal control over financial reporting (ICFR) of the entity.

F.1. Control environment of the entity.

Provide information on at least the following, indicating their main characteristics:

F.1.1 Which bodies and/or functions are responsible for (i) the existence and maintenance of an adequate and effective Internal Control over Financial Reporting framework; (ii) its implementation; and (iii) its oversight.

The Board of Directors is the body responsible, among other aspects, for the ongoing updates and improvements made to the company's corporate governance system, within the legislative framework and the most recognized recommendations on good corporate governance, while using its powers to adopt the necessary or appropriate resolutions or to propose them to the General Meeting. These functions include the responsibility for the existence and to maintain the Internal Control over Financial Reporting (ICFR) System.

The Audit and Compliance Committee is the body responsible for supervising the ICFR effectiveness of the company, Internal Audit, and the risk management process, as well as discussing with the external auditor any significant weaknesses in the internal control system detected during the audit.

The Audit and Compliance Committee relies on the Compliance Department to carry out these functions, which is responsible for the implementation of the ICFR and, in general, for the entire internal control system at CIE Automotive and ensuring that the Internal control procedures that must be implemented in the company's operations are defined and designed, as well as compliance with legal regulations, internal policies and established procedures.

F.1.2 If there are any of following structures or elements, especially those relating to the financial reporting preparation process:

Departments and/or mechanisms to ensure: (i) the design and review of the organizational structure; (ii) a clear definition of the lines of responsibility and powers, with an adequate distribution of tasks and functions; and (iii) there are sufficient procedures for a proper dissemination within the entity:

The Board of Directors is the body responsible for defining and periodically reviewing the CIE Automotive's organizational structure at the highest level and it delegates the responsibility of ensuring that dependent structures have sufficient human and material resources to Senior Management.

With regard to the process of preparing financial reports, there is an interrelated global financial department made up of the Controlling and Tax Departments, as well as Treasury and the Finance Department.

Within the CIE Automotive's internal policies and procedures framework, the responsibilities and functions are defined and duly communicated to all those directly carrying out the preparation and review of financial information.

There are internal protocols ensuring that any change made to the preparation of the financial reporting is distributed to the appropriate personnel in a timely manner. Furthermore, there are controls to identify any incident in this regard.

Code of conduct, approval body, degree of dissemination and instructions, included principles and values (indicating if there are specific notes made to the transaction records or the preparation of the financial reports), body responsible for reviewing non-compliance issues and proposing corrective actions and sanctions:

Currently, CIE Automotive has a Code of Conduct as well as an Internal Code of Conduct for the Securities Markets, where there is a specific section referring to the reliability of financial information and that establishes a set of specific rules for everyone participating in the process of preparing financial reports.

Both documents are published on the corporate website and are distributed to all personnel concerned through the communication channels established for this purpose. For both cases, the Board of Directors is responsible for its definition and its approval.

The Code of Conduct establishes the basic rules and principles to ensure the commitment and transparency of relationships and operations with stakeholders, the maximization and protection of shareholder investments while safeguarding health, safety, and the environment. Also, it defines the need to control payments and any situation arising where there is a conflict of interest with employed staff.

The ESG (Environmental, Social and Good Governance) Committee has the function of, among others, the monitoring of compliance with these Codes of Conduct.

Whistle-Blowing Channel, communicating to the audit committee on financial and accounting irregularities, including any possible breach of the code of conduct and irregular activities within the organization, while stating, where appropriate, whether it is confidential in nature:

CIE Automotive has an ethics channel whose purpose is to receive reports and/or complaints related to irregular conduct or activities stemming from a breach of the principles and ethical standards of the Code of Conduct as well as an Internal Code of Conduct for the Securities Markets.

The ethical channel operating process is strengthened with a regulation that ensures that complaints can be made anonymously, ensuring the confidentiality of the complainant at all times if it is requested, as well as respecting the rights of the complainant and of the accused.

CIE Automotive has an action protocol to review received complaints and notify the ESG Committee (Environmental, Social and Good Governance Committee) for their monitoring.

Training programmes and periodic upskilling for staff involved in the preparation and review of financial information, as well as for the ICFR review, covering at least accounting standards, auditing, internal control, and risk management:

Apart from having various training programmes for its staff, CIE Automotive has the following additional training and support for staff involved in the preparation and review of financial information and in the ICFR review:

- There is an Accounting Policies Manual that is updated continuously.
- There is an ICFR Policy.
- There is a Controlling and Tax Department, responsible for resolving any interpretative issues regarding the Accounting Policies Manual, as well as advising on the treatment of any complex transaction.
- Involvement of divisional/regional controllers in supporting all members of the financial function at all plants and companies, through continuous internal training and assessment.
- If new companies are incorporated into the Group, support strategies are developed to train new employees in accordance with CIE Automotive's regulations and criteria.
- External advisers involved in updates on accounting, legal and tax matters that may affect the company.

F.2. Financial information risk assessment.

Provide information on at least the following:

F.2.1 What are the main characteristics of the risk identification process, including those of error or fraud, in terms of:

Whether the process exists and if it is documented:

CIE Automotive's global corporate risk management process is based on the ISO 31000 methodology and has a five-step continuous cycle:

1. Identify key risks, including error and fraud risks, which may affect the achievement of the organization's objectives, including all the control objectives for financial information, including tax risk.
2. Assess these based on their probability of occurring and their impact on the organization, always taking into account the existing controls. This ranking is used to place each risk on the Risk Map, being the main risk assessment tool.
3. Determine the response for each one.

4. Follow up on all agreed actions.
5. Report the outcome following the analysis.

Senior Management and the Management Team are responsible for the risk identification and assessment process, who conduct a self-assessment on the identified risks together with the Compliance Department acting as coordinator of the process.

The result is a Risk Map, as well as a list of actions that need to be carried out to ensure a proper risk management.

This is supplemented through actions that monitor the management of certain risks, which are carried out by the Compliance Department.

· Whether the process covers all of the financial information objectives (existence and occurrence; integrity; valuation; presentation, breakdown, and comparability; and rights and obligations) and if it is updated and how often:

Based on what is indicated in the procedure, during the risk identification and analysis, all aspects of financial information are treated that may have a material impact on its reliability.

At least once a year the Risk Map is updated. However, if during the year circumstances become apparent that require specific actions to manage a potential risk, the appropriate measures will be taken.

· If there is a process to determine the perimeter of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures or special purpose vehicles:

All processes, Group companies and their various structures, the specificities of each country and business lines are taken into account during the process of identifying and assessing risks and special attention is paid to the risks derived from transactions that require specialized management due to their expected complexity or relevance.

· Whether the process takes into account the impact of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent they affect the financial statements:

As already mentioned, the model is based on the ISO 31000 methodology and since it is based on the organization's objectives it translates into a Risk Map that is updated at least once a year, ensuring all significant risks - strategic, operational, financial, non-financial, ESG (Environmental, Social and Good Governance) and compliance - are prevented, identified, assessed, and subjected to continuous monitoring.

· The governing body of the entity overseeing the process:

This entire process is reviewed and validated by the Audit and Compliance Committee, which must ultimately determine whether the process of identification, assessment and monitoring of the company's risks and, specifically, the measures used to identify material risks affecting financial information, is appropriate and sufficient.

F.3. Control activities.

Provide available information on at least the following, indicating the main characteristics:

- F.3.1** Procedures for the review and approval of financial information and a description of the ICFR, to be published in the securities markets, indicating the ICFR officers and managers, as well as descriptive documentation of the activity and control flows (including those for fraud risk) of the various types of transactions that could have a material impact on the financial statements, including the closing of accounts procedure and the specific review of relevant opinions, estimates, valuations and projections

The Board of Directors is the ultimate body responsible for approving and overseeing the financial statements of the company.

CIE Automotive publishes financial information for the securities market every quarter. This information is prepared by the Controlling and Tax department, which carries out a series of control activities during the closing of accounts to ensure the reliability of the financial information.

Apart from the closing of accounts procedure and before the financial information preparation and reviewing process, CIE Automotive has control procedures and activities in other key areas of the company in order to ensure the proper recording, valuation, presentation, and breakdown of transactions, as well as to prevent and detect fraudulent activities, and consequently treat any transactions that may have a material impact on the company's financial statements.

The following are the company's key processes, including the closing of accounts, which have defined risk and control matrices:

- Closing of accounts, consolidation, and reporting.
- Property, plant, machinery.
- Inventories.
- Income/Customers.
- Cash.
- Provisions.
- Procurements/Accounts Payable
- Human Resources.
- Taxes.

The financial statements are prepared in accordance with the reporting schedule and delivery dates, which are known to all those involved in this process and takes into account the legal deadlines for their presentation.

On the other hand, and for the review of opinions, estimates, valuations and projections, the Accounting Policies Manual determines the application criteria used at CIE Automotive.

The Board of Directors reviews these relevant transactions through a procedure consisting of a set of actions (review, approval and oversight of the Strategic Plan and Budget, as well as reviewing the most significant accounting estimates and opinions used for the preparation of financial information) after the Audit and Compliance Committee has first validated that the information is adequate.

- F.3.2** Internal control policies and procedures relating to information systems (including but not limited to access security, change control, operation, business continuity and functional divisions) that support the entity's key processes in its preparation and publication of financial information.

CIE Automotive has internal control policies and procedures for its information systems that support the entity's key processes, including the process for the preparing and reviewing its financial information. This policy and the associated regulatory framework is based on the ISO 27000 series.

CIE Automotive uses information systems to keep adequate records and control over its operations and, accordingly, is highly dependent on its proper operation.

As part of the process for identifying the risks of error in financial information, CIE Automotive has identified the relevant systems and applications for each of the key areas or processes. These identified systems and applications include those directly used in the preparation of financial information, as well as those that are relevant for the effectiveness of the controls mitigating the risk of errors.

CIE Automotive has system security policies established at a corporate level that are to achieve the defined overall security objectives.

The objective is to adopt the pertinent organizational, technical, and documentary measures required to ensure the desired level of security. In this regard, work is carried out in the following areas:

- User access and management control.
- Change management.
- Backup and recovery.
- Physical security.
- Subcontractor control.
- Provision of resources, elimination of risks and business maintenance.

The essential business processes for CIE Automotive have different organizational and technological solutions ensuring business continuity.

F.3.3 Internal control policies and procedures in place to manage outsourced third-party activities and the evaluation, calculation and valuation processes entrusted to independent experts, which may have a material impact on the financial statements.

As a general note, CIE Automotive does not outsource any activity considered relevant that could have a significant impact on the financial information.

However, the company has a management procedure in place for the activities outsourced to third parties, whose objective is to define the controls required for these outsourced activities that have a relevant impact on the financial information prepared by the company.

Based on the analysis, it has been considered that the only outsourced area in 2020 that could have a possible material impact on the financial information is the Information Systems area. Accordingly, the company has verified that the company providing the service has been certified, demonstrating an adequate control environment, and that these certifications are periodically validated by an external reviewer.

Also, CIE Automotive carries out periodic control activities (included in the risk and control matrices), which help validate the control environment in this area.

In relation to any other actions on relevant transactions requested to independent experts (such as tax advice, relationship with actuarial consultants and management of derivatives), CIE Automotive maintains this responsibility within the company, which requires specific control activities to ensure the reliability of such actions and, also, the Audit and Compliance Committee approves all actions of the company's external financial auditor to ensure its independence.

F.4. Information and communication.

Provide available information on at least the following, indicating the main characteristics:

F.4.1 A specific function responsible for defining, keeping the accounting policies updated (accounting policies area or department) and that resolves any doubts or conflicts arising from their interpretation, maintaining a fluid communication with those responsible for operations within the organization, as well as keeping the accounting policy manual updated and disseminating it to the units through which the entity operates.

Management of the accounting policies is the responsibility of the Controlling and Tax Department, which reports directly to the CEO. To carry out this function, the department assumes the following responsibilities:

- Maintenance, updating and dissemination of the Group's Accounting Policies Manual, based on the International Financial Reporting Standards adopted by the European Union.
- Updating and dissemination of any change made to the accounting regulations applicable to all members of the Group's financial function.
- Clarification of any doubts arising (at an individual or consolidated level) in the interpretation of the accounting regulations applicable at any given time.
- Mechanisms for capturing and preparing economic-financial information that is homogeneous in nature.

F.4.2 Mechanisms for capturing and preparing financial information with homogeneous formats, which is applied and used by all units of the entity or group, which support the main financial statements and notes, as well as the information detailed in the ICFR.

CIE Automotive has a specific system for the reporting and consolidation of financial and management information used in all the Group's units and it facilitates the regular reporting of the information in a homogeneous way. This system, which is based on the SAP BPC tool, is also used for the aggregation and consolidation of the reported data.

Also, to ensure the reliability of the ICFR information, CIE Automotive has implemented the internal control tool SAP GRC in all the Group's units.

F.5. Oversight of the functioning of the system

Provide information on at least the following, indicating the main characteristics:

F.5.1 The ICFR monitoring activities carried out by the audit committee, as well as whether the entity has an internal audit function entrusted with the task of supporting the committee in its monitoring of the internal control system, including the ICFR. Also, provide information on the scope of the ICFR review during the year and the procedure communicated by the manager in charge for evaluating its results, whether the entity has an action plan that details the possible corrective measures, and if any impact on financial information has been taken into consideration.

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

- Oversight of the periodic financial and non-financial information.
- Oversight and assessment of the functioning of the ICFR.
- Be aware of the financial information reporting process and the internal control systems associated with the relevant risks of the Company.
- Regularly review the systems for internal control, risk management and financial and non-financial information management, ensuring that any major risks are adequately identified, managed, and reported.

CIE Automotive has an Internal Audit Department that reports to the Audit and Compliance Committee, which coordinates the Internal Audit teams in Europe (whose scope includes Russia and Morocco), North America, Brazil and Asia, whose staff members are exclusively dedicated to these functions.

The main function of the Internal Audit department is to oversee the internal control system, which includes aspects such as the monitoring of the correct implementation of the risk management system, including the risk of fraud, and reliability oriented controls over financial and non-financial information.

Each year and based on the results of the risk assessment, the Internal Audit Department prepares the annual plan, which is submitted each period for the approval of the Audit and Compliance Committee being responsible for the monitoring the ICFR.

The ICFR information announced to the market or interest groups is done on a yearly basis and refers to the corresponding year of the financial report.

F.5.2 If there is an audit discussion procedure allowing the external auditor (in accordance with the Spanish Technical Auditing Standards), the internal audit function and other experts to communicate any significant internal control weaknesses identified during the review processes of the financial statements or those others that have been entrusted to them to senior management and the audit committee or the board of directors of the entity. Also, detail whether there is an action plan that addresses or mitigates the identified weaknesses.

The auditor actively participates at the Audit and Compliance Committee meetings. Also, each year the auditor issues a report on internal control weaknesses, which is presented to the Audit and Compliance Committee for the adoption of any measures that are considered appropriate.

Also, CIE Automotive has a procedure enabling any external expert that has detected an internal control weakness while carrying out a task can, through the Compliance Department, communicate these detected incidents to the Audit and Compliance Committee so they can be raised for their discussion, analysis, and evaluation.

F.6. Other relevant information.

There is no relevant information worth noting regarding the ICFR implemented in the Group that has not been presented in the above sections of this heading.

F.7. External Auditor's report.

Provide information on:

F.7.1 Whether the ICFR information announced to the market has been reviewed by the external auditor, in which case the entity must attach the corresponding report. If not, an explanation must be given.

CIE Automotive has submitted the effectiveness of the ICFR to an External Auditor to review the financial information presented in the consolidated financial statements dated 31 December 2020.

A copy of the report with the External Auditor's opinion is attached.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors, and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies [X] Explain []

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

- a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.
- b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies [] Complies partially [] Explain [] Not applicable [X]

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written Annual Corporate Governance Report, the chairman of the Board should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

- a) Changes that have occurred since the last General Shareholders' Meeting.
- b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [] Complies partially [X] Explain []

As part of the ordinary operation of the General Meeting, the significant aspects that have arisen since the last meeting are reported, including those relating to corporate governance. However, it is not considered relevant to emphasize the reasons why the company does not follow any specific recommendation to the extent that (i) no circumstances seem sufficiently significant and that (ii) these circumstances, if any, are included in the Annual Corporate Governance Report (to which all shareholders have timely access from the time it is prepared).

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through any channels it considers appropriate (communication media, social networks or other channels) that helps to maximize the dissemination and quality of information available to the market, investors and other stakeholders.

Complies [] Complies partially [X]

Explain []

Although the company complies with the first part of the recommendation, to date no general policy has been approved regarding the communication of economic-financial, non-financial and corporate information through any channels it considers appropriate (communication media, social networks or other channels), because the content it will feature has not yet been defined. This policy is expected to be approved shortly once the Board of Directors defines its content.

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies [] Complies partially []

Explain [X]

The General Meeting has approved a proposal to delegate powers to the Board of Directors so that it may increase the share capital up to a limit of EUR 16,125,000, allowing for the possibility of issuing new shares, including the power to exclude preemptive rights. In this regard, the Board of Directors considers that at the appropriate time, the Company may make use (as applicable) of any instruments that are suitable according to the needs for new resources stemming from the Company's activities and the circumstances of each specific case.

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

- a) Report on the auditor's independence
- b) Reports on the workings of the Audit and Appointments and Remuneration committees.
- c) Report by the Audit Committee on related party transactions.

Complies [X] Complies partially []

Explain []

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by remote means.

Complies ☒ Complies partially ☐

Explain ☐

The company had not considered it relevant to transmit the meetings of the General Shareholders' Meeting in real time on its website due to the characteristics of its shareholders and the level of attendance at the meetings. In view of the company's size and capitalization, the composition of its share capital and the usual unfolding of the General Meeting's sessions, the company considered that real time transmission would not be widely adopted or have a significant following, it would entail more costs than the advantages gained and, therefore, it was not a measure that would, if implemented, add value to the company's corporate governance.

The above notwithstanding, and given the situation arising from the pandemic caused by Covid-19, measures were adopted to transmit Ordinary General Meeting of April 29, 2020. It is expected that the 2021 General Meeting will adopt the same format already applied in 2020, which will also be taken into account for future years.

8. That the Audit Committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the Audit Committee should clearly explain to the General Meeting the opinion of the Audit Committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies ☒ Complies partially ☐

Explain ☐

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies ☒ Complies partially ☐

Explain ☐

10. That when a duly authenticated shareholder has exercised their right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

- a) Should immediately distribute such complementary points and new proposals for resolutions.
- b) Should publish the attendance, proxy, and remote voting card specimen with the necessary changes so that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.
- c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies [] Complies partially [] Explain [] Not applicable [X]

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies [] Complies partially [] Explain [] Not applicable [X]

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximizing the business economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies [X] Complies partially [] Explain []

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies [X] Explain []

14. That the Board of Directors should approve a policy aimed at favoring an appropriate composition of the Board and that:

- a) Is concrete and verifiable.
- b) ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) favors diversity of knowledge, experience, age, and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favor gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the Appointments Committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The Appointments Committee will annually verify compliance with this policy and explain its findings in the Annual Corporate Governance Report.

Complies ☒ [X]

Complies partially ☐ []

Explain ☐ []

15. That proprietary and independent directors should constitute a substantial majority of the Board and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board before the end of 2022 and thereafter, and no less than 30% prior to that date.

Complies ☐ [] Complies partially ☒ [X]

Explain ☐ []

The first paragraph is complied with, taking into account that the company only has two executive directors out of the fourteen members that make up the administration body. However, the requirement that the number of female directors should represents 30% of the members of the Board (currently 21. 43%) has not been met, although efforts are being made in this regard, as shown by the appointment of a new female independent director at the Ordinary General Meeting of April 29, 2020.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors should not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies ☐ []

Explain ☒ [X]

In keeping with paragraph (b) of the recommendation, the company has a plurality of significant shareholders represented on the Board of Directors with no ties among them.

Any possible over-representation of proprietary directors that could be identified is mitigated by the composition of the Board, with a diversity of shareholders who have a plurality of potential interests.

For this reason, the company believes that the balance that emerges from the recommendation is sufficiently attenuated by the plurality of interests of the major shareholders who are represented by proprietary directors with different profiles, knowledge, and experience.

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalization or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies []

Explain [X]

Although the company is highly capitalized, it considers that the number of independent directors correctly reflects the company's current shareholding composition.

In particular because the proportion of "independent" directors amounts to 21.43%, but the aggregate proportion of "independent" directors and other "external" directors amounts to 85.71%.

The company considers that these proportions are adequate for the configuration of the Board given the composition of its shareholders and, therefore, for the time being it is not necessary to appoint more independent directors. The company believes that the number of external directors (practically three quarters of the total) allows the decision-making process of the Board to have the levels of quality, objectivity, and independence necessary for the correct formation of the corporate will. Notwithstanding this, in subsequent appointments that may be proposed from the Board of Directors to the General Meeting, the incorporation of independent directors will be encouraged.

18. That companies should publish the following information on its directors on their website, and keep it up to date:

- a) Professional profile and biography.
- b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
- c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) Date of their first appointment as a company director, and any subsequent re-elections.
- e) Company shares and share options that they own.

Complies []

Complies partially [X]

Explain []

Although there is no specific section on the website that groups the information contained in the recommendation, all the content of the information on the directors referred to in this recommendation is contained in the Annual Corporate Governance Report (available at any time on the website) and in the section of the website reserved for the Board of Directors; with which the company understands that the recommendation is partially complied with.

19. That the Annual Corporate Governance Report, after verification by the Appointments Committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honored, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honored.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the Appointments Committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with their ability to dedicate the time necessary for attention to the duties inherent to their post as a director, fails to complete the tasks inherent to their post, or is affected by any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.

Complies ☒ Explain ☐

22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the Appointments and Remuneration Committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that they be dismissed. And that these events must be reported in the Annual Corporate Governance Report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies []

Complies partially []

Explain [X]

Article 26. 2 (d) of the Board Regulations establishes the following as a case for resignation: When they [the directors] are incurred in an allegedly illegal event or are subject to a disciplinary proceeding for serious or very serious misconduct pursued by supervisory authorities".

On the one hand, the company considers that the wording of the recommendation regarding the general nature of situations "which may harm the standing and reputation" of the company is too broad and vague to be a cause, among other things, for resignation. The company also considers that the wording of article 26. 2 (d) of the Board Regulations covers most of the cases in which the company's standing or reputation may be affected -in abstract- by the actions of a director, either within their scope of action with respect to the company or beyond that scope.

Furthermore, the company considers that the procedural investigative phase is a merely a preliminary stage in a criminal investigation, for which reason it has chosen to maintain the reference to the pursuit of the misconduct as a cause for resignation. However, it should be noted that company has chosen to go beyond the scope of the criminal jurisdiction to which the recommendation refers and, in that sense, it has reinforced the causes of resignation by introducing a reference to the existence of administrative disciplinary proceedings.

As for the rest of the recommendation, none of the situations mentioned have occurred yet.

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the Board, even they are a director.

Complies []
]

Complies partially [] Explain []

Not applicable [X]

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of their term of office, the director should explain the reasons for their decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board.

And that, without prejudice to all this being reported in the Annual Corporate Governance Report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies ☒ Complies partially ☐ Explain ☐ Not applicable ☐

25. That the Appointments Committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.

And that the Board regulations establish the maximum number of company Boards on which directors may sit.

Complies ☐ Complies partially ☐ Explain ☒

The company's Board Of Directors has a balanced composition in terms of the typology of its directors. Those directors who perform duties as directors in other companies have shown that those duties do not prevent them from sufficiently dedicating themselves to their duties as directors in the company.

In addition to the above, the Appointments and Remuneration Committee, when appointing an independent director or when requesting information regarding any other type of director proposed, assesses, among other matters, the candidate's capacity of dedication to the company.

Therefore, the company understands that it is not necessary to include this limitation in the Board Regulations.

26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.

Complies ☒ Complies partially ☐ Explain ☐

27. That director absences occur only when absolutely necessary and be quantified in the Annual Corporate Governance Report. And when absences do occur, that the director appoint a proxy with instructions.

Complies ☐ Complies partially ☐ Explain ☒

Directors' absences are quantified in the Annual Corporate Governance Report. It should be noted that in most cases, the absent directors delegate their representation to other directors, although they do not appoint proxies with specific instructions, leaving voting decisions to the discretion of the proxy director.

Although this practice does not comply with the recommendation, in all the sessions in which this circumstance has occurred the number of absences (although represented without instructions) has not been significant, the absent directors having been duly represented through their appointed proxies.

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, these concerns should be included in the minutes at the request of the director expressing them.

Complies [☐] Complies partially [☐] Explain [☐] Not applicable [☒]

29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [☒] Complies partially [☐] Explain [☐]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies [☒] Explain [☐] Not applicable [☐]

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information beforehand.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors will be necessary, and that consent will be duly recorded in the minutes.

Complies [☒] Complies partially [☐] Explain [☐]

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [☒] Complies partially [☐] Explain [☐]

33. That the chairman, as the person responsible for the efficient workings of the Board, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, is responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies [☒] Complies partially [☐] Explain [☐]

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon them the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies ☒ Complies partially ☐ Explain ☐ Not applicable ☐

35. That the secretary of the Board should pay special attention to ensure that the activities and decisions of the Board take into account any recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies ☒ Explain ☐

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board.
- d) Performance of the chairman of the Board and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the Appointments Committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence must be verified by the Appointments Committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the Annual Corporate Governance Report.

The process and the areas evaluated must be described in the Annual Corporate Governance Report.

Complies ☒ Complies partially ☐ Explain ☐

37. That if there is an Executive Committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the Executive Committee and that all members of the Board receive a copy of the minutes of the Executive Committee's meetings.

Complies ☐ Complies partially ☐ Explain ☐ Not applicable ☒

39. That the members of the Audit Committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies ☒ Complies partially ☐ Explain ☐

40. That under the supervision of the Audit Committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the Audit Committee.

Complies ☒ Complies partially ☐ Explain ☐

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the Audit Committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies ☒ Complies partially ☐ Explain ☐ Not applicable ☐

42. That in addition to applicable law, the Audit Committee is responsible for the following:

1. With regard to information systems and internal control:
 - a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group –including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption– reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
 - b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors, or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
 - d) Generally ensuring that internal control policies and systems are effectively applied in practice.
2. In relation to the external auditor:
 - a) In the event of the resignation of the external auditors, to examine the circumstances that gave rise to the resignation.
 - b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
 - c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents of those differences.
 - d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.
 - e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies [☐]

Complies partially [☒]

Explain [☐]

A Despite the fact that some of the above functions are not expressly attributed to the committees by the corporate bylaws, they have been performing those tasks de facto, especially those that are expressly imposed by sections 529 quaterdecies and 529 quindecies of the Spanish Companies Act [Ley de Sociedades de Capital] (which are, therefore, directly applicable).

The Regulations of the Company's Audit Committee expressly include the following functions (referring to the matters included in Recommendation 42) that account for, at least partially and certainly not literally, the ensemble of recommendations indicated, for the preparation of information and internal control systems as well as in relation to the external auditor:

"(. . .)

- a) Ensure that internal control policies and systems are effectively implemented and in practice.
- b) Analyze, together with the auditors, any major weaknesses of the internal control system detected during the audit.
- c) Supervise the process for preparing and reporting regulated financial and non-financial information.
- d) Propose to the Board of Directors, for submission to the General Shareholders Meeting, the appointment, re-election, or replacement of the auditors, as well as the terms of their engagement, in accordance with the applicable regulations, and to regularly receive information about the audit plan and its execution from the auditors, as well as preserving their independence in the exercise of their functions.
- e) Supervise the activity of the Compliance and Internal Audit units, which will functionally report to the Audit and Compliance Committee and ensure their independence.
- f) Propose the selection, appointment, and dismissal of the heads of Compliance and Internal Audit units; propose the budget for these areas; approve the orientation and annual work plan, ensuring that their activity is mainly focused on relevant risks; receive periodic information on their activities; and verify that senior management takes into account the conclusions and recommendations of their reports.
- g) Establish the appropriate relationships with auditors or audit firms for the purpose of receiving information on any matter that may compromise their independence, to be examined by the Audit Committee, and any other matter relating to the process of auditing the accounts, in addition to any other communication laid down in legislation regarding auditing accounts and auditing standards.
- h) In any event, the Audit Committee should annually receive from the external auditor written confirmation of the latter's independence versus the Company or institutions directly or indirectly related to the Company, as well as information on additional services of any kind provided by the aforementioned auditor or by related persons or institutions and the fees received from those entities, in accordance with the regulations governing the auditing of accounts.
- i) Annually issue, prior to the issuance of the audit report, a report in which it expresses an opinion on the independence of the auditor. This report must contain, in any case, a summary of the additional services provided as referred to in the above paragraph, in the terms established by law.

(. . .)"

43. That the Audit Committee be able to require the presence of any employee or manager of the company, even stipulating that they appear without the presence of any other member of management.

Complies [X]

Complies partially []

Explain []

44. That the Audit Committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, the proposed exchange ratio.

Complies []

Complies partially []

Explain [] Not applicable [X]

45. That the risk management and control policy identify or determine, as a minimum:

- a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political, and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks, contingent liabilities, and other off-balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialized Risk Committee when sector regulations so require or the company considers it to be appropriate.
- c) The level of risk that the company considers to be acceptable.
- d) Measures in place to mitigate the impact of the risks identified should they materialize.
- e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

46. That under the direct supervision of the Audit Committee or, if applicable, of a specialized committee of the Board, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage, and quantify all material risks affecting the company.
- b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.
- c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

47. That in designating the members of the Appointments and Remuneration Committee –or of the Appointments Committee and the Remuneration Committee if they are separate– care be taken to ensure that they have the knowledge, skills and experience appropriate to the functions that they are called upon to perform and that the majority of the members are independent directors.

Complies ☒ X]

Complies partially ☐]

Explain ☐]

48. That large-cap companies have separate appointments and remuneration committees.

Complies ☐]

Explain ☒ X]

Not applicable ☐]

As the company understands, this will not be necessary, either now or in the foreseeable future, given that the activity carried out by the committee in recent times –and currently– has not been affected by the mere fact that the company's shares are now considered for the calculation of a stock index (nor for any other reasons).

In any case, the Company takes the content of this recommendation into account in the context of its constant efforts to improve the corporate governance system and, therefore, will periodically evaluate the advisability of proceeding with splitting these committees, not only from the perspective of the Company's capitalization, but also from the perspective of the circumstances inherent in the activities of the Appointments and Remuneration Committee and criteria of rationality and organizational and functional efficiency.

49. That the Appointments Committee consult with the chairman of the Board and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the Appointments Committee to consider potential candidates that they consider suitable to fill a vacancy on the Board of Directors.

Complies [X] Complies partially [] Explain []

50. That the Remuneration Committee exercise its functions independently and that, in addition to the functions assigned to it by law, it is responsible for the following:

- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
- b) Verifying compliance with the company's remuneration policy.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
- d) Ensuring that potential conflicts of interest do not undermine the independence of external advice given to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [] Complies partially [X] Explain []

The Regulations of the Company's Appointments and Remuneration Committee expressly include the following functions (referring to the matters set forth in Recommendation 50), which reflect, at least partially and certainly not literally, the ensemble of recommendations mentioned above:

"a) Propose the remuneration policies of the directors and senior executives to the Board of Directors and review them periodically, proposing, where appropriate, their amendments and updates to the Board of Directors. (Recommendation 50 a) and c))

k) Inform and submit to the Board of Directors the proposals of the Company's Chief Executive on the structure of remuneration of senior managers and the basic terms of their contracts (Recommendation 50 a)).

l) Oversee compliance with the Company's remuneration programs and inform the documents approved by the Board of Directors for general disclosure in relation to information on remuneration, including the Annual Report on Remuneration of Directors and the corresponding sections of the Company's Annual Corporate Governance Report. (Recommendation 50 b) and e))".

With regard to section d) of this recommendation, Article 9. 2 of the Regulations of the Appointments and Remuneration Committee establishes the possibility of the Committee seeking external advice in the performance of its duties. In this sense, and regardless of whether or not it is expressly provided for by the Appointments and Remuneration Committee –in practice and as an intrinsic and inseparable part of the debate on the possible appointment of any external advisor– the Committee evaluates the existence of current or potential conflicts of interest. This evaluation may result in the introduction of the necessary precautions in rendering of the external advisor's services, or even cause the external advisor in question not to be appointed. For all these reasons, the Company does not consider it necessary to literally include the contents of section d) of Recommendation 50 in the Regulations of the Appointments and Remuneration Committee.

51. That the Remuneration Committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies [X]

Complies partially []

Explain []

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the Board Regulations and that they should be consistent with those applying to legally mandatory committees in line with the above recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That they be chaired by independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies []

Complies partially [X]

Explain [] Not applicable []

With regard to the ESG Committee, paragraphs a) and b) of the applicable recommendations are not complied with, insofar as there are no independent directors on the Committee. Therefore, the company considers that the functions attributed to this committee are correctly carried out by external directors, who have the same criteria of correctness and independence of criteria as the independent directors, with whom there would be unity of analysis; therefore, it is not considered necessary that either the chairman or any of its members be appointed from among the company's independent directors.

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board, which may be the Audit Committee, the Appointments Committee, a specialized committee on sustainability or corporate social responsibility or any other specialized committee that the Board of Directors, in the exercise of its powers of self-organization, may have decided to create. And that this committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned that committee.

Complies []

Complies partially [X]

Explain []

Although the rest of the recommendation is complied with, the ESG Committee –which is responsible for oversight in the indicated matters– is made up solely of non-executive directors, but all of them are proprietary directors. In this regard, after evaluating the profile and origin of the different directors, the company understands that those appointed to the ESG Committee are best-suited for performing the functions attributed to the committee, regardless of their status as proprietary directors.

54. The minimum functions referred to in the above recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the social interest and take the legitimate interests of other stakeholders into account, as appropriate.
- d) Supervision of the company's environmental and social practices to ensure that they are in line with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies [X]

Complies partially []

Explain []

The company understands that all of the above minimum functions are attributed to the ESG Committee (according to its functions as indicated in Article 3 of the Regulations of the ESG Committee), although the recommendation and the text of Article 3 of the Regulations of the ESG Committee are not identically worded.

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives, and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.
- b) Means or systems for monitoring compliance with these policies, their associated risks, and their management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation, and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and reputation.

Complies [X]

Complies partially []

Explain []

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies [X]

Explain []

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options, or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other mutual benefit systems.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The above will not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [] Explain []

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that this remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that these criteria take into account the risk incurred to achieve a given result.
- b) Promote the company's sustainability and include non-financial criteria that are aimed at creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.
- c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, ensuring that the elements used to measure performance are not associated only with one-off, occasional, or extraordinary events.

Complies [] Complies partially [X] Explain [] Not applicable []

The CEO receives annual variable remuneration, dependent on the achievement (in a generic sense, since no target levels of achievement are determined) of economic objectives (Net Income, EBITDA) that can be assessed and evaluated by the Appointments and Remuneration Committee.

The Company does not consider it relevant to the intended purpose of the variable remuneration to link it to measurable and direct objective elements linking the remuneration to the Company's performance, beyond a generic element of compliance with the levels of Net Income and EBITDA forecasts for the year (budget).

As a consequence of the relationship between the Company and its CEO and the CEO's commitment, value generation and loyalty shown to the Group, the company does not contemplate the need to introduce control or correction mechanisms such as those indicated in sections b and c of the recommendation.

The performance of the executive directors receiving this type of remuneration has traditionally been of high commitment and dedication to the Company and the Company's performance has been sufficiently satisfactory not to introduce this kind of performance-linked measures.

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies [☐]

Complies partially [☒]

Explain [☐] Not applicable [☐]

The company complies with the first part of the recommendation, since the payment of the variable components of the remuneration is effectively linked to the adequate checks listed in the annual report on directors' remuneration.

However, the company is not considering the inclusion of a reduction clause (malus). The company believes that there are other ex post mechanisms that more effectively cover this risk. In this regard, the variable long-term remuneration based on the evolution of the share price to which the CEO is entitled is generated over a ten-year period. Therefore, there is a long-term link that allows checks to be performed on short- or medium-term events that might make it advisable to suspend the accrual of the variable compensation.

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies [☐] Complies partially [☐]

Explain [☒] Not applicable [☐]

The CEO's remuneration does not take these circumstances into account, on the understanding that there are other ex post mechanisms that more effectively cover this risk. In addition, it should be noted that the external auditor has not issued any qualifications of the financial statements.

In the event that these existed, it would be necessary to understand the circumstances in which they arose, and therefore, the consequences of this fact would be subject to assessment by the Board of Directors at all times.

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies [☒]

Complies partially [☐]

Explain [☐] Not applicable [☐]

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of their fixed annual remuneration through the ownership of shares, options, or other financial instruments.

The above will not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favorable assessment by the Appointment and Remuneration Committee, to deal with such extraordinary situations as may arise and so require.

Complies ☒ X]

Complies partially ☐]

Explain ☐] Not applicable ☐]

The CEO's long-term variable compensation is instrumented through rights (referred to in the compensation plan as "units") that the company understands do not fall into the category of shares, options, or financial instruments. In any case, these units may not be transferred and may not be exercised before three years have elapsed.

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies ☐]

Complies partially ☐]

Explain ☒ X] Not applicable ☐]

The company does not comply with the recommendation in the proposed terms.

The rationale for this is as follows: the remuneration to which executive directors are entitled is not linked to performance or equivalent objective parameters: it is the Board of Directors that determines autonomously and at its discretion the amounts to be paid as variable remuneration (except for the CEO, whose variable remuneration does indeed depend on objective criteria, albeit not quantified).

For this reason, to the extent that they are not taken into account when granting variable remuneration, mechanisms cannot be established up that imply a reimbursement linked to a subsequent demonstration of unfulfilled performance.

64. That payments for contract termination should not exceed an amount equivalent to two years' total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies ☐]

Complies partially ☒ X]

Explain ☐] Not applicable ☐]

The CEO's contract with the company contains a clause providing for an early termination indemnification that does not strictly comply with the second part of the first paragraph of the recommendation. Thus, in accordance with the directors' remuneration policy available on the company's website:

"h) Indemnification clauses: The CEO will be entitled to receive all of their variable long-term remuneration and the total amount of their continuance and non-compete compensation in the event that the General Meeting and the Board of Directors decide not to keep the CEO in office for any reason in the period of ten (10) years from January 1, 2018. In addition to the above, the CEO may be entitled to receive an additional amount (at most, equivalent to two years of their fixed and short-term variable remuneration) to be included, where appropriate, in their contract. "

H. FURTHER INFORMATION OF INTEREST

1. If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but should be included in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.

3. The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In this case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of July 20, 2010.

On October 15, 2015, the company adhered to the Global Compact, an international initiative promoting the implementation of 10 universally accepted principles to bolster Corporate Social Responsibility (CSR) in the areas of Human Rights and business, labor standards, the environment, and the fight against corruption in the activities and strategies of businesses.

[continuation of section E6 of this Report]

Failure to meet customer expectations:

- Although there is no single action or specific plan to mitigate this risk, all divisions and regions are working on improving production processes that not only help them to be more efficient, but also more flexible to adapt to customer requirements.

Succession plan for key personnel, and Training and junior staff policy:

- The corporate HR department, in collaboration with senior management and the various geographic areas and Business Divisions, has worked on succession plans for key positions in order to achieve CIE Automotive's strategic objectives, and has identified the successors or strategies to be followed to ensure that the company will not be affected in the event should key personnel no longer be available. In addition, the general and personalized training plans have been increased, as evidenced by a steady increase in the number of training hours in recent years. The motivation and talent retention associated with the pride of belonging to the company is essential.

- In addition, it is important to note that as part of ESG strategy developed by the ESG Committee and the Board of Directors, which is strongly supported by the CEO, there are specific actions and KPIs to monitor that this risk does not lead to a negative impact on the company.

Inorganic growth management:

In order to streamline and optimize the integration of new additions to the group, the company is carrying out the following actions:

- Participation of the management team in corporate M&A transactions.
- Definition and implementation of a clear management model that quickly allows control over new companies to be established.
- Promoting the flexibility and availability of key internal staff to handle offboarding.

It is important to note that CIE Automotive has analysis, supervision, and control units in various areas of risk management, such as:

- Financial risk management and control.
- Reporting and tax risk control.
- Information systems risks.
- Safety and environment.



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- Compliance and ESG, supervising ESG (Environmental, Social and Governance) risks.

- A total of 66 people took part in the preparation of this Risk Map (14% more than in 2019), who have responded according to the scope of each of the risks within the time horizon until 2025, and pursuant to their geographical and technological scope, meaning that some people may assess risks present in more than one region and for more than one technology.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on:

23/02/2021

Indicate whether any director voted against or abstained from approving this report.

☐ Yes
☒ No

CIE Automotive, S.A.

Auditor's Report on "Information
regarding the Internal Control System
over Financial Reporting" (ICSFR)
for the 2020 financial year



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's Report on "Information regarding the Internal Control System over Financial Reporting (ICSFR)" of CIE Automotive, S.A. for the 2020 financial year

To the Board of Directors of CIE Automotive, S.A.:

In accordance with the request of the Board of Directors of CIE Automotive, S.A. ("the Entity") and our engagement letter dated January 11, 2021, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in "Appendix to the Annual Corporate Governance Report" of CIE Automotive, S.A. for 2020 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2020 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.



In addition, as this special engagement is not an audit of financial statements and is not subject to the legislation governing the audit practice in Spain, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular 5/2013 of the National Securities Market Commission dated June 12, 2013 and subsequent modifications, being the most recent one the Circular 1/2020 of the National Securities Market Commission dated October 6, 2020 ("the Circulars of the NSMC").
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and "the Circulars of the NSMC", for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by José Antonio Simón Maestro

February 24, 2021