

ANNUAL REPORT

2017



CIE Automotive

2017 Summary

1. 2017 in review

- 1.1 Chairman and CEO's statement
- 1.2 The year in review
- 1.3 CIE Automotive's share price performance

2. Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

3. Our commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

4. Corporate governance

- 4.1 Corporate governance model
- 4.2 Corporate governance bodies
- 4.3 Business ethics
- 4.4 Risk management

5. About this report

- 5.1 Methodology
- 5.2 Contact details
- 5.3 Sustainable Development Goals
- 5.4 GRI indicators
- 5.5 External assurance

Link to the Annual Financial Statements

Link to the Annual Corporate Governance Report



You can browse through this document by clicking directly on the index sections. In addition, the CIE Automotive 2017 Annual Report is available online at www.annualreport.cieautomotive.com

1

2017

in review

1.1 Chairman and CEO's statement

1.2 The year in review

1.2.1 Milestones

1.2.2 Earnings performance

1.2.3 Key non-financial indicators

1.3 CIE Automotive's share price performance



1.1 Chairman and CEO statements

[102-14]

Dear friends,

We are delighted to introduce this Integrated Report which outlines the key milestones and lines of initiative that enabled us to generate economic and social value in all of our markets, extend our sustainable growth and set new profit records in 2017.

Allow us start with a brief look back at the key business figures.

The CIE Automotive Group reported topline growth of 29.4% in 2017 and an expanded net income of €215.4 million, up 32.7% from 2016.

Thanks to these excellent results, we remain on track to meet the guidance laid down in the 2016-2020 Business Plan, some of which we have already revised. Specifically, we have brought the target for delivering the €260 million profit target forward from 2020 to 2019. What's more important, we delivered these earnings with a healthy capital structure, keeping operating cash flow at over 50% of EBITDA and reporting a RONA of 19%, putting us on track for reaching our targeted return of 23%.

The key indicators evidence the success of our business model, characterised by flexibility, financial discipline and geographical, technological and customer diversification - against the background of a dynamic sector environment, albeit shaped by complexity and political uncertainty. Above all, however, our performance evidences the hard work and professionalism of the more than 30,000 professionals working at CIE Automotive and the quality and reliability of the over 24,000 suppliers that help us to create a value-added proposition for our customers. Our gratitude to all of them goes without saying.



Thanks to their joint effort, the automotive business, which accounted for 77.4% of Group revenue, registered topline growth of 27.1% in 2017 to €2.88 billion. Profits registered double-digit growth, across all markets, underpinned primarily by overall organic growth of 16.1%.

In parallel, we continued to integrate new companies. In recent years, our M&A strategy has built us into a truly global supplier of components and subassemblies for the automotive industry. Here we would like to highlight one transaction that is going to enable us to expand our technology and product ranges in the US, while fortifying our position with strategic customers: the purchase of Newcor.

“The purchase of Newcor is going to enable us to expand our portfolio in the US.”

The outstanding performance of our automotive business was underpinned by better positioning vis-à-vis our customers and growth in most of our markets. Specifically, our Mexican factories were our most profitable in 2017, while in Europe the normalisation of business operations at the Mahindra CIE plants drove margin recovery. In Asia, we continued to fine-tune the efficiency of our Indian and Chinese factories, posting significant growth in a continent that is currently tremendously dynamic. And in

Brazil we reaped the rewards of the operational enhancements and cuts undertaken during the crisis in the first year of recovery in the automotive market, in which Brazil regained the 8th spot in the global vehicle production ranking.

Meanwhile, our Smart Innovation subsidiary, Dominion, registered revenue growth of 37.7% to €843.3 million, which is 22.6% of the Group total, and took an important step in its strategic bid to grow in the *Smart house* arena with the acquisition of The Phone House Spain.

Consistent delivery of our strategic commitments, coupled with our Group's financial strength and robust business model, continued to garner the confidence of shareholders and investors, who bid CIE Automotive's share price 30.7% higher in 2017.

The development of our business endeavour is translating into an evolving shareholder structure, one characterised by greater diversity, as the majority shareholders with industrial backgrounds make room for more financially-minded investors with long-term investment horizons. Here we would like to take the opportunity to welcome our new core shareholder, Corporación Financiera Alba, whose investment last December reinforces our ambitious strategy and will shape CIE Automotive over the coming decade.

“Here we would like to take the opportunity to welcome our new core shareholder, Corporación Financiera Alba.”

We face a promising future in which research, development and innovation will be crucial to taking on the key challenges in the automotive sector: the decarbonisation of transportation, connectivity, autonomous driving and electric vehicles. We are certain that in a few years' time the industry will look nothing like it does today, which is why, with the help of Dominion, we are already working on gradually deploying advanced manufacturing systems across our factories and continue to invest about 2% of our revenue in our R&D effort.

Beyond our efforts to generate value for our shareholders and spearhead development of Industry 4.0 in our sector, we aspire to be a standard-setter in all matters related to Corporate Social Responsibility (CSR).

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

Today we are already a sustainable company: our corporate culture is oriented towards excellence and long-term viability. Our values permeate our daily interaction with our stakeholders. We apply productive processes that minimise our environmental impact. And our corporate governance system complies with the most stringent international standards.

“ In 2017, we organised CIE Automotive’s first CSR Day, which was attended by our division heads and European factory managers. ”

In 2017, we made further progress in this arena by integrating environmental, social and governance (ESG) criteria into our supply chain management and addressing stakeholder expectations systematically by means of a materiality assessment, among other initiatives.

We additionally sought to reinforce our commitment to best CSR practices by organising CIE Automotive’s first CSR Day, which was attended by our division heads and European factory managers. We leveraged the event to emphasise the importance CIE Automotive attaches to being a socially responsible company, which for us is tantamount to doing things properly.

Thank-you all for helping us to do so,



ANTÓN PRADERA
Chairman



JESÚS Mª HERRERA
CEO

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report



1.2 The year in review

1.2.1 Milestones

Financial milestones

Acquisitions

- **JANUARY:** CIE Automotive acquires an additional 34.9% of its Brazilian subsidiary CIE Durametal.
- **MARCH:** Acquisition of American group Newcor, specialised in the design and production of high-precision machined parts and subassemblies, powertrains and transmissions.

Organic growth

- Launch of a second gasoline fuel injection rail manufacturing line at CIE Norma (Spain).
- New crankshaft line at CIE LT Forge (Lithuania).
- New stamping presses at CIE Metal CZ (Czech Republic).
- Start-up of production of stamped parts and assemblies for electric vehicles at the CIE Nugar Tultitlán factory (Mexico).
- Commencement of construction of a new welding and assembly factory in Puebla (Mexico).
- New painting line at CIE Autometal Diadema (Brazil).
- Growth in stamped products for brake systems in Brazil and Mexico.
- Capacity expansion at Mahindra CIE Gears and Transmissions (India).

Company milestones

- CIE Automotive's first CSR Day in Bilbao, attended by the divisional heads, European factory managers and the Cross-Group CSR Committee.
- Performance of the Group's first materiality assessment.
- 25% reduction in injury frequency rate, 50% reduction in injury severity rate and reduction in the number of accidents by 41 despite headcount growth of 10%.
- Publication of the *Global Supply Chain Manual*.

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report



Environmental milestones

- **ENERO:** Membership of Forética's Climate Change Cluster.
- Implementation of a new environmental indicator: average environmental cost over revenue.

Corporate governance

Creation of a new board committee

- Elimination of the Executive Committee, thus revoking the powers originally vested in it, and creation of a new board committee - the Strategy and Operations Committee -, which began to operate in January 2018.

New shareholders

- **DECEMBER:** Corporación Financiera Alba invests in CIE Automotive as part of the process of fine-tuning the shareholder roster to give it greater diversity, with the majority industrial shareholders making room for more financially-minded investors, albeit still with long-term investment horizons.

Prizes

- Jesús Mª Herrera, CEO of CIE Automotive, chosen as one of the best executives of 2017 by *Forbes* magazine.
- CIE Automotive awarded 'Best stock in the Top 10 on fundamentals' by financial daily *elEconomista*.
- Eight OEMs and three Tier 1 suppliers gave CIE Automotive accolades.

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

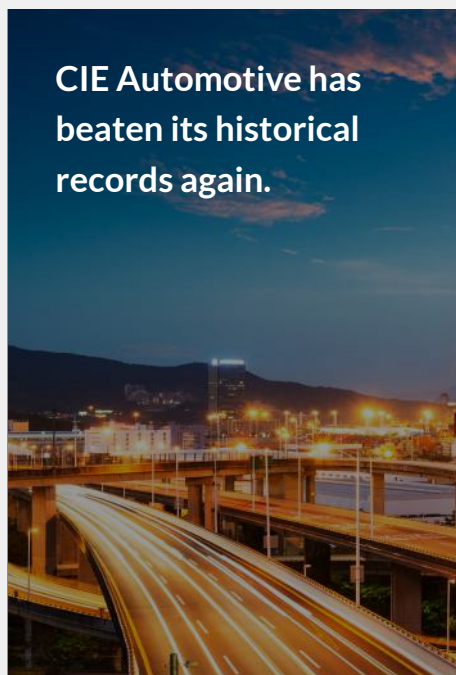
1.2.2 Earnings performance

[102-7]

The CIE Automotive Group once again beat its all-time revenue and profit records in 2017, growing much faster than the overall market and posting widespread margin expansion across all of its operating markets. Specifically, the Group recorded net income of €215.4 million, up 32.7% year-on-year, driven by topline growth of 29.4% to €3.72 billion.

Profits registered double-digit growth, evidencing improved positioning vis-a-vis customers, momentum across all markets and a successful value-generation-focused managerial approach. EBITDA increased by 30.2% year-on-year to €530.4 million, while EBIT amounted to €376.2 million, growth of 34.7%.

With these excellent earnings results, CIE Automotive delivered the guidance set down in its 2016-2020 Business Plan, which it revised upwards in 2017, bringing forward delivery of the €260 million profit target by one year to 2019.



CIE Automotive has beaten its historical records again.

2017 RESULTS - CIE AUTOMOTIVE GROUP

(€ million)

	2015	2016	2017	2016 - 2017%	Var.
Revenue	2,631.5	2,879.0	3,724.5		29.4%
EBITDA (*)	365.5	407.5	530.4		30.2%
EBITDA margin (over revenue)	13.9%	14.2%	14.2%		
EBIT (*)	244.3	279.3	376.2		34.7%
EBIT margin (over revenue)	9.3%	9.7%	10.1%		
Net Income (*)	129.1	162.4	215.4		32.7%

(*) EBITDA: Net Operating Income + Depreciation, EBIT: Net Operating Income, Net Income: Profit attributable to the company's shareholders.

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

AUTOMOTIVE BUSINESS

The automotive business, the Group's biggest contributor, accounted for 77.4% of revenue and 89.1% of EBITDA, while the Smart Innovation business pursued by its subsidiary, Dominion, contributed 22.6% of Group revenue and 10.9% of its EBITDA.

In the automotive business, revenue was 27.1% higher than in 2016, at €2.88 billion, while EBIT came in at €338.1 million (growth of 37.1%) and EBITDA, at €472.7 million (+31.2%). The Group continued to fuel its profitability from both organic growth (greenfield factories) and the integration of new companies, having added America's Newcor to the fold in 2017.

EARNINGS BY REGION

	Revenue (€ million)	Revenue mix, %	EBITDA mix, %
Europe	879.6	30.5%	30.5%
Mahindra Europe	498.8	17.3%	14.2%
NAFTA	718.8	24.9%	32.5%
Brazil	304.1	10.6%	9.1%
Asia (India China)	479.9	16.7%	13.7%

NEWCOR, THE ACQUISITION OF THE YEAR AT CIE AUTOMOTIVE

CIE Automotive reinforced its presence in the US market with the acquisition of Newcor, a specialist in the design and production of high-precision machined parts and subassemblies, powertrains and transmissions for the automotive industry.

Newcor has three manufacturing facilities in the state of Michigan (Clifford, Corunna and Owosso) and it generates annual revenue of around \$150 million. Its top customers include the main vehicle OEMs and tier 1 suppliers and it is mainly exposed to the US market.

The transaction, sized at €102 million, allows CIE Automotive to expand its technology and product portfolios in the US and reinforce its positioning with strategic customers, in line with the Company's announced strategy of stepping up investment in this strategic market.

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

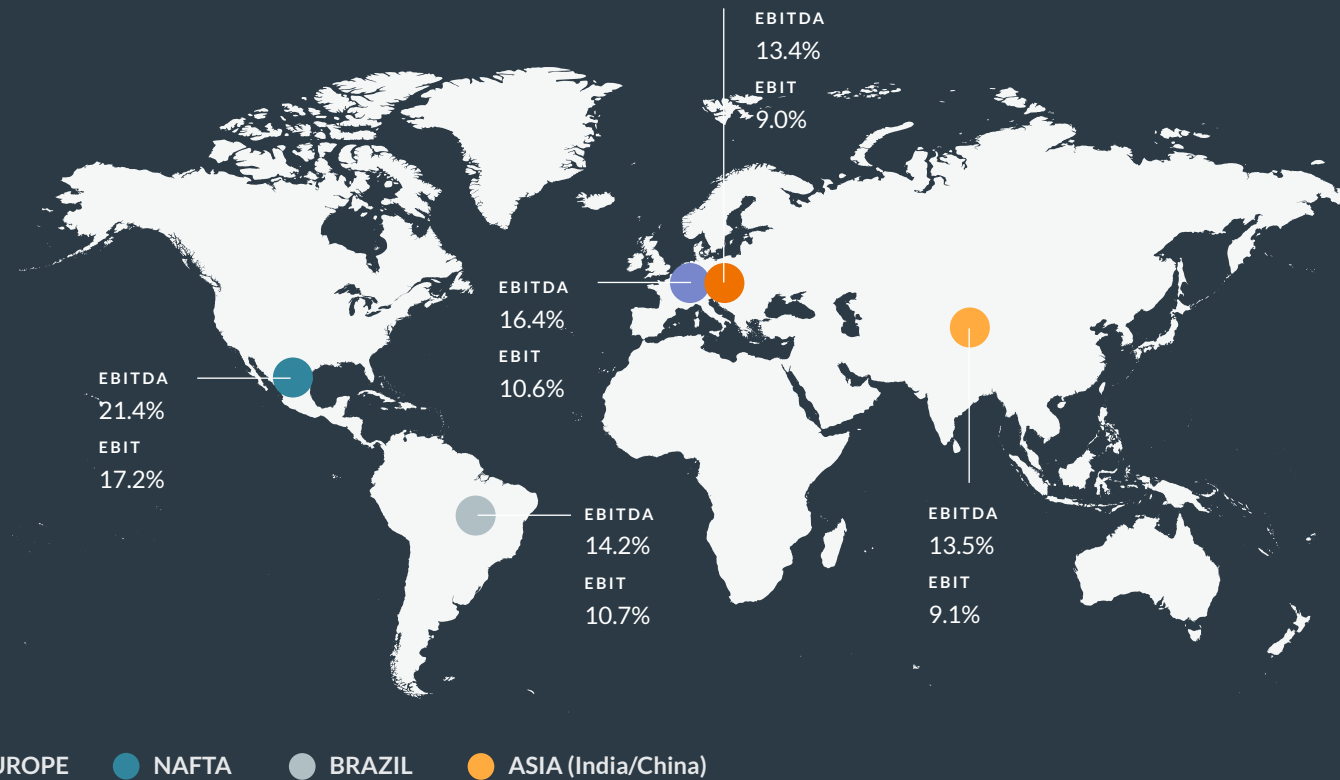
Corporate
governance

05

About this
report

EARNINGS BY REGION

All regions contributed to the growth in revenue and profits in the automotive business:



Europe

CIE Automotive's European facilities registered revenue growth of 15.0% thanks to a dynamic order intake and the rollout of new projects. Momentum at the legacy factories continued, as evidenced by EBITDA and EBIT margins of 16.4% and 10.6%, respectively, whereas the Mahindra CIE factories ironed out their operating issues and won back their customers' confidence, thanks to which they posted significant margin expansion: EBITDA of 13.4% and EBIT of 9.0%.

NAFTA

The NAFTA business sustained double-digit growth (+38.7%) and the highest margins within the Group, driven by excellent traction at new investments: this unit's EBITDA margin reached 21.4% and its EBIT margin, 17.2%. The acquisition of US player Newcor is expected to contribute to this business's earnings momentum going forward.

Brazil

During the first year of recovery in the Brazilian automotive market, CIE Automotive saw its margins widen considerably (EBITDA margin of 14.2%; EBIT margin of 10.7%), thanks to the operational improvements made during the years of crisis and aided by the new-found momentum.

Asia

Thanks to the integration of the Bill Forge factories in India and new projects in China (most importantly the forging line in Nanjing), CIE Automotive saw its margins widen further in this market, with its EBITDA margin reaching 13.5% and its EBIT margin touching 9.1%. The Group expects profitability in Asia to continue to grow, fuelled by significant growth in these markets.

Financial situation

The CIE Automotive Group ended 2017 with €2.31 billion of net assets, up 3.5% from year-end 2016. Equity increased by 5.8% year-on-year to €1.34 billion.

BALANCE SHEET - CIE AUTOMOTIVE GROUP

(at 31 December 2017 €million)

	2015	2016	2017
Fixed Assets	1,953.2	2,480.5	2,660.8
Net Working Capital	(248.8)	(248.9)	(350.6)
Total Net Assets	1,704.4	2,231.6	2,310.2
Equity	885.0	1,263.3	1,336.9
Net Financial Debt	670.1	816.2	854.8
Others (Net)	149.3	152.1	118.5
Total Equity and Liabilities	1,704.4	2,231.6	2,310.2

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

Net Financial Debt (NFD) increased by 4.7% from €816.2 million at year-end 2016 to €854.8 million at the close of 2017, broken down as follows:

	2016	2017	Maturity	Characteristics
Syndicated loan	≈ €600m	≈ €502m	Last repayment date, April 2022	Loan in euros Rate range based on NFD/ EBITDA €466m automotive business + €36m Dominion
EIB	≈ €95m	≈ €86m	7 years with a 2-year grace period	Loan in euros Partially fixed-rate €61m automotive business + €25m Dominion
LT loan	≈ €85m	≈ €85m	10 years	Loan in euros
Bancomext and other Mexican lenders	≈ €73m	≈ €162m	7 years with a 1-year grace period	Loan in US dollars Partially swapped to fixed rate
Other	≈ 378 mill	≈ €390m	Sundry	Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.
Gross Financial Debt	≈ €1,231m	≈ €1,225m		
Cash and cash equivalents	≈ €415m	≈ €370m		
Net Financial Debt	≈ €816m	≈ €855m		

01

2017
in review

1.1 Chairman and CEO's statement

1.2 The year in review

1.3 CIE Automotive's share price performance

02

Who we are

03

Our commitments

04

Corporate governance

05

About this report

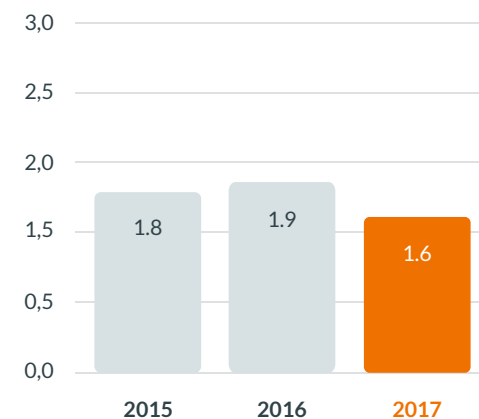
It is worth highlighting the execution, on 6 June 2017, of a fourth amendment to the syndicated loan agreement arranged by the automotive business in July 2014, extending the maturity date to 2022. In the Smart Innovation business, Dominion renegotiated its syndicated loan in December 2017, increasing the principal by \$35.6 million and negotiating better terms and conditions, including an extended maturity date. It is important to highlight the reduced use of the syndicated loan in the automotive business.

As shown, Gross Financial Debt was broadly similar year-on-year, albeit shaped by higher use of dollar-denominated debt borrowed in Mexico and reduced reliance on various sources of financing: At year-end, the CIE Automotive had drawn down bank facilities in the amount of €138 million (year-end 2016: €233 million). The total limit on these facilities was €557 million (€501 million at year-end 2016), implying €419 million of undrawn floating-rate credit facilities (€268 million at year-end 2016).

The other balances included within borrowings correspond to bank loans and credit facilities distributed among the Group's various companies. They carry market rates of interest and do not entail any specific additional guarantees.

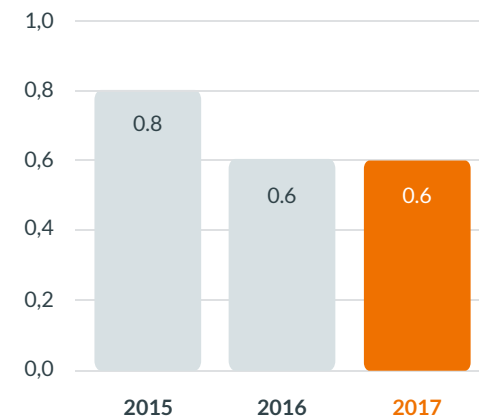
The Group's leverage ratio, expressed as net debt over EBITDA, declined from prior years to 1.6x, driven by EBITDA growth.

Net Financial Debt/EBITDA (*)



(*) EBITDA: Net Operating Income + Depreciation

Net Financial Debt /Equity



01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

CAPITAL EXPENDITURE: UPGRADING MANUFACTURING FACILITIES

CIE Automotive invested €131 million in upgrading and updating its manufacturing facilities. The continued improvement in the returns obtained on the Group's assets drove the RONA to 19%, up from 16% in 2016.

Maintenance capital expenditure accounted for 85% of depreciation charges, bringing the Group closer to its target of reducing these charges from 5% of revenue to 4%.

1.2.3 Key non-financial indicators

[102-7, 102-8, 201-1, 302-3, 403-2]



ECONOMIC VALUE GENERATED AND DISTRIBUTED - CIE AUTOMOTIVE GROUP

(€ million)

	2015	2016	2017
Revenue	2,631.5	2,879.0	3,724.5
To shareholders (dividends)*	25.8	42.6	52.8
To employees (employee benefits expense)	600.4	631.7	776.1
To suppliers (consumption of raw materials and auxiliary materials)	1,470.4	1,619.0	2,155.1
To society (income tax paid)	31.9	43.3	55.9
Retained earnings	511.1	647.8	808.6

(*) Dividend paid during the year

HUMAN RESOURCES METRICS

[102-7, 102-8, 403-2]

	2015	2016	2017
No. of employees	22,812	26,072	30,948
Job creation (net)	-705	3,260	4,876
Diversity			
Men	83%	86%	84%
Women	17%	14%	16%
Automotive			
• Europe*	5,395	6,034	6,221
• NAFTA	4,258	4,711	6,142
• Brazil	2,748	3,010	3,574
• Asia (India/China)	5,014	7,171	6,962
Smart Innovation	5,397	5,146	8,049
Lost-time injuries (**)	532	630	588
Injury frequency rate (**)	14.4	15.1	11.2
Injury severity rate (**)	0.6	0.4	0.2

(*) CIE Maroc (Morocco) included.

(**) 2015: global data for the automotive business and Spain-only data for the Smart Innovation business

2016 and 2017: global data for the automotive business; the data corresponding to the Smart Innovation business is available in Dominion's standalone annual report.

ENVIRONMENTAL METRICS: AUTOMOTIVE BUSINESS

[302-3]

	2015	2016	2017
Greenhouse gas emissions (tonnes/€ 000)	0.2	0.2	0.2
Energy/revenue (Kwh/€ 000)	156.4	161.0	192.9
Electricity/revenue (Kwh/€ 000)	369.1	363.5	326.6
Water/revenue (m₃/year/€ 000)	0.7	0.7	0.6
Recycled aluminium (tonnes)	48,089	61,437	84,125

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

1.3

CIE Automotive's share price performance

THE SHARE PRICE GAINED 30.7% IN 2017

The healthy earnings reported by CIE Automotive over the course of 2017 had a positive impact on the share price, which gained 30.7% to end the year at €24.21, putting CIE Automotive's market capitalisation at a record high: €3.12 billion.

Despite a complicated start to the year, CIE Automotive's share price found its way back into positive territory and at one point was up by close to 40%, trading at an all-time high.

Investor confidence was bolstered by the strong results generated quarter after quarter, topping expectations and the market consensus forecasts. As a result, the share price hit its high for the year of €26.2 in early November.

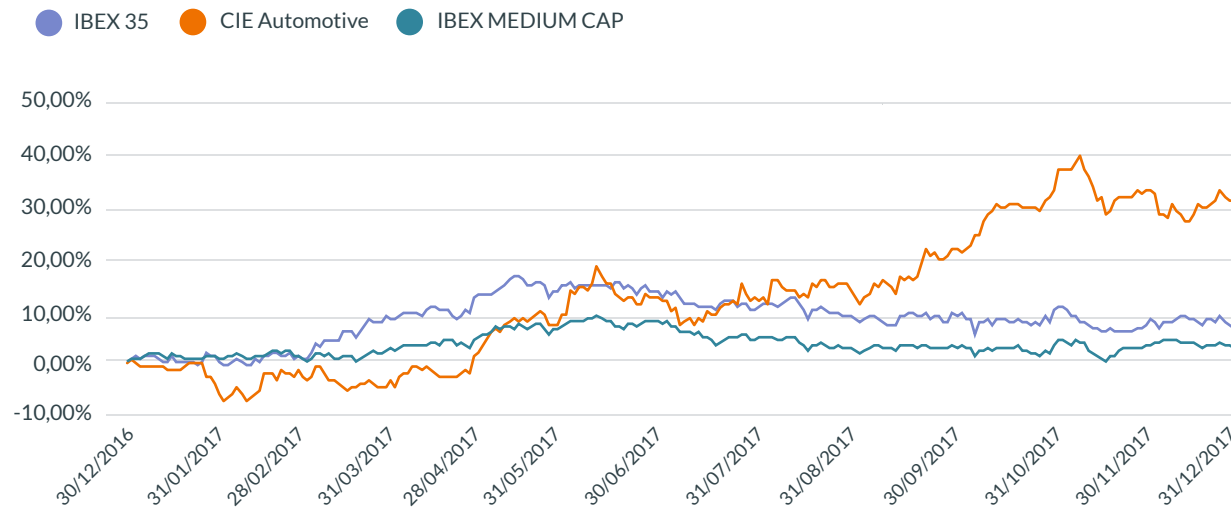
During the same timeframe, Spain's blue chip index, the IBEX-35, gained less than 8%, so that CIE Automotive once again handily outperformed the benchmark index. Indeed, CIE Automotive did better

than all the main Spanish stock indices, outperforming the IBEX-35 by 23% and the IBEX Medium Cap index, of which CIE Automotive has been part since 2016, by 27%. The stock was one of the four stocks most bought by the leading Spanish funds in 2017.



CIE Automotive did better than all the main Spanish stock indices, outperforming the IBEX-35 by 23%.

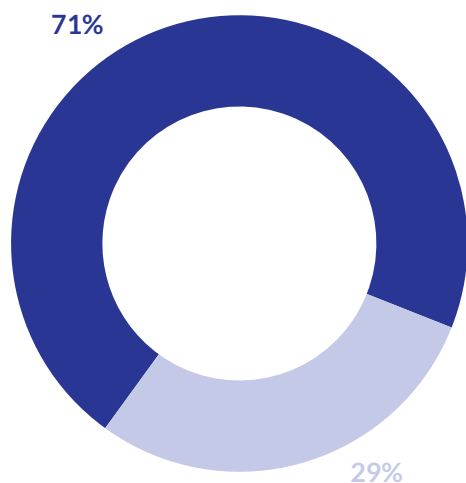
SHARE PRICE PERFORMANCE
(relative to the IBEX 35 and the IBEX Cap)



CIE Automotive's consistency was reflected in the liquidity of the stock and extension of the rally sustained in recent years: since the end of 2013, the share price has gained a cumulative 203%.

In terms of the outlook, the majority of the main brokerages covering the stock continue to have a Buy recommendation on the stock. At year-end 2017, their average target price stood at €25.30, underpinned by confidence in the Group's ability to deliver the guidance contained in its 2016-2020 Business Plan, its financial wherewithal and its technological, geographical and customer diversification.

RECOMMENDATIONS



- Buy + Overweight
- Hold

DIVIDEND GROWTH OF 24%

In 2017, CIE Automotive paid out €52.8 million in dividends from 2016 profits, which was 24% more than the year before and in line with its policy of maintaining a payout ratio of 33%.

The distribution was made in two payments: an interim dividend charged against estimated 2016 profits of €0.20 per share (before withholdings) on 5 January and a final dividend of €0.21 per share paid out on 5 July 2017, following shareholder approval at the May Annual General Meeting.

In December, the Board of Directors approved the payment of an interim dividend from 2017 profits of €0.28 per share (before withholding tax) carrying dividend rights. This dividend was paid out on 5 January 2018.

CIE AUTOMOTIVE'S SHARE PRICE INDICATORS

	2015	2016	2017
Number of shares at year-end	129,000,000	129,000,000	129,000,000
Share price at year-end (€)	15.45	18.52	24.21
High for the year	15.46	18.98	26.2
Low for the year	10.65	11.99	17.15
Market capitalisation at year-end (€ million)	1,993.1	2,388.4	3,123.1
Average trading volume ('000 shares)	60,619	59,065	59,318
Dividend paid during the year (€ million)	25.8	42.6	52.8
Dividend per share paid (€)	0.20	0.33	0.41
Payout* (%)	32%	33%	33%
Earnings per share (€)	1.00	1.26	1.67
P/E multiple **	15.4	14.7	14.5

(*) Payout: percentage of profit paid out to shareholders

(**) P/E multiple: ratio between share price and EPS

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

Mahindra CIE's share price performance on the Bombay stock exchange

The shares of Mahindra CIE (MCIE) are traded on India's main stock exchanges: the National Stock Exchange (NSE) (index: CNX Nifty 50) and the Bombay Stock Exchange (BSE) (index: S&P BSE Sensex).

In 2017, 63,354,199 shares were traded (volume by value: INR12.93 billion); the shares traded within a range marked by a low of INR180.05 and a high of INR271.80 on the NSE during the year. The share price gained 40.5% in 2017, compared to gains of 28.6% in the CNX Nifty 50 and of 27.9% in the S&P BSE Sensex.

India's stock exchanges were affected by certain specific events towards the end of the year, including demonetization and uncertainty regarding implementation of the new goods and services tax (GST) nationwide.

Despite this uncertainty, the leading brokerage firms reiterated their Buy recommendations while reviewing their target prices, evidencing their confidence in the Group.

MCIE'S SHARE PRICE INDICATORS ON THE INDIAN STOCK EXCHANGE

	2015	2016	2017
Number of shares at year-end (millions)	323.3	378.1	378.4
Share price at year-end (INR) on the BSE	254.2	183.5	257.8
Share price at year-end (INR) on the NSE	251.1	183.8	258.2
High for the year (INR) on the BSE	314.1	256.0	270.1
Low for the year (INR) on the BSE	184.0	156.9	181.1
Market capitalisation at year-end (millions of INR) on the BSE	82,208	69,379	97,525
Average trading volume on the BSE* ('000 shares)	141,033	35,916	58,273
Average trading volume on the NSE* ('000 shares)	547,807	197,948	197,188

The following data correspond to CIE Mahindra's audited figures for the Indian financial year - which runs from 1 April to 31 March of the following year, the criteria Mahindra CIE used to follow in presenting its earnings results. However, in 2016 it adapted its reporting framework so that its financial year now coincides with that of its parent, CIE Automotive.

	APR 2015- DEC 2015	2016	2017
Earnings per share (INR)	2.37	4.99	9.46
P/E multiple*	107.28	36.77	27.25

(*) P/E multiple: ratio between share price and EPS

01

2017
in review

1.1 Chairman and
CEO's statement

1.2 The year in
review

1.3 CIE
Automotive's
share price
performance

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

2

Who we are

2.1 Identity and commitment

2.2 Business model

- 2.2.1 Multi-location
- 2.2.2 Customer diversification
- 2.2.3 Multi-technology
- 2.2.4 Investment discipline
- 2.2.5 Decentralised management

2.3 Strategy

- 2.3.1 Market environment
- 2.3.2 Business Plan

2.4 Stakeholder engagement

- 2.4.1 Materiality assessment

2.1 Identity and commitment

[102-16]

CIE Automotive is a supplier of components and subassemblies to the global automotive market, using complementary technologies and a range of associated processes and specialising in the management of value-added processes.

Honesty, fairness and integrity are the core values around which the Group articulates its business activities and the axis of its sustainable and profitable growth. Refer to: **Mission, Vision and Values.**



PLAY VIDEO

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

EMBEDDING CSR INTO ITS PROCESSES

In 2017, CIE Automotive continued to fine-tune its procedures to reflect its growing sensitivity towards environmental, social and governance (ESG) matters. The seventh edition of its process map, compiled during the year, marks a new milestone in the process of embedding its CSR commitments and placing its stakeholders at the centre of everything it does.

The new model assigns a new body to compliance and external stakeholder communication (refer to sections 2.4 and 4.1). In addition, a new key performance indicator has been added to the scorecard: environmental costs over revenue, with the numerator factoring in the cost of all things related with environmental management, from intake of the energy and water consumed to exit of the waste generated for management.

The Group has gone to lengths to deploy its process map across its various geographical regions: the Americas (US, Mexico and Brazil), Europe (Spain, Portugal, Lithuania, Romania, the Czech Republic and

France) and Asia (China and India, partial deployment). To do so, it organised a number of forums for presenting and debating the map, events that were very well received.

In 2018, the Group expects to consolidate its process management model globally and cross-check it against the most stringent standards. From the standpoint of quality management, it will tackle the transition from ISO/TS 16949 to IATF 16949 and from the environmental perspective, it will get ready for the upcoming version of ISO 14001.

“The Group has gone to lengths to deploy its process map across its various geographical regions.”



01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our
commitments

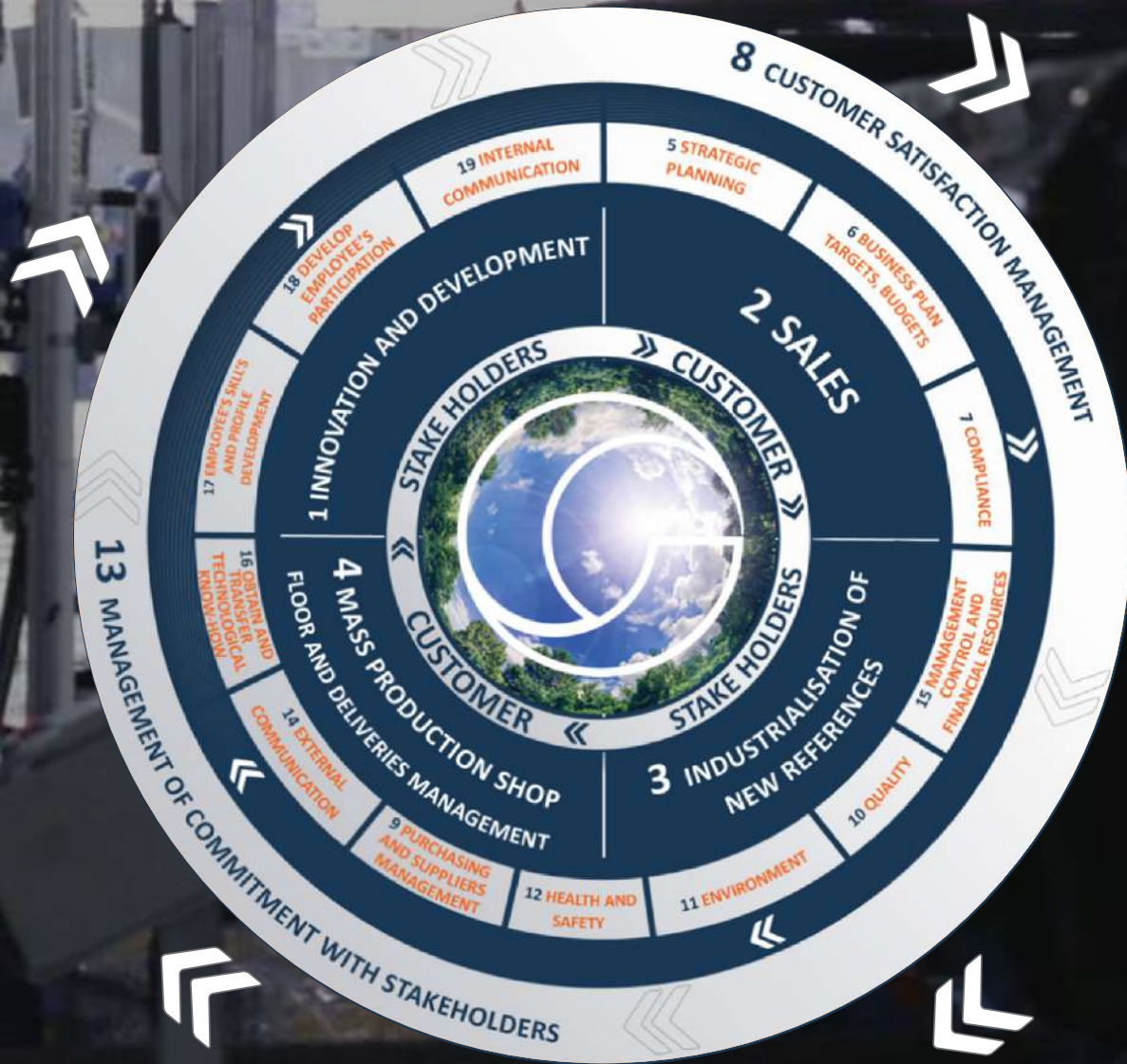
04

Corporate
governance

05

About this
report

EMBEDDING CSR INTO ITS PROCESSES



01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

05

About this report

2.2 Business model

[102-2, 102-4, 102-6]

CIE Automotive manufactures parts and subassemblies in 17 countries using seven basic processes or technologies. It sells its products to vehicle OEMs and Tier 1 suppliers from all over the world.

CIE Automotive has been growing and increasing shareholder returns year after year since 1996 thanks to a model underpinned by five cornerstones: multiple locations, customer diversification, a multi-technology approach, disciplined investing and decentralised management.

CORNERSTONES OF THE BUSINESS MODEL

<p>Multiple locations</p> <p>98 Manufacturing facilities</p> <p>90 Locations</p> <p>17 Countries</p> <p>7 Research centres</p>	<p>Customer diversification</p> <p>CIE Automotive sells to the main car makers (OEMs) and Tier 1 parts suppliers in the various markets in which it operates.</p>	<p>Multi-technology</p> <p>7 Technologies:</p> <p>forging, tube stamping and shaping, machining, plastics, aluminium injection moulding, roof systems and smelting.</p>	<p>Disciplined investing</p> <p>Facility quality and flexibility</p> <p>High return hurdles</p> <p>Operating cash flow of over</p> <p>50% of EBITDA</p>	<p>Decentralised management</p> <p>Autonomous divisions and a cross-cutting network structure.</p>
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01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

05

About this report

2.2.1 Multiple locations

[102-4, 102-6]

The Group locates its manufacturing facilities close to the car assembly plants distributed all over the world. This geographical dispersion enables it to service its customer better while mitigating the impact of potential local crises on its earnings.

At year-end 2017, it had 98 manufacturing facilities in 90 locations, seven of which are multi-technology centres. CIE Automotive has the ability to produce parts using different technologies in 17 countries in the four leading automotive markets: Europe, NAFTA, Asia and Brazil (see location chart).

The Group's geographic expansion is driven by the construction of new factories (greenfield facilities), the acquisition of other companies and strategic alliances, the most important being the alliance entered into with India's Mahindra & Mahindra Ltd., which gave rise to the Mahindra CIE group.

The most noteworthy acquisition completed in 2017 was that of the American group Newcor, a specialist in the design and production of high-precision machined parts and subassemblies, powertrains and transmissions whose three manufacturing facilities have reinforced the Group's position in NAFTA. The Group also acquired the outstanding 34.9% of its Brazilian subsidiary CIE Durametal.

AUTOMOTIVE MANUFACTURING FACILITIES IN MAIN MARKETS

	Total	Machining (2)	Stamping (3)	Forging (4)	Plastic (5)	Aluminium (6)	Roof systems	Smelting
Europe (1)	44	16	5	7	6	7	3	-
NAFTA	16	5	4	2	3	1	1	-
Brazil	15	3	4	1	5	1	-	1
Asia (India/China)	23	3	6	8	3	-	1	2
	98	27	19	18	17	9	5	3

(1) Includes the CIE Maroc factory in Morocco.

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

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

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

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

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

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

NAFTA

CIE Automotive has manufacturing facilities in 15 locations in Mexico and the US which service the light vehicle market in NAFTA and, to a lesser extent, the Brazilian, European and Asian markets. These factories are the most profitable in the Group and the growth potential of these markets is among the highest in the world. In 2017, the Group reinforced its presence in the US with the acquisition of Newcor. In addition, it began to produce stamped and assembled parts for electric vehicles in Mexico, as well as increasing its capacity in stamped products for brake systems.

EUROPE

With manufacturing facilities in 42 locations in 12 countries (note that this category includes the factory located in Morocco), Europe is CIE Automotive's most important market. Its European facilities stand out for their specialisation, process automation and strategic commitment to innovation.

BRAZIL

In Brazil, one of the strategic markets in recent decades on account of its growth profile, the Company has productive facilities in 12 locations. CIE Automotive has consolidated its presence in this market in recent years despite the challenging economic situation, in part due to the closure of multiple local suppliers unable to survive the crisis. In this market it is worth highlighting the start-up of a new painting line at the CIE Autometal Diadema factory.

ASIA (India and China)

The Group's presence in India stems from its alliance with India's Mahindra & Mahindra Ltd., which gave rise to the Mahindra CIE group. The Group went on to consolidate its presence in India in 2016 with the purchase of India's Bill Forge, a specialist in forging technology. India is one of the region's growth engines, while China is the world's largest vehicle producer. At present, CIE Automotive has manufacturing capacity in 21 locations, 18 in India and three in China.

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

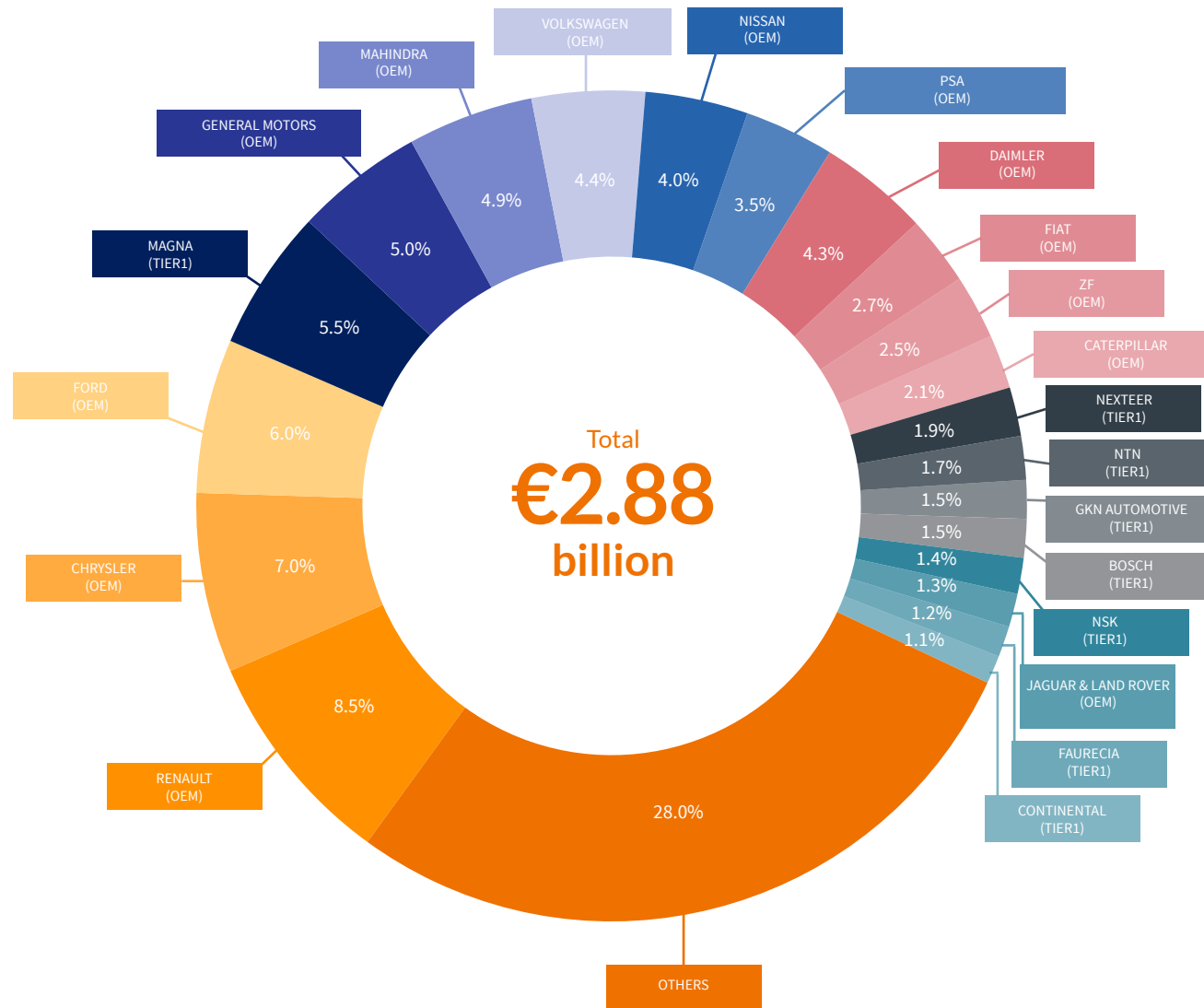
2.2.2 Customer diversification

CIE Automotive's customers are split between vehicle original equipment makers (OEMs) and Tier 1 suppliers.

Its customer base is spread around many countries and is very diversified: none of its customers accounts for 10% of revenue. Nor does the Group depend on a single platform or car model, ensuring its survival in times of crisis. The customer diversification strategy gives it bargaining power when it comes to negotiating prices and has facilitated growth in times of crisis.

Customer solvency and the maintenance of demand are also crucial to taking profitable investment decisions.

REVENUE MIX BY CUSTOMER



01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

05

About this report

2.2.3 Multi-technology approach

[102-2]

CIE Automotive makes over 6,000 part and subassembly SKUs using seven different kinds of technology: aluminium injection moulding, metal tube stamping and tube, smelting, machining, plastics, forging and roof systems.

It is one of the few Tier 2 suppliers that can offer a range of techniques for a given part in a given geography and that can make a subassembly using a mix of basic processes. This means that customers can select the optimal solution without having to contact different suppliers and developer teams.

The Group focuses strategically on products that offer above-average profitability and respond to automotive market trends: engine downsizing, hybrid vehicles, vehicle electrification, passenger comfort and passenger safety.

01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments









04

Corporate governance

05

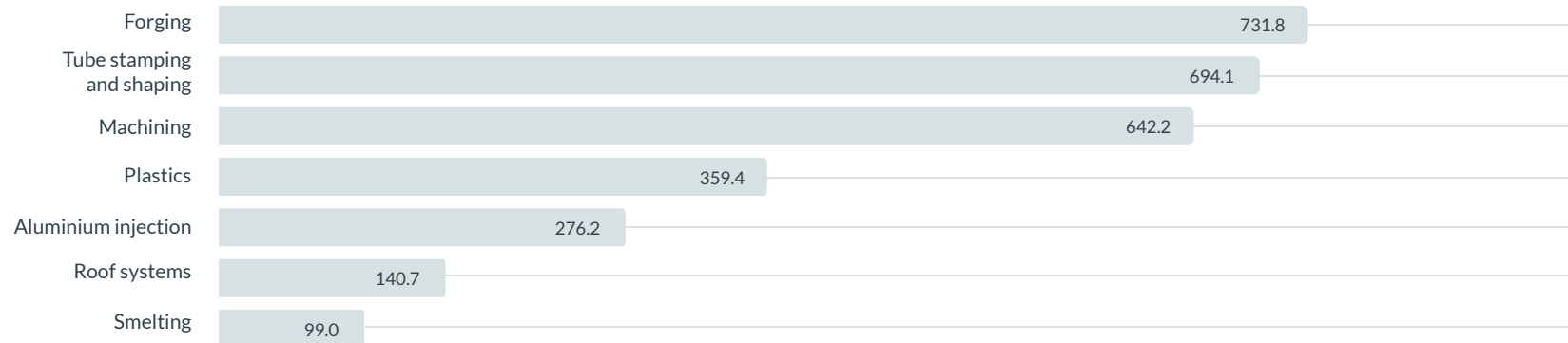
About this report

KEY PRODUCT PORTFOLIO

Forged products	Crankshafts*	Tulips and CV joint housings*	Axle shafts	Axles	 Video available in the online version of this Report
Aluminium products	Gearshift housing*	Clutch casing*	Crankcases	Steering box*	 Video available in the online version of this Report
Cast products	Cage Turbochargers	Crankshafts	Differential case	Drum brakes	 Video available in the online version of this Report
Machined products	Hubs & rings*	Electrical steering components*	Differential cage	Flanges*	 Video available in the online version of this Report
Tube stamping and shaping	Body In White	Steering column tube*	Brake covers, chambers and structures membranes*	Seat	 Video available in the online version of this Report
Plastic products	Logotypes	Ashtrays	Armrests*	Decorative items	 Video available in the online version of this Report
Roof systems	Sliding windows*	Panoramic roofs*	Shade systems		 Video available in the online version of this Report
Multi-technology products	Oil pan using three crankshafts: sheet metal stamping, aluminium injection moulding and plastic injection moulding*	Forged common rails for diesel engines Tubular fuel rails for petrol engines*	Forged and case		 Video available in the online version of this Report

(*) Core products presenting growth and profitability above the market average on which CIE Automotive is strategically focused.

REVENUE MIX BY TECHNOLOGY (€ million)



Note:

Additional revenue from other technologies: €26.5 million. Includes €88.7 million of intercompany sales.

2.2.4 Investment discipline

[203-1]

In order to add to its productive capacity, every year CIE Automotive makes sizeable investments framed by three key criteria: (i) facility quality and flexibility; (ii) high returns on investment; and (iii) an operating cash flow at over 50% of EBITDA.

In 2017, capital expenditure amounted to €285 million; 46% went to maintaining and upgrading existing facilities and 54% to building new factories and expanding capacity at existing ones.

Standard flexible machinery

Valid to produce for different customers and platforms, allowing HIGH SATURATION of productive capacity.

≈ 4% current investment level that allows maintenance and 2-3% organic growth

Strict investment discipline

Investment analysis discipline, always requiring high returns.

Capex ≥ 20% ROI
Operatin Working Capital ≈ 0
M&A: EV/EBITDA ≤ 3 in 3 years

EBITDA conversion into cash

Optimization of productive capacity and investmet control enables a higher than market average conversion of the EBITDA into Cash.

≈ 50 conversion level target

01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

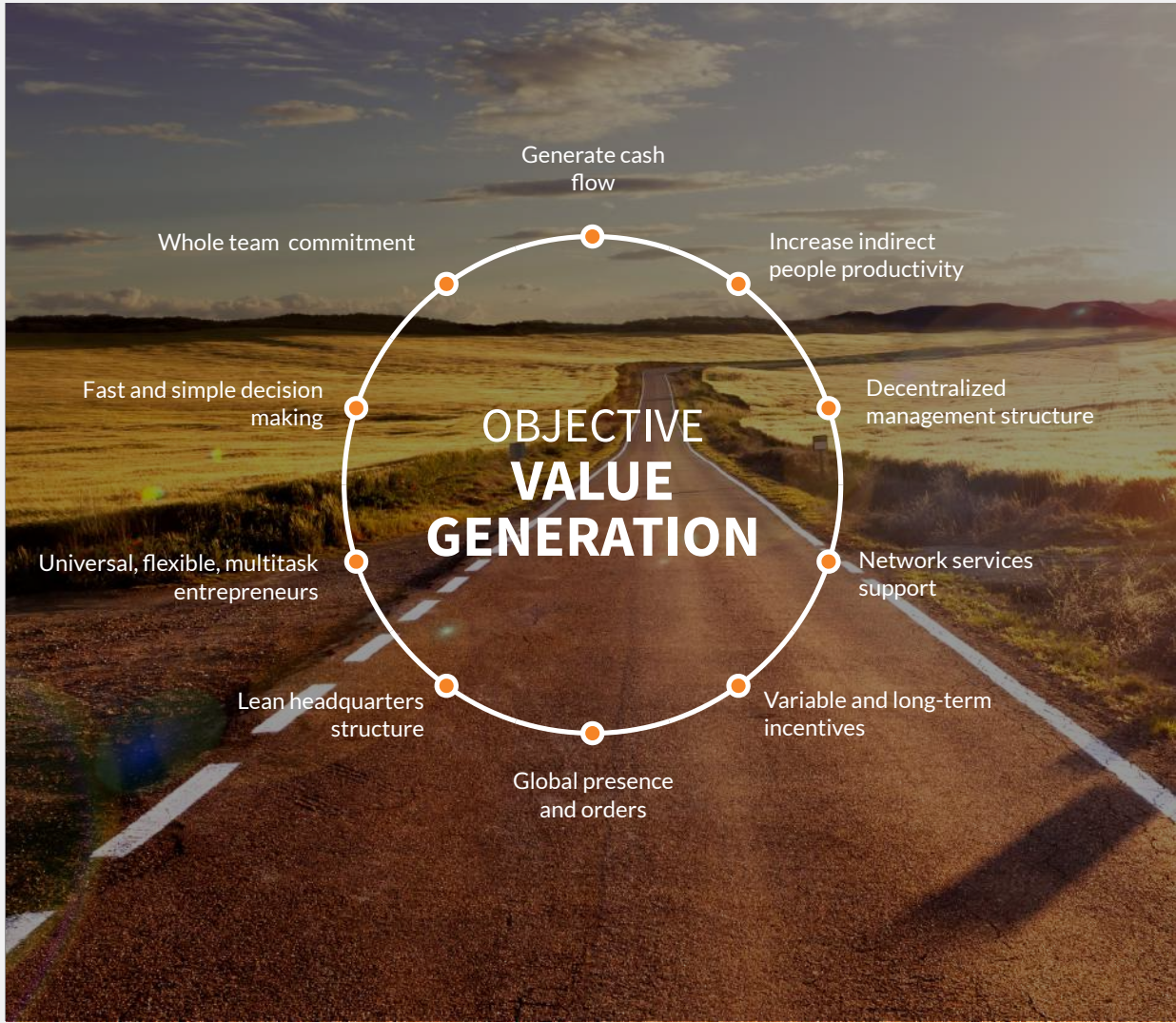
Our commitments

04

Corporate governance

05

About this report



2.2.5 Decentralised management

Management at CIE Automotive is decentralised. The divisions take their strategic decisions in an agile and straight-forward manner; they are supported by a cross-cutting corporate network which includes the Corporate Engineering, Sales, Investor Relations, Marketing and Communication, Supply Chain, Quality and Environment, Human Resources, Corporate Control, Finance and Treasury, Compliance, Internal Audit, Corporate Social Responsibility and IT areas.

This decision-making model, tailored for the needs of each division to help them attain their objectives and, ultimately, those established in the Group's Business Plan, gives CIE Automotive the flexibility and multi-tasking capabilities it requires to compete successfully in a global marketplace.

01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

05

About this report

2.3 Strategy

2.3.1 Market environment

2017 was a very good year for the automotive sector outside markets such as US and the outlook is promising in Europe, South Asia, the Middle East and Africa, South America and China. Global vehicle production reached 95 million units in 2017, slightly topping forecasts and implying growth of 2% over 2016 output.

Global sales also registered growth of 2% to 94.4 million units. The Chinese market, where 28.5 million vehicles were sold in 2017 (up 2% from 2016) remains the key growth engine. However, sales in the US, contracted by 2% to 17.2 million units. Sales in Mexico declined by 4%, in the wake of three years of consecutive growth, to 1.5 million units. Lastly, Europe extended the recovery of recent years, registering year-on-year sales growth of 4% to 20.5 million units.

VEHICLE SALES* WORLDWIDE

(millions of units)

	2015	2016	2017
Greater China	24.9	28.0	28.5
North America	20.7	21.1	20.8
Europe	18.7	19.7	20.5
Japan/Korea	6.8	6.6	6.9
Middle East/Africa	4.8	4.8	4.8
South America	4.4	3.9	4.4
India	3.1	3.4	3.7
Rest of South Asia	4.7	4.6	4.9
TOTAL	88.1	92.2	94.4

(*) Vehicles weighing from 0 to 6 tonnes

Source: IHS Markit Automotive: sales and production report dated January 2018.

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

Vehicle production in 2017



PERFORMANCE BY MARKET

• EUROPE

In Europe, vehicle production totalled 22 million units in 2017, up 3% year-on-year, marking a new annual record, 10 years after the last record was recorded in 2007.

Auto sales in Eastern Europe increased by 8%, with Russia spearheading the market, registering year-on-year growth of 12% to 1.59 million units. In Western Europe, sales growth was 2%.

The market was shaped by two different trends. While the British market slowed considerably as a result of the uncertainty sparked by Brexit, the southern European market staged a strong recovery, with Italy, Spain and Portugal posting year-on-year growth of 6%, 9% and 8%, respectively, offsetting the adverse impact of the British market.

Lastly, it is worth highlighting the fact that the most recent forecasts for 2020 point to growth in annual vehicle production volumes from 22 to 23 million units.

• NAFTA

Vehicle production amounted to 17.1 million units. Whereas vehicle output contracted by 8% year-on-year in the US, production increased by 14% in Mexico and exports from this market reached record levels, a trend expected to continue in the years to come in the wake of the capacity added by newly-installed OEMs. Although these growth prospects came under question due to the threat of an increase in US tariffs on Mexican vehicle imports, this has not stopped OEMs from announcing new investments in Mexico.

Sales totalled 20.8 million units in 2017, down a slight 1% from 2016. The contractions in sales in the US and Mexico of 2% and 4%, respectively, were largely offset by the growth of 6% in Canada.

The vehicle manufacturing forecast for 2020 is 17.5 million units.

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

- **BRAZIL**

Vehicle production in Brazil jumped 26% 2017 to 2.6 million units, driven by strong growth in domestic demand; sales totalled 2.1 million units, up 9% from 2016.

The vehicle manufacturing forecast for 2020 is 3.2 million units.

- **ASIA**

India: Vehicle production amounted to 4.4 million units, up 7% from 2016, evidencing how this market is increasingly cementing its position as a major export hub for international OEMs. Indeed, these OEMs are gradually introducing new models into the Indian market, with Hyundai and Ford at the forefront.

Vehicle sales in India increased by 8% in 2017 to 3.7 million units, driven by new tax breaks.

Lastly, current forecasts point to vehicle production of over 5.5 million units in 2020.

China: In China, vehicle production continued to grow in 2017, by 2% to 27.9 million units; sales amounted to 28.5 million units, similarly up 2% year-on-year, marking a new all-time record.

Sales have been firming since the introduction last October of a 25% cut in the tax rate on the purchase of new cars with engines smaller than 1.6 litres. Note that although the sale of utility vehicles narrowed by 0.8%, sales of SUVs continued to grow, specifically by 13% to 10.2 million units, with sales of the largest SUVs (D-segment) registering growth of over 60%. Sales of commercial vehicles also registered strong growth of 14% (to 4.1 million units).

It is worth highlighting that sales in the New Energy Vehicles (NEV) segment, which includes Electric Vehicles (EV), Plug-in Hybrid Electric vehicles (PHEV) and Fuel Cell Vehicles (FCV), amounted to 777,000 units.

IHS Markit Automotive is forecasting vehicle production over 30 million units in 2020.

Vehicle production in 2017



Trends in the vehicle industry

The key trends shaping and influencing the auto parts industry in 2017:

Electrification

The new regulations requiring OEMs to keep emissions under 95g of CO₂/km and the new real driving emissions (RDE) test measures are forcing the gradual electrification of vehicle engines.

Resource scarcity and the increase in the price of lithium battery materials could spur growth in PHEVs at the expense of fully-electric vehicles, given their scope to help reduce pollution in large cities while offering the ability to drive longer distances, in addition to making more sustainable use of certain specific battery materials.

However, based on the forecasts presented by IHS Markit Automotive, worldwide production of vehicles with internal combustion engines will increase by 10 million units per year between 2017 and 2024.

Autonomous driving (AD)

Partially autonomous vehicles will be available on the market by 2020 and most of the OEMs will offer this technology. In the meantime, the advanced driver assistance systems will be getting drivers and regulators ready for the reality of regulated driving.

The European Union has set its sights on establishing a framework for full Level 5 autonomous driving by 2030, specifically connecting up in-vehicle intelligence, vehicle-to-vehicle communication and the 5G smart grid.

Industry 4.0

After a century of automotive assembly lines and 45 years using robots in our industry, CIE Automotive is immersed in a new paradigm shift. Manufacturing facilities will be connected up with each other and with human beings. Manufacturing devices are set to become incredibly powerful by means of advanced analytical and machine learning capabilities. These advances will increase the reliability and available productive capacity of equipment, enhance its quality and improve supply chain performance.

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

2.3.2 2016-2020 Business Plan

In 2017, CIE Automotive continued to conduct its business in line with the roadmap set out in its 2016-2020 Business Plan, which called for doubling net profit from €129 million in 2016 to €260 million by 2020, paving the way for shareholder remuneration of over €300 million throughout the period.

Thanks to the healthy earnings results posed in 2016, CIE Automotive Group announced at the Annual General Meeting held on 4 May 2017 that it was bringing its target for doubling its net profit in five years forward to 2019.

FOUNDATIONS OF THE 2016-2020 BUSINESS PLAN

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

2016-2020 BUSINESS PLAN: CORNERSTONES, OBJECTIVES AND DELIVERY

The 2016-2020 Business Plan commits the Company to pursuing the following lines of initiative and delivering the targets associated with each:

a) Organic growth

The Group has set itself a series of growth objectives driven by an increasing market and customer presence, specifically the execution of greenfield projects, i.e., the construction of new factories, or the extension of existing facilities (for additional information, refer to section 2.2 Business model).

b) M&A-led growth:

The Business Plan envisages the integration of new companies that would add around €1 billion to revenue (€700 million in the automotive business and €300 million in Smart Innovation) while keeping its net debt-to-EBITDA ratio under 2x by the end of the period.

Against this backdrop, the CIE Automotive's auto parts business entered into a share purchase agreement for the outright acquisition of US firm Newcor in March 2017 (refer to section 1.2.2 Earnings performance) and also acquired virtually all of the share capital of Brazil's CIE Durametal.

01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

Financial management

PILLARS OF THE FINANCIAL MANAGEMENT MODEL

- Mainstreaming of the new financial management culture.
- Establishment of global financial partners.
- Development of new financial management areas with two key mandates:
 - Attaining a compelling credit rating and assessing multiple forms of financing.
 - Monitoring and managing existing risks using hedging strategies.

2015-2018 CSR Plan

Last year the Group also made progress on its 2015-2018 Corporate Social Responsibility Plan (refer to Progress on CSR front in chapter 3.1 CSR Management).

2015-2018 CSR PLAN TARGETS

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

01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

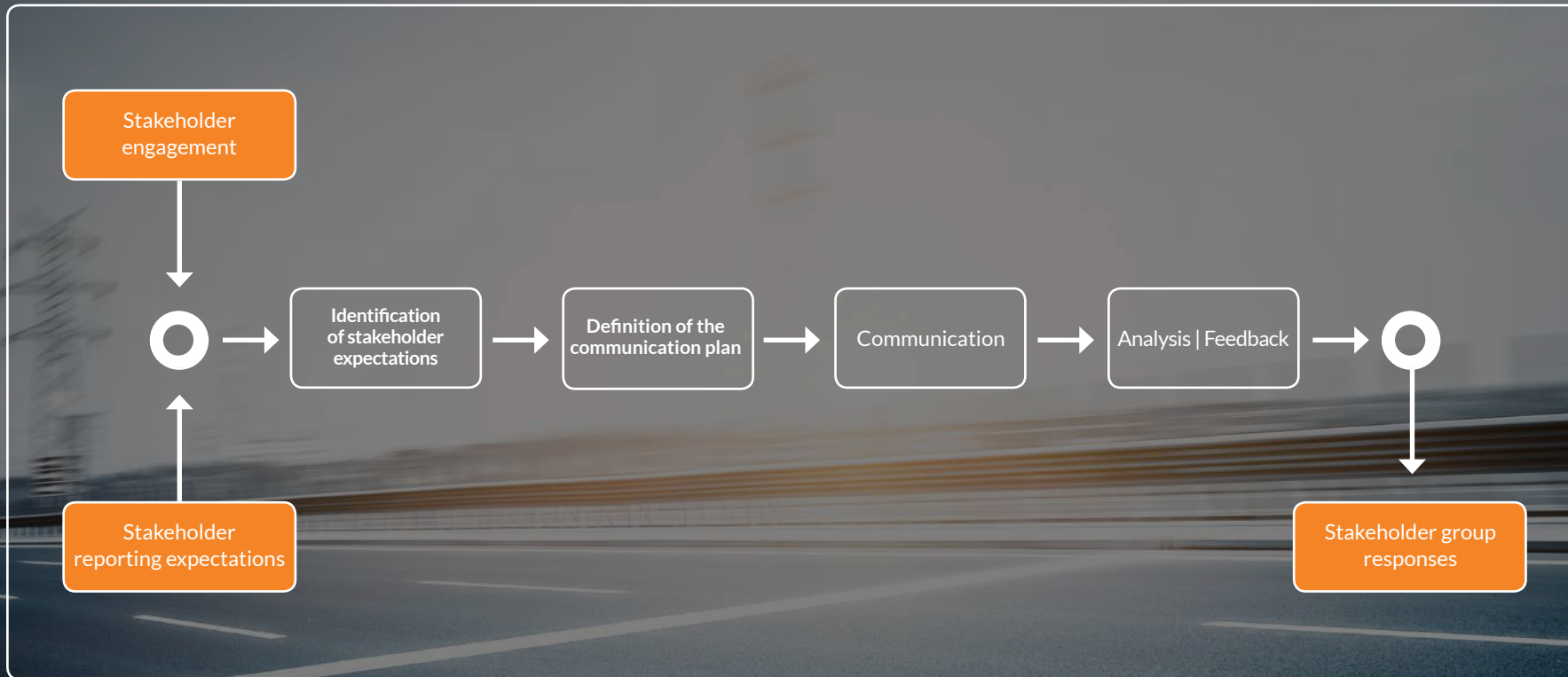
05

About this report



CIE Automotive and its stakeholders

Stakeholder engagement and commitment lies at the heart of CIE Automotive's process model, which was updated in 2017. This model defines how the Group communicates with, informs and responds to its stakeholders.



01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance







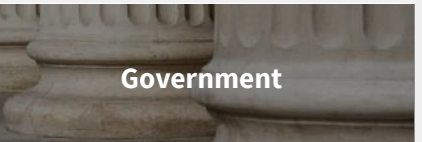


05

About this
report

2.4 Stakeholder engagement

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

CIE Automotive's strategy is articulated around the people and groups that influence its ability to achieve its corporate objectives and/or are affected by its activities. CIE Automotive has identified the nine stakeholder groups shown in the following table:

 <p>Shareholders</p> <ul style="list-style-type: none"> • Shareholders remuneration in the form of a dividend equivalent to one-third of net profit. • Provision of accurate and regular information to the investment community. • Generation of credibility in the stock market, which translates into sustained share price gains. 	 <p>Professionals</p> <ul style="list-style-type: none"> • Provision of decent work in all its business markets and the training needed to do their jobs. • Protection of employee well-being in a safe and healthy workplace. • Facilitation of collective bargaining. • Promotion of respect for human rights in at-risk markets. 	 <p>Customers</p> <ul style="list-style-type: none"> • Strategic commitment to innovation to meet customers' need. • Product quality and safety promise. • Continuous fine-tuning of the supply chain. • Efficient resource management in order to control prices. 	 <p>Business partners</p> <ul style="list-style-type: none"> • Strategic alliance with Mahindra & Mahindra Ltd., which contributes profitability and synergies.
 <p>Suppliers</p> <ul style="list-style-type: none"> • Equal opportunities contracting promise. • Promotion of transparency and optimal pricing. • Application of fair payment terms. • Cooperation and dialogue with a view to delivering customer satisfaction. 	 <p>Society</p> <ul style="list-style-type: none"> • Business-driven development in the Group's operating markets. • Financial support for community work targeted at the least privileged. • Helping to make safer and more environmental-friendly cars. 	 <p>Government</p> <ul style="list-style-type: none"> • Working with the authorities in the Group's business communities to improve various services. • Implementation of government requirements, acting lawfully, transparently and guided by a cooperative spirit. 	 <p>Sector</p> <ul style="list-style-type: none"> • Active participation, holding prominent positions, in several business associations in Spain and abroad in both the Automotive and Smart Innovation sectors.
 <p>Financiers</p> <ul style="list-style-type: none"> • Negotiation of the best possible conditions on the basis of the Group's investment requirements and prevailing market conditions. 			

01

2017
in review

02

Who we are

2.1 Identity and commitment

2.2 Business model

2.3 Strategy

2.4 Stakeholder engagement

03

Our commitments

04

Corporate governance

05

About this report

STAKEHOLDER COMMUNICATION CHANNELS

Stakeholder engagement is articulated around the 2015-2018 Strategic CSR Plan which sets out the various stakeholder communication channels defined in the different CSR policies.

Corporate website

The main channel used to inform stakeholders is the corporate website (www.cieautomotive.com), where they will find relevant information about the Company: its dimension as a sustainable company, important information for prospective employees and suppliers (under the dedicated human resources and suppliers tabs), a 'Press Center' and all of the documentation of interest to shareholders and investors (another dedicated tab), in compliance with the technical and legal specifications required of listed company corporate websites in CNMV Circular 3/2015.

Specific communication channels for each stakeholder group

CSR and Society: Susana Molinuevo
csr@cieautomotive.com
Professionals: Javier Álvarez
hr@cieautomotive.com
Investor relations and business partners:
Lorea Aristizabal
ir@cieautomotive.com
Customers and sector: Mikel Orbeagoza
sales@cieautomotive.com
Supply chain: Irache Pardo
purchasing@cieautomotive.com
Financiers: Zenón Vazquez
finance@cieautomotive.com
Public Administrations:
compliance@cieautomotive.com

There is also a specific channel for anyone wanting to notify unethical conduct or breaches of the Company's business ethics or integrity or any of the matters stipulated in CIE Automotive's Code of Conduct. [102-17]

Whistle-blowing channel e-mail inbox:
whistleblowerchannel@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
C.P. 48340 Amorebieta (Bizkaia), Spain

To report anything of concern using the whistle-blowing channel, stakeholders may write to the Compliance Department at the following address: [102-17]:

Alameda Mazarredo 69, 8º
C.P. 48009 Bilbao (Bizkaia), Spain

01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

2.4.1 Materiality assessment

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

With the specific aim of identifying the topics to address in this Integrated Report, a materiality assessment was conducted with the assistance of an independent expert (Deloitte): internal and external sources were consulted to ascertain the environmental, social and governance (ESG) issues of greatest relevance to the automotive sector and its stakeholders.

The materiality assessment was also used to evaluate the 2015-2018 CSR Plan by factoring in the issues of current relevance to CIE Automotive and its environment with a view to verifying that the Company continues to work in the right direction.

METHODOLOGY

The materiality assessment was completed in two phases:

- **Phase 1: External and internal analysis of the burning issues in the ESG arena**

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

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

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

- **Phase 2: Prioritisation of the issues identified as relevant**

In order to prioritise the issues objectively, a weighted count was made of the number of times the issues of relevance to stakeholders were reported about externally; internally, CIE Automotive organised a workshop attended by the directors and managers of the European factories and members of the Cross-Group CSR Committee to evaluate the issues identified during phase 1 (refer to section 3.1). Twenty-one topics of interest were rated on two scales: the importance of the issue to the Company and the extent to which the issue is currently being managed.

01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our
commitments

04

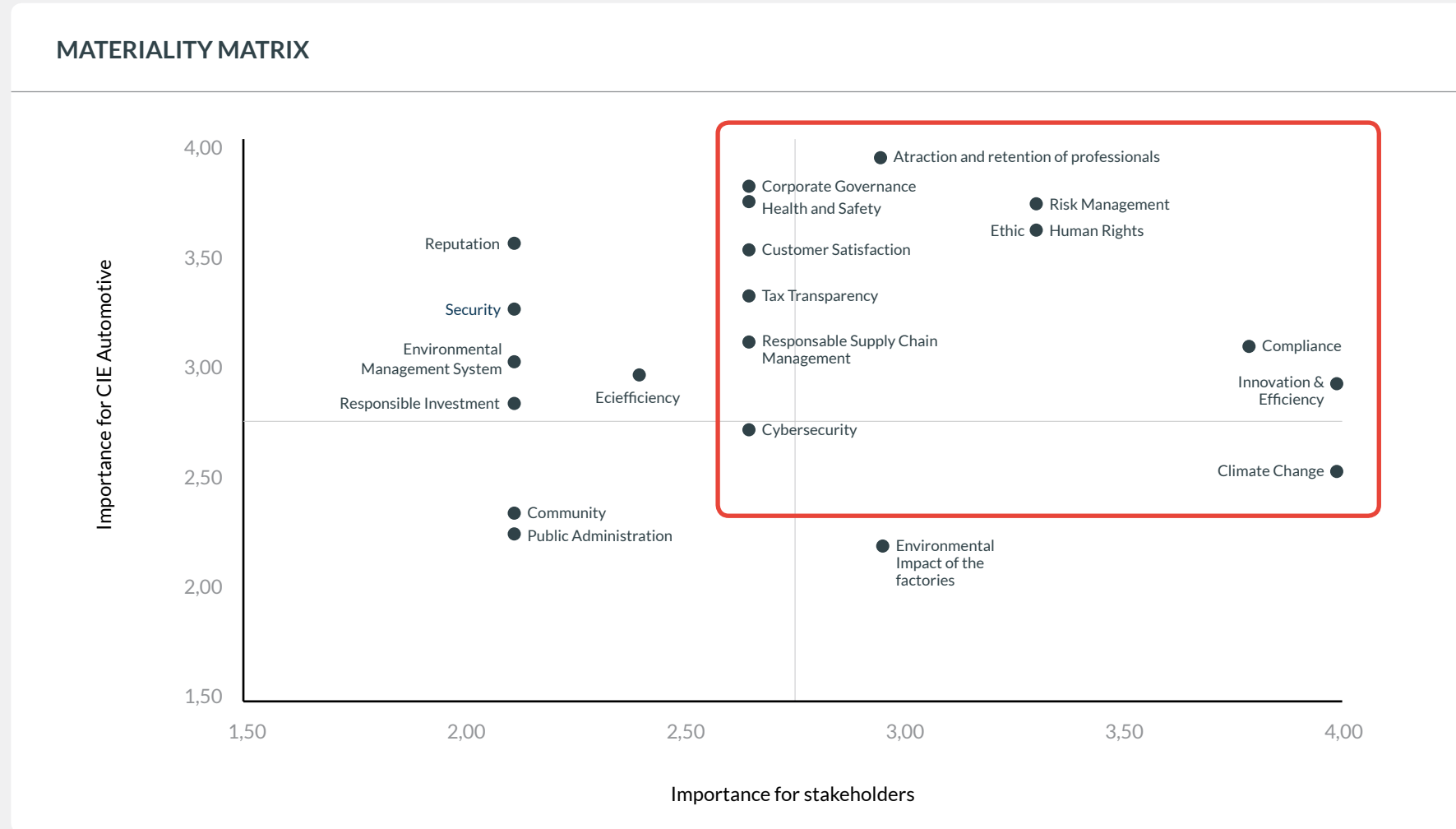
Corporate
governance

05

About this
report

MATERIALITY MATRIX

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



01

2017
in review

02

Who we are

2.1 Identity and
commitment

2.2 Business
model

2.3 Strategy

2.4 Stakeholder
engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

The table below itemises the most relevant GRI indicators that will be addressed in this Integrated Report on the basis of the results of the materiality assessment.

GRI Standard	Disclosure	Correspondence with the materiality assessment	Section
	102-2 Activities, brands, products, and services	Innovation and efficiency	3.5 Innovation and technology
	102-8 Information on employees and other workers	Attracting and retaining talent	3.3 The team
	102-16 Values, principles, standards, and norms of behavior	Ethics	2.1 Identity and commitment 4.3 Business ethics
	102-17 Mechanisms for advice and concerns about ethics	Ethics	4.3 Business ethics
GRI 102: General Disclosures	102-18 Governance structure	Corporate governance	3.1.1 How CSR works at CIE Automotive and who is responsible for it 4.2 Corporate governance bodies
	102-30 Effectiveness of risk management processes	Risk management	4.4 Risk management
	102-42 Identifying and selecting stakeholders	Customer satisfaction	2.4 Stakeholder engagement
	102-43 Approach to stakeholder engagement	Customer satisfaction	2.4 Stakeholder engagement
	102-47 List of material topics	N/A	2.4.1 Materiality assessment
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	Tax transparency	1.2.3 Key non-financial indicators
GRI 202: Market Presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Attracting and retaining talent	3.3 The team
GRI 204: Procurement Practices	204-1 Proportion of spending on local suppliers	Responsible supply chain management	3.6 Supply chain
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Ethics	3.1 CSR Management 4.3 Business ethics
	205-3: Confirmed incidents of corruption and actions taken	Ethics	4.3 Business ethics

01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

GRI Standard	Disclosure	Correspondence with the materiality assessment	Section
GRI 302: Energy	302-1 Energy consumption	Climate change	3.7.3. Energy efficiency and emissions
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	Compliance	4.1 Corporate governance model 3.7 Environmental management
GRI 308: Supplier Environmental Assessment	308-1 New suppliers that were screened using environmental criteria	Responsible supply chain management	3.6.2 Supply chain, social and environmental considerations
GRI 401: Employment	401-1 New employee hires and employee turnover	Attracting and retaining talent	3.3 The team
GRI 403: Occupational Health and Safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health & safety	1.2.3 Key non-financial indicators 3.3 The team 3.3.2 Health and safety
GRI 404: Training and Occupation	404-1 Average hours of training per year per employee	Attracting and retaining talent	3.3.1 Career development
	404-2 Programs for upgrading employee skills and transition assistance programs	Attracting and retaining talent	3.3.1.Career development
GRI 412: Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	Human rights	3.3 The team
	412-2 Employee training on human rights policies or procedures	Human rights	3.1 CSR Management 3.3 The team
GRI 414: Supplier Social Assessment	414-1 New suppliers that were screened using social criteria	Responsible supply chain management	3.6.2 Supply chain, social and environmental considerations
GRI 419: Socioeconomic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	Compliance	4.1 Corporate governance model
The GRI Standards do not have an indicator that fits the content treated by CIE Automotive in the Annual Report.		Cybersecurity	4.4 Risk management

01

2017
in review

02

Who we are

- 2.1 Identity and commitment
- 2.2 Business model
- 2.3 Strategy
- 2.4 Stakeholder engagement

03

Our
commitments

04

Corporate
governance

05

About this
report

3

Our commitments

3.1 CSR management

3.1.1 How CSR works at CIE Automotive and who is responsible for it

3.2 Customer orientation

3.3 The team

3.3.1 Career development
3.3.2 Health and safety

3.4 Investors

3.5 Innovation and technology

3.6 Supply chain

3.6.1 Supplier quality and service reliability
3.6.2 Supply chain: labour and environmental considerations

3.7 Environmental management

3.7.1 Consumption of water and material resources
3.7.2 Waste, discharges and emissions management
3.7.3 Energy efficiency and emissions

3.8 Community

3.1 CSR management

[102-12, 102-18, 102-31, 202-1, 205-2, 412-2]



01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

MILESTONES IN 2017

- ✓ CIE Automotive´s 1st CSR Day.
- ✓ Performance of a materiality assessment.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Consolidation of CIE Automotive's Ethics Framework to guarantee knowledge and awareness, oversight and application of the internal rules of conduct in all its business markets by distributing the Code of Conduct approved in December 2015, along with a reminder of the existence of a whistle-blowing channel, Group-wide. [205-2]
 - Commitment by all of the factories to CIE Automotive's human rights policy. [412-2]
 - Reiteration of the availability on the website of certain corporate policies within the purview of the Board of Directors to ensure compliance with Spain's Corporate Enterprises Act and reinforce CIE Automotive's body of internal rules and regulations.
 - Systematisation of the process of identifying stakeholder expectations and their alignment with the idiosyncrasies of each of the geographies in which CIE Automotive has a significant presence and with the broad business strategy. Elsewhere, the Group conducted a materiality assessment in 2017 (refer to 2.4.1).
 - Consolidation of the tax strategy and associated reporting model, enabling the Board of Directors to oversee the correct functioning of the tax compliance function, thereby mitigating tax risks.
 - Integration of ESG risks into corporate procedures related with supply chain management with a dual objective: effective management of the ESG risks posed by suppliers and management of the associated reputational risk.
 - First steps in designing an Eco-Efficiency Plan, including a monitoring regime with specific reduction targets at the factory level and a reporting system for the related information so that performance in this connection can be duly monitored.
 - Global compilation of the donations and other community contributions made in all of the countries in which CIE Automotive does business, thus helping to reinforce the community work management model.
- The continued pursuit of other lines of initiative in the process of implementation related to integrating ESG criteria into the Group's growth, employee training, risk identification and management efficiency processes, among others.

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Completion of the outstanding initiatives set down in the 2015-2018 CSR Plan and work on formulating a new three-year plan.
- Definition of a community work model in line with the guidelines approved by the CSR Committee in December 2017.
- Global rollout of the CSR Day event organised in Europe in October 2017. The goal here is not only to carry out a workshop with the managers from each of the regions but also to confirm the global deployment of the key initiatives envisaged in the 2015-2018 Strategic CSR Plan.
- Implementation of a CSR working methodology that can grow with CIE Automotive

CIE Automotive builds CSR principles into its business model and strategy with the aim of creating value for all its stakeholders and for society at large, as set down in its **CSR Policy**, approved in December 2015, which applies to all of the entities comprising CIE Automotive.

CIE Automotive has been a member of the United Nations Global Compact since October 2015, thus publicly pledging to respect its 10 universal principles in the areas of human and labour rights, environmental conservation and the effort to combat corruption and fraud. Its membership of the Global Compact is also a commitment to act as an agent of development, generating positive impacts on society as a whole based on compliance with the 17 Sustainable Development Goals (SDGs) (refer to **section 5.3**).

CIE AUTOMOTIVE'S 1ST CSR DAY

To demonstrate the importance the Group assigns to CSR, in October 2017 it held its first Corporate Social Responsibility Day, providing updates on the progress being made in this arena and what its stakeholders are looking for. The event, which was inaugurated by the Company's CEO, Jesús M^a Herrera, was attended by division heads and the European factory managers, as well as the members of the CSR Cross-Group Committee.

In addition to analysing and sharing the improvements and action plans to be tackled, the event was used to underline the importance of three imperatives:

- ✓ Being rigorous with the information reported on environmental, human resources, supply chain and community work matters
- ✓ Using and relying on the Cross-Group CSR Committee for any doubt that may arise within the organisation regarding CSR matters, to which end a dedicated corporate e-mail account has been set up: csr@cieautomotive.com.
- ✓ Making use of the corporate website and Integrated Report to learn about all of the non-financial information available at CIE Automotive, in line with its commitment to transparency.



01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

3.1.1 How CSR works at CIE Automotive and who is responsible for it

[102-18, 102-19, 102-20, 102-27, 102-32]

CSR is held in the highest regard at CIE Automotive. It is supervised by the Corporate Social Responsibility Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group CSR Committee.

CSR is included within what CIE deems its second line of defence (refer to [section 4.4.2 Internal control systems](#)).

The latter committee is made up of eight professionals from a range of areas.

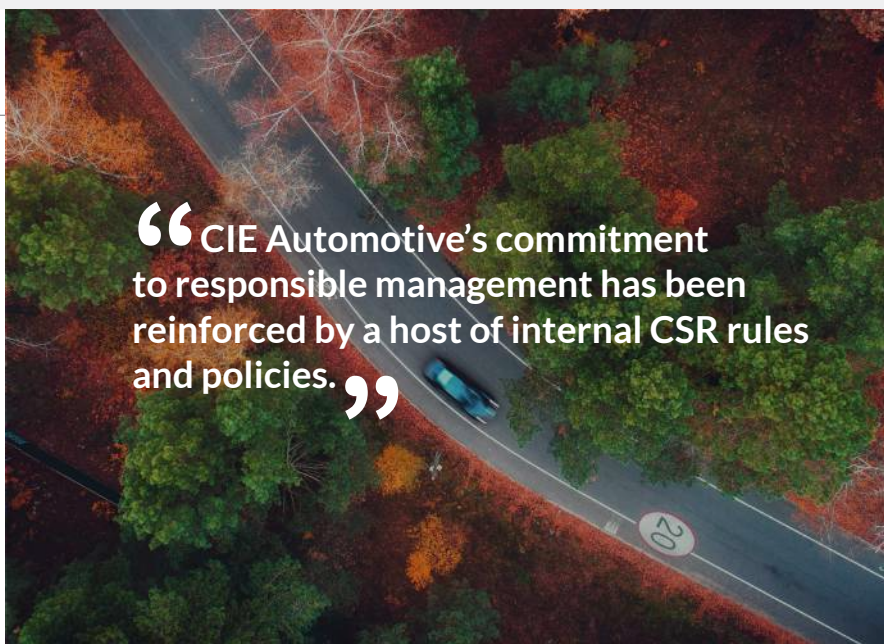
CIE Automotive’s commitment to responsible management has been reinforced by a host of internal CSR rules and policies, all of which are the responsibility of the Board of Directors. Those policies are publicly available on the [corporate website](#).

Effective application of the CSR policy and the potential risks associated with it are framed by the Risk Management and Control Policy, which uses the ISO 31000 methodology.

CIE Automotive has established Group-wide CSR indicators to measure its performance in various ESG areas: supply chain, HR, environmental management and community work. All of this information is compiled using interactive surveys enabled by the SAP Process Control tool.

MEMBERS OF THE CROSS-GROUP CSR COMMITTEE

Member	Área
Javier Álvarez	Human Resources
Lorea Aristizabal	Business Development
Gonzalo Ceberlo	Quality & Environmental Management
Iker Hernández	Internal Control and Risk Management
Angel Zalduegui	Internal Audit
Susana Molinuevo	CSR & Compliance
Irache Pardo	Supply Chain
Mikel Orbeagozo	Sales



01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

3.2 Customer orientation

CIE Automotive's strategy is focused on satisfying its customers: vehicle OEMs and Tier 1 parts makers. To meet their needs, it comes up with highly value-added and innovative solutions which it adds to and upgrades every year thanks to investments in its manufacturing facilities, continual adaptation for the most stringent quality standards and close collaboration with its customers.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Expansion of the product portfolio in various geographies, adding new solutions closely tied to the latest trends in the automotive market.
- Enhanced quality control having obtained new certifications at three factories.

MILESTONES IN 2017

- ✓ New customer for stamped parts for electric cars: Tesla.
- ✓ New customers for stamped parts for electric brakes: Bosch, Continental.
- ✓ Industrialisation of parts using Composite Spray Moulding (CSM) technology for interior trims. Reduction of weight and price without renouncing mechanical features: FCA and General Motors.
- ✓ Industrialisation of interior plastic door handles using nitrogen gas injection moulding in order to enhance the mechanical structure and appearance while preventing material contraction: Volkswagen.
- ✓ Addition of stamped aluminium parts for light-weighting purposes in NAFTA market: Continental, Bosch, Tesla.
- ✓ Addition of laser welding for steering assemblies: ZF.
- ✓ Introduction of new servo stamping presses.
- ✓ Entry into the chassis niche for stamped subassemblies: Volkswagen, Daimler.
- ✓ Start-up of a new JIT factory for subassembly work in Puebla (Mexico): Volkswagen.
- ✓ First order for high-pressure fuel rails for gasoline engines in the machined forging segment: Magneti Marelli / Mazda.
- ✓ Installation of a 100%-automated forging process for transmission tulips and CV joint housings: Net Shape.
- ✓ Automation of the loading and unloading of aluminium pieces in 5-axis, twin-spindle horizontal machining centres in the new facilities in Mexico: Magna, Ford.
- ✓ Introduction of the first 2,000-tonne aluminium injection press for a new project: Ford

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

**3.2 Customer
orientation**

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report



CUSTOMER SATISFACTION ASSESSMENT

At CIE Automotive customer satisfaction means not only meeting its customers' needs but also exceeding them. This concept is embedded into everything it does, from when it designs a product until that product is delivered to the end customer. It is represented in the process map, which puts the customer at the beginning and end of all of its activities. This pledge is also embodied in the Health, Safety, Environmental and Quality (HSEQ) Policy, which stipulates that the Group locate its operations where its customers need it, provide its customers with what they need when they need it and create added value for them in everything it does. Should it deviate in any way, CIE Automotive reacts swiftly to minimise any potential fallout.

QUALITY CONTROL

The concept of Total Quality Management (TQM) as an organisational management approach has been fully embraced by the automotive industry in general and by CIE Automotive in particular. Since first adopted, the TQM model has been fine-tuned by means of definition of its mission, vision and values, stakeholders, process map and scorecard. The core tenets of prevention, training, automatic revision and continuous improvement are put into practice in all of the Group's activities.

CIE Automotive's TQM model was revised for the seventh time in 2017. This last revision focused on integrating ESG criteria, a process that far from contradicting the definition of total quality enhances it by engaging key stakeholders.

In addition, over the course of the year CIE Automotive continued to work towards its goal of achieving triple certification (quality management: ISO/TS 16949; environmental management: ISO 14001; and health and safety: OHSAS 18001) at all its factories. For those factories not yet certified there is a plan for obtaining certification during the next three years.

CONFIDENTIALITY

One of the qualities CIE Automotive articulates its credibility around is its respect for confidentiality. To this end, it fosters the responsible use of sensitive information to ensure customer confidentiality at both the corporate and individual division levels.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

GLOBAL CERTIFICATION MAP

Divisions	Factories	ISO/TS	%	CERTIFICATIONS			
				ISO 14001	%	OHSAS	%
EUROPE	42	42	100%	41	98%	29	69%
NAFTA	15	14	93%	10	67%	0	0%
BRAZIL	12	12	100%	11	92%	3	25%
ASIA (India/China)	21	21	100%	15	71%	15	71%
TOTAL	90	89	99%	77	86%	47	52%



UPCOMING CERTIFICATIONS

Whereas 2017 was the year of model rollout (refer to chapter 2.1 above), in 2018 CIE Automotive is faced by two new and more demanding standards:

- On the quality front, it faces the transition from ISO/TS 16949 to IATF 16949, in which the management model lies at the heart of the certification.
- From the standpoint of environmental management, it must tackle the evolution of ISO 14001.

There is also a third challenge on the horizon in 2018: the new ISO 45000, which will replace the current OHSAS 18001.

Tackling these challenges will generate important feedback from different countries, cultures and approaches that will help the Company to do better.

CERTIFICATIONS AND ACCOLADES

As a result of all of these initiatives, the automotive business sustained revenue growth of 27.1% to €2.88 billion and received a host of prizes and accolades from its customers. **Customer recognition:**



**OPEX (OPERATIONAL EXCELLENCE)
BRAZIL**

CIE AUTOMETAL DIADEMA

OpEx (*Operational Excellence*).
Prize awarded for the best performance in terms of defect-free parts deliveries.

**EXCELLENT QUALITY SUPPLIER
MEXICO**

CIE PEMSA CELAYA

Excellent quality supplier.

**QUALITY EXCELLENCE
INDIA**

BILL FORGE

Quality Excellence.



**BEST SUPPLIER
BRAZIL**

CIE JARDIM SISTEMAS

Best supplier.



**BEST PLANT
SPAIN**

ACS IBÉRICA

Best plant: the second year in a row that this factory was named the best overall facility.

**BEST PLANT
SPAIN**

CIE NORMA

Best plant.

**BEST PLANT
FRANCE**

CIE COMPIÈGNE

Best Plant: the third year in a row that this factory was named the best overall facility. As a result, it has been elevated to the status of 'Best of the best plants', a distinction only 11 PSA suppliers have achieved.



**KEY SUPPLIER
SPAIN**

CIE GAMEKO

Key supplier.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report



**SQEP
CHINA**

NANJING AUTOMOTIVE FORGING

SQEP (Supplier Quality Excellence Process).
Supplier for 10 years in a row.



**SQEP
INDIA**

MCIE GEARS

SQEP (Supplier Quality Excellence Process).



**BENCHMARK SUPPLIER
MEXICO**

CIE PEMSA SALTILLO

Benchmark supplier, having obtained the highest score in all of NAFTA in the WCM audit.



**20 YEARS OF COLLABORATION
BRAZIL**

CIE DURAMETAL

Prize for 20 years of collaboration and alliance.



**EXCELLENCE IN QUALITY
MEXICO**

CIE MATIC

Prize awarded by Nexteer Planta Querétaro for the firm's contribution to achieving excellence in quality.



**LOGISTIC AWARD
SLOVAKIA**

CIE MAR SK

Logistic award.



**ZERO DEFECT
INDIA**

MCIE GEARS

Zero Defect Quality Culture.



**BEST QUALITY IMPROVEMENT
FRANCE**

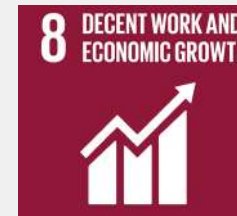
ACS FRANCE

Best quality improvement.



3.3 The team

[102-8, 102-41, 103-1, 103-2, 103-3, 202-1, 401-1, 412-1]



MILESTONES IN 2017

- ✓ 25% reduction in injury frequency rate, 50% reduction in injury severity rate and reduction in the number of accidents by 41 despite headcount growth of 10%.
- ✓ New 2020 Prevention Plan.
- ✓ Integration of Newcor employees.
- ✓ Arrival at the Spanish factories of the first graduates from the 'Reversed Ulysses' programme.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Expansion of CIE Automotive's headcount driven by organic growth and M&A activity.
- 2pp increase in the percentage of women on staff.
- 5pp increase in the percentage of staff receiving training.
- Increase in the number of training hours.
- Collective bargaining agreements signed at 36 factories.
- Increase in the amount earmarked to professional support measures.
- Unification of workplace climate survey criteria. Survey conducted at 32 factories.
- 5% increase in OHSAS 18001-certified factories.

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Growth of the Reversed Ulysses and international exchange programmes.
- Integration of the new employees deriving from CIE Automotive's growth.
- Continued increase in the number of OHSAS 18001-certified factories.
- Continued improvement in injury frequency and severity rates.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

The more than 23,000 employees comprising the automotive business's global multicultural team are a strategic asset. Their dedication and talent contribute to the Group's growth and profitability.

Management of its human resources is therefore a Group priority as is set down in the Global Resources Plan and the commitments assumed in CIE Automotive's human rights policy: the provision of decent work; the prevention of discrimination; zero tolerance of compulsory and child labour; the facilitation of collective bargaining and the freedom of association; promotion of a culture of respect; and protection of individual health.

These commitments are aligned with the universal labour principles acknowledged in the United Nations

Global Compact which CIE Automotive endorsed in 2015.

PROFESSIONAL PROFILE

[102-8, 401-1]

CIE Automotive's business employed 22,899 people across all five continents at year-end 2017, 1,973 more than at the end of 2016.

The growth in employment is attributable to the acquisition of Newcor (29%, or 571 employees) but, above all, to organic growth (71%, or 1,402 employees), which was particularly significant in Mexico and Brazil: these markets added 1,143 employees, 82% of organic headcount growth.

The general characteristics of the jobs provided by CIE Automotive in the automotive parts business at year-end 2017:

- **By category:** 728 executives (3%), 5,913 university graduates, technicians and clerical staff (26%) and 16,258 skilled workers (71%).
- **By gender:** 84% male and 16% female, the latter up two percentage points from 2016.
- **By age:** 7,328 employees under the age of 30 (32%), 12,488 between the ages of 30 and 50 (54.5%) and 3,085 (13.4%) over 50.



EMPLOYMENT AT CIE AUTOMOTIVE (Automotive)

	2016	2017
No. of employees	20,926	22,899
Europe(*)	6,034	6,221
NAFTA	4,711	6,142
Brazil	3,010	3,574
Asia (India/China)	7,171	6,962
Fixed/indefinite contracts, %	80%	78%
Female employees, %	14%	16%
Female hires, %	18%	18%
Employees with some form of disability, %	1.5%	1.5%
Employees covered by collective bargaining agreements, %	63%	63%

(*) CIE Maroc (Morocco) included.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report



PROVISION OF DECENT WORK

[102-8, 202-1, 401-3, 403-2, 405-2]

Some 8,875 people joined CIE Automotive in 2017 and 4,846 left the company of their own free will. The new hires were concentrated in the Americas (4,827) and Asia (3,126), while Europe was home to 922 new hires. Elsewhere, the voluntary departures took place mainly in Asia (2,684 people) and the Americas (1,764), while 398 people left CIE Automotive in Europe.

Of total new hires, 1,590 (18%) were women and of all voluntary departures, 610 (13%) were women. The profile of women in respect of the Group's new hires and turnover improved in quantitative terms compared to 2016, evidencing CIE Automotive's commitment to gradually increasing the percentage of women in its headcount. Indeed this percentage increased by 2pp in 2016.

All employees earn a fixed salary, in keeping the nature of the work they do as well as their performance; performance at the factory level and by CIE Automotive as a whole is also taken into consideration.

52% of the employees, 11,972 people, were party to formal annual performance evaluations in 2017 and 32%, or 7,234 employees, also received a bonus for meeting their targets, doing their jobs excellently or lifting their performances.

78% of the headcount (around 18,000 people) enjoyed indefinite job contracts at 31 December 2017. Europe tops the ranking with 86% of its staff on indefinite contracts, while the other regions average 76%.

Absenteeism amounted to 5% in 2017. In addition, 278 men and 131 women availed of paternity/maternity leaves, included in the absenteeism. CIE Automotive uses the most

prudent version of this concept, considering absenteeism any absence from work, such as those derived from work or common accidents, long-term sick leave or maternity and paternity leave, with the exception of holidays. CIE Automotive upholds the minimum legal requirements in all of its factories and in several of its facilities it offers its employees more time off than is stipulated in applicable local legislation.

CIE Automotive prioritises the quality of the jobs it provides. To that end, it goes beyond providing good working conditions, decent wages and job stability and attempts to help make sure that the everyday lives of its employees and their families is as simple as possible and that membership of CIE Automotive constitutes a source of pride for them.

CIE Automotive analyses the circumstances of the people working at the factories it acquires, improving them as necessary, in terms of both gender wage equality and compliance with the minimum wage requirements applicable to each factory, industry or country. Accordingly, it analysed the situation at Newcor, acquired in 2017. At that company at the end of 2017, the ratio of pay of women to men was 1 in the lowest wage brackets (this means that the lowest-earning man earns the same as the lowest-earning woman) and 1.4 in the higher wage brackets. Note also that the lowest salary at Newcor is significantly above the minimum wage: 1.32 at Rochester Gear Inc. and 1.34 at Machine Tool & Gear.

CIE Automotive's decentralised management model is a plus as the factories are 90% run by local managers, who are free to take their own decisions, facilitating adaptation for the specific needs of each region.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

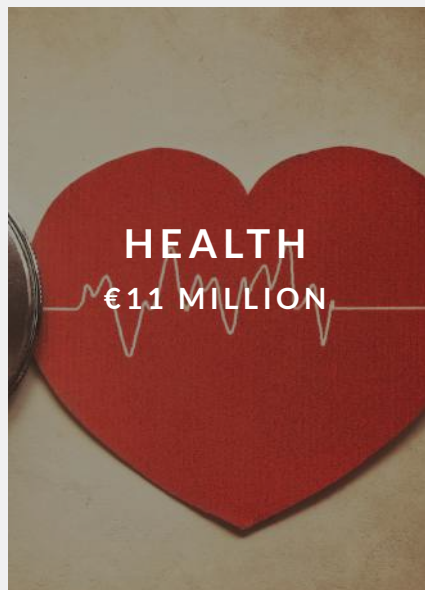
Corporate
governance

05

About this
report

“ In 2017, CIE Automotive invested more than €20 million in professional support measures. ”

These measures can be classified into four major groups:



Medical and accident insurance, in-house medical and/or nursing services and other activities related with the health of the Group's employees and their families, notable among which:

- Medical insurance in the US in the amount of over €3.5 million.
- Medical assistance and health plan in Brazil in the amount of €3 million.
- Agreements with private hospitals at the factories in Mexico.
- Cancer screening for the early detection of certain manifestations of this disease at some Spanish factories.
- On-staff doctors at several factories.



Services such as:

- Subsidised canteens.
- Restaurant vouchers (with tax benefits for employees in the countries in which this scheme applies).



For example:

- Factory-funded proprietary bus services.
- Employee fuel payment schemes at certain factories.
- Public transportation payments for employees.



Services related with the education of employee relatives and other services. By way of example:

- CIE Galfor (Spain): contribution of €170 per child in daycare and €500 per child in university.
- CIE Mecasur (Spain): contribution of €23 per month per child under the age of 8.
- Mexico: organisation of the 'Best student' scheme under which the children of employees with grade point averages of 8.5 or more out of 10 receive scholarships or school materials.
- India: computer donations, creation of schools and provision of school supplies.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

PREVENTION OF DISCRIMINATORY PRACTICES

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

Its labour relations are governed by the legislation prevailing in each of the countries it operates in, so that it attempts to adapt to each region's practices and customs. This commitment to diversity and equal opportunities is evident in the fact that 90% of the Group's factories are run by local managers.

Although the fact that automotive factories have traditionally been male dominated and the difficulty in hiring women in some markets means that 84% of its workforce is male, CIE Automotive is working actively to address this situation, increasing the percentage of female hires. In 2017, female representation increased by two percentage points, from 14% to 16%.

ZERO-TOLERANCE STANCE ON COMPULSORY OR CHILD LABOUR [408-1, 409-1, 412-1]

CIE Automotive takes a zero-tolerance stance on child and forced labour. Against this backdrop, it has pledged to uphold labour legislation in its operating markets and to take corrective action to ensure it is enforced.

Every year, CIE Automotive conducts an in-house survey to identify factories at risk of being affected by these scourges and take opportune measures as required. 90% of its factories have already responded satisfactorily. As for the rest of the factories from which the completed survey had yet to be received at the reporting date, CIE Automotive is certain that none of its plants is involved in these practices, as all of the factory managers and HR managers in the automotive business worldwide have endorsed CIE Automotive's Human Rights Policy, thereby undertaking to respect and enforce it.

FACILITATION OF COLLECTIVE BARGAINING [403-4]

Regardless of the country it operates in, and in keeping with the commitments assumed under the scope of the United Nations Global Compact, CIE Automotive stringently respects its employees' right to unionise and to bargain collectively. It engages openly with its employees' representatives not only in its European plants but also in less unionised countries such as China and India.

At year-end 2017, 63% (14,344 employees) of its workforce was directly covered by a collective bargaining agreement either at the plant, sector or regional level and the number of employee representatives in the automotive business totalled 383. All collective bargaining agreements include specific references to occupational health and safety matters; indeed they constitute one of their most important areas.

In 2017, company and/or sector agreements were executed at 36 workplaces in the following countries: France, Spain, Romania, Brazil, Mexico, the Czech Republic, India, Germany and China. The collective agreements signed in 2017 directly cover 7,789 employees.

It is important to note that if CIE Automotive is inescapably obliged to restructure its workforce, it complies scrupulously with the law and in many instances provides better terms than those imposed under local legislation.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

AGREEMENT COVERAGE BY COUNTRY [102-41, 403-1]

	Employees covered by collective bargaining agreements	Total headcount	Coverage, %	Worker representatives by country
Spain	2,421	2,549	95%	112
Mexico	3,051	4,680	65%	46
Brazil	3,537	3,574	99%	31
India	2,466	6,271	39%	72
China	376	691	54%	45
Remainder	2,493	5,134	49%	77
Total	14,344	22,899	63%	383

PROMOTING A CULTURE OF RESPECT

Employee relations are based on transparency and respect for individuals, to which end CIE Automotive has created specific channels for engaging with its employees, most importantly its scorecards and intranet, where employees can find all sorts of corporate information.

CIE Automotive also conducts a workplace climate survey at every factory every two years. In 2017, the Company updated the survey used to simplify it and make it a better tool for taking decisions on the basis of its employees' responses and for preventing potential instances of harassment or disrespect. The survey now consists of 56 questions divided into five

blocks: assessment of the Company; feedback about the organisational model; opinion about relations with the Company; opinion about the work performed; and a general assessment of satisfaction as an employee.

In 2017, CIE Automotive conducted the survey at 32 Group factories, scoring 7.05 out of 10 on average, with all the factories where the survey was carried out delivering a score of over 5. However, at all centres the results of the survey point to areas in which the Company needs to improve on its path towards excellence and action plans have been designed as a result.

Among the initiatives carried out to improve the workplace climate in 2017, the contributions made to various employee sports competitions and the numerous events organised to mark certain special dates (Father's Day, Mother's Day, Christmas, etc.) stand out.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.3.1 Career development

[101-1, 102-2, 103-3, 404-1, 404-2, 412-2]

CIE Automotive believes it is crucial to attract and retain the most talented individuals by offering them an environment in which to develop their professional skills, without neglecting work-life balance. To create such an environment, it has an HR management model under which it establishes employee skill profiles, evaluates executive, middle management and skilled workers' job performance, identifies areas for improvement and designs career development and training programmes, the latter by means of a dedicated Professional Development Programme.

In 2017, 11,972 employees (52% of the headcount) were evaluated in respect of seven skill-sets: results orientation, customer relations, proactive attitude, innovation, teamwork, decision-making, flexibility and leadership.

Employees undergo an annual assessment with their immediate superiors to analyse theirs and the Group's performance during the prior 12 months and to get feedback regarding their expectations for the near and longer term. Whenever skill gaps are detected, the employee in question is included in a specific training programme.

ATTRACTING TALENT

The ability to attract top talent is critical to putting the Company's innovation and continuous improvement policies into practice. As demonstrated by the materiality assessment conducted recently, CIE Automotive views talent management as one of the areas of greatest importance to guaranteeing the Group's excellence and sustainability. To this end, it ran a series of recruitment programmes throughout the year designed to attract young graduates keen to work in a multinational environment, collaborating specifically with Deusto University (Spain) and the Polytechnic University of Guanajuato (Mexico), on the one hand, and with the Technology Centres of Tlanepantla, Celaya and Saltillo (Mexico), on the other.



01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

Reversed Ulysses Programme

In 2017, the first graduates of the Company's career development programme known as Reversed Ulysses began to work in its Spanish factories, specifically in its metal, machining and plastics technologies. This programme is populated by new graduates from CIE Automotive's business markets: these graduates are trained in its legacy Spanish factories for one year and are then offered a job in their home markets with four objectives in mind:

- Providing technical training to graduates at the facilities with the longest track records, facilities at which the Group's values have been embedded for years.
- Facilitating engagement down the line with the countries that have been integrated into the Group more recently.
- Generating the intra-Group relations that are essential to a healthy business performance.
- Training local staff in excellence so that, as has traditionally been the case, the Group's factories are largely staffed by home-market professionals at both the technical and managerial levels.

During the year, in light of the CIE Automotive's growth expectations, the Reversed Ulysses programme was structured for 2018, when it will seek to attract young graduates from the state of Guanajuato to the various divisions' factories in Spain's Basque region.

Bizkaia BBK Scholarships

CIE Automotive is also one of the companies collaborating on the first edition of the Bizkaia BBK scholarship programme being championed by the regional authorities and the BBK Foundation. What's novel about this programme is the fact that the scholarships combine training in excellence at foreign universities with a job contract at a cutting-edge company.

This scholarship programme evidences the regional authority's commitment to youth, training in excellence and quality work. It is aimed at supporting sectors considered strategic to the economy.

In this manner, CIE Automotive guarantees itself an annual intake of young engineers who, in addition to the degrees obtained in their home markets, receive training in excellence at one of the world's most prestigious universities (CIE Automotive is twinned with RTWH Aachen), learning they will then put into practice at the Group, thus creating an important source of competitive advantage.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report



PROFESSIONAL TRAINING

[404-1, 404-2, 404-3, 412-2]

The Group's training effort is articulated around developing the skills needed for effective on-the-job delivery of CIE Automotive's strategic objectives. With this goal in mind, some 610,658 training hours were provided to 19.513 employees (85% of the workforce) in 2017, which is equivalent to 31.3 training hours per employee.

These figures evidence CIE Automotive's commitment to training, as does the 20% increase in the number of training hours imparted and the 3,000 additional individuals receiving training (so that the total number of employees receiving training increased by 5%).

The decentralised management approach is good for the training effort as decisions are taken with a focus on operational needs so that training courses are oriented towards improving job efficiency and performance.

In 2017, CIE Automotive provided over 6,000 hours of human rights training and education at 27 factories worldwide (38% of the total employees), in line with CIE Automotive's 2015-2018 CSR Plan and its Human Rights Policy.

In addition, at the corporate level a non-binding proposal is presented to the CIE Automotive factories itemising all of the training initiatives to be undertaken in the year ahead, including sessions aimed at providing advanced management and interpersonal skills for individuals with certain abilities and/or potential:

- **People management:** Includes skills such as leadership, motivation and communication.
- **Teamwork:** To show the characteristics of successful teams and concepts such as synergy, effectiveness and efficiency.
- **Decision making based on financial aspects:** Increasing the knowledge in financial aspects allows to increase the degree of objectivity and success of the decisions taken.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.3.2 Health and safety

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

CIE Automotive is committed to the health, safety and well-being of its employees, its zero accident objective being a top priority. To this end it observes more stringent standards than are required under local legislation, provides safety training to employees in keeping with the work conducted at their places of work, establishes preventative measures and controls the effectiveness of the improvements introduced by means of internal audits.

OCCUPATIONAL HEALTH AND SAFETY

In 2017, the Company rolled out its 2020 Health & Safety Strategic Plan, articulated around the following lines of initiative.

The workplace safety management system is based on the OHSAS 18001 standard, which is audited regularly by Bureau Veritas. At 31 December 2017, 47 CIE Automotive factories were OHSAS 18001-certified.

Over the course of 2017, CIE Automotive focused strategically on reducing its accident rates and improving its indicators with encouraging results. Looking to 2018-2020, CIE Automotive will focus more decisively on the staggered obtention of OHSAS 18001/2007 certification, albeit without neglecting the need to continuously improve on the other points.

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

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

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

Also as part of its safety effort, all employees are offered an annual medical check-up to detect any potential problems and take action in good time if required.



01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

ACCIDENT RATES [403-2]

In 2017, there were 588 accidents. Although any and all accidents are regrettable, these numbers are low in proportion to the total number of employees.

One of the key lines of initiative set down in the 2020 Healthy & Safety Strategic Plan is delivery of continuous improvement in accident indicators and rates. The data corresponding to 2017 show that this improvement is already materialising: the number of accidents fell by 6% last year despite the fact that the headcount in the automotive platform increased by 10%. The injury frequency rate declined from 15.1 to 11.2 (down 26% year-on-year) and the injury severity rate dropped from 0.4 to 0.2 (a 50% reduction). Although CIE Automotive is on the right track to reducing its accident rates, it is undeniable that any accident is evidence of shortcomings.

WORKPLACE HEALTH AND SAFETY INDICATORS

	2015	2016	2017
Lost-time injuries	532	629	588
Factory fatalities	1	1	0
Injury frequency rate	14.4	15.1	11.2
Injury severity rate	0.6	0.4	0.2

The number of lost-time injuries (more than one work day lost) for every million man-hours worked during a defined period of time (year).

CONTROL OF CONTRACTORS AND SUBCONTRACTORS

None of the outsourced workers employed by subcontractors was seriously injured at any workplace in 2017.

The Group applies a corporate policy at all its automotive plants, which requires subcontractors to adhere to minimum quality and productivity standards and to comply with their health and safety obligations. Before they are contracted, the tasks they are going to perform are identified, as are the associated risks, preventative measures and safety resources, along with other complementary measures designed to mitigate residual risk. This procedure is subject to internal and external auditing.

SPECIFIC HEALTH AND SAFETY TRAINING

CIE Automotive's employees receive safety training tailored to the risks posed by their jobs. The Group makes sure that any employee starting a new job receives appropriate training. In 2017 CIE Automotive provided 115.443 hours in health and safety training.

The courses provided in 2017 notably included programmes dealing with working at a height, in confined spaces, with forklifts and cranes, emergencies, ergonomics and electric risks, as well as job-specific training developed as a result of risk evaluation processes.

SAFETY FORUMS

CIE Automotive is a member of the Alava round-table forum for workplace safety, SEA, and the Guipuzcoa workplace safety forum. It is also a member of the AEC's occupational health and safety committee. AEC is Spain's Quality Association.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.4 Investors

CIE Automotive is focused on creating value for its investors and shareholders by means of managerial effectiveness that translates into share price gains and profits such that it can pay out one-third in the form of dividends.

CIE Automotive anticipates potential mismatches or conflicts of interests between its core shareholders, who control 62.9% of its shares, and its minority shareholders thanks to its effective corporate governance system and a transparent **Shareholder and Market Information and Communication Policy**.

MILESTONES IN 2017

- ✓ Long-term equity investment by Corporación Financiera Alba.
- ✓ Celebration of Analyst Day 2017 in Mexico.
- ✓ Début Analyst Satisfaction Survey (2017).

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Accurate and transparent communication with investors.
- Assistance to investor conferences.
- Organisation of investors events, including roadshows.
- Proactive effort to increase feedback obtained from analyst community.

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Increased presence in London, Paris, New York and Singapore.
- Implementation of the suggestions derived from the 2017 Analyst Satisfaction Survey 2017.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report



Generating value for shareholders

CIE Automotive paid out €52.8 million of dividends from 2016 profits, up 24% year-on-year, and in 2017 its share price gained 30.7%.

Consistent delivery of its guidance year after year has driven the share price 203% higher since the end of 2013 (refer to chapter 1.3 CIE Automotive's share price performance).



Ownership structure

CIE Automotive had 129 million shares outstanding and a market valuation of €3.12 billion at year-end 2017, up 30.7% from year-end 2016. Its core shareholders owned 62.9% of its shares at year-end, with the remaining 36.9% freely floated. CIE Automotive held 0.2% of its shares as treasury stock.

Its shares are traded on the Madrid and Bilbao stock exchanges through the continuous market (SIBE for its initials in Spanish).

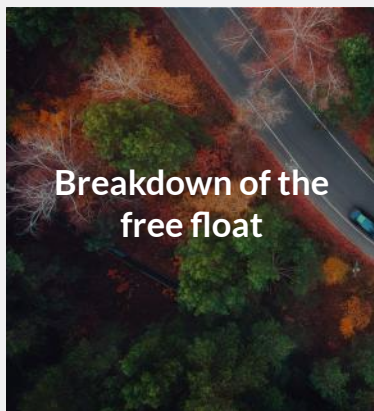


New benchmark shareholders

In December 2017, CIE Automotive welcomed a new investor to its shareholder ranks: Corporación Financiera Alba, a company quoted on the continuous stock market which has been devoted to making direct investments in listed and unlisted companies and real estate assets for lease to third parties since 1986. It is part of Grupo March, one of Spain's most important private business and finance groups.

CIE Automotive has evolved significantly since it was set up in 1996, guided at all times by the important industrial shareholders that have been its legacy companions.

Indeed, this very development and maturing of the business platform is now translating into an improved shareholder structure, one marked by greater diversity, as the majority shareholders with industrial backgrounds make room for more financially-minded investors, albeit still with long-term investment horizons. The addition of Alba to CIE Automotive's shareholder roster as a new core shareholder is evidence of that process; it strengthens the Company's position as a listed company and enables it nurture a stable core of long-term investors with impressive track records, support that is necessary in order to tackle new challenges.



Breakdown of the free float

CIE Automotive estimates that at year-end 2017 some 700 investment advisors were managing the investments of the retail shareholders comprising its free float. Over half of these investment advisors are located in Spain but there is also a significant number of them in the US, UK, France, Ireland, Canada and other European markets such as Germany, Belgium, Portugal, Norway and Denmark. Notably, the Company also boasts investors from Australia, Mexico and Taiwan.

The Investor Relations Department is working hard to become familiar with the composition of its free float by means of active, two-way and transparent communication with its investors; it is trying to strengthen its relationship with them by means of marketing activities, attendance at conferences tailored for their needs and the organisation of roadshows. The sharply increased investor marketing presence observed in 2016 continued in 2017, with new cities added to the map. In 2018, CIE Automotive is planning to step up its presence in major financial cities such as London, Paris, New York and Singapore.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

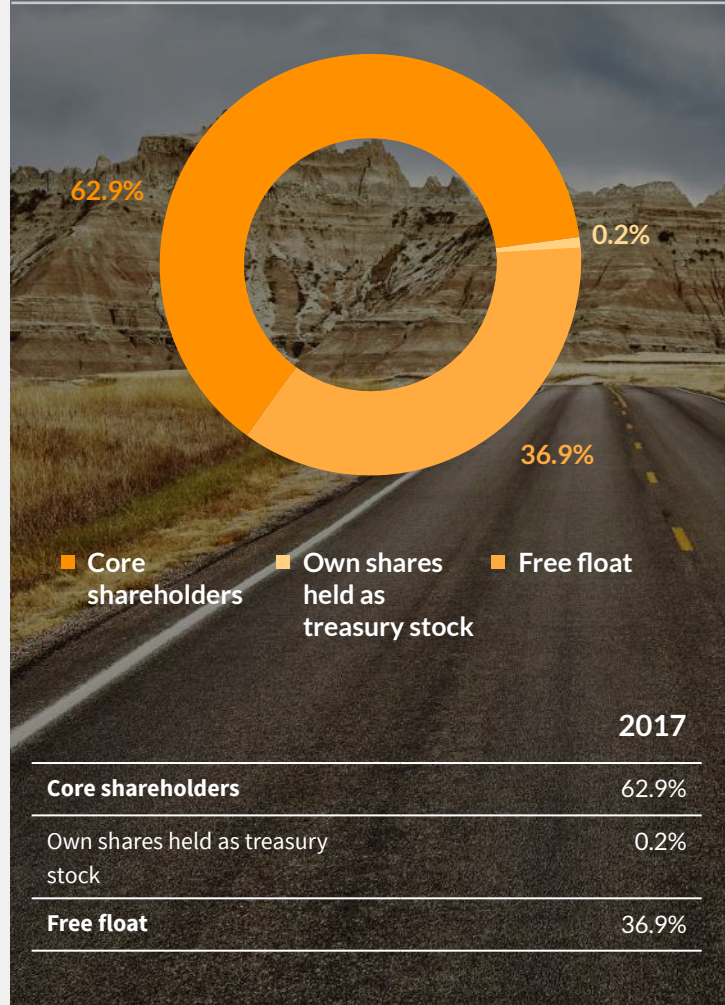
Corporate
governance

05

About this
report

SHAREHOLDER STRUCTURE

At 31 December 2017



ANNUAL TREND IN SHAREHOLDER STRUCTURE

Shareholder	2015	2016	2017
ACEK / Corporación Gestamp, S.L.	22.9%	20.9%	15.9%
Antonio María Pradera Jáuregui	12.0%	10.0%	10.0%
Corporación Financiera Alba	-	-	10.0%
Elidoza Promoción de Empresas, S.L.	9.6%	9.6%	9.6%
Mahindra & Mahindra, Ltd.	12.4%	12.4%	7.4%
Addvalia Capital, S.A.	5.0%	5.0%	5.0%
Alantra Asset Management, SGIIC, S.A.	5.0%	5.6%	5.0%
Total core shareholders	69.9%	63.5%	62.9%
Own shares held as treasury stock	-	-	0.2%
Free float	30.1%	36.5%	36.9%

SIGNIFICANT SHAREHOLDINGS AT YEAR-END 2017

NUMBER OF SHARES:
129,000,000

NOMINAL:
€0.25 /PER SHARE

SHARE CAPITAL:
€32,250,000

SHAREHOLDERS	Total participation (Direct + Indirect)				
	Direct	Indirect	Total	%	Nominal
RISTEEL CORPORATION, B.V.(i)	13,417,021	0	13,417,021	10.401%	3,354,255.25
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L.	7,105,182	13,417,021	20,522,203	15.909%	5,130,550.75
INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.(iii)	6,450,000	0	6,450,000	5.000%	1,612,500.00
ANTONIO MARÍA PRADERA JÁUREGUI	6,450,009	6,450,000	12,900,009	10.000%	3,225,002.25
CORPORACIÓN FINANCIERA ALBA, S.A.	12,900,000	0	12,900,000	10.000%	3,225,000.00
ELIDOZA PROMOCIÓN DE EMPRESAS, S.L	12,386,138	0	12,386,138	9.602%	3,096,534.50
MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS), LTD(ii)	9,590,706	0	9,590,706	7.435%	2,397,676.50
MAHINDRA & MAHINDRA, LTD	0	9,590,706	9,590,706	7.435%	2,397,676.50
ADDVALIA CAPITAL, S.A.	6,450,208	0	6,450,208	5.000%	1,612,552.00
ALANTRA ASSET MANAGEMENT, SGIC, S.A.	0	6,438,682	6,438,682	4.991%	1,609,670.50

(i) RISTEEL CORPORATION, B.V. is controlled by ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L. (formerly CORPORACIÓN GESTAMP, S.L.)

(ii) MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS), LTD is controlled by MAHINDRA & MAHINDRA, LTD.

(iii) INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L. is controlled by ANTONIO MARÍA PRADERA JÁUREGUI

The information above is based on notifications made by the Company's shareholders to the securities market regulator, the CNMV, and to the Company (data updated as of 31/12/2017).

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

INVESTOR RELATIONS

CIE Automotive provides the analyst and investor communities with continuous and accurate information so that they can analyse its financial, social and environmental performance, forecast its progress and take informed decisions. In keeping with its aim of injecting transparency into its reporting effort and dealings with investors and the broader market, in 2017, CIE Automotive intensified communication with the investor community by means of a number of channels.

At year-end 2017, 14 equity research firms were covering the stock (compared to 15 at the end of 2016). The changes in coverage are attributable to the following developments:

- Caixabank discontinued coverage following the merger with BPI, a firm that was also already covering CIE Automotive.
- Haitong discontinued coverage due to the lack of an analyst.
- Fidentiis initiated coverage in April 2017.

The consensus analyst target price stood at €25.30 in December 2017 (up from €18.78 a year earlier). Looking solely at the reports updated during the second half of the year, the consensus target price rises to €26.10.

ANALYSTS

Company	Analyst	Recommendation	Price	Update
Ahorro Corporación	Álvaro Arístegui	Buy	31.91€	12/2017
Alantra Equities	Team Coverage	Hold	25.50€	09/2017
Bankinter	Esther Gutierrez de la Torre Coll	Buy	22.64€	05/2017
BBVA	David Díaz Rico	Outperform	30.50€	11/2017
BPI	Manuel Coelho	Hold	22.80€	06/2017
Exane BNP Paribas	Javier Pinedo	Hold	22.40€	10/2017
Fidentiis	Juan Cánovas	Buy	26.30€	09/2017
Intermoney Valores	Virginia Pérez	Hold	24.40€	12/2017
JB Capital Markets	Ignacio Ortiz de Mendivil	Buy	24.80€	09/2017
Link Securities	Iñigo Isardo	Buy	28.41€	11/2017
Mirabaud Securities	Gonzalo Sanz Martín	Buy	23.80€	09/2017
Nau Securities	Pedro Baptista	Buy	22.00€	03/2017
Santander	Robert Jackson Pina	Buy	26.23€	10/2017
Société Générale	Erwann Dagorne	Hold	22.50€	07/2017
CONSENSUS	-	-	25.30€	-
CONSENSUS LATEST 6 MONTHS	-	-	26.07€	-

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

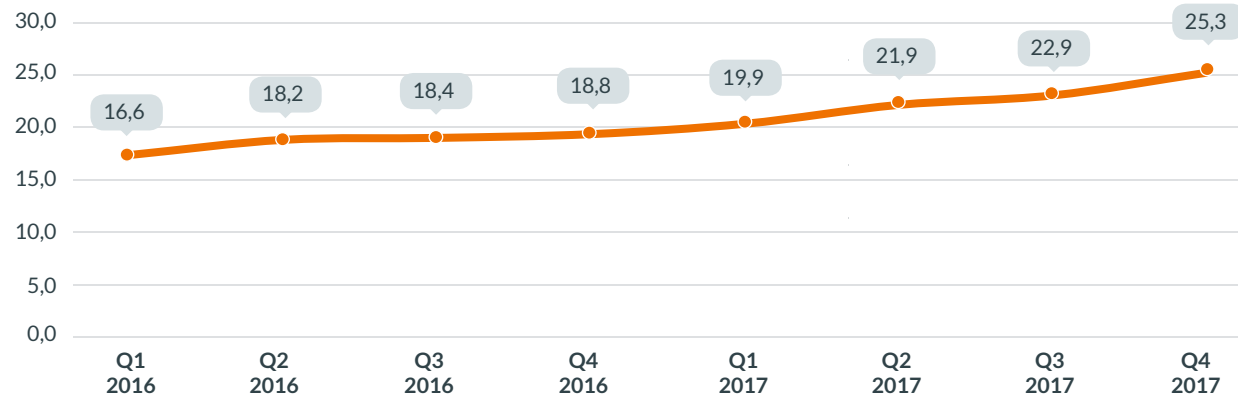
Corporate
governance

05

About this
report

TREND IN THE CONSENSUS TARGET PRICE

For more information about the analysts covering CIE Automotive, their recommendations and target prices, refer to the website section titled [Investor news](#).



Price Objective Action (€).

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

ANALYST DAY 2017

The start of 2017 was marked by uncertainty and concern in the NAFTA market regarding what policies US President Donald Trump would pursue and what effects they would have on vehicle production in Mexico. Given the scale of CIE Automotive's investments in the country, the Investor Relations Department organised an Analyst Day at which, over the course of three days, various analysts, in the company of members of CIE Automotive's top management team, toured the country, visiting as many as eight factories that manufacture using different technologies.

The positive feedback received afterwards confirmed the success of this initiative, which helped these stakeholders become better acquainted with both CIE Automotive and the reality of a country destined to become a major manufacturing and export hub.

ANALYST SATISFACTION SURVEY 2017

CIE Automotive carried out its first Analyst Satisfaction Survey. The purpose was to garner feedback from the analysts regarding how they rate the information and services provided by CIE Automotive's IR Department and get their thoughts on the Company's performance compared to prior years. The goal was to pinpoint external, measurable feedback to enable identification of the key areas for improvement. To this end, the survey asked

participants to provide their opinion about the following topics:

- **Quarterly earnings presentations:** 92% of the analysts polled rated all of the aspects addressed in these questions positively or very positively.
- **Quarterly earnings conference call:** 100% of the analysts polled rated all of the aspects addressed in these questions positively or very positively. There were no negative comments.
- **Market guidance:** The short-term guidance found most useful by analysts related to organic growth and the outlook for profit margins; longer term they welcome above all guidance regarding capex, organic growth and margin trends.
- **Equity story:** 100% of the analysts believe that the market understands the CIE Automotive story well or very well. The aspects of the equity story they believe need reinforcing in terms of market communication relate to the competitive environment and the provision of long-term guidance. There were no negative comments.
- **IR Department:** with respect to the IR Department, 100% of the analysts polled rated its knowledge of the sector players, communication skills, availability, response times, proactive attitudes, professionalism and frequency of interaction positively or very positively. There were no negative comments.

- **Marketing events:** between 90% and 100% of the attendees rated all of the questions about the Analyst Day 2017 event positively or very positively. There were no negative comments.
- **Communication:** 73% of the analysts believe that CIE Automotive improved its communication and engagement with the market in 2017 compared to prior years. There were no negative comments.

In short, the results of the survey were very encouraging and generated a number of suggestions worth considering and implementing in 2018. In total, 12 of the 14 analysts covering CIE Automotive took part in the survey. The analysts who did not respond could not for reasons unrelated to their relationship with CIE Automotive.

INVESTOR COMMUNICATION CHANNELS AND INITIATIVES

Website	There is a dedicated “INVESTORS & SHAREHOLDERS” microsite within the corporate website www.cieautomotive.com where the Company publishes information of relevance to this stakeholder group. It provides information about attendance at conferences and roadshows, analyst coverage and the scheduled quarterly earnings calls.
Dedicated e-mail address and phone line	<ul style="list-style-type: none"> • Email inbox: ir@cieautomotive.com • Telephone number: +34 94 605 62 00 • Fax number: +34 946 656 49 57
Events organised to engage with the financial community	In 2017, CIE Automotive organised 26 events (8 more than in 2016), including conferences, roadshows and the Analyst Day Mexico, visited 19 international cities and received over 45 investors who were given the chance to tour its facilities. Investor meetings reached 380 in 2017.
Event attendance	http://www.cieautomotive.com/web/investors-website/conferencias-y-roadshows

INVESTOR EVENTS ORGANISED BY THE IR DEPARTMENT

	2015	2016	2017
Conferences and roadshows	15	18	26
Investor briefing sessions	207	369	380
Facility visits by investors	20	9	45
Total	242	396	451

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.5 Innovation and technology

[102-2]

The global trend of growing mobility, the depletion of fossil fuels and climate change are having a direct impact on the sustainability of the transportation sector. **The decarbonisation of transportation, electrification, connectivity and autonomous driving** are some of the key challenges that were embraced by the players active in the automotive sector in 2017.

The need to strive for the system's sustainability has brought the sector to the current state of **technological coexistence**. Vehicles are adding new sources of fuel, new generation and energy storage systems

and complex propulsion systems (the prospects for continually enhancing internal combustion engines are increasingly limited, the associated technological leaps increasingly small and the marginal cost, increasingly steep). The OEMs are producing more personalised cars and continue to work tirelessly to reduce their weight so as to cut fuel consumption and emissions.

All of this will be compounded by **the challenge of the years ahead: finding the best possible trade-off between the need for mobility, the vehicle concept and the fuel source** within an overall appraisal of

mobility applications and driving cycles, as well as the factors that shape emissions in the transportation sector.



LINES OF INITIATIVE UNDERTAKEN IN 2017

- Vehicle light-weighting.
- Propulsion systems and energy storage.
- Reduction of internal combustion engine fuel consumption and emissions.
- Facility efficiency.
- Smart manufacturing processes.
- Use of new advanced materials and processes for joining dissimilar materials.

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Progress on components related with electric vehicles.
- Implementation of advanced industrialisation.

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

LINES OF INITIATIVE UNDERTAKEN IN 2017

CIE Automotive is investing heavily in analysing the key market trends (in collaboration with clusters such as ACICAE, national sector associations such as SERNAUTO and their international counterparts, CLEPA and EGVA) and in designing and developing innovative products associated with these shifts and the new challenges facing the automotive sector, from both the product and process perspectives.

In 2017, CIE Automotive earmarked about 2% of its revenue to the work undertaken by its R&D centres, taking a multi-technology and multi-material approach. These projects are mainly related with:

- Vehicle light-weighting.
- New propulsion systems and energy storage.
- Reduction of fuel internal combustion engine consumption and emissions.
- Facility efficiency.
- Smart manufacturing processes.
- Use of new advanced materials and processes for joining dissimilar materials.

Many of these projects are carried out in **collaboration with other companies, with the participation of technology centres such as IK4, in alliance with agents from science and technology networks such as Tecnalia** and with **local, national and international universities such as UPV-EHU**. Some of these projects (>20 in 2017) are financed from public funds as they are presented for European research programmes and cross-country collaborations.

SOME EXAMPLES OF COLLABORATIVE RESEARCH WORK

LOCAL PROGRAMMES (authorities of Bizkaia)

- **PLAN 2i**
Development of safety parts using materials presenting high elastic limits combined with hardness for the automotive industry. New safety parts for car seats and locks.

REGIONAL PROGRAMMES (regional Basque government)

- **HAZITEK-COMPETITIVE**
Development of a sliding panoramic sunroof. Application of technology for the mechanical characterisation and dimensional control of deformations in laminated glass resistance tests.
- **HAZITEK-STRATEGIC**
Development of a new cell concept for flexible in-line dimensional inspection. Development of image acquisition (artificial technology), automation, data analysis and processing systems.

• ELKARTEK

Study of the critical steps of the near solidus forging (NSF) process. Adaptation and design of steels specifically for NSF and development of microstructural process simulation models.

NATIONAL PROGRAMMES

- **CDTI**
Development of new and optimised large-scale automotive parts manufacturing processes. Acquisition of expertise in the thermal, metallurgical and electrochemical aspects of hot-forged aluminium alloys.
- **CIEN**
Hybridisation of traditional and electric propulsion systems, development of light fuels and reuse of residual heat from exhaust fumes for use in sustainable transportation systems.

INTERNATIONAL PROGRAMMES

- **EUREKA**
Development of a pilot cell on an industrial scale for the thixocasting of aluminium and steel parts.
- **H2020**
Development of an electric engine with an integrated transmission system for 100% electric vehicles.

Some of these new developments are sufficiently novel to have warranted patenting: **in 2017 CIE Automotive presented a number of patents** for new types of equipment, products and tools associated with manufacturing processes.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

2018: VEHICLE ELECTRIFICATION AND ADVANCED MANUFACTURING

Vehicles with electric engines, equipped with batteries fuelled by electricity in turn generated from renewable sources and energy recovery systems present important advantages compared to conventional vehicles with internal combustion engines.

CIE Automotive sees huge potential for the **manufacture of parts associated with the gradual but constant electrification of cars** on the steady path towards a purely electric, efficient, profitable and sustainable vehicle.

In the years to come multiple technologies will coexist: different propulsion systems (series hybrid, parallel hybrid, hybrid plug-in, purely electric, with fuel batteries) and, importantly, different energy recovery, recharging and storage systems.

As well as working on the products associated with the sector trends, CIE Automotive continues to make progress in the world of materials and processes and develop manufacturing strategies that allow it to make large quantities of parts embodying greater value-added and more know-how; it continues to advance, in short, towards **smarter manufacturing**.

Certain trends are having a direct impact on production: digitalisation, new materials, increasing product personalisation and system sustainability. As a result, CIE Automotive needs to develop and/or implement technologies that **increase the flexibility of its productive processes** and work with short cycles right along the value chain. Moreover, it can

and must use all the capabilities afforded by industry 4.0 to **control and reduce costs** in areas as broad as design, materials, energy, manufacturing and logistics.

CIE Automotive is tackling these challenges by means of the following key initiatives:

- Smart operation of its productive facilities thanks to sensorisation.
- Implementation of software to enable its machines to adapt their processes for the most appropriate production parameters.
- Production lines designed to be modular.
- Select data capture and analysis with a focus on continuously improving the productive process.
- Machine-to-machine and person-to-machine communication capabilities so that each work station can recognise the product, avail of the parts and tools needed for the process and describe the operations that must be performed.
- IT architecture designed to enable automation among different technology systems.



01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

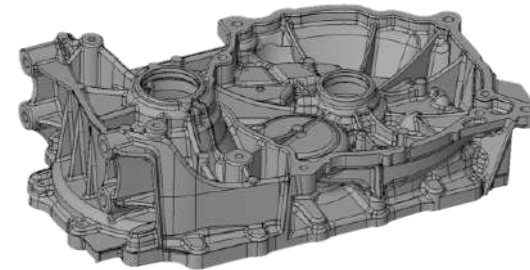
About this
report



ROTOR COMPONENTS
Forging and machining



ALUMINIUM BATTERY COVER
Stamping & welding



E-REDUCER HOUSING CLUTCH
Aluminium

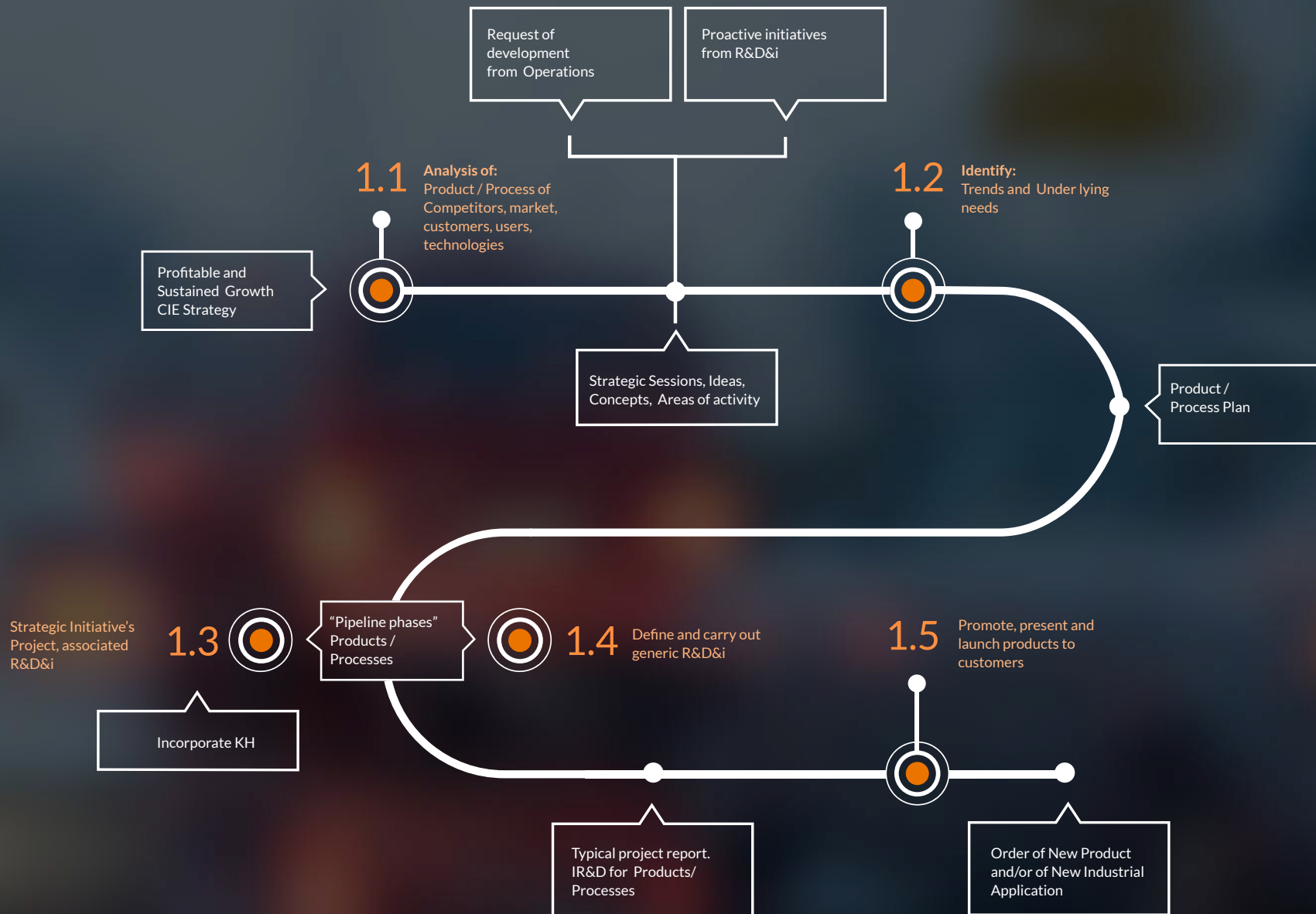


WALL (BATTERY PARTS)
Stamping & riveting



BATTERY PACK
Composites

Innovation and technology process at CIE Automotive



01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

Its innovation model is designed to **select and prioritise projects with potential for future application, specifically the scope for generating business embodying the know-how, products and technology developed.** The cornerstones of this model are:

- Identification of business opportunities.
- Selection of those that add most to CIE Automotive's strategy.
- Management and development of the defined R&D projects.
- Know-how transfer.

As a result, the model allows:

- Systematisation of the innovation effort.
- A honed ability to track and detect technology trends in the market and plan for innovation.
- Resource planning and organisation such that the innovation effort adds value to the business.
- Enhanced market positioning through the patents generated.

“CIE Automotive strives to align its R&D effort as closely as possible with its business strategy.”



3.6 Supply chain

[102-9, 102-10, 204-1, 103-1, 103-2, 103-3, 203-1]

MILESTONES IN 2017

- ✓ *Publication of the Global Supply Chain Manual.*
- ✓ Implementation of the procurement policy and supply chain procedures at Newcor and greenfield facilities.
- ✓ Performance of 502 supplier audits.
- ✓ Design of a Suppliers Portal due to start to operate in 2018.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Adding CSR criteria in supply chain management.
- Improved communication with potential suppliers to ensure due publicity of contracts and equal tendering opportunities.
- Detection and crystallisation of financial and management synergies from newly- acquired
- Making top suppliers aware of environmental criteria.
- Assessment of supplier quality and service reliability

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Standardisation of the global requirement to embed ESG criteria into audits of suppliers of productive material.
- Rollout of the Suppliers Portal as an open communication channel and vehicle for facilitating equal opportunities.
- Development and implementation of industry 4.0 tools applicable to the supply chain in order to make its management more agile, efficient and cost-effective.
- Development of an action plan with suppliers of productive material for the definition of environmental requirements.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

CIE Automotive has a global and diversified supply chain populated by over 24,000 suppliers which held the Company create its value-added proposition. In 2017, the Group purchased €1.70 billions' worth of goods and services.

Aware of the impact its suppliers have on the community and environment, in 2017, the Supply Chain Area centred its strategy on integrating ESG criteria into its supply chain management in an attempt to make these a hallmark that sets CIE Automotive apart. In parallel, it continued to fine-tune its model, streamlining costs and carrying out controls to ensure the quality and reliability of its supplies, as laid down in its new **Global Supply Chain Manual**, published in December 2017.

CIE Automotive's sharp growth posed a fresh challenge for supply chain management in 2017.

On the one hand, the acquisition of Newcor implied the need to deploy the procurement policy and procedures at this entity, which required whittling down suppliers and identifying supplier synergies. In parallel, the Company consolidated management of the supply chains of the companies acquired in 2016 - Grupo Amaya Tellería and Bill Forge - achieving full integration.

Elsewhere, the organic growth at the existing factories also implied a major effort due to the need to manage new projects, certify new suppliers and adjudicate contracts and purchases to existing suppliers all over the world.

Supply Chain

- 78.2% of all purchases, by value (euros), were procured from local suppliers. Local suppliers account for 89.9% of all the suppliers with which CIE Automotive worked.
- Capital expenditure of €285 million. 46% went to upgrading existing facilities and 54% to building new factories and expanding capacity at existing ones.

SUPPLY CHAIN MILESTONES BY GEOGRAPHY

NAFTA

- New warehouse and automated machining lines in the US.
- New welding cells, stamping presses, aluminium injection machines and machining centres in Mexico.

EUROPE

- New crankshaft line in Lithuania.
- New stamping presses and new finished product warehouse in the Czech Republic.
- Expansion of the manufacturing warehouse in Italy.
- New painting line in Portugal.

BRAZIL

- New chroming line and aluminium & plastic injection machines.

ASIA

- New forging and CNC machines in China.
- New press line, machining equipment and storage facility in India.



01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

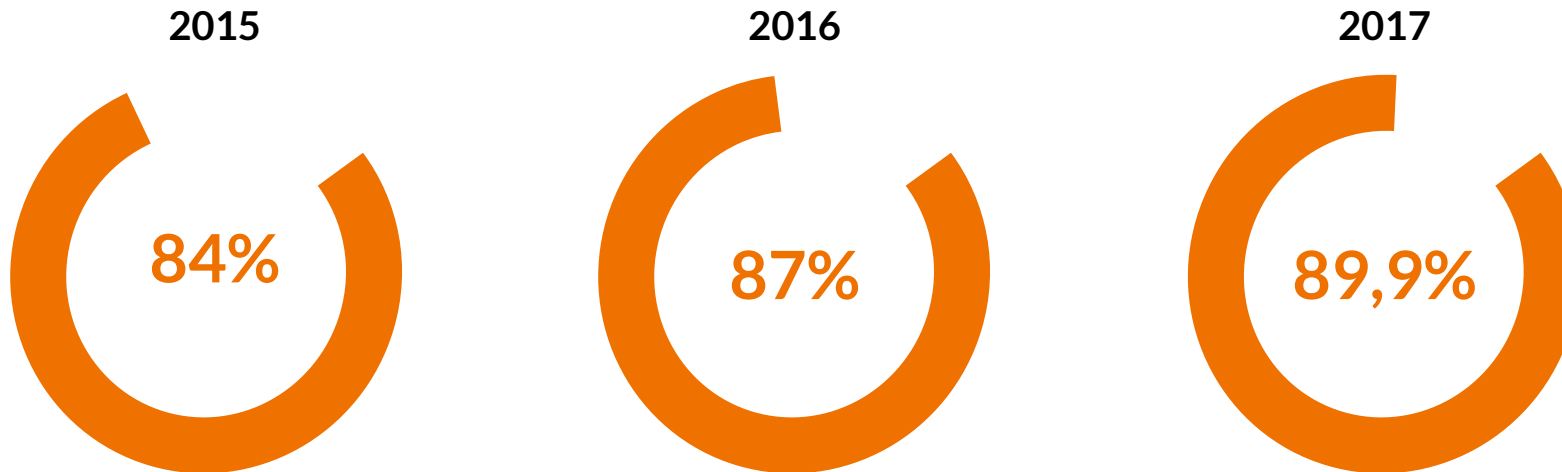
About this
report

LOCAL SUPPLIERS

Each time the Group integrates a new company or expands an existing facility it demonstrates its commitment to the industrial landscape in the regions in which it operates, as is evident in the percentage of local suppliers, which once again increased in 2017. The identification of suppliers located close to the Group's factories is a crucial component of its purchasing strategy because it helps create wealth in these regions, while reducing logistics costs and import duties and naturally hedging exchange rate risk.

Each manufacturing facility makes sure that their supply chain professionals are familiar with and understand CIE Automotive's Internal Code of Professional Conduct, which expressly stipulates the purchasing function's fundamental guidelines, such as the provision of equal opportunities and the prevention of corruption. Once they have endorsed CIE Automotive's principles, these professionals are in a position to explain the CSR criteria to their suppliers and ask them to in turn endorse them.

TREND IN NUMBER OF LOCAL SUPPLIERS



01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

New supplier manual

One of the most important milestones for CIE Automotive's supply chain in 2017 was the publication of the **Global Supply Chain Manual**. This document includes comprehensive information about the Group, how it works and what it expects of its suppliers. In short, it sets down the Group's aspirations and how it plans to achieve them with the help of its suppliers.

The Global Supply Chain Manual details graphically and in plain language the **Mission**, **Purchasing Policy**, the **various product and service purchasing categories**, the **purchasing flowchart** and the associated internal procedures and the requirements suppliers must meet in order to work with CIE Automotive.

The new document is available to anyone interested on the Suppliers tab of the corporate website. The Group hopes that it will satisfy the interest of numerous companies seeking information about the purchasing process.

The Manual was drawn up in keeping with the requirements of the new global automotive quality management standard, IATF 16949, which for the first time contemplates CSR criteria. CIE Automotive has adapted its procedures for the new standard, introducing the new requirements as warranted.

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

SUPPLIER COMMUNICATION CHANNELS

To facilitate interaction with prospective suppliers, the Suppliers tab on the corporate website also provides the [general purchasing terms and conditions by country](#) and a dedicated e-mail address for enquiries: purchasing@cieautomotive.com

In addition, the Group engages with its supplier community at the corporate and local levels by meeting directly with them, attending trade fairs and through phone and e-mail contact.

In some markets, such as Mexico, it holds an annual Suppliers Day. Until 2016, prizes were awarded at this event to suppliers of productive material. In 2017, these prizes were expanded in scope to include suppliers of non-productive material with the aim of acknowledging the small and medium-sized enterprises, mainly local, that contribute to the Company's business development and growth. In 2018, the plan is to additionally reward the supplier deemed most exemplary in terms of their integration of CSR criteria, whether due to their commitment to the environment, employees or other stakeholders.

DESIGNING A SUPPLIERS PORTAL

In 2017, CIE Automotive worked on designing a new Suppliers Portal, which is due to go live in the second quarter of 2018, in order to address growing interest in the Company on the part of suppliers all over the world and to ensure equal opportunities.

The portal will make it easier for suppliers to approach the Group. Following a prior registration process in which they can view and accept CIE Automotive's policies and requirements, portal access requests will be analysed and accepted or denied; once authorised, suppliers will be asked to upload their certifications, read and fill out questionnaires addressing CSR issues, environmental management, conflict minerals, etc., based upon which they will be given a final score depending on the purchase category and quality and veracity of the information provided.

ANTI-FRAUD AND ANTI-CORRUPTION MEASURES

CIE Automotive has a whistle-blowing channel for reporting irregular conduct or activities. whistleblowerchannel@cieautomotive.com.

In 2017, one potential incidence of fraud or corruption on the part of purchasing staff was reported through this channel; the case was subsequently investigated following the stipulated internal procedure, the corresponding measures were taken and the case closed.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.6.1 Supplier quality and service reliability

In keeping with the Quality Management System for the Automotive Sector (UNE-ISO/TS 16949), the CIE Automotive Group's purchasing procedures require the periodic assessment of the firms supplying it with raw materials, components, subcontractors, logistics services and tools. For more information, refer to the [Global Supply Chain Manual](#).

The requirements demanded of suppliers are aligned with their classification as a function of the product or service they supply. Over 93% of CIE Automotive suppliers of the product families deemed subject to assessment are UNE-ISO/TS 16949 or ISO 9001 certified; environmental certification under UNE-EN ISO 14001 and OHSAS 18001 certification is also positively rated.

For the suppliers that have yet to obtain any of these certifications, a schedule has been devised for either getting certification or having a third party certify that their work standards meet those of CIE Automotive.

AUDITS

Suppliers are evaluated by means of audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and corporate social responsibility. These audits are highly rated by the suppliers themselves as they generate benefits for their own organisations that they leverage with the rest of their customers.

SUPPLIER AUDITS

Geographies	No. of audits	
	2017	%
Europe	125	24.9%
NAFTA	135	26.9%
Brazil	54	10.8%
Asia (India/China)	188	37.4%

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

3.6.2 Supply chain: labour and environmental commitments

[103-1, 103-2, 103-3, 308-1, 414-1]

In 2017, CIE Automotive's main suppliers were sent a mandatory **social responsibility** declaration which they were asked to endorse and sign in conjunction with their initial contracts or maiden orders. One of the goals for 2018 is to leverage the new Suppliers Portal to raise the profile of this document and make it globally enforceable.

By signing this document, the Company's suppliers pledge to respect the International Labour Organisation's (ILO) conventions. On the environmental front, they have to uphold the principle of precaution, take initiatives to promote greater environmental responsibility and encourage the development and dissemination of environmentally-friendly technologies.

These labour and environmental commitments are similarly reflected in the new **Global Supply Chain Manual**.

DEFINING ENVIRONMENTAL REQUIREMENTS

In 2017, the main suppliers to each factory were sent a questionnaire in order to assess their level of environmental awareness. The results of this survey revealed that only the large multinational enterprises, mainly steel mills and plastics manufacturers, hold environmental certifications and/or report to the Carbon Disclosure Project (CDP). In most of the remaining cases, the firms reported they do not track any environmental aspects other than the odd intervention to reduce their power consumption and/or improve their waste management.

Definition of the environmental management criteria to be required of suppliers, a process to be launched in 2018, development and implementation of which will take several years, will be vital to helping small- and medium-sized suppliers to develop in this field.

In 2017, information was also requested regarding the use of certain materials deemed 'conflict minerals' under section 1502 of the US Ley Dodd-Frank Act: cassiterite (for tin), wolframite (for tungsten), coltan (for tantalum), and gold ore. This law obliges listed US companies to disclose their use of the above minerals and indicate their origin and document such use following the stipulated procedure.

All of these measures are designed to encourage suppliers to become more responsible, thus contributing to social development and environmental protection.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

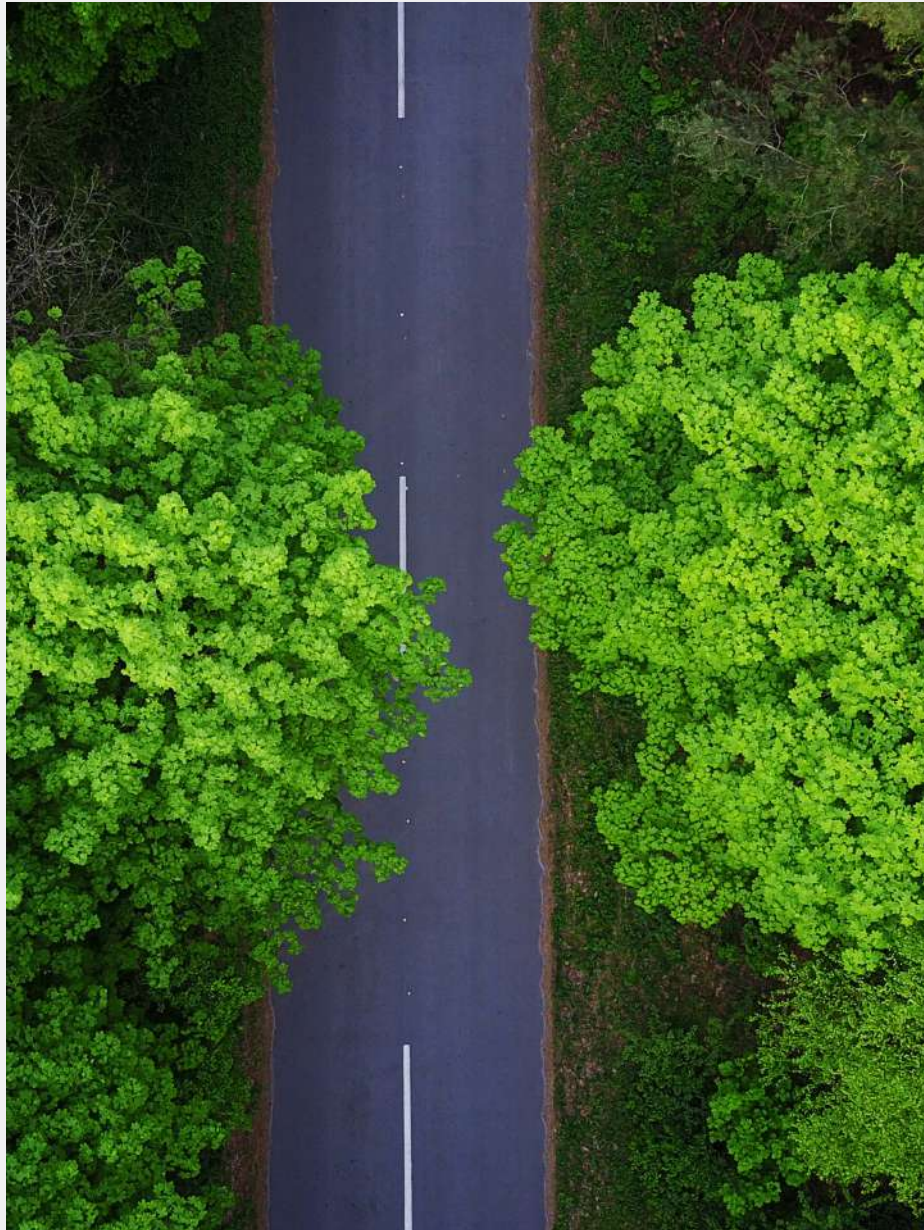
3.8 Community

04

Corporate
governance

05

About this
report



ENVIRONMENTAL CERTIFICATION SURVEY

Total no. of surveys sent to suppliers:	300	<i>These suppliers represent over 50% of total purchasing volumes.</i>
Total no. of responses received	150	
% of total responses affirming certification	10%	
% of total that report to the CDP	5%	

CONFLICT MINERALS SURVEY

Total no. of letters sent out	400
Total no. of responses received	200
% reporting that they do not use these minerals	95%
% of suppliers reporting that they do use these minerals	5%
% of suppliers demonstrating that the source of these minerals is not a conflict source	100% <i>(of the 5% who reported to using these minerals)</i>

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

3.7 Environmental management

[103-1, 103-2, 103-3, 307-1]

The manufacture and distribution of parts for the automotive industry on a global scale is an activity that has an inexorable impact on the environment. In order to minimise that impact, the Group strives to strike a balance between its business activities and environmental protection right from the product design stage, in keeping with the United Nations Global Compact principles.

Its environmental commitment - explicitly laid down in the Group's Mission, Vision and Values and in its Health, Safety, Environmental and Quality (HSEQ) Policy - translates into the production of more environmentally-friendly products, the introduction of energy efficiency processes into its processes and installations, the rationale use of water and the correct management of waste.



In 2017, CIE Automotive continued to make progress on its efforts to combat climate change by executing a series of initiatives contemplated in its Environmental Strategy Plan, including the formulation of an Eco-efficiency Plan for each productive facility. It also added a new indicator to its scorecard: environmental costs over revenue.

Note that the Group did not incur any material sanctions for non-compliance with environmental laws and regulations in 2017.

MILESTONES IN 2017

✓ Membership of the Climate Change Cluster.

✓ Implementation of a new environmental indicator: average environmental cost over revenue.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Formulation of an Eco-efficiency Plan per facility.
- Establishment of a new scorecard indicator reflect each factory's total environmental cost.

LINES OF INITIATIVE IDENTIFIED FOR 2018

- Allocation of the cost of emissions.
- Start of the work required to calculate environmental footprints by product.

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report



ECO-EFFICIENCY PLANS

Formulation of factory-specific Eco-Efficiency Plans, including a monitoring regime with specific reduction targets for each factory and a reporting system so that environmental performance can be duly monitored.

NEW INDICATORS

In 2017, CIE Automotive added a new indicator to the process map, specifically environmental costs over revenue; the numerator factors in the cost of all things related with environmental management of the productive process, from the intake of the energy and water consumed to the exit of the waste generated and its ultimate management. The next step is to include the cost of emissions in this equation, even though CIE Automotive is not active in the emissions market.

Thanks to these indicators, CIE Automotive is now able to manage its impacts more precisely and take more adequate measures to reduce them.

Given the difficulty in properly comparing the indicators year-on-year on account of the constant growth in the size of the Group and the variety of technologies used in its factories, CIE Automotive uses the euro as its common denominator; note that this approximation is not entirely accurate either due to the impact of exchange rates on the various markets in which it operates.

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

Participation in the Forética's Climate Change Cluster

CIE Automotive defends the European Union's stance with respect to the Paris Climate Agreement and the UN's Sustainable Development Goal #13 regarding the efforts to halt global warming and curb greenhouse gas emissions.

In January 2017, CIE Automotive joined Forética's Climate Change Cluster, a top-flight business group made up of 50 Spanish companies, whose mandate is to transpose into the Spanish landscape the main global climate change trends and debates from a business perspective and become an authority on corporate environmental matters.

As part of its stated objective of investigating and encouraging the adoption of the main international trends, the Climate Change Cluster addressed the following matters in 2017:

- The impact of climate change on cities.
- The ways enterprises can adapt for climate change.
- The upcoming climate change legislation in Spain and the impact it will have on Spanish companies. The Cluster's participation in several seminars organised by Spain's Ministry of Agriculture & Fishing, Food and Environment contributed to laying the groundwork for drafting the bill for the upcoming Climate Change and Energy Transition Act.



01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management**
- 3.8 Community

04

Corporate
governance

05

About this
report

3.7.1 Consumption of water and material resources

[301-1, 301-2, 303-1, 303-3]

CIE Automotive uses water and raw materials intensively. Permanent revision of all processes is vital to ensuring responsible use of these resources.

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

WATER CONSUMPTION

	Indicator	Definition	Unit	2016	2017
Europe	GRI 301-1	Raw material used	Kg	225,071,461.0	235,002,550.4
	GRI 301-2	Raw material re used	Kg %	64,124,067.0 28.5%	76,126,684.6 32.4%
Mahindra Europe	GRI 301-1	Raw material used	Kg	251,055,410.2	277,143,063.0
	GRI 301-2	Raw material re used	Kg %	24,471,050.9 9.7%	26,718,312.0 9.6%
NAFTA	GRI 301-1	Raw material used	Kg	236,962,234.0	292,588,679.9
	GRI 301-2	Raw material re used	Kg %	44,106,529.8 18.6%	61,19,614.7 21.1%
Brazil	GRI 301-1	Raw material used	Kg	62,664,350.4	102,588,358.3
	GRI 301-2	Raw material re used	Kg %	23,006,269.4 36.7%	34,090,451.9 33.2%
Asia (India/China)	GRI 301-1	Raw material used	Kg	242,586,834.7	276,947,728.7
	GRI 301-2	Raw material re used	Kg %	62,715,188.7 25.9%	74,553,499.6 26.9%
Total	GRI 301-1	Raw material used	Kg	1,018,340,290.4	1,184,270,380.3
	GRI 301-2	Raw material re used	Kg %	218,423,105.8 21.4%	273,208,562.8 23.1%

01

2017
in review

02

Who we are

03

Our
commitments

3.1 CSR
management

3.2 Customer
orientation

3.3 The team

3.4 Investors

3.5 Innovation and
technology

3.6 Supply chain

3.7 Environmental
management

3.8 Community

04

Corporate
governance

05

About this
report

MATERIALS CONSUMPTION

	Indicator	Definition	Unit	2016	2017
Europe	GRI 301-1	Raw material used	Kg/ K€	292.8	257.6
	GRI 301-2	Raw material re used	Kg/ K€	83.4	83.4
Mahindra Europe	GRI 301-1	Raw material used	Kg/ K€	544.2	543.8
	GRI 301-2	Raw material re used	Kg/ K€	53.0	52.4
NAFTA	GRI 301-1	Raw material used	Kg/ K€	440.1	404.7
	GRI 301-2	Raw material re used	Kg/ K€	81.9	85.4
Brazil	GRI 301-1	Raw material used	Kg/ K€	284.4	312.5
	GRI 301-2	Raw material re used	Kg/ K€	104.4	103.8
Asia (India/China)	GRI 301-1	Raw material used	Kg/ K€	554.0	573.6
	GRI 301-2	Raw material re used	Kg/ K€	143.2	154.4
Total	GRI 301-1	Raw material used	Kg/ K€	419.6	400.6
	GRI 301-2	Raw material re used	Kg/ K€	90.0	92.4

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

3.7.2 Waste, discharges and emissions management

[306-1, 306-2, 306-3, 306-4]

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes.

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

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

ALUMINIUM RECYCLING

	2015	2016	2017
Aluminium recycling (MT)	48,089	61,437	84,125

3.7.3 Energy efficiency and emissions

[302-1, 302-3, 305-1, 305-2, 305-3, 305-4, 305-5]

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

The technologies that use energy most heavily and generate the most emissions - aluminium injection moulding and steel forging - are the key areas of focus for a range of initiatives that includes the reuse of the heat generated by the air compressors, the correct management of the distribution network, electric engines, furnaces, etc., as well as smaller details such as efficient lighting.

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management**
- 3.8 Community

04

Corporate
governance

05

About this
report

WATER SPILLS

	Indicator	Definition	Unit	2016	2017
Europe	GRI 306-1	Water discharge	M ³ /year	159,796.0	148,967.3
Mahindra Europe	GRI 306-1	Water discharge	M ³ /year	300,427.3	413,632.2
NAFTA	GRI 306-1	Water discharge	M ³ /year	89,218.2	95,743.8
Brazil	GRI 306-1	Water discharge	M ³ /year	31,190.4	16,689.8
Asia (India/China)	GRI 306-1	Water discharge	M ³ /year	121,108.7	148,773.7
Total	GRI 306-1	Water discharge	M ³ /year	701,740.7	823,806.7

WASTE MANAGEMENT

	Indicator	Definition	Unit	2016	2017
Europe	GRI 306-2	Industrial waste treated	Ton	83,885.8	67,095.7
Mahindra Europe	GRI 306-2	Industrial waste treated	Ton	42,194.0	48,558.0
NAFTA	GRI 306-2	Industrial waste treated	Ton	32,630.6	42,868.8
Brazil	GRI 306-2	Industrial waste treated	Ton	15,952.3	19,122.6
Asia (India/China)	GRI 306-2	Industrial waste treated	Ton	83,577.4	84,307.2
Total	GRI 306-2	Industrial waste treated	Ton	258,240.1	261,952.3

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

ENERGY CONSUMPTION AND SAVINGS

	Indicator	Definition	Unit	2016	2017
Europe	GRI 302-1 (D)	Energy, direct consumption	Gj	461,030.80	441,377.71
	GRI 302-1 (I)	Energy, indirect consumption	Gj	657,641.02	694,749.92
Mahindra Europe	GRI 302-1 (D)	Energy, direct consumption	Gj	345,219.09	318,799.31
	GRI 302-1 (I)	Energy, indirect consumption	Gj	715,128.36	748,554.40
NAFTA	GRI 302-1 (D)	Energy, direct consumption	Gj	346,130.86	388,682.37
	GRI 302-1 (I)	Energy, indirect consumption	Gj	363,315.48	540,943.09
Brazil	GRI 302-1 (D)	Energy, direct consumption	Gj	101,636.69	122,190.94
	GRI 302-1 (I)	Energy, indirect consumption	Gj	379,636.33	512,872.70
Asia (India/China)	GRI 302-1 (D)	Energy, direct consumption	Gj	136,807.60	111,087.86
	GRI 302-1 (I)	Energy, indirect consumption	Gj	907,273.61	985,850.49
Total	GRI 302-1 (D)	Energy, direct consumption	Gj	1,390,825.05	1,382,138.19
	GRI 302-1 (I)	Energy, indirect consumption	Gj	3,022,994.80	3,482,970.60

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

EMISSIONS

	Indicator	Definition	Unit	2016	2017
Europe	GRI 305-1	Direct emissions	CO ₂ ™	29,646.05	28,353.39
	GRI 305-2	Indirect emissions	CO ₂ ™	54,760.42	58,486.67
Mahindra Europe	GRI 305-1	Direct emissions	CO ₂ ™	22,247.36	20,543.46
	GRI 305-2	Indirect emissions	CO ₂ ™	74,098.54	75,998.27
NAFTA	GRI 305-1	Direct emissions	CO ₂ ™	22,189.48	24,856.42
	GRI 305-2	Indirect emissions	CO ₂ ™	46,145.92	70,596.58
Brazil	GRI 305-1	Direct emissions	CO ₂ ™	6,519.22	7,962.10
	GRI 305-2	Indirect emissions	CO ₂ ™	9,174.54	12,693.03
Asia (India/China)	GRI 305-1	Direct emissions	CO ₂ ™	9,435.39	7,436.08
	GRI 305-2	Indirect emissions	CO ₂ ™	222,618.14	241,360.28
Total	GRI 305-1	Direct emissions	CO ₂ ™	90,037.49	89,151.45
	GRI 305-2	Indirect emissions	CO ₂ ™	406,797.56	459,134.83

Emissions are calculated using the factors recommended by the IPCC (Intergovernmental Panel on Climate Change, set up by the United Nations and International Energy Agency).

ENERGY INTENSITY

	Indicator	Definition	Unit	2016	2017
Europe	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.60	0.48
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	0.86	0.76
	GRI 302-3	Energy, total consumption	Gj /K€	1.46	1.25
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.11	0.10
Mahindra Europe	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.75	0.64
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	1.55	1.47
	GRI 302-3	Energy, total consumption	Gj /K€	2.30	2.11
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.21	0.19
NAFTA	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.64	0.54
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	0.67	0.75
	GRI 302-3	Energy, total consumption	Gj /K€	1.32	1.29
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.13	0.13
Brazil	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.46	0.37
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	1.72	1.56
	GRI 302-3	Energy, total consumption	Gj /K€	2.19	1.94
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.07	0.06
Asia (India/China)	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.31	0.23
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	2.07	2.04
	GRI 302-3	Energy, total consumption	Gj /K€	2.39	2.27
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.53	0.52
Total	GRI 302-3 (D)	Energy, direct consumption	Gj /K€	0.57	0.47
	GRI 302-3 (I)	Energy, indirect consumption	Gj /K€	1.25	1.18
	GRI 302-3	Energy, total consumption	Gj /K€	1.82	1.65
	GRI 305-4	Total emissions CO ₂	CO ₂ ™/ k€	0.20	0.19

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report



3.8 Community

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

As a result of its work as a manufacturer of parts and subassemblies for the automotive market, CIE Automotive plays an important role in the economic and social development of the areas in which it operates by creating jobs, injecting life into the local business landscape and paying taxes.

It also collaborates with the public authorities and other organisations in each region and invests in community development by means of its sponsorship and philanthropic activities. In addition, CIE Automotive strives to minimise the negative impacts generated by its manufacturing facilities and focuses its community programmes on local development needs and expectations, at all times framed by the principles laid down in its **Social Action Policy**: collaboration, transparency, the creation of value-added, long-term commitment, joint company-employee commitment, and a focus on disadvantaged places.

LINES OF INITIATIVE UNDERTAKEN IN 2017

- Donations to NGOs and other associations for projects related with child nutrition and education.
- Sponsorship of sporting activities and events.
- Encouragement of employee participation in a range of volunteering activities.
- Collaboration with the public authorities.
- Participation in different sector associations.

MILESTONES IN 2017

- ✓ CIE Automotive doubled its community work donations in 2017 and its projects reached nearly 58,000 beneficiaries.
- ✓ Committed participation of 2,400 employees in community work.

LINES OF INITIATIVE IDENTIFIED FOR 2018

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

01
2017
in review

02
Who we are

03
Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04
Corporate
governance

05
About this
report

CIE Automotive's decentralised model, coupled with the fact that 90% of its factories are run by local managers, facilitates nimble decision-making in the community work arena. Specifically, it enables a quick response to sudden crises (the most noteworthy example being the earthquake in Mexico in September) to ensure that each country takes the decisions that create the most value.

CIE Automotive earmarked nearly €400,000 to community work programmes in 2017, mainly to a number of different NGOs, associations of various kinds and the student community. These donations reached over 58,000 beneficiaries. The

joint company-employee commitment materialised in the participation by 2,400 employees in community work to which they devoted over 3,500 hours.

In addition, CIE Automotive plays a role in local development by creating jobs, purchasing from local suppliers, providing training and paying taxes in all its operating markets.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

(€ million)

	2015	2016	2017
Revenue	2,631.5	2,879.0	3,724.5
To shareholders (dividends)*	25.8	42.6	52.8
To employees (employee benefits expense)	600.4	631.7	776.1
To suppliers (consumption of raw materials and auxiliary materials)	1,470.4	1,619.0	2,155.1
To society (income tax paid)	31.9	43.3	55.9
Retained earnings	511.1	647.8	808.6

(*) Dividend paid during the year

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

COMMUNITY WORK BY REGION

CIE Automotive sponsors activities at the corporate and local levels, in keeping with the United Nations Sustainable Development Goals. It focuses its efforts on combating social injustice and climate change, eradicating poverty, providing clean and safe water, women's empowerment, job creation and economic growth, environmental protection and engaging in educational improvements, among other lines of action.

Some of the Group's community programmes, framed by the community work policies in place in each region, are itemised below by way of illustration:

Europe

- **CIE Automotive collaborate** with the Food Bank of Bizkaia and UNICEF (a United Nations agency).
- **Participation in programmes for integrating persons with disabilities into society/the workplace:** In Italy, the Company worked to adapt vehicles for persons with disabilities in order to promote their well-being and integration into society.
- **Support for people with intellectual disabilities and for their families:** CIE Automotive contributes to the care of people with intellectual disabilities through its donations to specialist associations such as Atzegi, AprendeTea, AFAGI and ANAIF.
- **Sponsorship of LaLiga Genuine:** football league for people with intellectual disabilities which already has 18 football clubs competing, including the well-known Real Sociedad, sponsored by CIE Automotive.
- **Support for child education, skills training and job creation:** CIE Automotive contributes to educational institutions and centres that support disadvantaged children and the integration of

youths into society in Portugal and the Czech Republic. Moreover, CIE Automotive has collaboration agreement covering research projects, work practice and recruiting with universities and vocational training schools. The young graduate employment collaboration agreement with the Novia Salcedo Foundation stands out.

- **Promotion of local culture and sports:** in Slovakia the Group organises a Sports Day and Christmas Party to promote sport and family traditions. In addition, it contributes over €1,000 to the Euskadi cyclist foundation, to mountain trekking groups, to the football teams of Aalen (Germany) and Orozko (Bizkaia, Spain), as well as sponsoring many other local activities in the communities in which it is present.
- **Sponsorship** in Spain of the Lenbur Foundation, devoted to the study, recovery, recreation and publicising of the natural, industrial and cultural heritage of the Urola-Garaia area of the Basque region.

United States

The US factories collaborate with organisations that research cures for cancer, leukaemia and diabetes and others that tackle crime and develop local schools (Angels of Hope, the Michael Ostrowski Cancer Foundation, the Children's Leukaemia Foundation of Michigan (CLF), the Juvenile Diabetes Research Foundation, Crime Stoppers of Michigan).



Mexico

- **Reforestation and conservation work in preservation areas:** Some of the Mexican factories signed up for the initiative championed by the municipal government of Tultitlán encompassing the plantation of 1,200 trees in order to raise environmental awareness. Other facilities participated in conservation work in the protected nature reserves of Cerros El Culiacán y La Gavia promoted by the government of Guanajuato (Celaya).
- **Donations in the wake of the earthquake in Mexico of 19 September:** CIE Automotive's Mexican factories and their staff threw themselves into the earthquake relief effort. In addition, given CIE Automotive's significant presence in this market, the Corporate Community Department made donations to a number of NGOs and charities working to cover basic necessities on the ground.

Brazil

- **Programmes for improving quality of living in the community:** CIE Automotive participates in programmes for the eradication of hunger and poverty championed by the Brazilian Ministry of Social Development.
- **Participation in the 'Young Apprentice' project,** championed by the town council of Diadema (Brazil) in order to provide schooling to homeless children.
- **Contribution to food safety and means of livelihood** for the neediest by means of the provision of guaranteed clean water in the community of Sao Paulo.

India

The Mahindra CIE and Bill Forge factories are known for encouraging their employees to participate in voluntary community work, with a priority focus on the areas of education, environmental protection, personal and road safety and health.

- **Sponsorship of the Nanhi Kali project:** Creation of the Nanhi Kali project was framed by the conviction that skilled women with access to education would not only contribute to the economy but would also make a big difference to reducing and eradicating social injustices such as the dowry system and arranged child marriage. Nanhi Kali was designed as a sponsorship initiative which calls on others to participate in and support the education of girls and young women in India. Mahindra CIE contributes to this project in the form of donations and volunteering on the part of 70 of its employees.
- **Promotion of and assistance for education:** CIE Automotive provides support for schools such as materials and funds for infrastructure in the most disadvantaged communities. It also gives scholarships to the brightest students so that they can further their education.
- **Personal and road safety programmes** focused on and targeted at teenagers. The idea is to educate adolescents about how to stay safe, taking a preventative approach.
- **Health services in schools and villages:** CIE Automotive also contributes to medical check-ups for students and villagers with the aim of furthering the early detection and prevention of diseases.
- **Blood donation drives** in which over 700 employees participated in 2017.

RELATIONS WITH THE PUBLIC AUTHORITIES

[415-1]

CIE Automotive is politically neutral and does not finance, either directly or indirectly, political parties or their representatives or candidates, either in Spain or abroad.

Its dealings with the local authorities are based on collaboration and stringent compliance with prevailing legislation, while engaging openly and continuously with them with the aim of minimising potentially adverse impacts on local communities. One of its goals is to advise the authorities on technical matters related to the automotive industry.



SERNAUTO

The Spanish association of automotive equipment and components manufacturers
Member of the management board and chair of the R&D committee.



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



SIFE

(SOCIEDAD DE INDUSTRIAS DE FORJA POR ESTAMPACIÓN, S. L.)

The Spanish forgers association



FEAF

(THE SPANISH SMELTERS ASSOCIATION)



TEDFUN

(THE SPANISH ALUMINIUM SMELTERS ASSOCIATION)

The Spanish aluminium smelters association.



EDCA

(THE EUROPEAN DIE CASTING ASSOCIATION)

The European Die Casting Association.

MEMBERSHIP OF BUSINESS ASSOCIATIONS

[102-13]

As a significant player in the automotive parts industry, CIE Automotive is a member of a number of business associations, whose remit is to defend the automotive industry's interests vis-a-vis government.

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report



M2F
(MOVE TO FUTURE)

A Spanish automotive and mobility technology platform Membership of the governing board.



TECNALIA

A private applied research centre. Membership of the management board.

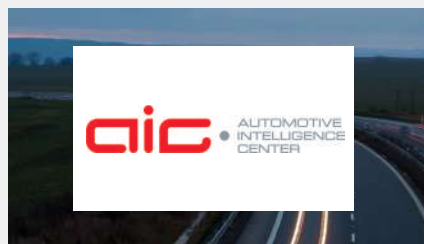


ACICAE
(CLÚSTER DE AUTOMODIÓN DE EUSKADI)

The Basque automotive cluster Chair of the management board.



CTAG
(THE GALICIAN AUTOMOTIVE CLUSTER)



AIC
AUTOMOTIVE INTELLIGENCE CENTER

Automotive Intelligence Center Vice-chair of the management board



EUROFORGE
(EUROPEAN FORGING ASSOCIATION)



GRUPO DE PILOTAJE DE FABRICACIÓN AVANZADA

Member of the executive committee of the taskforce pilot testing advanced

01

2017
in review

02

Who we are

03

Our
commitments

- 3.1 CSR management
- 3.2 Customer orientation
- 3.3 The team
- 3.4 Investors
- 3.5 Innovation and technology
- 3.6 Supply chain
- 3.7 Environmental management
- 3.8 Community

04

Corporate
governance

05

About this
report

4

Corporate governance

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

4.1 Corporate governance model

4.2 Corporate governance bodies

4.2.1 Annual General Meeting

4.2.2 Board of Directors

4.2.3 Management Board

4.3 Business ethics

4.4 Risk management

4.4.1 Risk map

4.4.2 Internal control systems

4.1 Corporate governance model

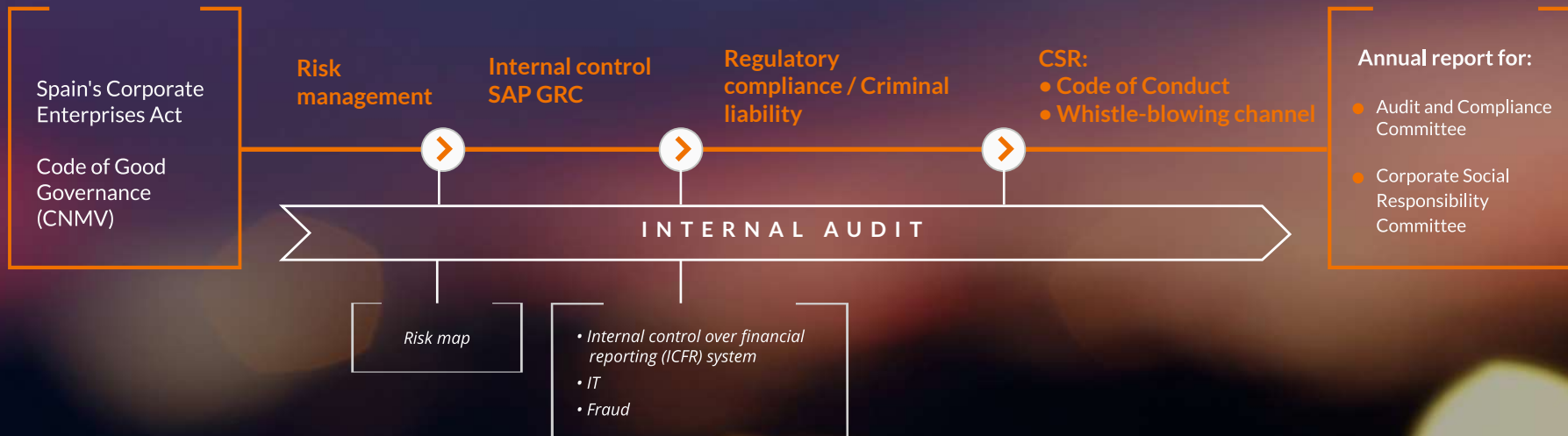
[307-1, 419-1]

CIE Automotive has articulated a corporate governance model to effectively protect the corporate interest. It complies with the leading international standards and Spain's Good Governance Code For Listed Companies. In 2017, the Group brought its risk management system to a new level and consolidated its role in Forética's Transparency, Integrity and Good Governance Cluster.

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

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

The principles dictating how the system works are defined in the official **Corporate Governance Policy**. In addition, the process map, revised in 2017, assigns a body specifically to compliance with and development of this universe of procedures.



01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

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

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

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

The Company did not receive any significant fines for non-compliance with laws or regulations in the social, economic or environmental arenas in 2017.

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

During the first half, the forum addressed the growing concerns at businesses about how to prioritise and embed ethics models within their management, acknowledging that there is still much to be done among business leaders. During the second half, the cluster focused more on compliance matters and the creation of value driven by transparency.

Against this backdrop, in the wake of approval of Directive 2017/828 of the European Parliament and of the Council, of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, CIE Automotive attended a seminar at which the requirements implied by the new legislation were outlined ahead of its transposition into Spanish law in June 2019. As a result, CIE Automotive is already working in-house on its adaptation to the new directive.

Elsewhere, it is worth recalling that CIE Automotive's engagement with Forética also extends to membership of its Climate Change Cluster and participation in seminars of great interest to the Company such as the one that addressed supply chain sustainability.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

4.2 Corporate governance bodies

[102-18, 102-22]

4.2.1 Annual General Meeting

The shareholders' meeting is CIE Automotive's highest decision-making body. Its duties and powers are regulated in the Bylaws and [AGM Regulations](#).

In 2017, the Annual General Meeting took place on 4 May and was attended by 174 shareholders, in person or duly represented, which hold 80.56% of the company's share capital.



RESOLUTIONS RATIFIED AT THE 2017 AGM

- Approval of the financial statements of CIE Automotive, S.A. and of its consolidated group and grant of discharge to the Board of Directors for 2016.
- Approval of the proposed distribution of profit for 2016. Payment of a final dividend from 2016 profits of €0.21 per share (before withholdings), which was paid out on 5 July 2017, topping up the interim dividend of €0.20 per share paid out on 5 January 2017.
- Grant of authorisation to the Board of Directors for the derivative acquisition of own shares, directly or through group companies, in accordance with articles 146 and 509 of the Spanish Corporate Enterprises Act, superseding the authorisation granted at the General Meeting of 26 April 2016, and reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.
- Appointment of PricewaterhouseCoopers as the auditor of the Company's separate and consolidated financial statements.
- Presentation of the Annual Report on Director Remuneration at CIE Automotive, S.A. by means of an advisory vote.
- Delegation of powers to execute the aforementioned resolutions.

For further information about the AGM.

Shareholders of record within at least five days of the scheduled meeting date are entitled to attend the Annual General Meeting. 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.

4.2.2 Board of Directors

[102-18, 102-23, 102-26, 102-27]

CIE Automotive's Board of Directors is its highest governance body and is made up of 13 members. The directors' duties and powers are regulated in the Bylaws and **Board Regulations**.

In 2017, the Board of Directors met on six occasions and all the meetings were presided by its chairman.

BOARD OF DIRECTORS (at 31 December 2017)

	Position	Class of director	Executive Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	CSR Committee
Mr. Antonio María Pradera Jáuregui (*)	Chairman	Executive	Chairman			
ELIDOZA PROMOCION DE EMPRESAS, S.L. , representada por Mrs. Goizalde Egaña Garitagoitia	Vice Chair-woman	Proprietary	Member			Chair-woman
Mr. Jesús María Herrera Barandiarán	Chief Executive Officer	Executive	Member			
Mr. Ángel Ochoa Crespo	Member	Independent		Chairman	Member	
Mr. Carlos Solchaga Catalán	Member	Independent		Member	Chairman	
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. representada por Mr. Shriprakash Shukla	Member	Proprietary				
MAHINDRA & MAHINDRA, Ltd. representada por Mr. Vankipuram Parthasarathy	Member	Proprietary				
ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L. , representada por Mr. Francisco López Peña	Member	Proprietary				Member
ADVALIA CAPITAL, S.A. , representada por Mrs. María Teresa Salegui Arbizu	Member	Proprietary			Member	Member
QMC DIRECTORSHIPS, S.L. , representada por Mr. Jacobo Llanza Figueroa	Member	Proprietary				

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

(*) Antonio María Pradera Jáuregui stepped down as executive chairman at the board meeting of 12 December 2017, switching to a proprietary director, with effect from 1 January 2018.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

BOARD OF DIRECTORS COMMITTEES

- **Executive Committee**

A permanent committee in which the Board has delegated all of its powers other than those that cannot be delegated pursuant to its Bylaws and those specifically reserved to the Board of Directors.

On 12 December 2017, the Board of Directors resolved to eliminate the Executive Committee, thus revoking the powers originally vested in it, and to create a new Board committee, the **Strategy and Operations Committee**, which began to operate in January 2018.

At the recommendation of the Appointments and Remuneration Committee, Antonio María Pradera Jáuregui, Jesús María Herrera Barandiarán, Francisco José Riberas Mera and Fermín del Río Sanz de Acedo have been appointed as members of the new Strategy and Operations Committee.

As a result of the above resolutions, the Board of Directors has amended article 15 of the **Board Regulations** and introduced a new article 19bis.

- **Audit and Compliance Committee**

Its purview is to oversee the financial reporting process and ensure the independence and effectiveness of the internal audit function. Its duties include revising the internal control and risk management systems, selecting, appointing and replacing the auditor and taking receipt of information from the auditor, whose independence it must safeguard. This committee met six times in 2017.

- **Appointments and Remuneration Committee**

Among other duties, this committee is tasked with formulating and reviewing the criteria for selecting director candidates, 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 2017.

- **Corporate Social Responsibility Committee**

Created in 2015, this Committee is made up of three members and its job is to promote the Company's corporate governance and sustainability strategy, among other duties. It met on two occasions in 2017.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

DIRECTOR PROFILES AND DIVERSITY [405-1]

The members of the Board of Directors of CIE Automotive are prestigious professionals who have demonstrated their competence and credibility over the course of their careers.

Of the Company's 13 directors, three are executive, two are independent and eight are proprietary. That means that 20% of the non-executive members are independent. Moreover, these independent directors sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee. Female directors (two) account for 15.38% of the Board seats. By nationality, 11 of the directors are Spanish and two are Indian.

The roles of the Chairman and CEO are clearly defined in the Company's Board Regulations and fall to different people, even though both sit on the Board of Directors. CIE Automotive reinforced its governance at the end of 2017 when the Chairman gave up his executive duties, staying on as a proprietary director.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

DIRECTOR CVS AND QUALIFICATIONS



Antonio María Pradera Jáuregui
CHAIRMAN (EXECUTIVE, until December 2017)

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. Since 2002, he has been serving as the Executive Chairman of CIE Automotive, working in the strategy and financial design departments, and of 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.



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.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



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, although just a year later he would be named general manager of CIE Automotive.

Lastly, in 2013, the Board of Directors appointed Mr. Herrera as 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 23 years' experience in the financial sector, having held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico.

He has also sat on the boards of several open-ended collective investment schemes (SICAVs). He is currently the financial advisor in the investment area and partner at the firm Angel Ochoa Crespo EAFI. He is also director and secretary of ISLOPAN, S.A.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



Carlos Solchaga Catalán
LEAD INDEPENDENT DIRECTOR (INDEPENDENT)

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



Francisco José Riberas Mera
DIRECTOR (PROPRIETARY)

A 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 1989 in the controller area, a group where he later assumed the roles of director of corporate development and CEO. He was one of the backers behind the creation of Gestamp in 1997, serving as this company's chief executive from the outset and its chairman since 2010. Gestamp is the world-leading maker of metallic parts for the automotive industry. It listed its shares in an IPO on the Spanish stock exchange in April 2017. In 1998, he joined the board of Aceralia Corporación Siderúrgica, a position he held until this company was integrated within the Arcelor Group. Today, in addition to chairing Gestamp, he is co-chairman of the family holding company ACEK and sits on the boards of Telefónica, Global Dominion Access, Gonvarri Industrial and other ACEK group companies. Lastly, he is also a member of the management board of IIEF (acronym in Spanish for the Family Business Institute) and sits on the Spanish council of Endeavor, an NGO set up to help upcoming generations of entrepreneurs attain success by means of mentoring and access to investment programmes.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



Juan María Riberas Mera
DIRECTOR (EXECUTIVE)

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)

Fermín del Río Sanz de Acedo is a business administration graduate (San Sebastián). 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.

Mr. Fermín del Río has also headed up ADEGI (the Guipuzcoa business association) and been a member of CONFEBASK, the Basque committee of business owner associations. Fermín del Río has served as chairman of Autometal S.A.. He also sits on the boards of Fegemu S.A., Viveros San Antón, S.A. and Global Dominion Access, S.A.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



Shriprakash Shukla
DIRECTOR (PROPRIETARY)

A technology graduate from the Indian Institute of Technology at Banaras Hindu University, Mr. Shukla also holds an MBA from the Indian Institute of Management of Ahmedabad. He has built his career at multiple companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, where he served as executive chairman before joining the Mahindra group.

He currently runs the latter group's Aerospace & Defence subsidiary, chairs Mahindra Sanyo Special Steels and sits on the Executive Committee of Mahindra & Mahindra. Previous posts at this group included director of strategy and of brand management. Lastly, he is affiliated with prestigious industrial forms in several countries.



Vankipuram Parthasarathy
DIRECTOR (PROPRIETARY)

A commerce graduate from Gujarat University, Mr. Parthasarathy also holds an AMP from Harvard Business School. He began his career at Xerox, where he reached the position of associate director. In 2000, he joined the Mahindra group, where he held various executive positions.

He is currently the CFO and CTO of Mahindra & Mahindra 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.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



Francisco López Peña
DIRECTOR (PROPRIETARY)

A road, canal and port engineering graduate from Barcelona Polytechnic University, Mr. López also holds an MBA from IESE in Barcelona. He performed general management functions in mining sector companies between 1985 and 1990 and in the textile-retailing sector between 1990 and 1997.

He joined Gestamp in 1998 as director of corporate development. In 2008 he took up the position of vice-chairman and CFO of that group and has also sat on Gestamp's board since 2010. In December 2017, he was named CEO of Gestamp.



María Teresa Salegui Arbizu
DIRECTOR (PROPRIETARY)

A graduate of economic and business science from Deusto University. Ms. Salegui began her career at the transport firm La Guipuzcoana (1988-2002), where she worked as general manager, a position she also held at DHL Express Iberia (2002-2004).

She is currently the chairwoman of Addvalia Capital and Perth Espacio y Orden, as well as sitting on the boards of several companies, including One Facility Management and Baztango.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



Jacobo Llanza Figueroa
DIRECTOR (PROPRIETARY)

A graduate of economic and business science from the University of Paris. Jacobo built his career in investment banking, starting out in 1989 in a number of positions at Banque Indosuez and Bancapital, before going on to create and run AB Asesores Moneda in 1992, an AB Asesores group company. Following the sale of this firm to Morgan Stanley in 1999, he joined Dresdner Kleinwort Wasserstein, where he worked as managing director of equities & derivatives for Latam, Eastern Europe, Africa and the Middle East.

In 2002, he joined Alantra (formerly N+1), where he is currently a Managing Partner, as well as CEO of Alantra Asset Management. He also sits on the board of Tubos Reunidos.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

**4.2 Corporate
governance
bodies**

4.3 Business ethics

4.4 Risk
management

05

About this
report

DIRECTOR PERFORMANCE EVALUATION [102-28]

CIE Automotive is committed to applying the most stringent corporate governance principles in its capacity as a listed company. In 2017, it engaged Evaluación de Consejos, S.L. (hereinafter, EdC) for assistance evaluating its directors' performance in 2017.

By virtue of an agreement entered into on 28 November 2017, EdC administered CIE Automotive's board's performance self-assessment process which it based on the feedback and opinions provided by its members.

The work performed by EdC, in keeping with the agreed-upon scope, consisted of:

- Proposing the methodology for carrying out the engagement.
- Assisting the Appointments and Remuneration Committee (hereinafter, A&RC) in identifying priority lines of initiative.
- Drawing up the proposed questionnaire, which was approved by the A&RC.
- Collecting the questionnaires filled out unanimously and tabulating the results.
- Preparing a report for cross-checking with the A&RC.
- Interacting with the A&RC until approval of the final report. The qualitative report will be presented to the Board of Directors in June 2018, at which time it will also be asked to ratify the action plan deriving from the assessment.

For the purposes of understanding the numerical significance of the results obtained it should be noted that each question has been quantified as follows:

1. Narrow or marginal room for improvement.
2. Average room for improvement.
3. Significant room for improvement.
4. Substantial improvement required.

With the information received, an average is calculated for each of the aspects evaluated to reflect the degree of room for improvement perceived by the directors of CIE Automotive, also factoring in standard deviations in the responses with the idea of drawing a picture of the consensus running through the individual perceptions.

The dimensions prioritised by the Board of Directors for its in-depth analysis in 2017 were the following:

- Risk management.
- Succession planning.
- Ethics, CSR and communication.
- Board functioning.
- Board composition and director skills.
- Bylaw-stipulated roles.
- Composition and operational effectiveness of the committees.
- Individual contributions.

In general terms, the aggregate quantitative results demonstrate a reasonable level of satisfaction with how the Board of Directors is functioning. The measure approximating the aggregate room for improvement across all areas is 1.54. This figure is reportedly better than the average at comparable companies, which ranges between 1.75 and 2.

CONFLICTS OF INTEREST [102-25]

The Company's directors were not party to any conflicts of interest in 2017.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

4.2.3 Management Board

The Management Board directly oversees management of the operational divisions and coordination with the corporate area with authority across all of CIE Automotive, including the Group's Network Services.

- The defined Corporate Areas are the Internal Audit, Compliance and CSR, Control, Finance, M&A, Investor Relations and R&D areas.
- The mission of the Network Services is to support the Business Units and ensure the application of standard policies across the entire Group. These Services are coordinated directly by the CEO and are IR, IT Systems, Sales, Quality, Purchasing and Process Engineering.

The Management Board meets quarterly and is made up of the heads of the various operational divisions and corporate areas. The heads of the network services participate in the Management Board meetings twice yearly.

REMUNERATION POLICY [102-35]

Director remuneration seeks to reward the levels of commitment and responsibility assumed by the members of the Board of Directors with respect to the Company and is determined on the basis of the duties and dedication intrinsic to the positions each director holds.

Pursuant to article 24 of the Bylaws, director remuneration consists of a fixed annual sum paid in cash to all members of the board. In addition, certain members may also receive a bonus, in cash, tied to objective indicators related with individual director target delivery as well as the Company's performance. They also receive meeting attendance fees, which include the opportune insurance cover. Article 15 of the Board Regulations empowers the Appointments and Remuneration Committee to make proposals regarding director remuneration.

For further information on director remuneration, refer to the Annual Report on Director Remuneration.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

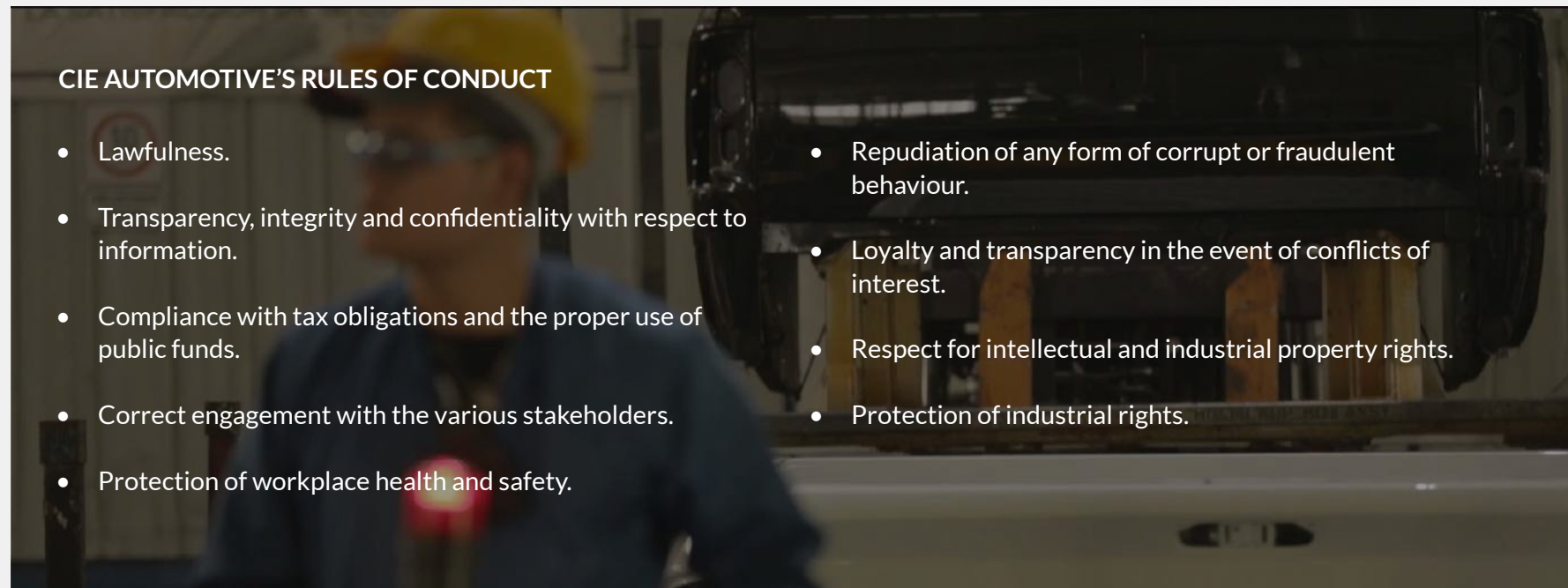
4.3

Business ethics

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

Beyond stringent compliance with prevailing legislation, CIE Automotive builds ethical conduct and the effective implementation of its **corporate values** into all of its activities by means of a body of internal rules and regulations, most important among which its Internal **Code of Professional Conduct**.

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



CIE AUTOMOTIVE'S RULES OF CONDUCT

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

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report



CORPORATE POLICIES

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

More information about the Company's corporate policies.

Responsibility for oversight of due compliance with the Code of Conduct and the various emanating corporate policies is vested in the Corporate Social Responsibility Committee, which reports to the Board of Directors.

This Committee in turn delegates the task of overseeing compliance with the law in all of the Group's operating markets and with the body of ethics rules created by CIE Automotive in the Compliance Department.

WHISTLE-BLOWING CHANNEL

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

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

In 2017, CIE Automotive received 11 complaints through this channel. In all instances, the opportune actions were taken to analyse, monitor and remedy or close the cases. One of these cases was related with discrimination and another with corruption in the purchasing area. In the latter instance, the employee in question was fired.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

4.4

Risk management

[102-15, 102-29, 102-30]

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

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

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

The RMS is based on the following main principles:

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





4.4.1 Risk map

Each year, the Company's senior executives and management team are responsible for drawing up the risk map, which derives from the RMS, and evaluating the risks identified:

- From the standpoint of residual risk: considering the controls already in place at CIE Automotive in order to mitigate the potential impact of their materialisation;
- Based on the probability of occurrence (past and future) and impact (along three dimensions: economic, organisational and reputational).

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

The result of the risk assessment exercise undertaken in 2017 confirmed that the risk map is aligned with CIE Automotive's strategy and evidences the effectiveness of the internal control system in the business arena as none of the key risks identified materialised during the year.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

HEATMAP OF KEY RISKS



Risks with medium probability of occurrence and significant potential impact

Management of M&A-led growth

This is a crucial consideration and is directly related to the Company's strategy. The current pace of organisational growth implies far-reaching revision of the management model. In response to this reality, CIE Automotive has been going to lengths in recent years to embed its business model and corporate culture at its newly-acquired investees.

Human skills to enable growth

Directly related with the last risk factor, CIE Automotive faces the major challenge of managing its current pace of growth, which is why it is working hard on enhancing and developing its most important asset: its people. As a result it has improved the working conditions of its existing team, conditions that are in turn proving effective in attracting new talent to the organisation.

Succession plan for key management personnel & Training and promotion policy

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



Risks with medium probability of occurrence and low potential impact

Concentration of decision-making power and managerial responsibility

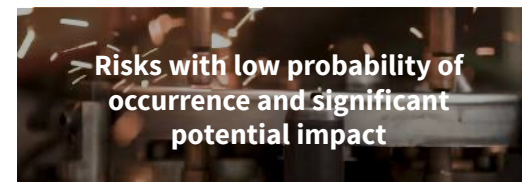
The growth in the Group's various businesses and markets, coupled with the existing management model, could lead to the concentration of responsibility and decision-making power in a reduced number of professionals, a development that could ultimately constrain the correct management of the business. Nevertheless, the results being delivered by the senior executives and management team demonstrate that the current decision-making model is working properly.

Tax risk

CIE Automotive promotes responsible tax practices, taking into consideration the interests and sustainable economic development of the communities it operates in, overseeing due application of best tax practices and in line with the objective laid down in its 2016-2020 Business Plan of increasing transparency. All of this is evident in the corporate tax policy approved by the Board of Directors in December 2015 and the revised Group tax strategy approved at the board level in December 2017.

Cybersecurity

A security failure in the IT systems would have immediate repercussions for the entire firm and affect its ability to function **business as usual**. Regulations are being tightened (with the new General Data Protection Regulation due to take effect in Europe in May 2018) and the penalties for potential breaches are significant enough to have a very material impact on the Company's earnings. As a result, CIE Automotive is working hard to fine-tune its IT systems and provide continuous training to system users in order to prevent risks of this nature from materialising to the extent possible.



Risks with low probability of occurrence and significant potential impact

Compliance with the Code of Conduct

Responsibility for CIE Automotive's whistle-blowing channel lies with the Corporate Social Responsibility Committee. It is jointly managed by the HR, Compliance and Legal Affairs Departments and permits any Group employee to present complaints about matters related to code of conduct breaches. The organisation completed the process of distributing the Code globally and having it acknowledged by all employees in 2016 and 2017.

Reputation risk

The Group's relationship with its stakeholders may be affected by adverse comments about CIE Automotive in the media (whether the press, the social media, financial reports, etc.) with the potential to significantly impact the intangible asset that is none other than the image and credibility built up as a result of its track record and good corporate citizenship. Against this backdrop, CIE Automotive has reinforced its marketing and communication strategy and bolstered the channels for communicating openly with its stakeholders in order to mitigate and/or eliminate the risk associated with not being able to respond immediately and categorically to potential accusations.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

EMBEDDING THE RISK MODEL AT THE FACTORY LEVEL

In keeping with CIE Automotive's RMS methodology and the outcome of the materiality assessment conducted with its stakeholders, CIE Automotive has defined a regime, which is global in scope, for systematically assessing and prioritising risks at the manufacturing plant level.

This exercise involves the full management team at each productive facility and will follow the recently modified 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, will become just another objective to be considered within each facility's management plan.

It is also worth noting that CIE Automotive's 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.

Note that the latter has recently been made a mandatory requirement for ISO 9001, ISO 14001 and IATF 16949 certification.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

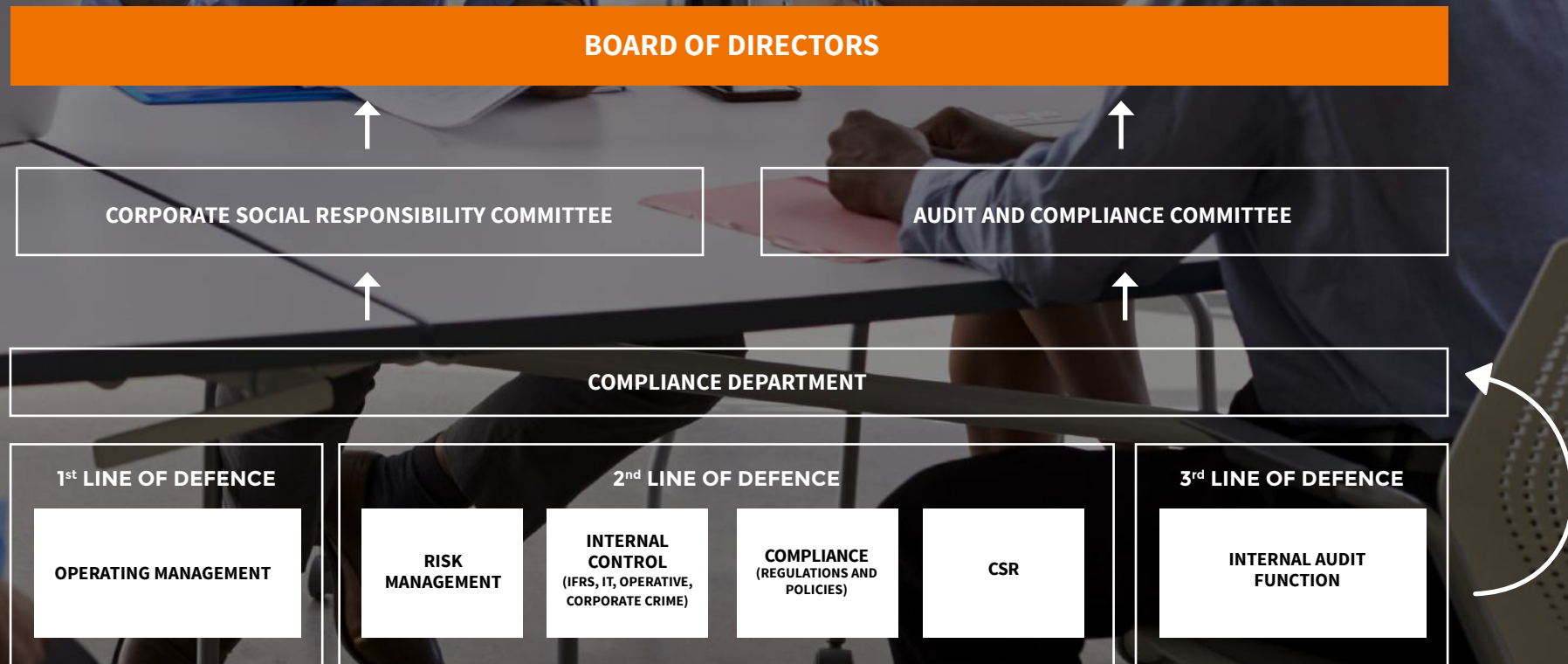
05

About this
report



4.4.2 Internal control systems

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



01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

1° LINE OF DEFENCE

- **Operational management:** the senior executives and management teams are responsible for assessing, controlling and mitigating risks and implementing effective controls across all of CIE Automotive's productive facilities.

2° LINE OF DEFENCE

- **Internal control, risk management, compliance and CSR functions:** mandated to the Compliance Department, this line of defence facilitates and supervises implementation of internal control and risk management practices by the operating management teams.

Below is a list of the CIE Automotive's key processes, including those related to period-end closings, for which risk matrices and controls have been defined:

1. Period-end closings, consolidation and reporting
2. Property, plant and equipment
3. Financial assets and liabilities
4. Stock management
5. Revenue | Trade receivables
6. Treasury
7. Provisions
8. Procurement | Trade payables
9. Human resources
10. Tax

CSR-related initiatives are also coordinated at this level.

Supervision and compilation of the required information is performed by means of manual and automated controls using the Process Control module of the Group's SAP GRC tool.

3° LINE OF DEFENCE

- **Internal audit:** this function provides the governing bodies with assurance regarding the effectiveness of the internal control and risk management systems and the manner in which the first and second lines of defence are functioning. The internal audit function reports to the Compliance Department.

Audit coordination and compilation is performed using the Audit Management module of the Group's SAP GRC tool.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

GLOBAL INTERNAL CONTROL OVERSIGHT TOOL

As of 31 December 2017, all CIE Automotive factories had an IT tool for ensuring performance of the internal controls designed to eliminate or at least mitigate the identified risks that could jeopardise the objectives laid down in the 2016-2020 Business Plan. This tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability.

SAP GRC comes with different modules:

- **Process Control:** the integrated management of the control and compliance processes under the various regulatory frameworks (ICFR, ISO and white collar crime prevention).
- **Risk Management:** risk management using benchmark models
- **Audit Management:** coordination of an annual internal audit plan covering all divisions and regions.
- **Fraud Management:** early detection of fraud (this module is still at the pilot test phase at the organisation).

Thanks to this new integrated suite, CIE Automotive is capable of supervising delivery of over 60 controls for every automotive factory.

CORPORATE CRIME PREVENTION MODEL

In 2017, CIE Automotive consolidated the corporate crime prevention model approved in 2015.

The project was executed in three stages between 2016 and 2017:

- **Stage 1:**

Preliminary identification of the corporate crime risk factors. Nineteen white collar crime risks intrinsic to CIE Automotive's everyday activities were identified and analysed.

- **Stage 2:**

Identification of the existing controls over the various processes, detecting weaknesses for corporate crime risk prevention purposes. It was determined that the internal control system put in place by CIE Automotive, articulated around the SAP GRC suite (with around 150 existing controls), working correctly, is sufficient to reasonably mitigate the corporate crime risks identified.

- **Stage 3:**

Proposed actions for delivering a sufficient level of control and formulating the corporate crime prevention manual. To assess the importance and vulnerability of each of the corporate crime risks to which CIE Automotive is exposed, the following variables were considered:

a) Importance: each corporate crime risk was evaluated as function of its impact and probability.

b) Vulnerability: for each corporate crime risk, as a function of the existence of controls or otherwise, the sufficiency of the controls and the existence of historical events related with each risk were assessed.

The SAP GRC suite will be used to ensure the prevention model works as intended. Moreover, there is a **Support Unit** with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Corporate Crime Prevention Model.

IMPROVING INDICATORS

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

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

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

4.1 Corporate
governance model

4.2 Corporate
governance
bodies

4.3 Business ethics

4.4 Risk
management

05

About this
report

5

About this report

5.1 Methodology

5.2 Contact details

5.3 Sustainable Development Goals

5.4 GRI indicators

5.5 External assurance

5.1

Methodology

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

CIE Automotive's 2017 Integrated Report provides comprehensive information about the **CIE Automotive Group's financial and earnings** performance and the **automotive business's** performance along **environmental, social and environmental** (ESG) dimensions over the course of the year.

The financial information provided encompasses the CIE Automotive Group's activity in all of the countries in which it operates. However, this year the explanations focus on the automotive business, the Group's core business, as its Smart Innovation subsidiary, Dominion, is a listed company which publishes its own annual report. As for the social and environmental dimensions (non-financial information), the scope of the report is limited to the automotive business, providing information for the 17 countries in which the Company operates.

The non-financial information, which is independently assured, is based on the GRI Guidelines published in 2016, an updated version of the G4 Guidelines; the 'in-accordance' option is 'Core'.

The drafting of the report also took into consideration compliance with the principles established in AA1000 AccountAbility Principles Standard (2008).

For more 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, Annual Corporate Governance Reports and Annual Reports on Board Remuneration, along with all of the presentations published about different aspects of the Group. Some of this information is included in the tabs targeted at specific stakeholder groups.

INFORMATION FLOWS AND DEPARTMENTS INVOLVED

This annual report is the result of the work of the entire firm. Input and oversight was provided by all the heads of the various departments and areas comprising CIE Automotive.

The Compliance Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group CSR Committee and the Management Corporate Control, Finance, Treasury and R&D Departments.

HOW THE REPORT WAS PREPARED

Before drawing up this report, CIE Automotive, with the help of an independent expert (Deloitte), conducted a materiality assessment, reaching out to its stakeholders to identify the matters they believe it is imperative the Company address.

Throughout the entire process of collecting and presenting its information, CIE Automotive bears in mind the principles of transparency, materiality, comparability, timeliness, clarity and reliability needed to assure the quality of the information reported. The review was undertaken by the independent consultancy firm PricewaterhouseCoopers, the same entity that audits the Group's financial statements. The Audit and Compliance Committee is the body tasked with ensuring the independence of the external reviewer.

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.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

- 5.1 Methodology
- 5.2 Contact details
- 5.3 Sustainable Development Goals
- 5.4 GRI indicators
- 5.5 External assurance

5.2

Contract details

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

SPECIFIC COMMUNICATION CHANNELS FOR EACH STAKEHOLDER GROUP

- **CSR and Society:** Susana Molinuevo
csr@cieautomotive.com
- **Professionals:** Javier Álvarez
hr@cieautomotive.com
- **Investor relations and business partners:** Lorea Aristizabal
ir@cieautomotive.com
- **Customers and sector:** Mikel Orbegozo
sales@cieautomotive.com
- **Supply chain:** Irache Pardo
purchasing@cieautomotive.com
- **Financiers:** Zenón Vazquez
finance@cieautomotive.com
- **Public Administrations:**
compliance@cieautomotive.com

Name	CIE Automotive S.A.
Registered office	Alameda Mazarredo, 69 - 8º, 48009 Bilbao, (Bizkaia)
Telephone number	España (+34) 946 054 835
Website	www.cieautomotive.com
Share capital	€32,250,000
No. of shares	129,000,000
Par value	€0.25/share
Business activity	<ul style="list-style-type: none">• Manufacture of automotive components, above all• Smart Innovation (through its subsidiary, Dominion)
Markets	The CIE Automotive Group is present in 41 countries and its shares are listed on the Bilbao, Madrid and Bombay stock exchanges.

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.3 Sustainable Development Goals

As a member of the United Nations Global Compact, not only does CIE Automotive respect the UN's 10 universal principles covering fundamental human and labour rights, environment conservation and the need to fight corruption and fraud, it has also pledged to contribute to sustainable development by upholding the 17 Sustainable Development Goals (SDGs) at the heart of the 2030 Agenda for Sustainable Development.



01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology

5.2 Contact details

5.3 Sustainable
Development
Goals

5.4 GRI indicators

5.5 External
assurance

In this report, CIE Automotive provides an account of the progress made on seven of these SDGs: 2, 3, 4, 8, 9, 12 & 17

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology

5.2 Contact details

5.3 Sustainable
Development
Goals

5.4 GRI indicators

5.5 External
assurance



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

3.8 Community



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

3.3.2 Health and safety



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

3.8 Community



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

3.3 The team



9. Industrialisation, innovation and infrastructure.
Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

3.5 Innovation and technology



12. Responsible consumption and production.
Ensure sustainable consumption and production patterns

2.1 Identity and commitment
3.1 CSR management
3.7 Environmental management



17. Partnerships to deliver goals.
Strengthen the means of implementation and revitalise the global partnership for sustainable development.

3.1 CSR management
3.5 Innovation and technology
3.8 Community

5.4 GRI Indicators [102-55]

Organizational profile

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-1 Name of the organization	No	5.2 Contact details	130
	102-2 Activities, brands, products, and services	No	2.2.3 Multi-technology	29
			3.5 Innovation and technology 5.2 Contact details	72 130
	102-3 Location of headquarters	No	5.2 Contact details	130
	102-4 Location of operations	No	2.2 Business model	24
	102-5 Ownership and legal form	No	5.2 Contact details	130
	102-6 Markets served	No	2.2 Business model	24
	102-7 Scale of the organization	No	1.2.2 Earnings performance	9
			1.2.3 Key non-financial indicators	15
	102-8 Information on employees and other workers	Yes	1.2.3 Key non-financial indicators	15, 16
			3.3 The team	53, 54
	102-9 Supply chain	No	3.6 Supply chain	78
	102-10 Significant changes to the organization and its supply chain	No	3.6 Supply chain	78
102-12 Iniciativas externas	No	3.1 CSR management	45	
102-12 External initiatives	No	3.8 Community	97	

Strategy

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-14 Statement from senior decision-maker	No	1.1 Chairman and CEO's statement	4
	102-15 Key impacts, risks, and opportunities	No	4.4 Risk management	121

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

Ethics and integrity

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-16 Values, principles, standards, and norms of behavior	Yes	2.1 Identity and commitment 4.3 Business ethics	21 119
	102-17 Mechanisms for advice and concerns about ethics	Yes	2.4 Stakeholder engagement 4.3 Business ethics	38, 39 119

Governance

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-18 Governance structure	Yes	3.1 CSR Management	45
			3.1.1. How CSR works at CIE Automotive and who is responsible for it	47
			4.2 Corporate governance bodies	106
			4.2.2. Board of Directors	107
	102-19 Delegating authority	No	3.1.1 How CSR works at CIE Automotive and who is responsible for it	47
	102-20 Executive-level responsibility for economic, environmental, and social topics	No	3.1.1 How CSR works at CIE Automotive and who is responsible for it 5.2 Contact details	47 130
	102-21 Consulting stakeholders on economic, environmental, and social topics	No	2.4.1 Materiality assessment	40
	102-22 Composition of the highest governance body and its committees	No	4.2 Corporate governance bodies	106
	102-23 Chair of the highest governance body	No	4.2.2 Board of Directors	107
	102-24 Nominating and selecting the highest governance body	No	It is up to the shareholders to designate the members of the Board of Directors at the Annual General Meeting, although the Board does have the power to appoint directors by co-option in the event of vacancies. The latter procedure is regulated in article 23 of the Board Regulations.	-

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-25 Conflicts of interest	No	4.2.2 Board of Directors 4.3 Business ethics	117 119
	102-26 Role of highest governance body in setting purpose, values, and strategy	No	4.2.2 Board of Directors	107
	102-27 Collective knowledge of highest governance body	No	4.2.2 Board of Directors 3.1.1 How CSR works at CIE Automotive and who is responsible for it	107 47
	102-28 Evaluating the highest governance body's performance	No	4.2.2 Board of Directors	117
	102-29 Identifying and managing economic, environmental, and social impacts	No	4.4 Risk management	121
	102-30 Effectiveness of risk management processes	Yes	4.4 Risk management	121
	102-31 Review of economic, environmental, and social topics	No	2.4.1 Materiality assessment 3. Our commitments	40 45
	102-32 Highest governance body's role in sustainability reporting	No	3.1.1 How CSR works at CIE Automotive and who is responsible for it	47
	102-33 Communicating critical concerns	No	4.3 Business ethics	119
	102-34 Naturaleza y número total de preocupaciones éticas	No	4.3 Business ethics	119
	102-35 Remuneration policies	No	4.2.2 Management Board	118

Stakeholder engagement

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-40 List of stakeholder groups	No	2.4 Stakeholder engagement	38
	102-41 Collective bargaining agreements	No	3.3 The team	53

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-42 Identifying and selecting stakeholders	No	2.4 Stakeholder engagement	38
	102-43 Approach to stakeholder engagement	No	2.4 Stakeholder engagement	38
	102-44 Key topics and concerns raised	No	2.4.1 Materiality assessment	40

Reporting practice

GRI Standard	Disclosure	External assurance	Section	Page
GRI 102: General Disclosure	102-45 Entities included in the consolidated financial statements	No	Consolidated Annual Accounts 2017	-
	102-46 Defining report content and topic Boundaries	No	2.4.1 Materiality assessment 5.1 Methodology	40 129
	102-47 List of material topics	Yes	2.4.1 Materiality assessment	40
	102-48 Restatements of information	No	5.1 Methodology	129
	102-49 Changes in reporting	No	5.1 Methodology	129
	102-50 Reporting period	No	5.1 Methodology	129
	102-51 Date of most recent report	No	5.1 Methodology	129
	102-52 Reporting cycle	No	5.1 Methodology	129
	102-53 Contact point for questions regarding the report	No	5.2 Contact details	130
	102-54 Claims of reporting in accordance with the GRI Standards	No	5.1 Methodology	129
	102-55 GRI content index	No	5.4 GRI indicators	133
	102-56 Verificación externa	No	5.5 External assurance	141

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

Material topics

GRI Standard	Disclosure	External assurance	Section	Page
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	No	2.4.1 Materiality assessment	40
			3.3 The team	53
			3.3.2 Health and safety	62
	103-2 The management approach and its components	No	3.6 Supply chain	78
			3.6.2 Supply chain: labour and environmental considerations	85
			3.7 Environmental management	87
	103-3 Evaluation of the management approach	No	3.8 Community	97
			4. Corporate governance	103
			4.3 Business ethics	119

Economic performance

GRI Standard	Disclosure	External assurance	Section	Page
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	No	1.2.3 Key non-financial indicators	15
GRI 202: Market Presence	202-1: Ratios of standard entry level wage by gender compared to local minimum wage	Yes	3.1 CSR Management	45
			3.3 The team	53
GRI 203: Indirect Economic Impacts	203-1: Infrastructure investments and services supported	No	2.2.4 Investment discipline 3.6 Supply chain	29 78
	203-2: Significant indirect economic impacts	No	3.8 Community	97
GRI 204: Procurement Practices	204-1: Proportion of spending on local suppliers	Yes	3.6 Supply chain	78
GRI 205: Anti-corruption	205-2: Communication and training about anti-corruption policies and procedures	Yes	3.1 CSR management	45
			4.3 Business ethics	119
	205-3: Confirmed incidents of corruption and actions taken	Yes	4.3 Business ethics	119

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

Environmental performance

GRI Standard	Disclosure	External assurance	Section	Page
GRI 301: Materials	301-1: Materials used by weight or volume	No	3.7.1 Consumption of water and material resources	90
	301-2: Recycled input materials used	No	3.7.1 Consumption of water and material resources	90
GRI 302: Energy	302-1: Energy consumption within the organization	Yes	3.7.3 Energy efficiency and emissions	92
	302-3: Energy intensity	No	3.7.3 Energy efficiency and emissions	92
GRI 303: Water	303-1: Water withdrawal by source	No	3.7.1 Consumption of water and material resources	92
	303-3: Water recycled and reused	No	3.7.1 Consumption of water and material resources	90
GRI 305: Emissions	305-1: Direct (Scope 1) GHG emissions	No	3.7.3 Energy efficiency and emissions	90
	305-2: Energy indirect (Scope 2) GHG emissions	No	3.7.3 Energy efficiency and emissions	92
	305-3: Other indirect (Scope 3) GHG emissions	No	3.7.3 Energy efficiency and emissions	92
	305-4: GHG emissions intensity	No	3.7.3 Energy efficiency and emissions	92
	305-5: Reduction of GHG emissions	No	3.7.3 Energy efficiency and emissions	92
GRI 306: Effluents and Waste	306-1: Water discharge by quality and destination	No	3.7.2 Waste, discharges and emissions management	92
	306-2: Waste by type and disposal method	No	3.7.2 Waste, discharges and emissions management	92
	306-3: Significant spills	No	3.7.2 Waste, discharges and emissions management	92
	306-4: Transport of hazardous waste	No	3.7.2 Waste, discharges and emissions management	92
GRI 307: Environmental Compliance	307-1: Non-compliance with environmental laws and regulations	Yes	3.7 Environmental management	87
			4.1 Corporate governance model	104
GRI 308: Supplier Environmental Assessment	308-1: New suppliers that were screened using environmental criteria	Yes	3.6.2 Supply chain: labour and environmental considerations	85

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

Social performance

GRI Standard	Disclosure	External assurance	Section	Page
GRI 401: Employment	401-1: New employee hires and employee turnover	Yes	3.3 The team	53, 54
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	No	No benefits are provided to full-time employees that are not provided to temporary or part-time employees.	-
	401-3: Parental leave	No	3.3 The team	55
GRI 403: Occupational Health and Safety	403-1: Workers representation in formal joint management-worker health and safety committees	No	3.3 The team	58
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Yes	1.2.3 Key non-financial indicators	15, 16
			3.3 The team	55
			3.3.2 Health and safety	62, 63
403-4: Health and safety topics covered in formal agreements with trade unions	No	3.3 The team	57	
GRI 404: Training and Education	404-1: Average hours of training per year per employee	Yes	3.3.1 Career development	59, 61
	404-2: Programs for upgrading employee skills and transition assistance programs	Yes	3.3.1 Career development	59, 61
	404-3: Workers with high incidence or high risk of diseases related to their occupation	No	3.3.1 Career development	61
GRI 405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees	No	4.2.2 Board of Directors	109
	405-2: Ratio of basic salary and remuneration of women to men	No	3.3 The team	55
GRI 406: Non-discrimination	406-1: Incidents of discrimination and corrective actions taken	No	4.3 Business ethics	119
GRI 408: Child Labor	408-1: Operations and suppliers at significant risk for incidents of child labor	No	3.3 The team	57

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.4 GRI Indicators [102-55]

GRI Standard	Disclosure	External assurance	Section	Page
GRI 409: Forced or Compulsory Labor	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	No	3.3 The team	57
GRI 412: Human Rights Assessment	412-1: Operations that have been subject to human rights reviews or impact assessments	Yes	3.3 The team	53, 57
	412-2: Employee training on human rights policies or procedures	Yes	3.1 CSR Management 3.3 The team	45 59
GRI 413: Local Communities	413-1: Operations with local community engagement, impact assessments, and development programs	No	3.8 Community	97
GRI 414: Supplier Social Assessment	414-1: New suppliers that were screened using social criteria	Yes	3.6.2 Supply chain: labour and environmental considerations	85
GRI 415: Public Policy	415-1: Political contributions	No	3.8 Community	101
GRI 419: Socioeconomic Compliance	419-1: Non-compliance with laws and regulations in the social and economic area	Yes	4.1 Corporate governance model	104

01

2017
in review

02

Who we are

03

Our
commitments

04

Corporate
governance

05

About this
report

5.1 Methodology
5.2 Contact details
5.3 Sustainable
Development
Goals
5.4 GRI indicators
5.5 External
assurance

5.5 External assurance

[102-56]



*Free translation from the original in Spanish.
In the event of a discrepancy, the Spanish language version prevails*

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS

To the Management of CIE Automotive S.A.,

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators 102-08, 102-16, 102-17, 102-18, 102-30, 102-47, 202-1, 204-1, 205-2, 205-3, 302-1, 307-1, 308-1, 401-1, 403-2, 404-1, 404-2, 412-1, 412-2, 414-1 y 419-1, contained as part of the GRI Indicators table of the 2017 Annual Report (hereinafter "CSR Indicators") of CIE Automotive S.A. and its subsidiary companies (hereinafter "CIE Automotive"), for the year ended 31st December 2017, prepared in accordance with the general basic and specific content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards). The scope of the CSR Indicators is limited to information about the Automotive business.

Responsibility of the Management

The Management of CIE Automotive is responsible for the preparation, content and presentation of the Annual Report in accordance with the Core option of the GRI Standards. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

The Management of CIE Automotive is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with CIE Automotive's personnel from various departments who have been involved in the preparation of the 2017 Annual Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

- Analysis of the CIE Automotive's CSR indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports.

- Verification, through random sampling tests revisions, internal control tests and substantive tests on the quantitative and qualitative information used to determine CIE Automotive's CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by CIE Automotive's sources of information.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that CIE Automotive's CSR indicators about the Automotive business 102-08, 102-16, 102-17, 102-18, 102-30, 102-47, 202-1, 204-1, 205-2, 205-3, 302-1, 307-1, 308-1, 401-1, 403-2, 404-1, 404-2, 412-1, 412-2, 414-1 y 419-1, contained as part of the GRI Indicators table of the 2017 Annual Report, for the financial year ended 31st December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards.

Use and Distribution

Our report is only issued to the Management of CIE Automotive, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than CIE Automotive's Management.

PricewaterhouseCoopers Auditores S.L.

Mª Luz Castilla

February 27th, 2018

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CIE Automotive