



# Annual Report 2019



*CIE Automotive*



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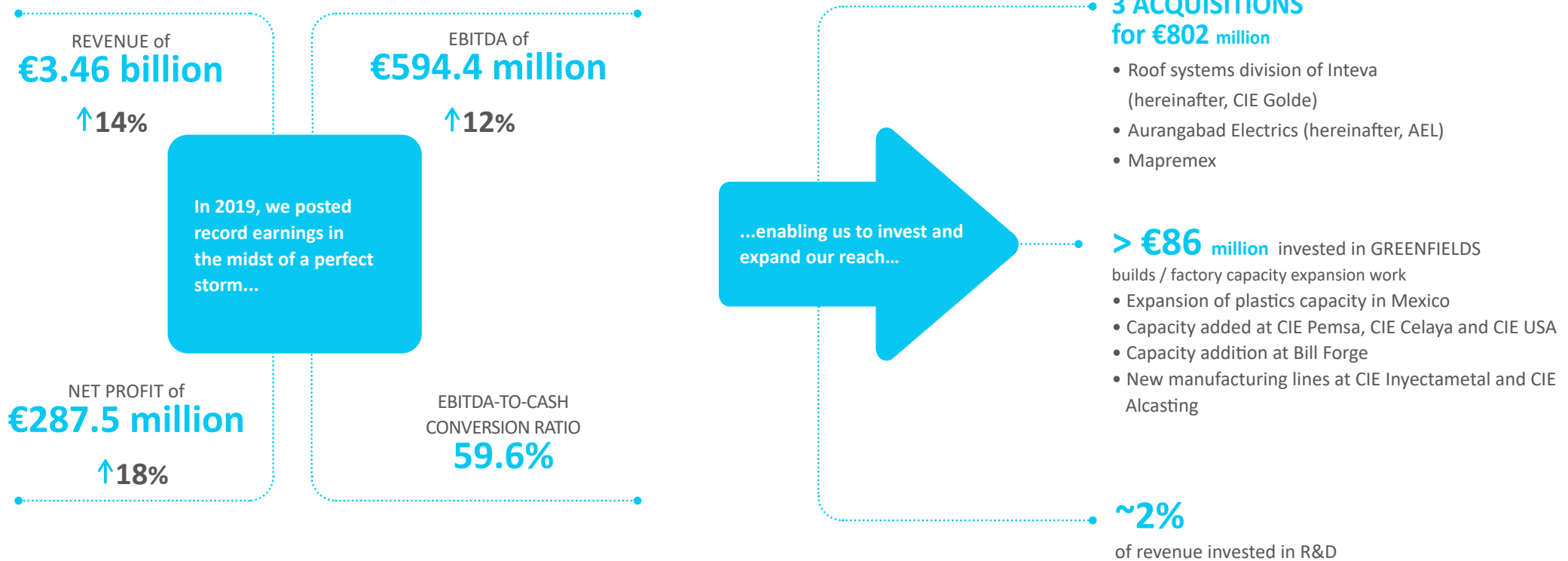
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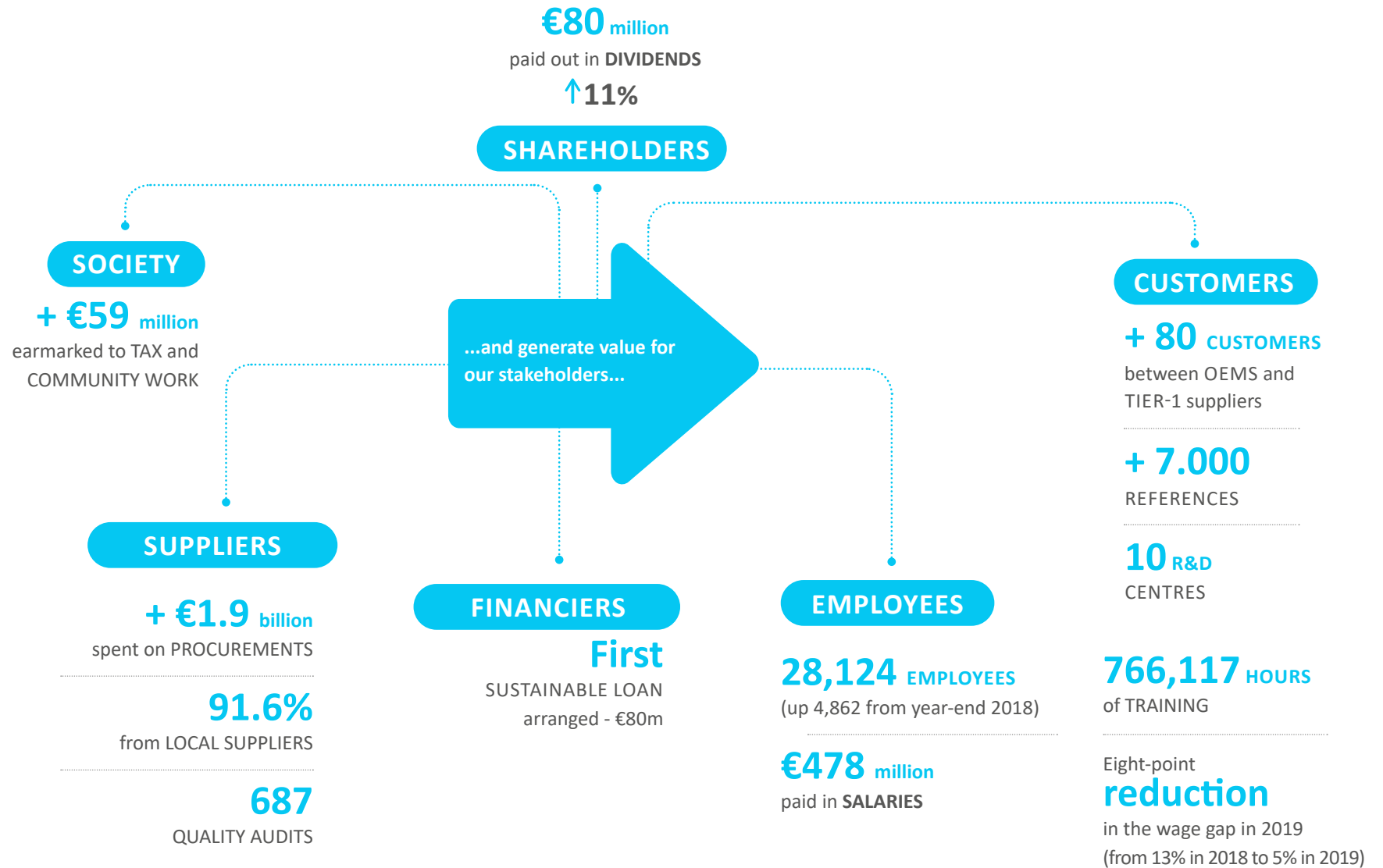
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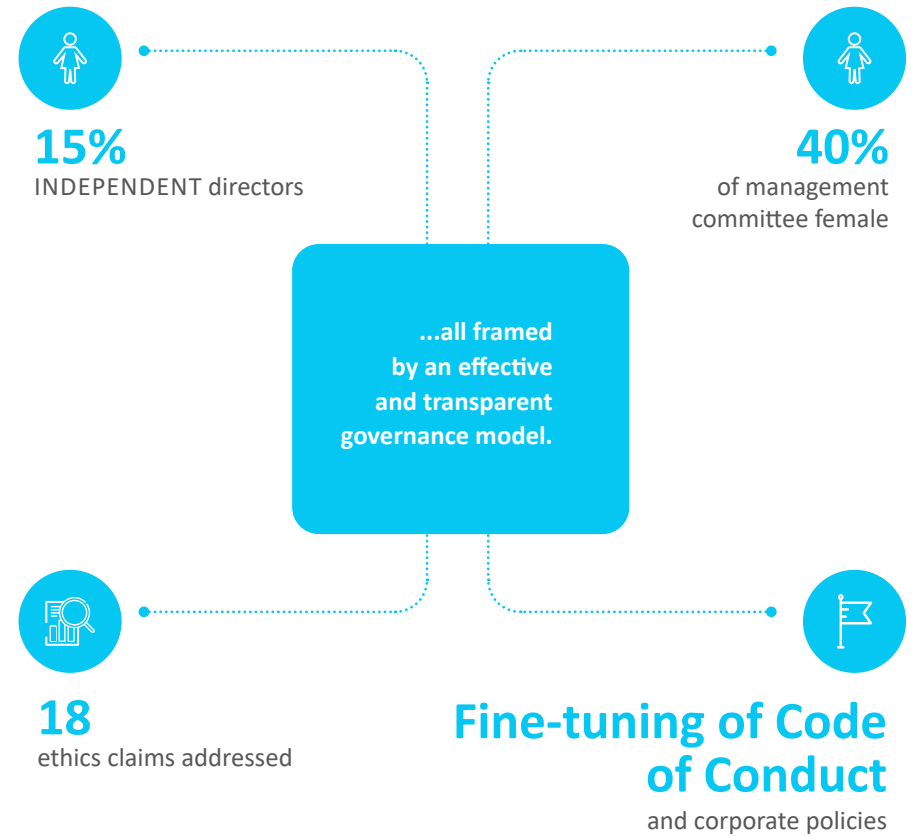
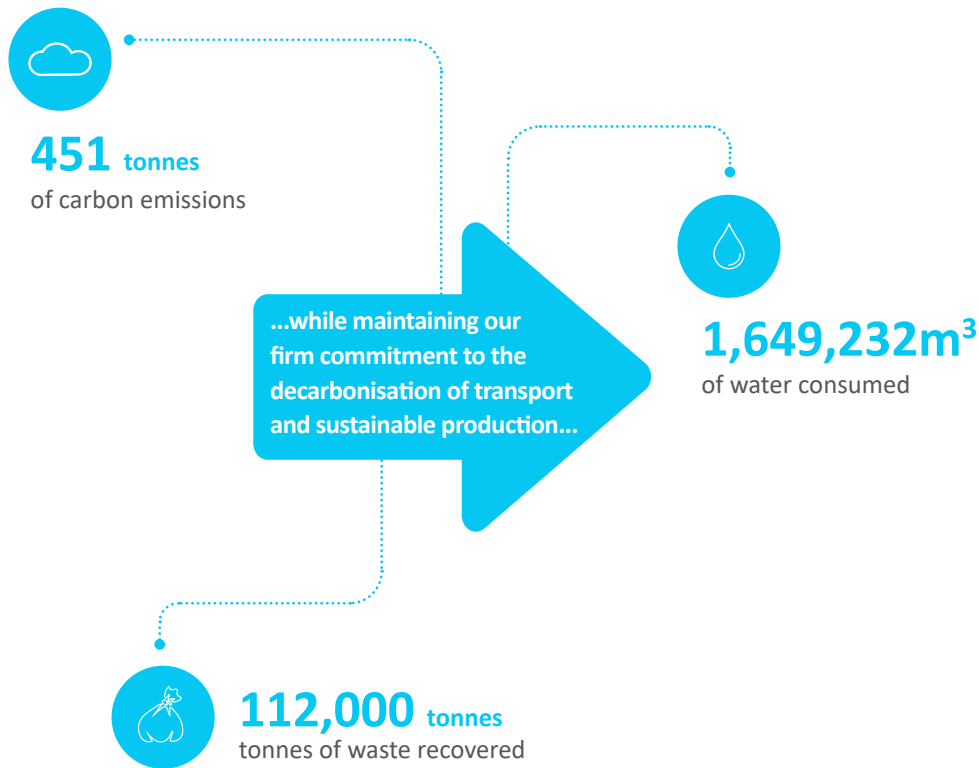
# The year in figures

CIE Automotive demonstrated its reliability and resilience throughout 2019, a year marked by a complex economic and sector environment. Its geographic, technological and customer diversification, its ability to adapt to and innovate in response to evolving market trends and its strict financial and investment discipline enabled it to continue to post healthy growth and margins and deliver its 2016-2020 Business Plan targets one year ahead of schedule. As a socially responsible firm, it has achieved these economic milestones in tandem with progress on environmental, social and governance issues.











## JANUARY

- Payment of an interim dividend from 2018 profits of €0.31 per share (+11% YoY).



## FEBRUARY

- Supplier Portal rolled out in India, China and Brazil.
- Arrangement struck with AIR France /KLM/DELTA for the offset of the emissions deriving from the group's business travel.



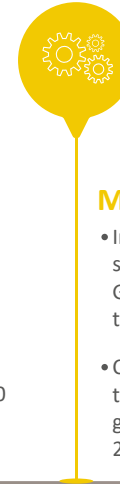
## MARCH

- MCIE announced the acquisition of India's Aurangabad Electricals Limited (AEL), an aluminium injection moulding expert, for €111 million.
- COFIDES, S.A., S.M.E. granted the group a €50 million loan to fund its ongoing growth in Mexico.



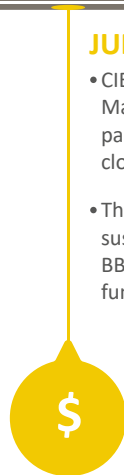
## APRIL

- The syndicated loan was extended by €90 million to €690 million and its maturity pushed back by one year.



## MAY

- Integration of Inteva's roof system division, renamed CIE Golde, one of the world's top-3 roof manufacturers.
- CIE announced at its AGM that it would deliver its 2020 guidance one year early, in 2019.



## JUNE

- CIE announced the acquisition of Mapremex to boost its machined parts capacity in Mexico; the deal closed in September.
- The group arranged its first sustainable loan - of €80m - with BBVA; the proceeds will be used to fund CIE Automotive's capex plan.



## JULY

- Introduction of the CSR workshops at the Indian factories.
- Renewal and expansion of the commercial paper programme from €200 million to €300 million.
- Payment of a final dividend from 2018 profits of €0.31 per share (+11% YoY).
- Revision and publication of the Global Supply Chain Manual and Purchasing Policy.



## SEPTEMBER

- Agreement announced for the acquisition of Somaschini, a company that manufactures gear systems in Italy and the US; the transaction closed in January 2020.
- Introduction of the CSR workshops at all of the Chinese companies, including CIE Golde.



## NOVEMBER

- Global CSR seminars involving suppliers in India, China and Mexico.
- First Supply Chain video launched.
- CIE Automotive spoke at the IFC Global Manufacturing Conference organised by the World Bank's International Finance Corporation.



## DECEMBER

- First supply chain CSR awards given to three Mexican, two Spanish and one German supplier.
- CSR event in Brazil with over 30 participants from all of the Brazilian factories.
- The company announced an interim dividend from 2019 profits of €0.37 per share (+19% YoY).





Improving the driving experience  
through innovation and reliability

# 01 | Statement from the chairman and CEO

Dear friends,

CIE Automotive posted a net profit of €287.5 million in 2019, marking growth of 18% from 2018, evidencing the reliability of its forecasts and its ability to navigate a complex environment, while remaining true to its model of diversification and financial discipline.

Throughout this 2019 Annual Report, we will detail how, thanks to our ability to innovate and adapt to market requirements, we managed to beat our growth record once again, recording topline growth of 14% to €3.46 billion. We will also tell you how we managed to stay in strong financial health while pursuing a dynamic investment policy, and how we have delivered our targets under the 2016-2020 Business Plan one year ahead of schedule.

**WE HAVE DELIVERED  
 OUR 2016-2020  
 BUSINESS PLAN  
 TARGETS ONE YEAR  
 AHEAD OF SCHEDULE**

[102-14]

We will additionally explain the efforts made to share our financial success with our shareholders, customers, employees, suppliers and, in general, the broader community. Here at CIE Automotive, we are not content with operational excellence; we also want to be benchmarks in the environmental, social and governance (ESG) arenas and we want to contribute, to the extent of our abilities, to delivery of the Sustainable Development Goals (SDGs) laid down in the United Nations 2030 Agenda.

CIE Automotive’s financial statements once again reveal substantial growth in the underlying business: EBITDA increased by 12% to €594.4 million, underpinned by the company’s tireless search for continuous improvement, operational efficiency and fixed-cost austerity. Its strong profit margins, coupled with investment discipline and strong finance and tax policies, enabled us to generate cash equivalent to 60% of EBITDA, which translated into net debt of €1.522 billion, a level befitting of our investment vitality.







As you can imagine, it was not easy to meet our ambitious targets in a year of slowing global growth and geopolitical uncertainty, a year in which global vehicle production fell to below 89 million units. To the contrary, we were forced to display tremendous flexibility in order to maintain our rate of growth and high margins in the various regions in which we do business, all of which were affected by problems of different kinds.

Europe was shaped by a year of economic slowdown, the uncertainty sparked

by Brexit, and adaptation to the new emissions standards. The North American market contracted, hurt by downsizing by the US OEMs, the fear of a trade war with China and the General Motors strike. On the other side of the globe, in India, a host of circumstances - a credit crunch, new safety regulations and legal insurance requirements, among others - combined to thwart the market, while China, the world's largest car producer, continued to show signs of lethargy. Fortunately, in the midst of

what appeared to be a perfect storm in the automotive industry, momentum in Brazil remained positive, marked by strong domestic demand, which offset the weakness observed in its main export market: Argentina.

Against this adverse backdrop, we stuck steadfastly to our organic growth strategy which at all times prioritises profitability and cash flow generation. Meanwhile, we took advantage of this period of slower volumes to enhance our operating

efficiency. To that end, we invested €136.8 million in maintaining and modernising our factories.

**WE TOOK ADVANTAGE OF THE OPPORTUNITIES THROWN UP BY *THE MARKET* TO EXPAND OUR FOOTPRINT WITH NEW ADQUISITIONS**

In parallel, we took advantage of the opportunities thrown up by the market to expand our footprint with new acquisitions: the world's third largest roof maker (Inteva's roof system division); Aurangabad Electricals Limited, the leading Indian producer of aluminium injection moulded parts; and Mapremex, a company that will increase our machined parts capacity in Mexico. In addition, in September we reached an agreement for the purchase of Somaschini of Italy, a firm specialised in gearing systems. That transaction closed in January 2020.

The companies integrated in 2019, which entailed an investment of around €802 million, have enabled us to gain market share, improve our positioning in high-volume and high-growth segments and markets and meet our customers' demands for an increasingly sophisticated technology offering.

We are, therefore, readier than ever to tackle the challenges and opportunities emerging in the automotive sector: emission-cutting to combat climate change; new mobility formulae; geopolitical shifts as a result of

growing protectionism and technology developments warranting multi-material solutions.

WE ARE READIER THAN  
**EVER TO TACKLE THE  
 NEW CHALLENGES  
 AND OPPORTUNITIES  
 EMERGING IN THE  
 AUTOMOTIVE  
 SECTOR**

We are aware that the only way to compete is to invest in innovation. To that end we have drawn up a technology roadmap to respond to the trends affecting our diversified customer base, made up of Tier-1 suppliers and OEMs, and to work with them to build the mobility of the future.

Underpinned by those foundations, we expected to continue to generate value for our shareholders, as we have been doing ever since our IPO. During our first full year as a member of Spain's benchmark stock

index, the Ibex-35, we once again paid out one-third of our net profit in dividends - €80 million - which is triple the amount paid out in 2015, fuelled by our earnings growth. Although our share price ended the year at €21.08, the analyst community's consensus target price stands at around €29, a figure more in line with our solid fundamentals and implying upside of over 35%.

In order to carry out our mission, we rely on the joint and coordinated work of our team of more than 28,000 people, to whom we are committed to offering decent working conditions, workplace safety and the training needed to do their jobs. I would like to use this address to thank them for their hard work and to announce the launch in 2020 of our first Corporate Equality and Diversity Plan, with which we aim to make real progress on integration at the firm.

We would also like to thank our suppliers, 91.6% of which are local firms, for their contribution to building our value proposition. In 2019, we sought to facilitate the addition of new suppliers and their management with the global rollout of the

Supplier Portal; in parallel, we stepped up our efforts to guarantee that they uphold our ethics and environmental standards via a range of measures, including the provision of CSR training to our buyer teams in multiple countries.

Along those same lines, we also updated our Code of Conduct and corporate policies, a process for which we reached out to representatives from all of our regions. The result has been to tighten control over fraud and corruption, enable whistle-blowers to report alleged breaches anonymously and enhance personal data protection.

Our commitment to conducting ourselves responsibly extends to society via participation in a range of community work programmes and the payment of taxes, specifically €59 million in 2019, and active membership of a number of sector forums and associations.

On the environmental front, we worked throughout 2019 on our prototype for accurately calculating our carbon footprint and on implementing circular economy



# 01 | Statement from the chairman and CEO



initiatives all along our value chain, reducing raw material, water and energy consumption and waste. In 2020, our aim is to make further progress on the eco-design of our parts and systems in order to facilitate their remanufacture, the use of recycled materials and their subsequent recyclability.

We would like to end this statement by reaffirming our firm commitment to the decarbonisation of transport envisaged in the Paris Agreement. I would like to

underscore the important research effort which CIE Automotive, and the broader auto parts sector in general, has been making to help put increasingly lighter and fuel efficient vehicles onto the market, framed by the tenet that “every gram counts”.

We are committed to continuing to work on this effort in 2020 in order to jointly forge a new paradigm that is more sustainable, fairer and capable of generating wealth for all.



**Antón Pradera**  
Chairman



**Jesús Mª Herrera**  
CEO



Earnings  
reliability

## GOAL

To maintain sustainable and profitable growth and a solid financial position such that we generate long-term value for all of our stakeholders.

## PROGRESS MADE IN 2019

- ✓ Growth and margins considerably above market averages.
- ✓ €86.2 million invested in greenfield factories/capacity expansion work.
- ✓ Acquisitions of CIE Golde, AEL and Mapremex.
- ✓ Arrangement of first sustainable loan.
- ✓ Reduction of the gender wage gap by 8 points, up to 5% compared to 13% in 2018.

CIE Automotive’s revenue increased by 14% in 2019 to €3.46 billion in what was a difficult year for the automotive industry. Global vehicle production contracted by 5.8% as a result of several factors: the slowdown in China, the world’s largest producer; the introduction of new emission standards in several markets, obliging the OEMs to assume heavy investments; and the geopolitical uncertainties that persisted

**CIE AUTOMOTIVE'S  
 REVENUE INCREASED  
 BY 14% TO  
 €3.46 BILLION IN  
 A COMPLEX MARKET  
 ENVIRONMENT**

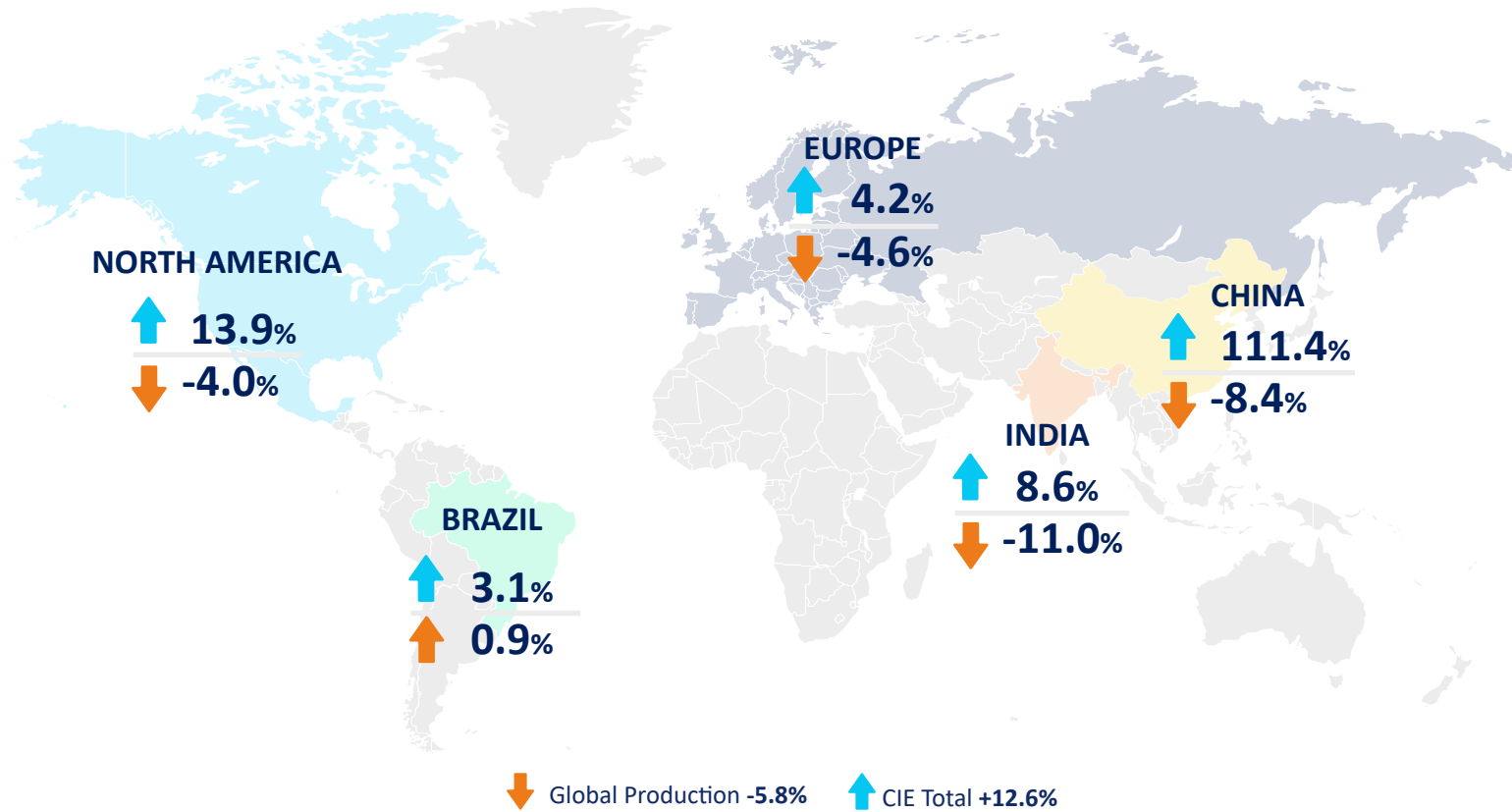
all year long, such as Brexit, renewal of the NAFTA agreement and the threat of a trade war between the US and China.

CIE Automotive completed a new chapter in its profitable growth trajectory in 2019 when it delivered - one year ahead of schedule - its 2016-2020 Business Plan targets. The global slowdown engulfing the car industry did not erode the company’s growth or undermine its net profit, which came in at €287.5, up 18% from 2018. Those record figures were accompanied by strong operating cash flow generation, which in turn enabled the company to continue to invest and bring new firms into the fold (Inteva’s roof system division, AEL and Mapremex), without risking its financial health.





## GROWTH AT CIE AUTOMOTIVE



Source: Motor vehicle production IHS DECEMBER 2019 (12 Months 2019) (growth % in units). Increase in revenue including greenfields and acquisitions, considering same exchange rates.

In that climate of uncertainty, in which many automotive players were obliged to issue profit warnings, CIE Automotive delivered strong growth in EBITDA, of 12% to €594.4 million, and EBIT, of 7% to €427.1 million.

As a result, CIE Automotive saw its net profit rise 18% to €287.5 million.

### NORMALISED EARNINGS PERFORMANCE

€ millions	2018	2019	Chg.%
Revenue	3,029.5	3,461.1	14%
EBITDA (*)	529.0	594.4	12%
EBITDA margin	17.5%	17.2%	
EBIT (*)	399.2	427.1	7%
EBIT margin	13.2%	12.3%	
Net profit (*)	242.8	287.5	18%

(\*) EBITDA: earnings before interest, tax, depreciation and amortisation; EBIT: earnings before interest and tax; Net profit: Profit attributable to owners of the parent



## ■ Capex and acquisitions [102-10]

In recent years, CIE Automotive has been posting vigorous organic growth, driven by sizeable investments and full capacity utilisation. In 2019, the company took advantage of the period of slower organic growth to make its processes more efficient. Specifically, it invested €136.8 million in factory maintenance and €86.2 million in greenfield builds/capacity additions.

In parallel, CIE Automotive continued to increase its footprint through acquisitions. In so doing, it delivered a dual target: responding to market demands and continuing to grow profitably. In 2019, it earmarked around €802 million to acquisitions. Three transactions stand out:

**CIE AUTOMOTIVE  
 MADE SEVERAL  
 SIZEABLE  
 ACQUISITIONS  
 IN 2019**

### INTEVA'S ROOF SYSTEMS DIVISION (CIE GOLDE)

The acquisition of this company, whose name has since been changed to CIE Golde, closed in May 2019, is the largest completed to date. It is the world's third-largest roof maker, a niche in which the top three players enjoy a combined market share of around 85%. It is well positioned in Asia, one of the most promising markets for this segment.

### AURANGABAD ELECTRICALS LIMITED (AEL)

In March, CIE Automotive bought this Indian company, the country's leading producer of injection moulded aluminium parts. This acquisition, undertaken by MCIE, will strengthen the company's presence in the two-wheel segment in Asia and complement its existing offering in that market by providing its customers with a more complete technology range.

### MAQUINADOS DE PRECISIÓN DE MÉXICO (MAPREMEX)

CIE Automotive expanded its capacity for making machined parts with the acquisition of two companies in Mexico, Maquinados de Precisión de México (Mapremex) and Cortes de Precisión de México (Copremex).

Lastly, in September, CIE Automotive announced the acquisition of Somaschini, a deal which closed in January 2020.

With factories in Italy and the US, this merger will help create a top player in gearing systems with a presence in multiple regions - Europe, North America and Asia - and segments - cars, commercial vehicles, tractors, off-road vehicles, etc.

*For additional information about the M&A deals closed, refer to section 3.1. New enterprises added to the fold.*



## ■ Performance by region [102-7]

In 2019, CIE Automotive demonstrated its ability to navigate multiple markets presenting different trajectories. The company lifted or at least maintained its profit margins in all of its geographies on a like-for-like basis compared to 2018. Note that the acquisitions of AEL, CIE Golde and Mapremex diluted margins in Asia, Europe and North America.

That strong margin performance evidences CIE Automotive's ability to adapt flexibly to adverse economic and sector environments. Throughout the year, the company focused on profitable growth, on optimising its profit margins at all of its factories, while sticking with a very strict sales policy of never putting volume over profits.

### REVENUE MIX BY REGION

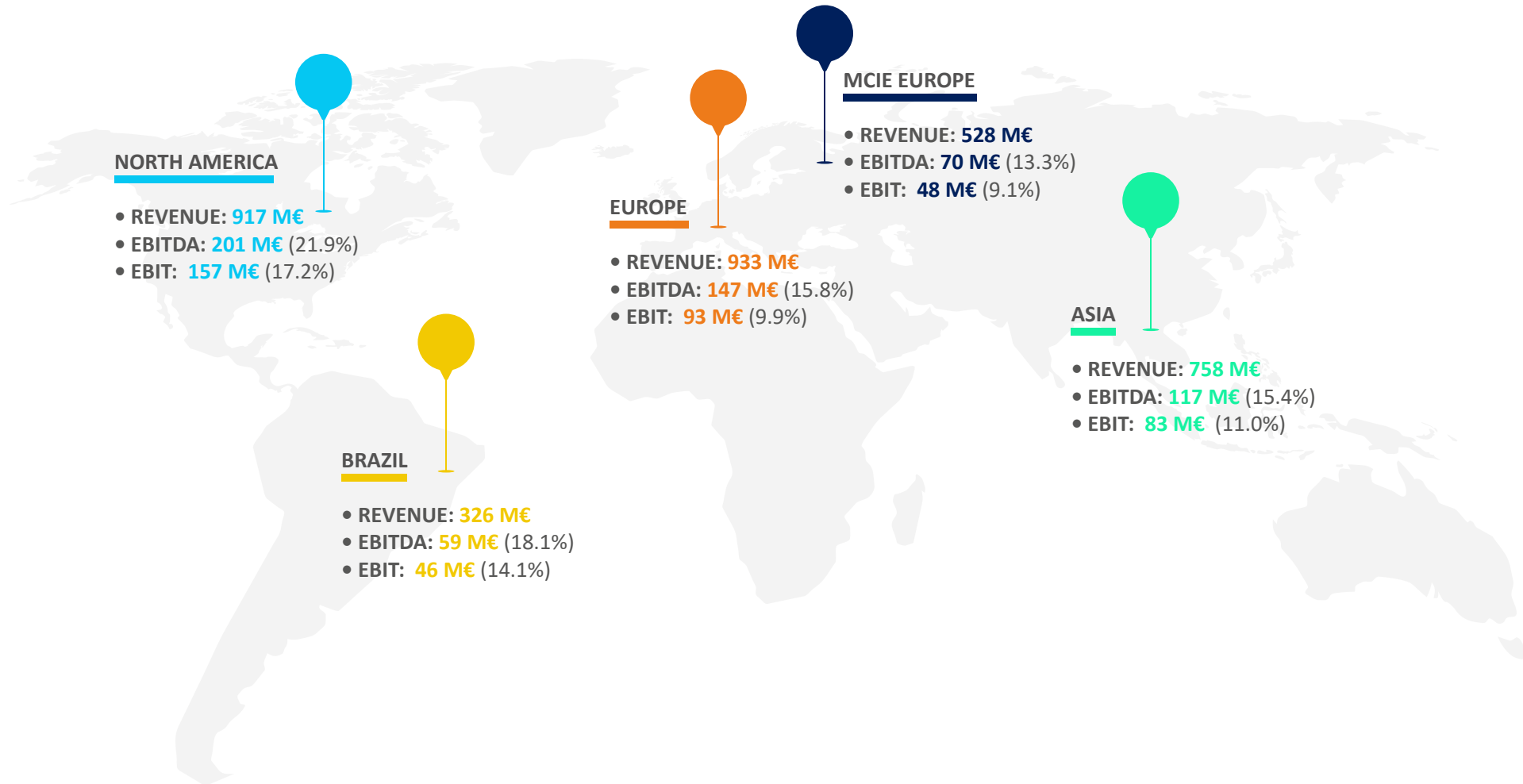


■ EUROPE	26.9%
■ NORTH AMERICA	26.5%
■ ASIA	21.9%
■ MCIE EUROPE	15.3%
■ BRAZIL	9.4%

### EBITDA MIX BY REGION



■ EUROPE	24.8%
■ NORTH AMERICA	33.8%
■ ASIA	19.7%
■ MCIE EUROPE	11.8%
■ BRAZIL	9.9%



### EUROPE

The European market as a whole performed badly in 2019: production contracted by 4.6% compared to 2018, penalised by the economic slowdown affecting the big exporters such as Germany and sources of uncertainty such as Brexit. At CIE Automotive, revenue declined by 3.8% on a like-for-like basis, while reported revenue registered year-on-year growth of 4.2% due to the acquisitions which, elsewhere, diluted margins at the traditional European factories:

- *CIE Automotive's traditional European factories:*  
Exposed to the light-duty vehicle segment, the first half of the year continued to be affected by the adverse effects of the new WLTP procedure; during the second half of the year, however, growth began to recover, buoyed above all by the favourable year-on-year comparison and the pull-forward of sales ahead of entry into effect in 2020 of fines, which had the effect of triggering the destocking of the least efficient models.
- *MCIE European factories:*  
Exposed mainly to the truck segment, these factories were not affected by the new emissions tests; they continued to post strong growth during the initial months of the year, going on to slow later in the year, dragged down by a sharp contraction in this segment.

### NORTH AMERICA

The revenue growth posted by CIE Automotive of 13.9% (1.2% like-for-like) marks a very significant gap with respect to the overall market (made up of the US, Mexico and Canada), which contracted by 4.0%, due mainly to the slowdown in the US (hit hard by the strike at General Motors and focused on destocking and searching for higher quality and margin cars). The uncertainty regarding the renewal of the NAFTA agreement between the three countries also weighed on the sector.

### BRAZIL

CIE Automotive posted like-for-like growth of 3.1%, considerably outperforming the market (0.9%). That topline growth was accompanied by very significant margin expansion, underpinned by supplier concentration in the wake of the crisis. Having shaken off the crisis and the uncertainty sparked by the elections having dissipated, the company tapped into strong pent-up domestic demand. Given that it does not export to Argentina, it was relatively immune from the drop in exports to that market.

### ASIA

CIE Automotive's revenue increased by 8.6% (-12.1% in like-for-like terms) in India, thanks to the acquisition of AEL which, on the downside, had the effect of diluting margins. The Indian market offers huge potential. Circumstantially, it contracted by 11% in 2019 due to a combination of developments: OEM transitioning for the new emission tests; effectiveness of new safety regulations and the issues faced by the country's top two consumer loan providers. All of which exacerbated by electoral uncertainty which took its toll for most of the first half of the year.

As for CIE Automotive's business performance in China, like-for-like revenue declined by 22.0%: the market contracted on the back of the economic slowdown and new emissions standards known as the China 6 requirements. Prior to the CIE Golde acquisition, the group's presence in the Chinese market was small and focused on targeted western customers. Thanks to that acquisition, revenue in China jumped 111.4%.



## Financial situation

CIE Automotive's net debt stood at €1,522.0 million at year-end, compared to €984.2 million at December 2018. That figure implies a leverage ratio of 2.3 times EBITDA, shaped primarily by the recent acquisitions, without which leverage would be approx. 1.4 times.

CIE Automotive's financial health, notwithstanding its heavy investments, is underpinned by its high EBITDA-to-cash conversion ratio, of around 60% in 2019, which has enabled it to self-finance its growth.

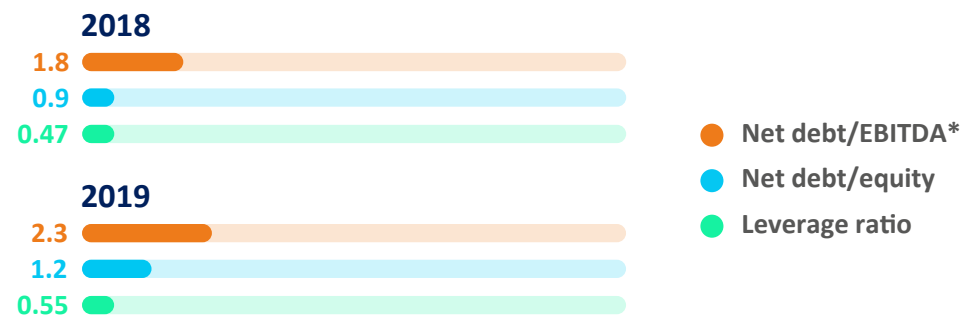
The table below presents the main balance sheet headings at year-end 2019, 2018 and 2017.

THE COMPANY'S  
**HEALTHY FINANCIAL  
 POSITION IS  
 UNDERPINNED BY  
 ITS HIGH EBITDA-TO-CASH  
 CONVERSION  
 RATIO**

### COMPARATIVE BALANCE SHEET

(€ million)	2018	2019
Fixed assets	2,267.7	3,393.5
Net working capital	(158.8)	(275.5)
<b>Total net assets</b>	<b>2,108.9</b>	<b>3,116.0</b>
Equity	1,048.9	1,235.0
Net debt	948.2	1,522.0
Other (net)	111.8	361.0
<b>Total equity and liabilities</b>	<b>2,108.9</b>	<b>3,116.0</b>

### FINANCIAL RATIOS



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

## ■ Proceeds from borrowings

Throughout 2019, CIE Automotive continued to search for growth financing in several markets, including Mexico, where it arranged a loan with COFIDES in March 2019. The company's fund-raising success evidences the strong take-up by institutions as well as private banks for the projects and markets being targeted by it. As is customary, in April 2019 the company renewed and expanded its syndicated loan, with three of the banks increasing their exposure by €90 million on aggregate to leave the total loan size at €690 million.

Moreover, in 2019 CIE Automotive layered sustainability criteria into its search for financing. The company arranged its first sustainable facility with BBVA and held meetings with its pool of banks to showcase the importance the group ascribes to its corporate social responsibility commitments and address how it should approach them from the financing standpoint.

To that end, in November, CIE Automotive participated in the IFC Global Manufacturing Conference organised by the World Bank's International Finance Corporation (IFC) to present its vision of what sustainability means to CIE Automotive and explain how it is embedding sustainability principles into its corporate objectives and investment plans.

The company had already been extended a \$150 million facility by the IFC in 2018, which was tied to improvements in energy efficiency, equality, emissions-cutting and supply chain programmes, the latter two specifically in Mexico; it duly worked on the associated execution and oversight plans throughout the year.

### CIE Automotive's first sustainable loan

In 2019, CIE Automotive arranged an €80 million bilateral sustainable loan with BBVA. The terms of the loan are tied to the company's environmental, social and governance (ESG) score. That score was provided by Vigeo Eiris, an environmental consultant; that same firm has been appointed to assess its ESG performance annually throughout the life of the loan.

The loan marks a fresh milestone in CIE Automotive's corporate social responsibility commitment by effectively integrating sustainability into its management model.

### DEBT MATURITY PROFILE

(€ million)	2017	2018	2019
Within 1 year	242.6	282.3	524.8
Between 1 and 2 years	135.7	161.9	244.8
Between 3 and 5 years	749.0	789.6	1,146.4
Over 5 years	97.6	106.2	205.1
<b>Total</b>	<b>1,224.9</b>	<b>1,340.0</b>	<b>2,121.0</b>

### CIE AUTOMOTIVE'S BORROWING PROFILE

<i>(in million euros)</i>	2016	2017	2018	2019	MATURITY	CHARACTERISTICS
Syndicated loan	≈550m	≈466m	≈400m	≈480m	Last repayment date, April 2024	<ul style="list-style-type: none"> <li>• Loan in euros</li> <li>• Rate range based on NFD/EBITDA</li> <li>• €345m automotive business + €45m Revolving</li> </ul>
EIB and IFC	≈70m	≈61m	≈82m	≈247m	12 and 9 years, with a 2-year grace period	<ul style="list-style-type: none"> <li>• Loan in euros</li> <li>• Partially fixed-rate</li> </ul>
LT loan	≈85m	≈81m	≈81m	≈77m	7 years	<ul style="list-style-type: none"> <li>• Loan in euros</li> </ul>
Bank of America and other Mexican lenders	≈71m	≈162m	≈163m	≈156m	4 years	<ul style="list-style-type: none"> <li>• Loan in US dollars</li> <li>• Partially swapped to fixed rate</li> </ul>
Other	≈359m	≈384m	≈616m	≈1,161m	Sundry	<ul style="list-style-type: none"> <li>• Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.</li> </ul>
<b>Gross Financial Debt</b>	<b>≈1,135m</b>	<b>≈1,158m</b>	<b>≈1,340m</b>	<b>≈2,121m</b>		
Cash and cash equivalents	≈240m	≈201m	≈392m	≈599m		
<b>Net Financial Debt</b>	<b>≈895m</b>	<b>≈957m</b>	<b>≈948m</b>	<b>≈1,522m</b>		



## GOAL

To generate value for our shareholders via share price gains and dividend payments and to offer investors the information they need to take their decisions.

## PROGRESS MADE IN 2019

- ✓ The 2018 DPS was increased by 11% to €0.62.
- ✓ Defence of the share price during a period of sector turbulence.
- ✓ Reinforced IR presence in key cities and first-time presence in new cities.
- ✓ Mastery of the new CRM tool.
- ✓ Analyst satisfaction survey.
- ✓ Presence at the main European Small Mid Caps conferences.

CIE Automotive has created value for its shareholders year after year thanks to its sustainable and profitable growth, enabling it to consistently pay out one-third of its net profit. However, in 2019 the share price traded largely sideways, ending the year at €21.08, hit hard by the highly complicated situation facing the automotive industry worldwide. Nevertheless, CIE Automotive paid out €80 million in dividends, up 10.8% from the year before and three times the amount paid out in 2015.

## 2.2.1 Share price performance

In its first full year trading in Spain's benchmark stock index, the IBEX-35, the snapshot is unfavourable: CIE Automotive's share price was flat, while the Ibex-35 as a whole gained 12.0%, and the Stoxx Europe 600 Automobiles & Parts gained 17.0%, despite the group's excellent business performance.

The market is still not discriminating among automotive players, lumping them all into the same category as far as penalisation for the economic and political uncertainties weighing on the sector (global slowdown; protectionism; new emissions testing standards in automobile manufacturing, Brexit, etc.) is concerned and ignoring the fact that many manufacturers and suppliers had to issue production and profit warnings.

However, the meek performance by CIE Automotive's shares does not tally with the group's performance quarter after quarter, the upside implicit in the acquisitions closed during the year, or the solidity of its business model, underpinned by diversification and

financial discipline, which has enabled it to navigate crises and maintain double-digit growth for 15 years. Proof of this mismatch between CIE's early delivery of its strategic objectives and its share price lies with the fact that the consensus target price in the equity research community - which does discriminate and identify upside - is €28.90, compared to the year-end price of €21.08

THE ANALYST  
 COMMUNITY'S CONSENSUS  
 TARGET PRICE STANDS  
**AT €28.90,**  
**COMPARED TO**  
 THE YEAR-END CLOSING  
 SHARE PRICE OF  
**€21.08**

*For additional information, refer to Consensus target price.*

The mismatch between the share price performance and the company’s fundamentals may also reflect the growing automation of stock market decision-making, with robots and passive management funds accounting for an increasing share of trading volumes. That automation could be pigeon-holing CIE by ignoring its results, which are better than its peers’, and underrating its relatively stronger positioning for continued growth.

Looking to 2020, despite lingering macroeconomic uncertainties, CIE Automotive’s share price will foreseeably resume the upward trajectory of recent years, particularly once the outlook for the sector improves and after the company presents its new strategic targets for the 2020-2025 horizon.

## CIE AUTOMOTIVE’S STOCK MARKET INDICATORS

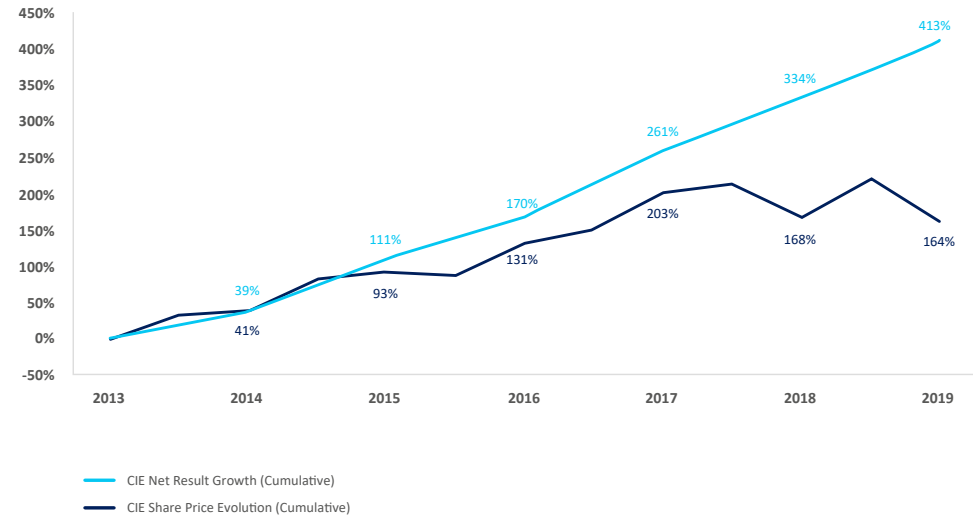
	2017	2018	2019
Number of shares at year-end	129,000,000	129,000,000	129,000,000
Share price at year-end (€)	24.21	21.44	21.08**
Pro forma share price at yearend (€)*	21.37	21.44	21.45
Market capitalisation at yearend (€ million)	3,123.1	2,765.8	2,719.32
Average trading volume	59,318	87,149	57,296
P/E multiple***	14.5	11.4	9.5

(\*) Share price adjusted to strip out the effect of the distribution of the special dividend in Global Dominion shares and the discounting of the 2019 interim dividend which was paid on 3 January 2020 and went ex-dividend on 31 December 2019.

(\*\*) Share price penalised by the discounting of the 2019 interim dividend which went ex-dividend on 31 December 2019.

(\*\*\*) P/E multiple is the measure of the share price relative to the annual net income. 2018: Automotive like-for-like net income.

## SHARE PRICE PERFORMANCE RELATIVE TO THE TREND IN EPS

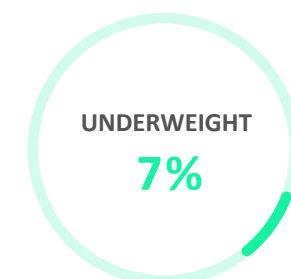


As the chart shows, CIE Automotive’s share price trended largely in line with its bottom line between 2013 and 2017. However, its valuation has lagged its earnings growth significantly between 2017 and 2019, for no justifiable reason.

### ANALYSTS RECOMMENDATIONS AT YEAREND

Broker	Analyst	2019 Q4	Recommend
Ahorro Corporación	Álvaro Arístegui	€ 29.7	Buy
Alantra Equities	Álvaro Lenze	€ 28.0	Buy
Bankinter	Esther Gutierrez	€ 29.4	Buy
BBVA	David Díaz Rico	€ 33.3	Outperform
Caixabank BPI	Bruno Filipe Bessa	€ 28.6	Hold
Exane BNP Paribas	Francisco Ruiz	€ 23.0	Hold
Fidentis	Enrique Yáñez	-	Under review
Intermoney Valores	Virginia Pérez	€ 30.3	Buy
JB Capital Markets	José María Cánovas	€ 33.0	Buy
Kepler	Alexandre Raverdy	€ 26.0	Buy
Link Securities	Iñigo Isardo	€ 30.7	Buy
Nau Securities	Pedro Baptista	€ 27.0	Buy
Renta 4	Iván San Félix	-	Outperform
Sabadell	Alfredo Del Cerro	€ 26.9	Buy
Santander	Robert Jackson	€ 29.9	Buy
<b>CONSENSUS</b>	-	<b>€ 28.9</b>	-

### RECOMMENDATIONS



### ■ MCIE's share price performance on the Indian stock exchanges

The shares of Mahindra-CIE (MCIE), which are traded on India's two main stock exchanges - the National Stock Exchange of India Limited (NSE) and the BSE Limited (BSE) - corrected by 35%, whereas the two benchmark indices registered double-digit gains. The correction was prompted by the slowdown in sales, in turn shaped by confusion around the imminent new emissions standard (Bharat Stage 6) due to take effect on 1 April 2020.

As with the Spanish equity market, the main research firms covering MCIE have reiterated their buy recommendations while revising their target prices regularly, confirming their confidence in the company's equity story.

	2017	2018	2019
Number of shares at year-end (millions)	378.4	378.8	379.0
Share price at year-end (INR) on the BSE	257.8	253.5	164.8
Share price at year-end (INR) on the NSE	258.2	257.0	164.8
High for the year (INR) on the BSE	270.1	301.8	258.3
Low for the year (INR) on the BSE	181.1	199.2	135.6
Market capitalisation at year-end (millions of INR) on the BSE	97,525	96,002	62,442
Trading volume on the BSE ('000 shares)(*)	58,273	75,674	47,831
Trading volume on the NSE ('000 shares)(*)	197,188	456,739	185,060

(\* ) The trading volumes were calculated subtracting the 52 weekends and the official stock exchange holidays from the calendar total of 365 days.

	2017	2018	2019
Earnings per share (INR)(* )	9.46	14.48	9.35
P/E multiple(**)	27.3	17.0	17.6

(\* ) The 2018 EPS figure is calculated on the basis of continuing operations. P/E multiple: ratio between share price and EPS  
 (\*\* ) P/E multiple is the measure of the share price relative to the annual net income.



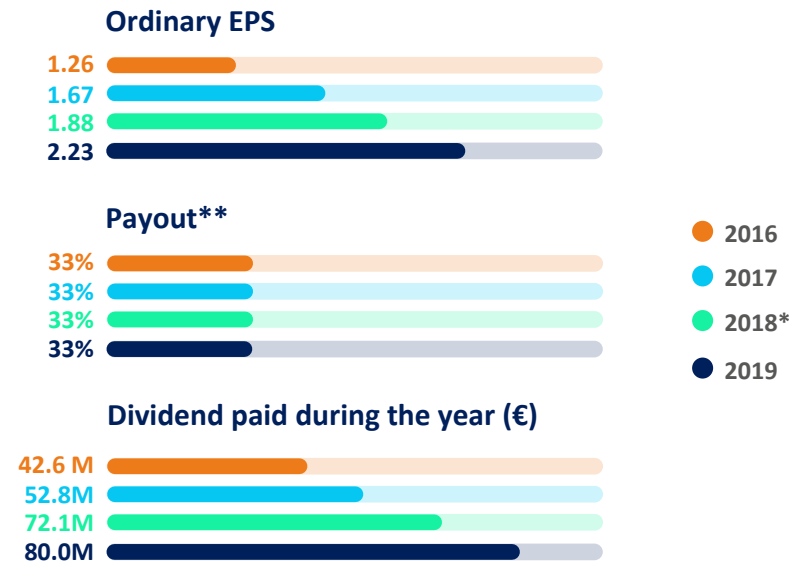
## 2.2.2 Dividend payments

CIE Automotive remained true to its dividend policy in 2019, paying out one-third of its net profit to its shareholders. As a result, the company's dividend has been registering in double-digit growth year after year, in tandem with the company's earnings momentum. In 2019, it paid out €80 million against 2018 profits, which is three times what it paid out in 2015.

That dividend was paid in two instalments of €0.31 per share: a first interim dividend from 2018 earnings on 4 January 2019 and a second final dividend on 3 July 2019, marking year-on-year growth of 11%.

In December 2019, the Board of Directors approved the payment of an interim dividend from 2019 profit of €0.37 per share, which was paid on 3 January 2020 and marked year-on-year growth of 19%.

### INTERIM DIVIDENDS PAID OUT YEAR BY YEAR



(\*) 2018 EPS calculated normalised earnings in the automotive segment.  
 (\*\*) Payout: percentage of profit paid out to shareholders.

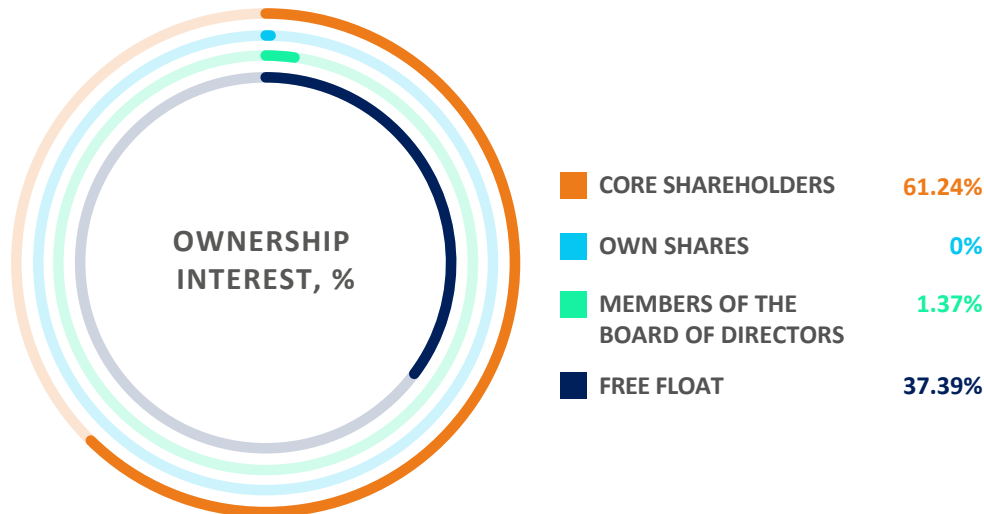
## 2.2.3 Engagement with shareholders and investors

At year-end 2019, CIE Automotive’s share capital was made up of 129 million shares valued at €2.72 billion. Its core shareholders control approximately 61.2% of its shares, another 1.4% is held by members of the company’s Board of Directors, 37.4% is freely floated and 0% are own shares held as treasury stock.

Most of the holders of the freely floated shares are Spanish, but funds from the US, UK, France, Ireland, Canada, Germany, Belgium, Portugal, Norway and Denmark are also meaningfully represented.

The company ensures they all receive equal treatment in terms of the information they receive and their right to participate in and cast their votes at its Annual General Meeting, as is set down in its Market Information and Communication Policy and Spain’s Corporate Enterprises Act.

### OWNERSHIP STRUCTURE



### ANNUAL CHANGE IN SHAREHOLDER STRUCTURE

Shareholder	2017	2018	2019
ACEK / Corporación Gestamp, S.L.	15.91%	14.90%	14.91%
Antonio María Pradera Jáuregui	10.00%	10.00%	10.00%
Corporación Financiera Alba, S.A.	10.00%	10.10%	10.15%
Elidoza Promoción de Empresas, S.L.	9.60%	10.00%	10.00%
Mahindra&Mahindra, Ltd.	7.43%	7.43%	7.43%
Addvalia Capital, S.A.	5.00%	5.00%	5.00%
Alantra Asset Management, SGIIC, S.A.	4.65%	3.50%	3.74%
<b>Total core shareholders</b>	<b>62.59%</b>	<b>60.93%</b>	<b>61.24%</b>
Own shares	1.16%	0%	0%
Members of the Board of Directors	0.37%	1.37%	1.37%
Free float	35.88%	37.70%	37.39%

For additional information about significant shareholdings as of the reporting date, refer to [here](#).

All relevant information is available on the corporate website -[www.cieautomotive.com](http://www.cieautomotive.com)- within the Investors & Shareholders tab. The website also provides contact data (a dedicated phone line and electronic mail address) for shareholders.

The group's Investor Relations (IR) Department is tasked with the disclosure of accurate and regular information about the company's financial performance to the financial community. It has stepped up this effort since its inclusion in the Ibex-35 stock index. To that end, last year it met with 600 investors between 15 conferences and 21 roadshows, as well as organising visits by 11 institutional investors to CIE Automotive's facilities, not to mention multiple conference calls to explain its business model, its activities in each market and its prospects.

It is worth highlighting CIE's participation for the first time in the 7th JP Morgan Auto Conference, one of the most important sector investor conferences in the world to which just 26 automotive sector players

were invited, including major firms such as BMW, Daimler, Renault, Toyota, Continental, Valeo, FCA, etc. It is also worth noting the effort made to reinforce the company's IR presence in certain key international cities and gain a foothold in other new destinations.

In parallel, the IR Department stays in close contact with the analysts that cover the company, organising meetings, visits and regular conference calls with that community. At year-end 2019, 15 analysts were covering CIE Automotive, and another three were working on initiating coverage.

To facilitate its work, the IR Department has begun to use Nasdaq IR Insight, a management platform which helps it keep a detailed record of its meetings, bringing up information about investor profiles and contacts and generating real-time market alerts. Thanks to this initiative, the company is working to standardise its *ad hoc* internal reports to align them with its stakeholders' expectations.

### Analysts satisfaction survey

To enhance the information it provides, in 2019, CIE Automotive conducted an analyse satisfaction survey to evaluate 22 aspects related with the IR Department's transparency and communication effort.

All those surveyed valued the availability of the IR team, the feedback received and its response times.

When asked about the quarterly earnings presentation, the analysts expressed high satisfaction with both the earnings call (specifically praising the work of the presenter, the contents of the information and the quality of the Q&A session) and the documentation provided.

Based on the feedback generated by the survey, the IR Department has devised a plan for continuing to improve the quality of the information it provides.

### ■ Accolades

Last year the work performed by the IR Department earned it the Best Investor Relations Program 2019 – All Europe/ Consumer Autos & Auto Parts Award from the prestigious Institutional Investor journal, picking up the prize in both the Small and Mid-Cap and Absolute categories. The prize is awarded on the basis of the evaluations submitted by European sell-side analysts about aspects such as the accessibility of the company’s management team, the quality of the financial information provided and the speed with which it is provided and the quality of the meetings held.

In addition, the IR Department won third place overall - including all votes - in the Best Investor Relations Program 2019 – All Europe/Executive Team Small & Midcap/Consumer Autos & Auto Parts ranking.





### GOAL

To become a benchmark partner for original equipment manufacturers (OEMs) and Tier-1 suppliers by offering a broad range of innovative solutions and quality products at competitive prices.

### PROGRESS MADE IN 2019

- ✓ Replacement of OHSAS 18001 certification with the new ISO 45001 standard at 3 factories.
- ✓ Integration of Inteva's roof systems division (CIE Golde), introducing new technological products

Everything CIE Automotive does is articulated, directly or indirectly, around helping its customers develop vehicles that are better suited to emerging user demands. With that goal in mind, in 2019, the company continued to increase its market share in all regions by offering a wide variety of parts and subassemblies framed by the highest standards of quality. In order to continue to innovate and offer increasingly competitive prices, it invested €136.8 million in upgrading its productive facilities.

As dictated by its [health, safety, environment and quality \(HSEQ\) policy](#), CIE Automotive provides its customers with the solutions they need, when and how they need them. Specifically, it carries over 7,000 references, so that it can offer its customers (of which, 70% OEMs and 30% Tier-1 suppliers) several alternative technologies for a given part or subassembly in the main manufacturing markets around the world.

**EVERY YEAR  
 CIE AUTOMOTIVE  
 EARMARKS 2%  
 OF ITS REVENUE TO  
 R&D PROJECTS**

When developing its products, the company considers each customer's growing demands for technological sophistication and prevailing market trends, such as electrification, energy efficiency, vehicle light-weighting, etc. Each year it earmarks nearly 2% of its revenue to multi-technology- and multi-material-focused R&D projects which it channels through its 10 dedicated R&D centres.



### PRODUCT FAMILIES



**Roof Systems**



**Bodywork, Chassis & Steering**



**Interior and Exterior Trim**



**Commercial Vehicles**



**Engines**



**Transmission and Gearboxes**

The creation in 2019 of the CIE Roof Systems division, which includes CIE Golde and CIE ACS, has yielded a complementary portfolio of shades and blinds, glass systems and roofs, a deeper OEM customer base and a reinforced competitive position from the international standpoint. The company now needs to coordinate and optimise the product portfolio and associated resources in this high-tech and high value added segment.

To that end, CIE Roof Systems' R&D teams are analysing and comparing the characteristics of the two entities' products in order to select and combine the best solutions in order to boost profitability and solution robustness. The engineering processes being rolled out are focused on the design and conception work processes; workshops are being organised to cross-fertilise existing know-how and identify best practices across the different niches within the CIE Roof Systems division.

Below are the key milestones in the company's customer relations effort in 2019.



## METAL STAMPING AND TUBE FORMING

### EUROPE:

- The CIE Norma factory inaugurated its third common fuel rail line. Since January 2020 it has three fully operational lines devoted to this product, reinforcing its position as a benchmark supplier of this product at the European level (high and low pressure injection systems).

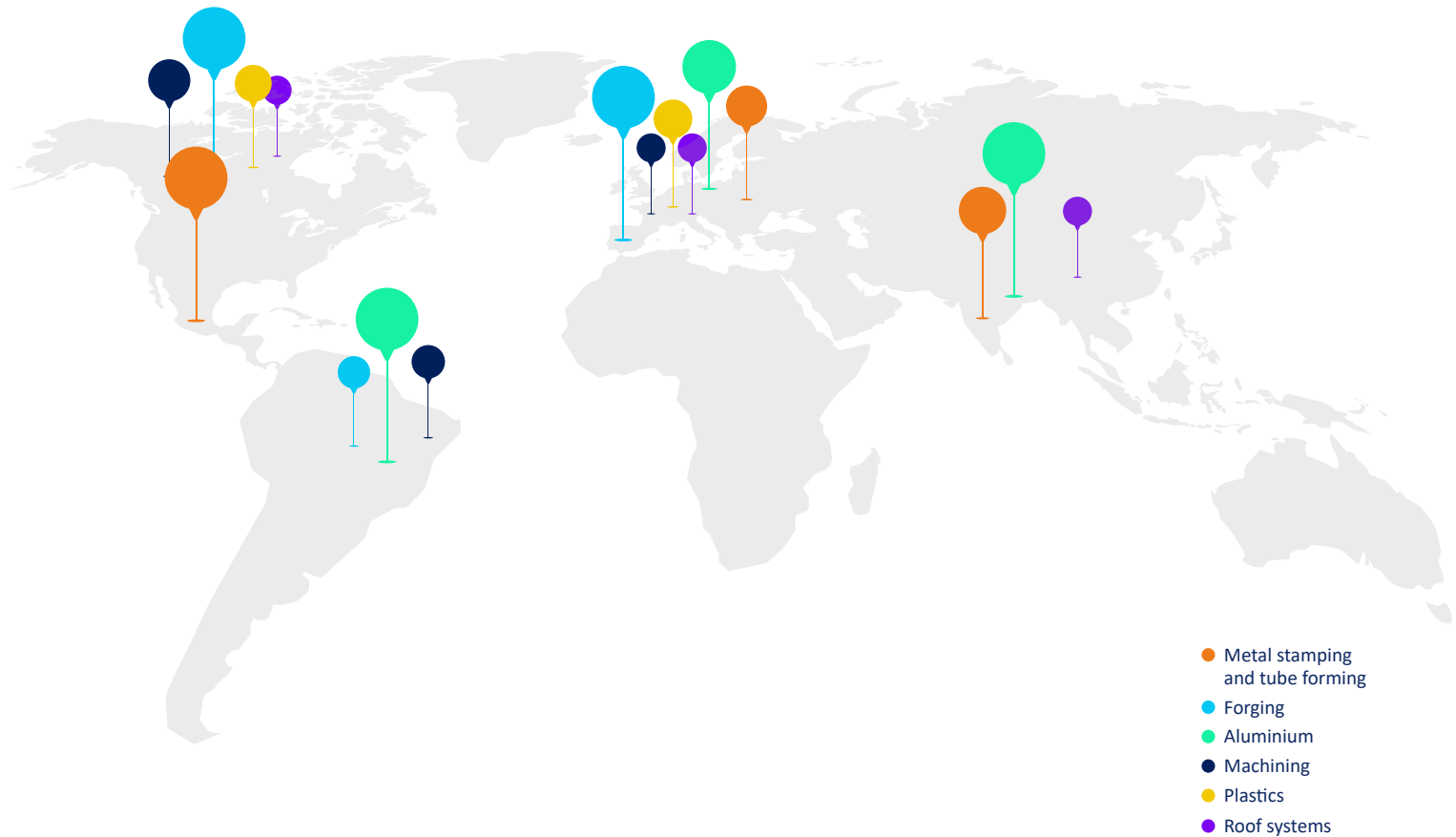
### MEXICO:

- Expansion of the TESLA project, the CIE Nugar factory having picked up all the carry-over work for this model.
- Kick-off of initial production of core Nissan platforms in Mexico (Versa and Sentra), where CIE PEMSA has secured considerable business volumes.

### INDIA:

- Completion and start-up of a greenfield stamping facility, Kanhe II, with automated processes and best-in-class quality standards.
- Completion and start-up of a greenfield composites factory. Start-up of production of composite parts for electric vehicles (3W).
- *Début* order for fuel rails in India, which will trigger investment in a new production line for this product, necessary to reducing fuel consumption and emissions.

## KEY MILESTONES IN 2019



## FORGING

### NORTH AMERICA:

- The company managed to boost volumes and customer diversification by landing new business for Ford, specifically the production of crankshafts.

### BRAZIL:

- CIE Autoforjas secured a high volume of new projects, enabling it to maximise capacity utilisation and so lock in solid growth for the medium term.
- CIE Autoforjas has launched and is consolidating a new line producing driveline products for NTN and Nexteer.

### EUROPE:

- Significant new order for forged pistons for new lower-emission diesel engines.

### ROOF SYSTEMS:

- Integration of the recently acquired Inteva roof division, renamed CIE Golde. The acquiree has factories in six different markets.

## ALUMINIUM

### EUROPE:

- The company landed new programmes for BMW which imply penetration of new OEMs, further diversifying the customer base.

### BRAZIL:

- CIE Autocom added new technology and processes at existing facilities which will enhance its strategic positioning in this market.

### INDIA:

- Integration of the aluminium specialist Aurangabad Electricals (AEL), which makes fully machined aluminium parts using high-pressure and gravity die casting.

## PLASTICS

### EUROPE:

- The company expanded its portfolio of interior trim products and technologies with an order for high-end grips for the SEAT Leon (parts that are painted and lined).
- It also secured a significant programme for the manufacture of seat parts which has the added benefit of increasing customer diversification, as it is this area's first order from PSA.

### NORTH AMERICA:

- Several new project launches at CIE USA, including parts for the Jeep Gladiator and Cadillac CT5. Both projects have been successfully designed, developed and launched.
- Launch of new seat backs for the Cadillac CT5. The seat backs are made from plastic covered in leather, marking the first time that CIE USA has incorporated this technology/product into its portfolio.
- Inauguration of a new factory in Saltillo (Mexico) in November. The factory is expected to start up production in mid-2020.

## MACHINING

### EUROPE:

- Renault and Magna awarded the company new projects for key products which will be made at a number of factories.

### BRAZIL:

- CIE Taubaté consolidated new machining lines for value-added aluminium parts for engines and transmission systems.

### NORTH AMERICA:

- Enhanced presence in machining thanks to the acquisition of CIE Mapremex in Mexico.

## ELECTRIFICATION

- Key electrification system projects across a number of areas of technology expertise (aluminium, stamping, forging, machining and composites) and geographic markets for Tier-1 suppliers, traditional OEMs and new OEMs.



## GLOBAL CERTIFICATION SNAPSHOT

### Total quality

CIE Automotive is a benchmark in total quality in the auto parts industry, having embedded the basic principles of safety, training, systematic reviews and ongoing learning into all of its processes.

	Total Certificated Plants	IATF 16949	%	ISO 14001	%	ISO 45001	%
Europe*	42	42	100%	38	90%	32	76%
North America	16	15	94%	11	69%	1	6%
Brazil	12	12	100%	12	100%	3	25%
Asia (India & China)	31	28	90%	19	61%	20	65%
<b>Total</b>	<b>101</b>	<b>97</b>	<b>96%</b>	<b>80</b>	<b>79%</b>	<b>56</b>	<b>55%</b>

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

### Process map

Indeed, the company is working towards its goal of achieving triple certification at all of its factories by securing the corresponding quality management, environmental management and health and safety management certifications.

In 2019, it embarked on the process of adapting its OHSAS 18001 certifications for the new ISO 45001 standard.



## Customer satisfaction

Customer satisfaction is one of CIE’s key success factors. For CIE Automotive, a happy customer is one that believes that all of its expectations for its relationship with its supplier have been met: from the sales pitch and project management to on-time production and service, including a swift response in the event of any deviations. Everything that makes them keep CIE as their preferred supplier.

As with any other business, it is important to measure customer satisfaction in clear terms and lock in their loyalty. To that end, CIE Automotive uses the performance and perception concepts.

The company’s customer pledge is tangible in CIE Automotive’s process map, where the customer lies at the centre with its satisfaction in the outer ring. In sum, customer satisfaction is the end goal of CIE Automotive’s activities.

## Confidentiality

CIE Automotive works shoulder to shoulder with its customers in order to provide innovative solutions for their projects. The nature of this development work means having to duly guarantee the confidentiality of sensitive information at the corporate and individual division levels. As a result, the company has designed a project to specifically protect confidential information, framed by the following lines of initiative:

Benchmark international standards: ISO 27001, ISO 27005 and ISO/IEC 27002/2005

Guidelines and general principles for initiating, implementing, maintaining, and improving information security management in an organisation

Real-time management of information security matters

## Accolades

In 2019, CIE Automotive received a number of accolades in the customer satisfaction arena, notably including:

### PRIZES AND ACCOLADES

Customers	Plant	Country	Acknowledgments
Jaguar Land Rover (JLR)	CIE Gameko CIE Recytec	Spain	Gold Supplier Award
PSA	CIE Denat	Spain	QSB+
HONDA	CIE Autoforjas	Brazil	Best CO <sub>2</sub> reduction project
NISSAN	CIE PEMSA Celaya	Mexico	Zero defects
GM	CIE Celaya Aluminio CIE PEMSA Celaya	Mexico	Quality excellence
FCA	CIE PEMSA Saltillo	Mexico	Supplier integration
DENSO	MCIE Magnetics division	India	
CATERPILLAR	MCIE Gears division	India	Best Quality Performance Award
Siemens Limited	MCIE Gears division	India	Gold Award
SAIC-GM	CIE GOLDE	China	Supplier of the year Project development award
GEELY	CIE GOLDE	China	Project development award
BMW	CIE GOLDE	China	Excellent award

## GOAL

To foster a decent, safe and stimulating work environment framed by respect for diversity and inclusion, the reduction of inequalities and the provision of equal opportunities.

## PROGRESS MADE IN 2019

- ✓ Integration of over 5,000 professionals from nine countries into CIE Automotive’s workforce following the acquisitions of Inteva’s roof systems division (CIE Golde), Mapremex and AEL.
- ✓ First Corporate Diversity Plan (at the time of writing, the assessment of the current situation was finished and work was underway on designing the plan itself, which will include action plans for the areas for improvement identified).
- ✓ Growth in training hours (766,116 in 2019 vs. 698,970 in 2018) and in the number of employees receiving training (24,617 in 2019 vs. 20,491 in 2018).
- ✓ Maintenance of injury frequency rate compared to 2018 (9.69) coupled with a significant reduction in the injury severity rate (0.166), despite having added over 5,000 people in 2019 over which managerial capacity was limited as they were not CIE Automotive’s employees for the full year.

At year-end 2019, CIE Automotive’s team was made up of 28,124 people working in 19 countries, up 4,862 from the year before. Diversity, particularly geographical, is a source of creativity and innovation but also a test of CIE Automotive’s ability to find common ground for cooperation between people from different cultures and foster a sense of belonging and shared identity. CIE Automotive achieves these things by offering its employees a value proposition which includes decent working conditions, pay aligned with each position and the training and safety needed to perform their jobs.



## 2.4.1 Diversity at CIE Automotive [202-2]

CIE Automotive’s integration capabilities were on display in 2019 with 7,055 new hires, articulated via decentralised organisational structure underpinned by the belief that local talent is the best way of achieving healthy earnings. This marked decentralisation is evident in the fact that 92% of CIE Automotive’s factories are run by local managers.

### CIE AUTOMOTIVE (total)

**28,124**  
 Employees:  
 M: 23,547 | W: 4,577

**92%**  
 Local managers as % of all factory managers

**81%**  
 Fixed/indefinite contracts as % of total  
 M: 80% | W: 84%

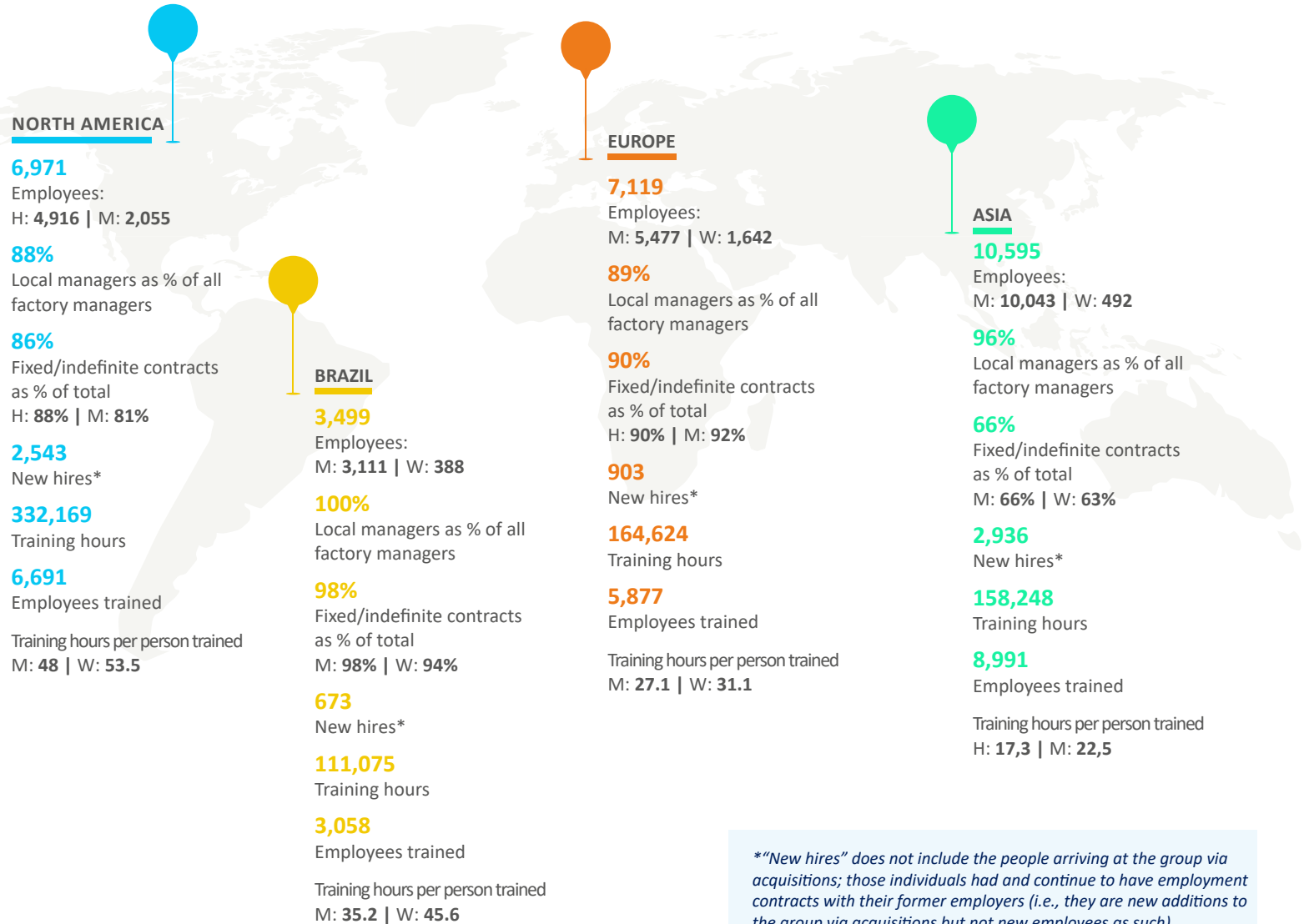
**7,055**  
 New hires\*

**766,116**  
 Training hours

**24,617**  
 Employees trained

Training hours per person trained  
 M: 28.9 | W: 42.3

## JOB MAP AT CIE AUTOMOTIVE



\*“New hires” does not include the people arriving at the group via acquisitions; those individuals had and continue to have employment contracts with their former employers (i.e., they are new additions to the group via acquisitions but not new employees as such).



CIE Automotive brings together people of different abilities, generations and genders to drive its value creation. Around 30% of its employees are under the age of 30; 56% are aged between 30 and 50; and 14% are over the age of 50; 4,577 are women (16%). As for education levels, and reflecting the group's industrial profile, 69% of its employees are tradesmen and women; however 27% are university graduates and 4% are executives. The people with some form of disability number 363 and represent 1.3% of the group's global headcount.

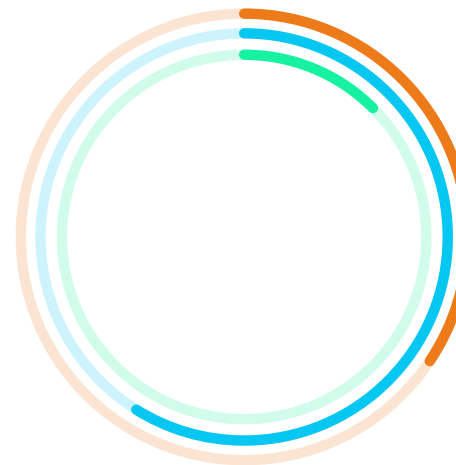
As for employee departures, in contrast to the new hires, which amounted to 7,055 on account of organic growth, 8,063 people left the group's employment in 2019 for a variety of reasons, including layoffs (1,858 in 2019 vs. 2,015 in 2018, 404 of whom women, compared to 438 in 2018), voluntary departures (5,224 vs. 4,853, 941 of whom women in 2019 vs. 1,259 in 2018), retirements, contract terminations, etc.

**BREAKDOWN OF THE WORKFORCE BY GENDER**



23,547 MEN 84%  
 4,577 WOMEN 16%

**BREAKDOWN OF THE WORKFORCE BY AGE**



8,351 UNDER THE AGE OF 30 30%  
 15,900 AGED BETWEEN 30 AND 50 56%  
 3,873 OVER THE AGE OF 50 14%

**WORKFORCE BREAKDOWN BY JOB CATEGORY**



19,512 SKILLED WORKERS 69%  
 7,620 UNIVERSITY GRADUATES, TECHNICIANS AND CLERICAL STAFF 27%  
 992 EXECUTIVES 4%

CIE AUTOMOTIVE  
 WORKED ON ITS FIRST  
 CORPORATE  
 DIVERSITY  
 PLAN IN 2019

Keen to make progress on its inclusion strategy, in 2019, CIE Automotive worked on drawing up an Equality and Diversity Plan which will emphasise not only the plurality of nationalities and cultures but also gender variety within the organisation, in keeping with the United Nations Sustainable Development Goals.

So far the company has analysed the starting situation and is working on developing the action plan to be set in motion. Note that around 250 employees participated directly, either via personal interviews or focus groups, in the assessment phase.

Starting in 2020 and running until 2025, coinciding with the duration of the Corporate Diversity Plan and the CSR Master Plan, CIE Automotive will begin to implement

specific lines of initiative emanating from the Diversity Plan, drafting and publishing new corporate policies as required.

Although the automotive sector is still very male dominated, the percentage of women joining CIE Automotive continues to rise. In 2019, female hires accounted for 18% of the total, which is higher than in previous years. Last year, a total of 388 men and 236 women enjoyed paternity and maternity leave. At the date of issuing this report, 97% of the men and 80% of the women had returned to work after their leave; as for those who have not yet returned, in virtually every instance the reason is that the leave is relatively long and, therefore, at the end of the calendar year, they were still on leave and are due to return to their positions in the weeks or months to come.

CIE Automotive has emerged as a benchmark in gender diversity on account of the growing percentage of women in leadership positions. Forty per cent of the group's Management Committee (four executives) is female. The number of female executives at the group increased to 115 in 2019 (from 68 in 2018), so that the percentage of women in management positions increased by 3 points to 12%.



Despite the progress made, there is still a wage gap of 5% between men and women: the average salary earned by men at the group stands at €15,450, compared to the €14,750 earned by the women on average. That wage gap is mainly attributable to the gender compositions across the hierarchical levels of the organisation in certain countries.

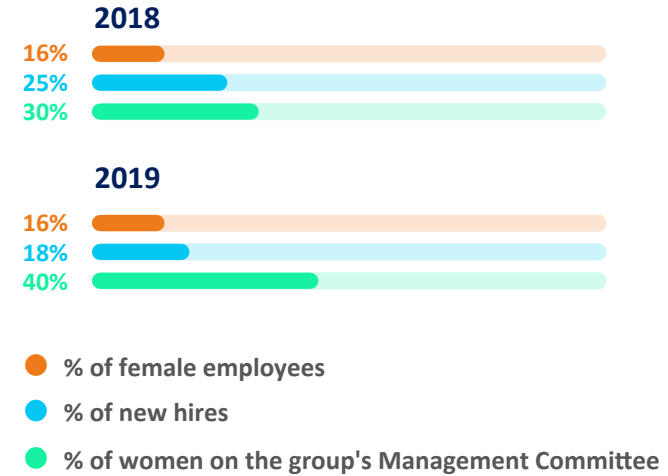
Notwithstanding the fact that the prevailing wage gap needs to be analysed and improved on, the group progressed considerably in this respect in 2019, narrowing the gap from 13% in 2018 to 5%.

That gap, which has been published on the corporate website and validated by PwC as part of its assessment of the audited non-financial statement, was calculated considering all CIE Automotive employees worldwide, without factoring in their origins or places of work.

In the years come, the group plans to leverage the Corporate Diversity Plan to improve its diversity indicators in general, and not just the gender pay gap. The Plan will run from 2020 to 2025 and will initially serve to raise awareness across the organisation about matters related with diversity and inclusion. During a second phase, albeit without neglecting the education effort, communication channels will be set up and a team of internal diversity ambassadors will be created.

During its term of effectiveness, in addition to the awareness drive, the group will carry out specific initiatives, create dedicated diversity bodies and draft policies designed to facilitate adequate progress in this field.

## GENDER INDICATORS

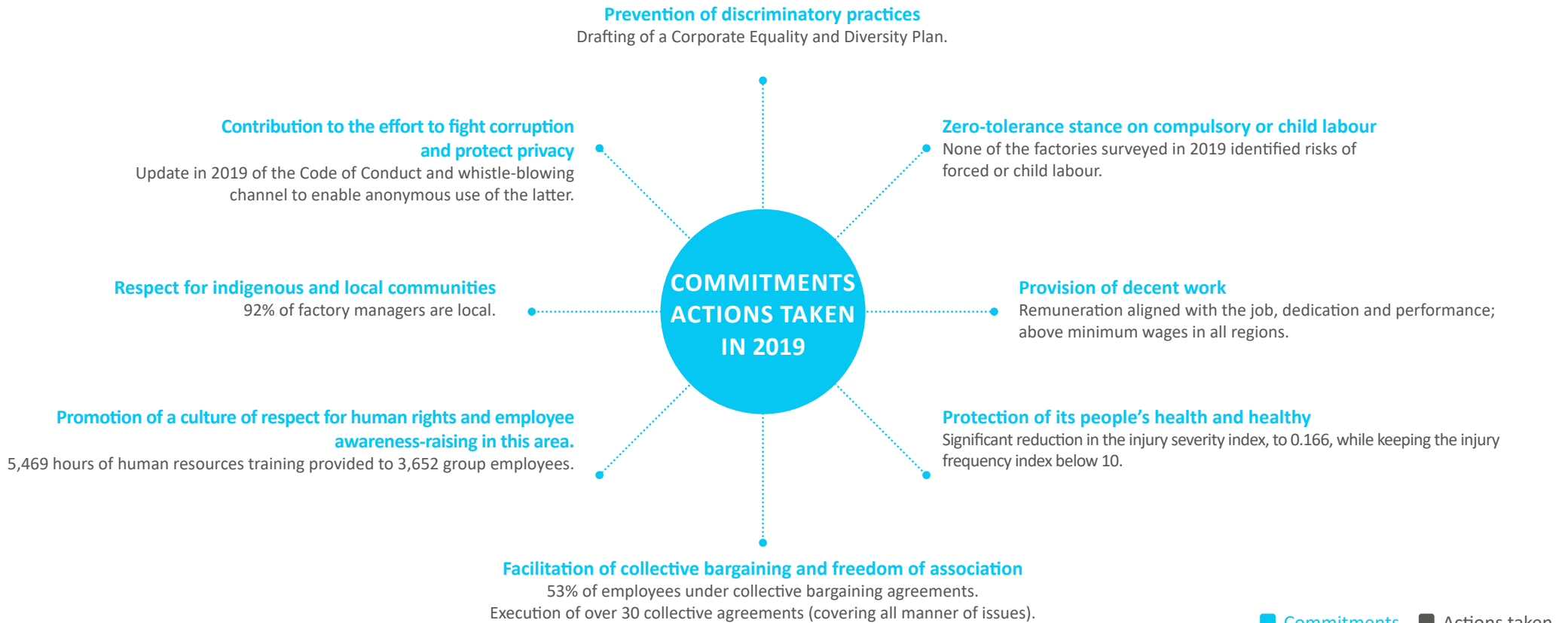


## 2.4.2 The employee value proposition

CIE Automotive offers its diverse and multicultural workforce fair pay that is aligned with their jobs and abilities, decent working conditions and training programmes in all geographies.

Execution of that value proposition forms part of the group’s Human Rights Policy. That policy lays down the principles that govern management of the workforce. All factory managers and HR managers are obliged to endorse and enforce this policy.

### COMPLIANCE WITH HUMAN RIGHTS POLICY IN THE WORKPLACE





■ Remuneration and recognition

CIE Automotive complies with and often exceeds the minimum wage requirements in each country. When it integrates new plants, it analyses their working conditions with a view to resolving potential shortcomings and improving the situation, in keeping with the group's Human Resources Policy. In 2019, it analysed the companies added to the group's fold as a result of the acquisitions of Inteva's roof systems division (CIE Golde), AEL and Mapremex. That analysis did not reveal any breach of any CIE policy. At each it is paying above the minimum local requirements and all have endorsed the group's Code of Conduct and Human Rights Policy.

Wages depend on the nature of the job position and each employee's performance evaluation. CIE Automotive's 'total compensation' model includes fixed remuneration and in many instances, company benefits. In addition, around 30% of its employees (nearly 8,000) also received a bonus in 2019 as a result of delivery of set targets and/or excellent or improved performances. Fifty per cent of group employees (approximately 14,000) participated in formal performance evaluations under the Professional Development Plan.

In addition to the monetary compensation awarded, in 2019 the group continued to provide its employees with a series of company benefits which enhance their and their families' quality of living and entailed an investment of nearly €30 million.

**CIE EMPLOYEES RECEIVE COMPANY BENEFITS THAT RAISE THEIR AND THEIR FAMILIES' QUALITY OF LIVING**

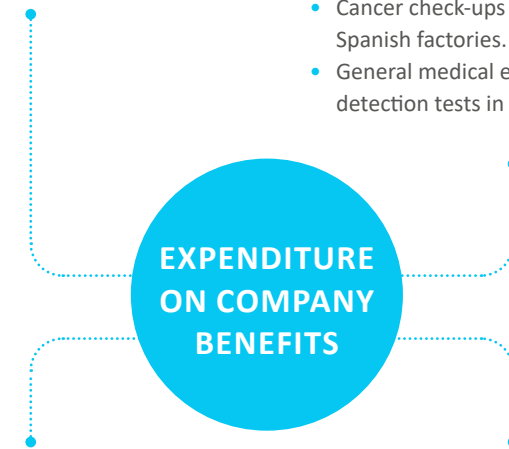
[201-1, 202-2]

Almost €1 million earmarked to education

- University support fund at Brazilian factories.
- Summer Academy for employees' children in Portugal.
- Best Student Event in Mexico.
- Scholarships, school suppliers, etc.

+ €18 million earmarked to supporting employee health

- Subsidised or free tests, medical insurance of all kinds, in-house medical services, such as:
- Medical, life and dental insurance at some factories in the US.
  - Medical and nursing services at certain Mexican factories.
  - Check-ups for executives above a certain age at Mexican factories.
  - Cancer check-ups every three years at Spanish factories.
  - General medical enquiries and cancer detection tests in Romania.



+ €5 million earmarked to public transport or fuel subsidies.

- In-house buses and transport services.
- Company cars and transport vouchers.

+ €5 million earmarked to food services (canteens or vouchers).

- Fully or partially subsidised company canteens at several factories.
- Food vouchers (with and without tax benefits).

### ■ Decent work in all regions

CIE Automotive is committed to the provision of decent work in every country it operates in, framed by the universally recognised labour rights, as well as job stability. Eighty-one per cent of the workforce is on an indefinite contract; that percentage is higher - at around 90% - in Europe, North America and Brazil, and lower in Asia (66%).

Fifty-three per cent of employees are covered by collective bargaining agreements. Those agreements implement and improve on the universally recognised labour rights. In 2019, collective agreements were arranged in over 30 workplaces, at factories with over 12,000 employees.

### COLLECTIVE BARGAINING COVERAGE BY COUNTRY [403-1]

	2018			2019		
	Total headcount	Workforce covered	Coverage, %	Total headcount	Workforce covered	Coverage, %
India	6,391	2,380	37%	8,772	2,660	30%
Mexico	4,545	3,101	68%	5,318	3,247	61%
Brazil	3,652	3,524	96%	3,499	3,350	96%
Spain	2,602	2,371	91%	2,490	2,253	90%
China	755	401	53%	1,763	358	20%
USA	1,678	0	-	1,652	0	-
Germany	834	816	98%	1,058	921	87%
Eslovakia	243	243	100%	829	230	28%
Czech Republic	794	252	32%	707	205	29%
Romania	328	327	100%	616	616	100%
France	371	370	100%	346	342	99%
Portugal	330	330	100%	317	316	100%
Italy	280	280	100%	284	280	99%
Lithuania	231	0	-	242	0	-
Morocco	41	0	-	132	0	-
Russia	111	0	-	92	0	-
Holand	-	-	-	5	0	-
Guatemala	1	0	-	1	0	-
UK	75	0	-	1	0	-
<b>TOTAL</b>	<b>23,262</b>	<b>14,395</b>	<b>62%</b>	<b>28,124</b>	<b>14,778</b>	<b>53%</b>

### ■ Training and career development [404-1, 404-2, 404-3, 412-2]

In a competitive environment changing at a dizzying pace, in which a firm's viability depends largely on its ability to innovate and adapt to new trends, CIE Automotive is working to increase its professionals' skills and offer them career development opportunities via mobility and training.

Internal mobility is one of the group's characteristic traits. The company encourages its employees to take on new responsibilities within and outside their businesses or functions and even their countries of residence.

**INTERNAL MOBILITY  
IS ONE OF THE GROUP'S  
CHARACTERISTIC  
TRAITS AND AN  
OPPORTUNITY  
FOR CAREER  
DEVELOPMENT**

#### Ulysses Programme

Combining mobility with talent attraction, in 2019, CIE Automotive celebrated the second edition of its Ulysses Programme, which is also dubbed 'Skills without Borders'. Thanks to this initiative, 11 young Mexicans are trained for one year firstly at CIE factories in Mexico and later at some of the group's legacy factories in Spain and at Fagor, having identified the need to train engineers who can oversee the presses provided by that firm. They then return to their jobs in their country of origin.

The programme is designed to deliver four objectives: embedding the group's values; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence.

Besides the Ulysses Programme, CIE uses other channels to source young people keen to work abroad through collaborations with Deusto University and the Polytechnic University of Guanajuato, on the one hand, and with the Technology Centres of Tlanepantla, Celaya and Saltillo, on the other, among other institutions.



Constant employee skills training is a cornerstone of human resources management at CIE. In 2019, the group provided 766,116 hours of training (up 10% from 2018) to over 24,600 employees, i.e., 88% of the headcount. The average number of training hours per employee was 31. For more information about the breakdown of those training hours by subject, refer to the training tables.

By region, 43% of all training hours were provided in NAFTA, 21% in Europe, 21% in Asia and 14% in Brazil. As for the people receiving the training, 37% work in Asia, 27% in NAFTA, 24% in Europe and 12% in Brazil.

Note that women received more hours of training on average (42 hours) than their male counterparts (29 hours). That phenomenon is common to all regions.

Job category	No. of training hours		No. of employees receiving training	
	2018	2019	2018	2019
Executives	19,144	2,914	606	766
University graduates	262,332	231,994	6,307	6,748
Tradesmen and women	417,494	504,982	13,578	17,103
<b>Total</b>	<b>698,970</b>	<b>766,116</b>	<b>20,491</b>	<b>24,617</b>

	2018	2019
Total employees	23,262	28,124
No. of employees receiving training	20,491	24,617
Employees trained, %	88%	88%
No. of training hours	698,970	766,116
No. of hours/employees trained	34	31
No. of hours/employees	30	27

	2018	2019
Hours of training per employee	34	31
Hours of training per female employee	N/A	42
Employees receiving training, %	88%	88%
Female employees receiving training, %	N/A	89%

As for the training provided on human rights matters, CIE Automotive devoted nearly 5,500 hours to training initiatives for 3,652 employees (almost 15% of the headcount).



### 2.4.3 Health and safety [103-1, 103-2, 103-3, 403-2]

Workplace health and safety is a priority for CIE Automotive. The 2020 Health & Safety Strategic Plan is designed to ensure delivery of its objectives in this area. That plan, published in 2017, is articulated around three lines of initiative:



**Indicators:**

Continuous improvement in the indicators that track workplace accidents (volume, frequency and severity rates).



**CIE SAFETY:**

Implementation of a self-assessment questionnaire at all factories. The target compliance score is 85% and the results trigger the mandatory implementation of specific measures in their annual safety plans in order to improve their scores going forward.



**Certification:** Under the plan, all of CIE Automotive’s factories (those forming part of the group at the time the plan was drawn up) were supposed to achieve OHSAS certification by 2020. In 2019, CIE Automotive obtained OHSAS 18001 or ISO 45001 certification at a total of 15 factories, lifting the total number certified to 56.

■ **Health and safety model**

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

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

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

EACH FACTORY  
**HAS ITS OWN HEALTH  
 AND SAFETY PLAN,  
 DRAWN UP ON  
 THE BASIS OF A  
 FRAMEWORK  
 SYSTEM**

■ **Training**

Employees receive safety training tailored to the risks posed by their jobs. Groupwide, 116,567 hours were devoted to health and safety training for over 12,000 employees in 2019.

## ■ Accident rates

There were 567 accidents in 2019, 50 affecting women and the remaining 517 affecting men. It is worth noting that the injury frequency and severity rates have improved significantly in recent years. In 2019, the injury severity rate marked a record low (0.166), while the injury frequency rate remained below 10, similar to the 2018 level, which had marked a very considerable improvement in comparison with previous years. To fully comprehend these figures, it is important to underscore the difficulty implied by the incorporation of over 5,000 people from newly acquired companies over which CIE Automotive did not have managerial control for all of 2019.

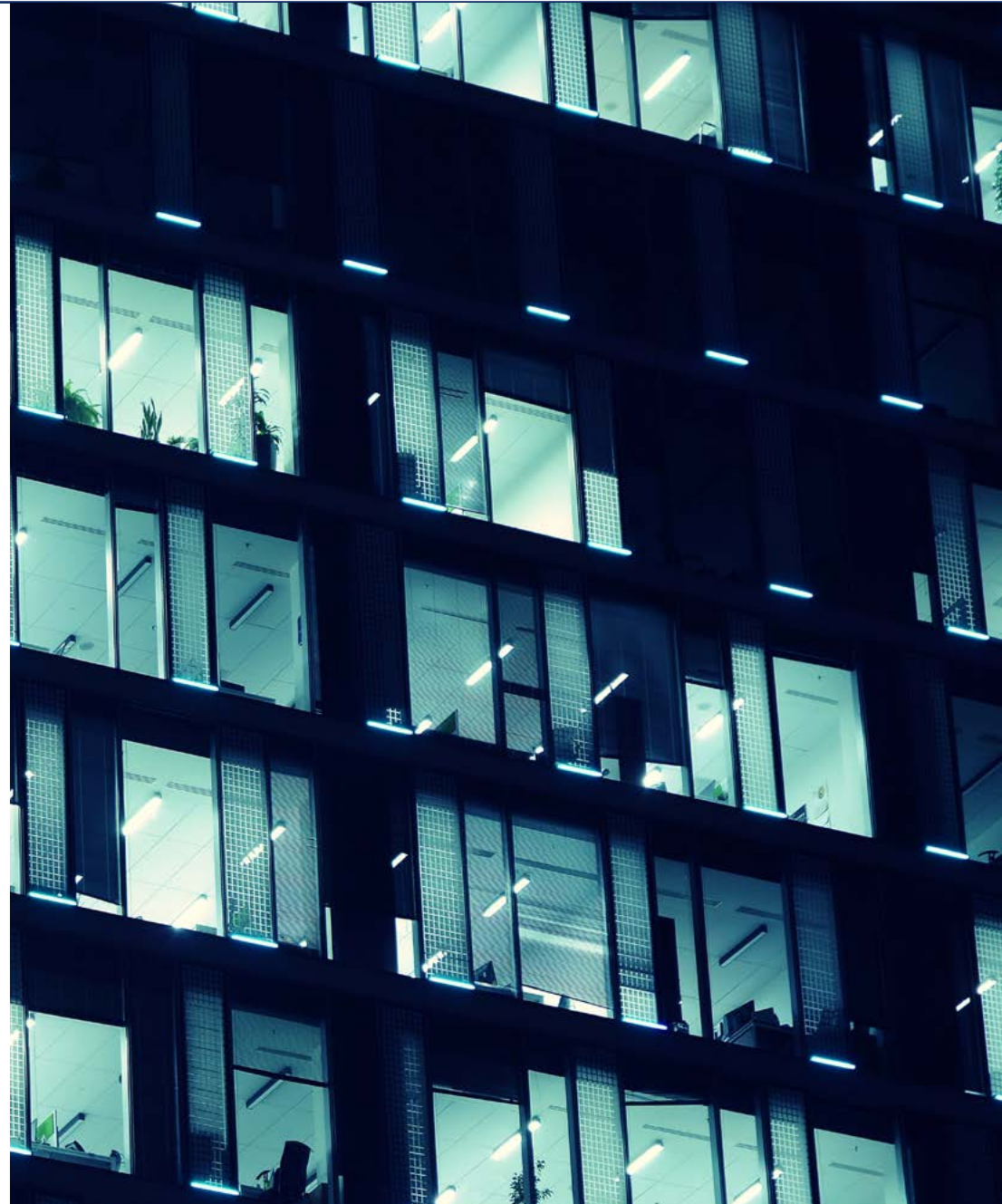
As for subcontractors, there were no serious accidents affecting the people employed at any of their manufacturing facilities in 2019.

### ACCIDENT RATES

Accident rates	2018	2019
Men	461	517
Women	56	50
<b>Total</b>	<b>517</b>	<b>567</b>

	2018	2019
Injury frequency rate	9.1	9.7
Injury severity rate	0.2	0.2

Enfermedades profesionales	2018	2019
Men	5	16
Women	8	9
<b>Total</b>	<b>13</b>	<b>25</b>



## GOAL

To optimise the purchase of materials and services globally, while guaranteeing (i) strict compliance with the defined standards of quality, safety, service and environmental management and with national and international laws and regulations; and (ii) respect for social rights and equality, specifically including gender equality.

## PROGRESS MADE IN 2019

- ✓ Bringing the new enterprises acquired in 2019 in line with CIE Automotive's standards.
- ✓ Six-monthly monitoring of the percentage of local suppliers.
- ✓ Reissue of the Global Supply Chain Manual, in July 2019, and the Purchasing Policy, in October.
- ✓ CSR training for buyer teams in India, Mexico, China, Europe, United States and Brazil.
- ✓ Global launch of the Supplier Portal.
- ✓ Collaboration with strategic equipment suppliers on the implementation of Industry 4.0 projects.
- ✓ Arrangement with Air France/KLM/Delta for the offset of the environmental footprint left by business travel.
- ✓ First edition of the CSR awards for the suppliers showing greatest commitment to ESG issues.

Developments in the automotive sector require constant fine-tuning of the supply chain in order to contain costs and maintain product quality in all markets. CIE worked to that end over the course of 2019, focusing its efforts on eking out the desired improvements by emphasising the application of CSR criteria. The newly integrated enterprises were duly educated with respect to the company's standards. Those standards not only include quality and safety requirements, but also shared values and social responsibility practices, to which end the buyer teams in several European countries, India, China and Mexico were provided with specific training. In 2019, CIE Automotive's value proposition was underpinned by around 25,000 suppliers, who invoiced the company for over €1.9 billion of goods and services.





2019 was marked by the global rollout of the Supplier Portal. The Portal is an online platform that is free to use and accessible from the [Supply Chain](#) tab on the corporate website. Existing and prospective suppliers of products and services to CIE Automotive can register on the portal.

**OVER 1,800 FIRMS  
 MADE USE OF  
 THE SUPPLIER PORTAL  
 OVER THE COURSE  
 OF 2019**

It delivers two targets: (i) it facilitates access for new suppliers and their prior assessment; and (ii) it provides a channel for submitting enquiries to procurement managers.

Over 1,800 firms made use of the channel in 2019. A non-web version has also been created for suppliers encountering difficulties in registering for the Portal.

The global rollout of the Supplier Portal guarantees standardisation of the procurement process framed by identical criteria of objectivity, impartiality and equal opportunities across all geographies.

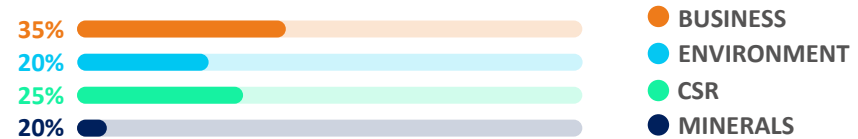
To register, suppliers must answer four questionnaires covering the areas of business, environmental, CSR and conflict mineral management; they are available for consultation on the [Supply Chain](#) tab of the company's corporate website. [414-1]

## SURVEY CATEGORIES AND WEIGHTINGS; FIRST ROUND OF CSR PRIZES FOR SUPPLIERS

In 2019, over 1,800 potential suppliers registered with the Portal, over 50% of which were given a positive rating and so became part of the pool of suppliers; the remainder received information about how to complete the process and/or improve their scores. In all instances CIE Automotive offers its support and assistance for the corresponding adaptation work.

Each of the four questionnaires that help the company assess a supplier's level of management, commitment and progress requires the candidates to attach supporting documentation by way of evidence; the questions are framed such that the responses enable objective and transparent assessment.

The weightings currently assigned to each questionnaire are:



Elsewhere, in 2019, CIE Automotive awarded its first CSR prizes to three Mexican, two Spanish and one German supplier. They were selected for their strong performance along ESG dimensions, based on the objective information gleaned from the Portal. Going forward the goal is to consolidate these awards as a coveted distinction for exemplary suppliers, encouraging other suppliers to make progress on their ESG ambitions.



## Local suppliers [204-1]

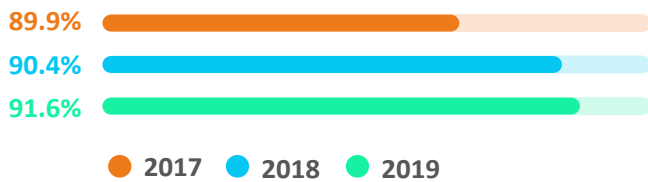
Supply chain standardisation and certification is essential to quality management. 91.6% of CIE Automotive’s suppliers are local firms and account for around 79% of group purchases.

CIE Automotive’s strategic commitment to local suppliers reduces logistics and tariff costs and mitigates exchange rate risk, while generating wealth in local communities. It

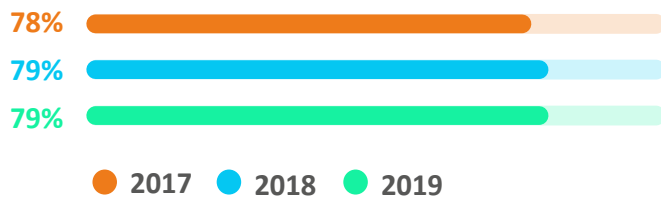
also results in more committed and better targeted management of non-financial matters on both sides.

In 2019, for the first time, the company began to track, six-monthly, the number of local suppliers used around the world, an effort which enabled it to take action to further engage suppliers in the creation of value in its various business markets.

### LOCAL SUPPLIERS, %



### PURCHASES FROM LOCAL SUPPLIERS, %



## Integration of the suppliers originating from newly-acquired enterprises

In 2019, the suppliers originating from CIE Golde (formerly Inteva’s roof systems division), Aurangabad and Mapremex joined CIE Automotive’s supplier base.

Their integration entailed an extensive effort to verify the corresponding documentation and initiate the task of monitoring their various CSR indicators, in keeping with the procurement model embodied in the [Global Supply Chain Manual](#).

That Manual was reissued in July 2019. It details graphically and in plain language the [Mission, Purchasing Policy](#), the [various product and service purchasing categories](#), the [purchasing flowchart](#) and the associated internal procedures and the CSR requirements suppliers must meet in order to work with CIE Automotive.

The process evidenced the compelling synergies implicit in the acquisitions made via scope for process and managerial improvements.

### ■ Embedding CSR across the supply chain [408-1, 409-1, 414-1]

CIE Automotive expects its suppliers to uphold its commitments to respecting human rights, living wages, environmental protection and the prevention of corruption. That requirement is set down in its Purchasing Policy, which was updated in October 2019. It is distributed to suppliers through the following communication channels: the corporate website; the General Purchasing Terms and Conditions; the Global Supply Chain Manual; the Supplier Portal; and by getting them to endorse the [CSR Commitment](#).

90% of CIE Automotive’s suppliers have endorsed the CSR Commitment. As a result, CIE Automotive is in a position to state that its global supply chain is free of suppliers that pose a significant risk of presenting incidents

90% OF CIE AUTOMOTIVE'S  
 SUPPLIERS ENDORSED  
 ITS CSR COMMITMENT  
**IN 2019**

of child or forced labour, unfair treatment, discrimination or any other practices that imply putting profits ahead of social and/or environmental concerns.

In addition, in order to better explain to suppliers what is expected of them on the CSR front and under the supplier assistance programme, it has rolled out an initiative called “CIE Automotive and its supply chain”. That initiative has translated into online and in-person CSR training for buyer teams in India, Mexico, China, Europe, the United States and Brazil.

It has been complemented by an [educational video](#) with the same name outlining what drives CIE Automotive on the ESG front, what it expects from its suppliers and how it can help them. A dedicated email inbox has been set up for handling supplier enquiries with respect to these matters.

In order to control compliance with its requirements in this area, CIE Automotive conducted specific supplier audits in 2019 in Europe (5), Mexico (2), the US (2), Brazil (2), India (2) and China (2); the plan is to step up the number of CSR audits in several regions over the coming years, expanding coverage to suppliers of productive and non-productive materials.

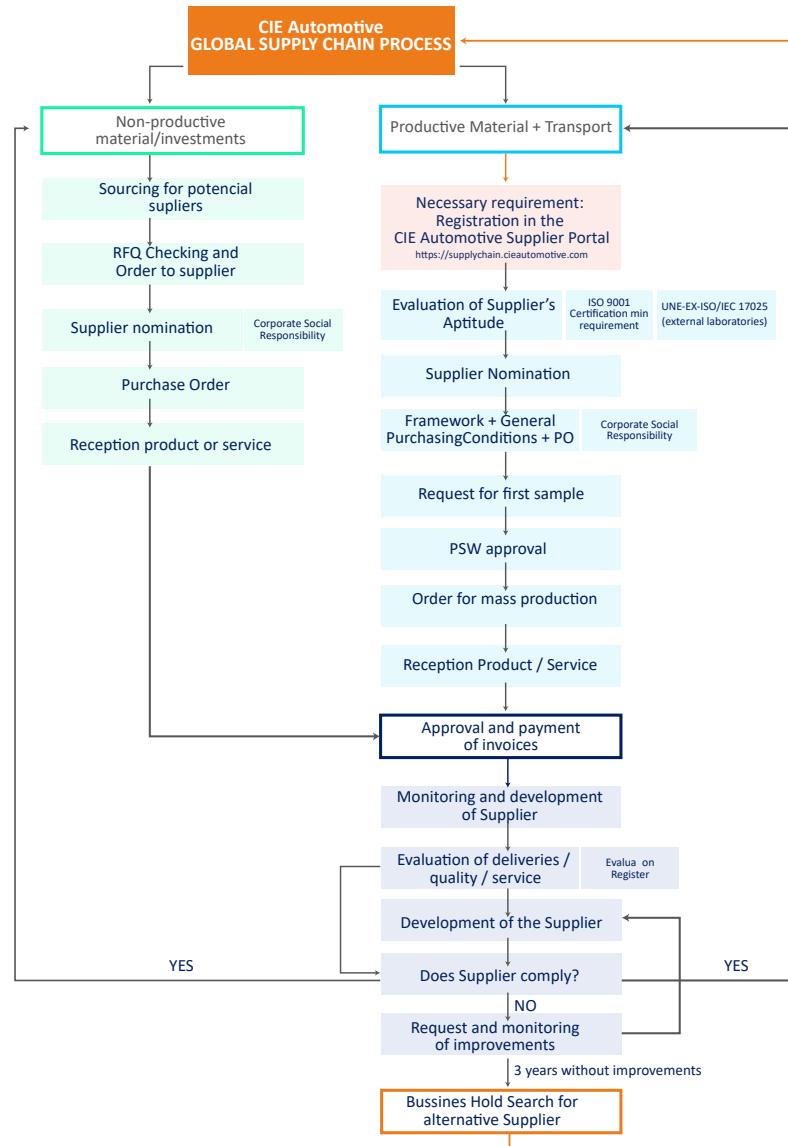
## Supplier certification process [308-1]

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

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

**IN 2019,**  
 THE COMPANY  
**AUDITED 687**  
**SUPPLIERS**

### PROCUREMENT PROCESS



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

In addition, in the CSR section, the company verifies that existing and newly audited suppliers' processes comply with the environmental, social and governance (ESG) requirements CIE Automotive endorses and promotes in its supply chain. Twenty-four per cent of all suppliers of productive materials evidenced environmental certification under ISO 14001, which is 4 points more than in 2018.



## ■ Supplier audits

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

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



### Not acceptable

the supplier ceases to be a CIE Automotive supplier, having scored less than 55%.



### Conditional

these suppliers are required to draw up a plan for improving how their companies are managed, having only fulfilled between 55% and 74% of the assessment requirements.



### Acceptable

these suppliers are asked to carry out certain specific improvements, having fulfilled between 75% and 89% of the assessment requirements.



### Preferred:

suppliers that score between 90% and 100% on the assessment.

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

## ■ Organisational model

The progress made on upgrading the supply chain is underpinned by an organisational model articulated around the product families into which the group's procurements are classified for management purposes, supplier standards and scoring and the allocation of dedicated internal resources to supply chain management.



## CIE AUTOMOTIVE'S PROCUREMENT PRODUCT FAMILIES

PRODUCTIVE PURCHASE		
RAW MATERIAL	COMPONENTES	SUBCONTRATACION
ACERO	BAR-TURNING	TTT
ALUMINIO	STAMPING	SUPERFICIAL COVERING
PLÁSTICO	FORGING	FOUNDRY
COMPONETES DE ALEACIÓN	FOUNDRY	FORGING
MATERIA PRIMA UTILLAJES	MOTOR COMPONENTS	STAMPING
	SINTERING	MACHINING
	THERMOFORMING	INSPECTION & ASSEMBLY
	TISSUE	CUTTING
	INJECTION & OVERINJECTION	WELDING
	GLASS	

NON PRODUCTIVE PURCHASE		
MRO	ENVIRONMENT	PROFESSIONAL SERVICES
PNEUMATIC	WASTE PROCESING	CONSULTING
HYDRAULIC	SANITARY	AUDIT
MECHANICAL	ENVIRONMENTAL CONSUMABLES	INDUSTRIAL DESIGN
ELECTRICAL		INSURANCE
ELECTRONICS	<b>OTHER CONSUPTIONS</b>	DATA PROCESING
TECHNICAL SERVICE	CHEMICAL	COMUNICACION
FIRE EXTINCTION	PACKAGING	CLEANING
GENERAL MAINTENANCE	CUTTING TOOLS	MEDICAL SERVICE
	INDUSTRIAL SUPPLY	TRAVELLING
<b>ENERGY</b>	WELDING	HUMAN RESOURCES
WATER	OFFICE CONSUMABLES	SECURITY SERVICES
ELECTRICITY	PPES&CLOTHES	MARKETING
GAS	INDUSTRIAL GAS	
FUELS	HARDWARE & SOFTWARE	

OTHER PURCHASE *		
TOOLING	LOGISTICS	INVESTMENTS
CONTROL TOOLING	TRANSPORT	MACHINERY
MACHINING	STORAGE	EQUIPMENTS
TTT & WELDING		BUILDINGS
STAMPING TOOLING		OTHERS
MOLDS		
TUBE FORMING		
SPARE PARTS		
REPAIRING & MODIFICATIONS		

## Internal management

CIE Automotive's Purchasing Model is a GLOCAL one - global management with local application - underpinned by a lean, simple, streamlined and thus highly efficient management network made up of factory buyers, lead buyers, buyer managers specialised by technology and the head of corporate purchasing and procurement.

There are 250 local procurement professionals located all around the world, 30% of whom are female. They are fully

committed to working with the group's corporate purchasing department in order to guarantee the correct implementation of the company's policies, procedures, values and objectives worldwide, framed by a global policy.

The team engages constantly with the group's suppliers using the various local and corporate communication channels in place; it also reaches out to the supplier community via meetings, talks given at universities, participation in specialist forums, attendance at trade fairs and one-on-one contacts by phone or email. The email contract address for suppliers, as displayed on the Suppliers Tab of the corporate website, is [purchasing@cieautomotive.com](mailto:purchasing@cieautomotive.com).

AROUND 30% OF  
**CIE AUTOMOTIVE'S**  
 BUYER PROFESSIONALS  
**ARE FEMALE**



## 2.6 Progressing on environmental efficiency

### GOAL

To calculate the company's environmental footprint.

### LINES OF INITIATIVE UNDERTAKEN IN 2019

- ✓ Prototype for calculating the environmental footprint.
- ✓ More exhaustive control over each factory's indicators.
- ✓ Calculation of the cost of emissions.

The company continued to move towards a circular economy model in 2019 in which the consumption and waste of raw materials, water and energy are minimised.

### CIE AUTOMOTIVE AND THE CIRCULAR ECONOMY



#### Suppliers:

- Raw materials:
  - Use of raw materials originating from recycling processes, above all steel and aluminium.
- Energy:
  - Use of electricity generated from renewable sources (100% in Spain).
  - Installation of photovoltaic facilities.
- Transport optimisation.



#### Internal process:

- Reuse of waste generated.
  - Aluminium casting.
  - Steel casting.
  - Plastic injection moulding.
- Specialist waste managers to guarantee reuse.



#### Sales:

- Use of returnable packaging in collaboration with its customers.
- Transport optimisation.



#### Eco-design

- ✓ Refer to dedicated section

CIE Automotive is committed to delivering the decarbonisation objectives set at in the Paris COP Agreement and to implementing circular economy measures all along its value chain. Aware that if it is to reduce its impact on the environment it is essential to correctly diagnose the starting situation and then track certain environmental indicators systematically, in 2019 CIE Automotive focused its efforts on creating a prototype for calculating its environmental footprint. In 2020, it plans to make additional progress on its eco-design effort, thus contributing to the manufacture of cleaner and more efficient vehicles.

The manufacture of parts and subassemblies for the automotive industry has an impact on the environment which CIE Automotive strives to offset by taking a preventive approach and working to minimise its adverse impacts, as

set down in its [Mission, Vision and Values and its Health, Safety, Environmental and Quality \(HSEQ\) Policy](#). The HSEQ Policy and its implementing rules are reviewed constantly to align them with customer needs.



## ■ Environmental footprint calculation

To enhance environmental efficiency it is vital to perform a prior assessment of the real impact of the company's activities and evaluate its environmental footprint dynamics. To that end, in 2019, CIE Automotive created a prototype for calculating its environmental footprint that will enable it to track its precise emissions, use of natural resources and the waste associated with its activities so as to take informed decisions about how to reduce that footprint.

It executed the project in collaboration with IHOBE (the Basque regional government's

public environmental management company) based on the ReCiPe life cycle impact assessment (LCIA) tool. The new calculator will enable assessment and monitoring of the environmental impact of each of CIE Automotive's productive facilities.

The environmental impact calculation comprises five stages, starting with definition of the objectives pursued and ending with an interpretation of the results of the environmental impacts corresponding to the inflows and outflows taking place within the organisation.

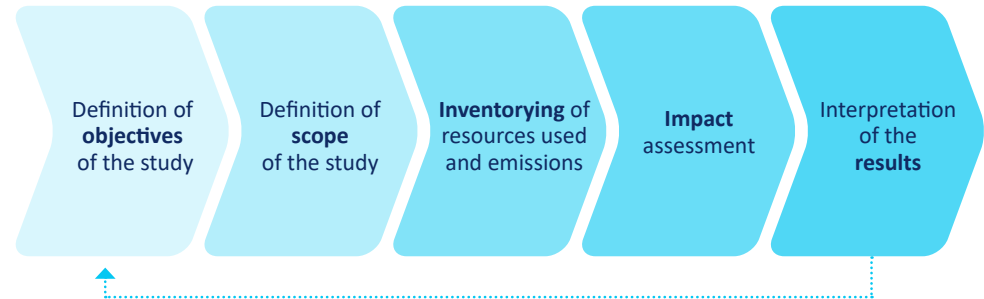


Image 1: Steps involved in calculating the environmental footprint

The assessment will analyse 17 impact categories, from ozone layer destruction to soil transformation.

The idea is to start to deploy the tool in 2020, starting in Spain and extending it to cover the rest of the world in the medium term.

## ■ Eco-design

AS PART OF ITS **CIRCULAR ECONOMY THRUST**, IN 2020, CIE AUTOMOTIVE PLANS TO MAKE FURTHER **PROGRESS ON ITS ECO-DESIGN EFFORT**

CIE Automotive's circular economy pledge also extends to its products. In 2020, the company plans to make further progress on the eco-design front by remanufacturing parts and systems, integrating recycled materials into parts and ensuring their subsequent recyclability.

For over more than a decade, the company has been researching how to make vehicles lighter, thereby helping to reduce engine fuel consumption. It is also researching engine fluid management for incorporation into the design of eco-efficient engines to ensure compliance with greenhouse gas emission protocols.

*For more information about the company's eco-design effort, refer to section 4.4. Strategic commitment to innovation and technology.*



## 2.6.1 Environmental management model

CIE Automotive embeds environmental criteria into the management of its processes. One of the indicators in the dashboard that tracks its environmental record is the cost of its emissions, calculated in terms of European emission allowances (EUA), even though CIE Automotive does not participate in the global emission trading scheme (such that this indicator is a ‘fictional’ cost that does not affect its statement of profit or loss).

A related indicator is environmental costs over revenue, which factors in the cost of all things related with environmental management of the productive process, from the intake of the energy and water consumed to the exit of the waste generated and its ultimate management.

In keeping with its decentralised management model, CIE Automotive has established factory-specific Eco-Efficiency Plans, which include a monitoring regime with specific improvement targets and a reporting system so it can analyse its

environmental performance. In 2019, the company enhanced control over both of these indicators.

The use and consumption of raw materials, water and energy is managed by means of annual risk assessments at each of its locations, framed by the ISO 14001 standards and a continuous monitoring regime.

That monitoring effort means that beyond their statements of profit or loss, where everything gets reflected, all of the factories are regularly reporting their consumption levels in physical units (KWh, kg, m3, etc.) with the aim of further guiding the management effort.

Moreover, in recent years, the company has been working to ensure all CIE Automotive factories obtain environmental certification.

*For more information about the company’s certifications, refer to section 5.2. Customers*

### ■ Environmental investments

ENVIRONMENTAL  
**INVESTMENTS**  
 AMOUNTED TO  
**€6.9 MILLION**  
**IN 2019**

CIE Automotive keeps its productive facilities in the conditions required under the environmental regulations prevailing in the various countries in which it manufactures. Every year it introduces new energy efficiency measures into its processes and facilities.

That continuous improvement effort requires ongoing investment in its factories. In 2019, CIE Automotive invested €6.9 million in environmental protection.

### ■ Self-supply

CIE Automotive is taking its first steps in the self-generation of energy via the installation of photovoltaic cells. The pilot projects in Europe and India are expected to provide the information needed to analyse and fine-tune this initiative for broader rollout in the future.

*For additional details, refer to the consolidated financial statements.*



## 2.6.2 Key environmental performance indicators Consumption of water and materials [301-1, 301-2, 303-1]

CIE Automotive uses water extensively in making parts that require material transformation at high temperatures. In order to minimise water discharges, it has proprietary water treatment systems that enable its recovery.

The company reviews all of its processes constantly to ensure the responsible use of raw materials. A good example of this practice is the concerted effort to reduce the gross weight of the products made by the company, which is key to using raw materials more efficiently. That effort lowers the generation of waste and the consumption of energy and other products needed in the manufacturing process.

### WATER CONSUMPTION [303-1]

	Unit	2017	2018	2019
Surface water			306,015.00	328,251.00
Underground water			212,896.00	355,167.00
Rainwater	m <sup>3</sup> /year		28,199.00	31,808.00
Municipal networks			1,045,627.85	934,006.32
<b>TOTAL</b>		<b>1,732,867.41</b>	<b>1,592,737.84</b>	<b>1,649,232.32</b>

### MATERIALS CONSUMPTION [301-1, 301-2]

	Unit	2017	2018	2019
Raw materials used	Kg	1,184,270,380	1,472,819,976	1,510,283,589
Raw materials recovered	Kg	273,208,562.8	460,625,898.00	411,191,542.00
Raw materials recovered	%	0.23	0.31	0.27

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

For further information on consumption by region, refer to the detailed table provided in section 6.5 Data tables.

For further information on consumption by region, refer to the detailed table provided in section 6.5 Data tables.

### ■ Waste management [306-2]

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes. The waste generated that cannot be recycled is collected by expert handlers which prioritise recycling over the landfill disposal method. In 2019, 7% of all waste generated was sent to landfill, while the remaining 93% was reused.



#### Aluminium:

The injection moulding and machining processes generate sizeable amounts of remains such as sprue, risers, starting pieces, etc. from the injection moulding process and shavings from the machining process. In both instances, the company reuses these remnants in the melting process.



#### Plastic:

The plastics division recycles sprue and other remains returned by its injection moulding process.



#### Steel:

This is the material with the highest associated volume of waste. As it cannot be recycled in full within the group's factories, it is delivered to a number of different local suppliers for full reuse.

### WASTE MANAGEMENT

	Unit	2017	2018	2019
Hazardous waste disposed of			26,906.63	25,239.28
Non-hazardous waste disposed of	Tonne		348,470.43	339,855.78
<b>TOTAL</b>		<b>261,952.32</b>	<b>375,377.06</b>	<b>365,095.06</b>

*For further information on waste generation by region, refer to the detailed table provided in section 6.5 Data tables.*

Albeit unrelated to the group's core business, all of the facilities with canteens or food vending machines for employees are subject to the most stringent quality and safety rules, including food waste prevention criteria to the extent feasible.

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

Energy efficiency is a top priority for CIE Automotive because of its impact on its environmental footprint and because it represents a source of competitiveness. CIE Automotive has managed to cut its greenhouse gas emissions by 18% during the last three years to 451 metric tonnes of CO<sub>2</sub>.

In 2019, the company reinforced its strategic commitment to renewable energies. As well as purchasing clean energy to power its facilities, it also worked to install photovoltaic panels at some of its factories in 2019. It forwent emissions equivalent to 146 tonnes of CO<sub>2</sub> thanks to the purchase of power generated from renewable sources.

#### ENERGY CONSUMPTION AND SAVINGS

	Unit	2017	2018	2019
Direct energy consumption	Gigajoules (G)	1,382,138.19	1,608,941.2	1,662,755.19
Indirect energy consumption	Gigajoules (G)	3,482,970.60	3,924,977.41	3,955,226.55
Indirect energy consumption	Gigajoules (G)	-	2,216,060.35	2,093,457.91
Indirect energy consumption from renewable sources	Gigajoules (G)	-	1,708,917.05	1,861,768.64
<b>TOTAL</b>	<b>Gigajoules (G)</b>	<b>4,865,108.78</b>	<b>5,533,918.61</b>	<b>5,617,981.74</b>

For further information on energy consumption by region, refer to the detailed table provided in section 6.5 Data tables.

#### EMISSIONS

Indicator	Unit	2017	2018	2019
Direct emissions		89,151.45	93,702.22	96,093.59
Indirect emissions	MT of CO <sub>2</sub>	459,134.83	365,175.97	354,869.08
<b>TOTAL</b>		<b>548,286.28</b>	<b>458,878.19</b>	<b>450,962.67</b>

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

For further information on emissions by region, refer to the detailed table provided in section 6.5 Data tables.

#### EMISSIONS FOREGONE AS A RESULT OF THE PURCHASE OF ENERGY GENERATED FROM RENEWABLE SOURCES

Indicator	Unit	2017	2018	2019
Indirect emissions	MT of CO <sub>2</sub>	-	137,773.27	112,544.38





### ■ Light and noise pollution

In some locations and with certain technologies, noise pollution can be an issue. CIE Automotive’s factories are located in industrial areas at a sufficient distance from residential districts so as not to pose a problem. Nevertheless, CIE Automotive’s environmental management systems are framed by the ISO 14001 standard, thus ensuring compliance with prevailing thresholds. Its systems are designed to help prevent and improve management of the company’s environmental impacts, risks and opportunities as a whole.

Light pollution is not a relevant consequence of CIE Automotive’s activities.

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

The company did not receive any significant fines for non-compliance with environmental laws or regulations in 2019. Significant fines are those of €30,000 or more.

## GOAL

To contribute to development in the communities where the company does business by creating wealth, paying taxes and doing community work.

## LINES OF INITIATIVE IDENTIFIED FOR 2019

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

In 2019, CIE Automotive’s economic activity generated €3,461.1 billion in turnover, of which 2,818.8 was distributed to society in the form of employee compensation, supplier payments, shareholder dividends and taxes.

## VALUE GENERATED AND DISTRIBUTED [201-1]

€ million	2017	2018	2019
<b>Revenue</b>	2,845.6	3,029.5	3,461.1
<b>Economic value distributed</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
To shareholders (dividends)*	52.9	72.1	80
To shareholders (special dividend)**	-	404,7	-
To employees (employee benefits expense)	532.0	557.8	623.2
To suppliers (consumption of raw materials and auxiliary materials)	1,683.7	1,836.7	2,047.8
To society (income tax paid)	55.9	66.9	58.8

(\*) Dividend paid during the year.

(\*\*) Market value of the special dividend articulated to distribute CIE Automotive’s interest in Dominion to its shareholders.

CIE Automotive contributes to development in the communities in which it does business by enriching the business landscape, generating jobs directly and indirectly and paying taxes. In addition to the direct benefits deriving from its business activities, the company collaborates with other local organisations on a range of community activities and participates actively in sector associations.



## 2.7.1 Community work

In keeping with its [Community Work Policy](#), CIE Automotive strives to address the difficulties and needs of its communities by providing solutions articulated around three lines of action:

- **Donations:**

*ad-hoc* financial support for non-governmental organisations and similar organisations for the pursuit of their social activities.

- **Sponsorships:**

whether carried out at the corporate or individual local company level, these initiatives are framed by the principles laid down in the Community Work Policy.

- **Community investment:**

long-term investments aimed at giving back to the communities where the company does business.

In 2019, the company made contributions to community work programmes worth over €500,000.

IN 2019, THE COMPANY  
 CONTRIBUTED OVER  
**€500,000**  
 TO COMMUNITY  
**PROGRAMMES**

Many of the community interventions carried out are brought to the company's attention by its professionals. The fact that 92% of its factories are managed by local managers makes it easier to respond to real community needs and take decisions quickly in the case of social emergencies.

It is worth highlighting the level of employee commitment to these local initiatives: in 2019 nearly 3,000 employees participated actively in these projects, as was the case in 2018.

### Strategic alliance with Save the Children Mexico

CIE Automotive began to collaborate with a Save the Children project in Mexico called "*Caminando hacia el futuro*", which means Walking towards the future, in April 2019. The project, which is scheduled to run for 18 months, consists of training youths aged between 15 and 21 with the aim of increasing their chances of finding decent work and breaking intergenerational poverty cycles.

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

Some of the 958 youths (387 women and 571 men) participating in the programme will have the chance to do work practice at the CIE Automotive factory in Puebla. In that way, CIE Automotive will form part of the training process and stands to benefit from the opportunity to bolster its teams by hiring people who have successfully completed their work practice with it.

## ■ Community work programmes by region

CIE Automotive collaborates with various organisations on local projects, in keeping with the United Nations Sustainable Development Goals.

### ■ Europe

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
EUROPE	201,000	1,200	650

- Participation in the charity marathon organised by the EITB group to raise money for research into childhood cancer.
- Support for the AFIM Foundation, which was set up to provide training assistance to youths and the elderly as well as end-to-end care, help and assistance for people with disabilities of any kind (physical, intellectual, sensory or mental) with the aim of helping to integrate them into the workplace and society.
- Contributions to *Aldeas Infantiles*, a non-profit organisation whose mission is to help children and youths living in precarious conditions by fostering their development and independence via foster care and reinforcing their family, social and community networks.
- Collaboration with UNICEF, Lenbur, Aratz and Down Ourense, among others.
- Support for *África Directo*, a humanitarian relief organisation which stimulates the creation of self-sustainable anchor projects by training local managers.
- Food donation drives in Romania and via collaboration with food banks in Spain.
- Support for child education, skills training and job creation: In Portugal, Romania and Lithuania, CIE Automotive collaborates with educational institutions and centres that support disadvantaged children and the integration of youths into society.
- Promotion of teamwork and local sport: organisation of community sporting activities in Slovakia and Romania to stimulate teamwork and raise awareness about the importance of giving back to society.



## Americas

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
AMERICA	116,000	683	11,400
<ul style="list-style-type: none"> <li>The North American factories participated in the collection and donation of food for the Children’s Hospital of Michigan, displaying their commitment to providing relief for child hunger.</li> <li>They also help fight crime through the work done with Crime Stoppers, an NGO.</li> </ul>	<ul style="list-style-type: none"> <li>Support for Adopt a Family, a charity that helps the neediest.</li> <li>Support for programmes for children with heart disease in Mexico.</li> <li>Reforestation programmes in Mexico.</li> <li>Donation of food, school materials and toys for children.</li> </ul>	<ul style="list-style-type: none"> <li>Support for the integration of young people into the workplace.</li> <li>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.</li> <li>Programmes for improving quality of</li> </ul>	<p>living in the community: CIE Automotive participates in programmes for tackling hunger and poverty through its collaboration with the Terra Foundation.</p> <ul style="list-style-type: none"> <li>Support for the AGACC Foundation, whose mission is to foster social justice by empowering the neediest by facilitating their access to educational technology.</li> </ul>

## Asia

COMMUNITY WORK	Total Euro	No. of employees who participated	No. of work hours devoted
ASIA	255,000	1,200	5,000
<ul style="list-style-type: none"> <li>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. That is evident in the voluntary participation of nearly 1,200 employees who devoted over 4,800 hours of their personal time.</li> </ul>	<ul style="list-style-type: none"> <li>Celebration of International Women’s Day, in which 53 female employees and their relatives participated in order to encourage female empowerment.</li> <li>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</li> </ul>	<p>the brightest students so that they can further their education.</p> <ul style="list-style-type: none"> <li>Reforestation and climate change awareness drives.</li> <li>Blood donation events.</li> <li>Awareness 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.</li> </ul>	<ul style="list-style-type: none"> <li>Health services in schools and villages: CIE Automotive also contributes to medical check-ups for students and local community members with the aim of furthering the early detection and prevention of diseases. Lastly, in 2019 the company also donated anti-mosquito sprays to the Sangli community.</li> </ul>

## 2.7.1 Institutional relations

[415-1, 102-13, 201-4]

As part of its effort to minimise the impacts its industrial activity has on its communities, CIE Automotive collaborates with the corresponding local and regional governments. Its engagement with public authorities is framed by strict observance of prevailing legislation and the utmost transparency, in keeping with the principles laid down in its [Code of Conduct](#).

### ■ Prevention of fraud

As stipulated in its [Anti-Corruption and Anti-Fraud Policy](#), dealings with public officials and authorities must be underpinned by the principles of transparency, integrity, objectivity, impartiality and lawfulness.

The company's commitment to thwarting corruption is tangible in its endorsement of the ten principles enshrined in the United Nations Global Compact. As contemplated in the tenth principle of the Global Compact, CIE Automotive is explicitly committed to combatting corruption in all its forms, including extortion and bribery, and to developing specific and exemplary policies in this area.

The company is politically neutral and does not finance, either directly or indirectly, political parties or their representatives or

**CIE AUTOMOTIVE  
 IS COMMITTED  
 COMBATTING  
 CORRUPTION  
 AND BRIBERY**

candidates, either in Spain or abroad. In 2019, CIE Automotive received €1.4 million of grants related to income: €0.7 million in Spain; 0.2 million in each of Russia, Germany and Portugal, and €0.1 million in China. [201-4]



## ■ Membership of associations

As a prominent member of the auto parts sector, CIE Automotive encourages fair and responsible regulation of its activities so as to benefit the sector, its stakeholders and society.

Specifically, as a member of the Spanish association of automotive suppliers, SERNAUTO, and framed by its environmental commitments, it supports the design of efficient and effective regulations for the reduction of emissions so as to preserve in parallel the employment and competitiveness of a vital component of European manufacturing. It believes that legislation should set environmentally ambitious yet technically and economically viable objectives and acknowledge carbon-friendly technologies, framed by its technology-neutral stance.

## ASSOCIATIONS TO WHICH CIE AUTOMOTIVE BELONGS

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SERNAUTO - the Spanish association of automotive equipment and components manufacturers. Member of the Management Board. Chair of the R&D Committee.

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ADP - Association for management progress.

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

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EGVIA - the European Green Vehicles Initiative Association.

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

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

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

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CTAG - the Galician automotive cluster.

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

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

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ACMA – the Automotive Component Manufacturers Association of India.

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BACC – the Baltic Automotive Components Cluster.

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AIFI – the Association of Indian Forging Industry.

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FVEM – the Vizcaya confederation of metal companies.

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CCMI – the Confederation of Chinese Metalforming Industry.

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Basque Ecodesign Center – Founder and member of the Executive Committee.

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The innovation and  
growth that set us apart

CIE Automotive finds itself in the midst of the fourth industrial revolution: it is incorporating cutting-edge technology across its facilities to make its processes more efficient and pave the way for the manufacture of smart products. While in 2019 it centred its efforts on projects related with automated measurement and artificial vision, in 2020 it plans to launch pilot tests designed to accelerate its digital transformation.

Industry 4.0 brings a host of opportunities for CIE Automotive which will enable it to respond to the auto sector’s needs and make faster progress towards attaining **smart machines, lines and factories**:

- **Dizzying development of enabling technologies** that are mutually compatible and interact with and feed off each other as the physical and digital worlds become increasingly intertwined.
- **Growing sensory capacities** for the capture of data and increasing mathematical power for the **development of algorithms** that transform the data into information of utility in decision-making and in increasing the value added by technology in every stage of the process, all along the value chain.

The ability to tap into these capabilities will drive a gradual shift from **mechatronic products** (which will increasingly be equipped with smart features and communication capabilities) **towards smart products**, featuring new bundled services under the umbrella of the internet of data, persons, services and things.

## ■ Progress made on the Industry 4.0 front in 2019

CIE Automotive is **working on multiple fronts** - strategy, organisation, technology, industrial processes, etc. - in order to model and simulate its processes using smart connection and collaboration modes. In parallel, Industry 4.0 tenets are being applied in design engineering, production and maintenance with the aim of moving from a system of having to **fine-tune the parameters of a process *post facto* to one of defining optimal parameters**, thanks to the ability to parametrise and correlate the critical variables in a multivariable process. That will enable the anticipation - and by extension prevention - of possible deviations.

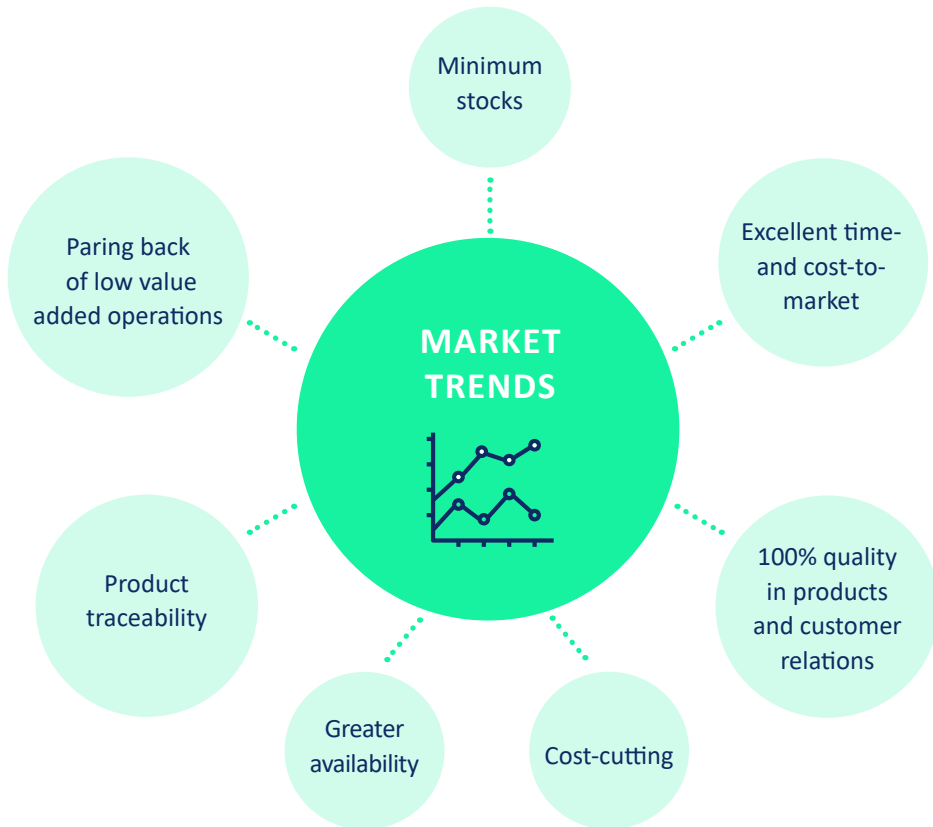
CIE AUTOMOTIVE  
 IS WORKING TO ATTAIN  
**ROBUST, FLEXIBLE AND  
 SMART PROCESSES**

As the physical and digital worlds become increasingly intertwined, CIE Automotive aims to achieve maximum productivity, flexible automation, maximum quality, zero defects, large-scale personalisation, maximum reliability, unit traceability, proactive anticipation, digitalisation of its operations and new know-how.

In short, the aim is to achieve robust, flexible and smart processes, processes that are excellent in terms of quality, agility and productivity with reliable servicing, minimum change times, quasi-unitary runs and process and product repetitiveness.







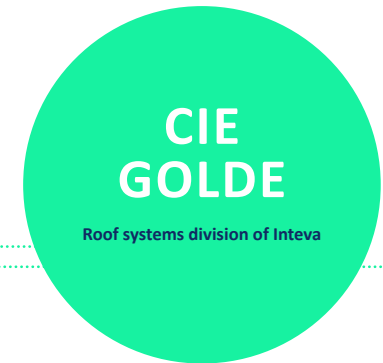
## ■ Lines of initiative undertaken in 2019

- Automated production line measurements (hot and cold).
- Use of computer generated artificial vision to acquire, process and analyse parts images during the process.
- Sensorisation, capture, analysis and visualisation for process-critical variables.
- Unit traceability.

**Looking to 2020, CIE plans** to continue to build on the momentum achieved in 2019 and to launch new pilot projects designed to accelerate its digital transformation. **Notable among which two:**

- ✓ **Digital twin**, understood as the digital replica of a physical process. A numerical simulation model, to be fed with process data, will be adjusted online before the actual process is tweaked such that the company will initiate its foray into the predictive model environment.
- ✓ **5G in confined spaces**. The potential offered by next-generation 5G wireless technology will have a major impact on data transmission capacity and help render productive processes more effective via mobile communication between machines and robots in real time. 5G will also bring a latency that will enable point-to-point communication with minimum reaction times, creating the scope for connecting a large number of devices up to each other with industry-appropriate frequencies.

Since it was set up in 1996, CIE Automotive has acquired and integrated over 100 automotive sector companies, going on to apply its stringent standards of profitability, quality and respect for labour, social and environmental rights at each. That growth story continued in 2019 with the acquisitions of Inteva’s roof systems divisions (now called CIE Golde), Aurangabad Electricals Limited (AEL) and Mapremex. The three transactions entailed investment of over €800 million.



## PROFILE

- ✓ **Specialisation**  
Design, engineering and manufacture of roofs for vehicles.
- ✓ **Footprint**  
United States, Mexico, Germany, Slovakia, Romania, China and India.
- ✓ **No. of facilities**  
12 factories.  
6 R&D centres.
- ✓ **No. of employees**  
>4,400.
- ✓ **Customers**  
Top automotive OEMs.
- ✓ **2018 revenue**  
Almost \$1 billion (approx. €850 million), including 50% of the SAMAP joint venture.

## TRANSACTION

- ✓ **Rationale**
  - To reinforce its commitment to comfort systems and increase its presence in the roof systems segment. The target company’s customers, markets and products notably complement those of Advanced Comfort Systems (ACS), the roof systems company CIE Automotive acquired in 2009, since when it has doubled its revenue and boosted its EBITDA margin by 10 points.
  - To become one of the top three global players in the roof system niche, which has been growing consistently in recent years and not been affected by the hybridisation/ electrification processes. Niche dominance is a winning strategy in the sector.
  - To consolidate its strategic commitment to innovation and high-tech engineering by gaining access to new and highly complex and sophisticated products and processes.
- ✓ **Price paid**  
Approx. 742 million euros (Enterprise Value ≈670M€).
- ✓ **Transaction announcement date**  
17 September 2018.
- ✓ **Transaction close**  
6 May 2019.

## PROFILE

- ✓ **Specialisation**  
Aluminium injection moulding.
- ✓ **No. of employees**  
>3,300.
- ✓ **Footprint**  
India.
- ✓ **Customers**  
OEMs and Tier-1 suppliers | Passenger and two-wheel vehicles.
- ✓ **No. of facilities**  
3 factories.
- ✓ **2018 revenue**  
Approx. €108 million.



## TRANSACTION

- ✓ **Rationale**  
To add aluminium injection moulding technology in one of the most promising markets - India - and diversify MCIE India's business, strengthening its presence in the two-wheel segment.  
  
AEL is a key supplier for a considerable number of OEMs and Tier-1 suppliers in the passenger and two-wheel vehicles segments in India and internationally. It makes a large variety of bodywork, brake and engine parts using high-pressure and gravity injection processes. AEL also has machining, thermal treatment, coating, assembly and leak testing capabilities, as well as modern tools and moulds.
- ✓ **Price paid**  
Approx. 111 M€ million euros (Enterprise Value ≈111 M€).
- ✓ **Transaction announcement date**  
12 March 2019.
- ✓ **Transaction close**  
9 April 2019.

## PROFILE

- ✓ **Specialisation**  
Machined parts.
- ✓ **No. of facilities**  
1 factory.
- ✓ **Customers**  
TIER-1 suppliers.
- ✓ **Footprint**  
México.
- ✓ **No. of employees**  
≈400 employees.
- ✓ **2018 revenue**  
€36 million.



## CIE MAPREMEX

Maquinados de Precisión de México S. de R.L de C.V.  
 Cortes de Precisión de México S. de R.L de C.V.

## TRANSACTION

- ✓ **Rationale**  
To leverage the acquired companies' universe of productive assets to complement CIE Automotive's existing manufacturing activities in Mexico and enable physical and customer expansion going forward.
- ✓ **Price paid**  
Approx. 37 million euros (Enterprise Value ≈59 M€).
- ✓ **Transaction announcement date**  
24 June 2019.
- ✓ **Transaction close**  
19 September 2019.





Sticking with  
our culture



## MISSION [102-16]



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

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

**We seek excellence through the following commitments:**

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



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

## VISION



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

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

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

**We aim to be:**

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

## VALUES



**At CIE Automotive we attach importance to people:**

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

**At CIE Automotive we attach importance to the environment:**

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

**At CIE Automotive we attach importance to transparency:**

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

**At CIE Automotive we attach importance to our stakeholders:**

- Promoting honest relations.
- Respecting their rights.

**At CIE Automotive we attach importance to compliance:**

- Upholding Spanish and international law.

## ■ Corporate policies

To execute its mission and realise its vision, CIE Automotive has articulated a series of corporate policies, some of which were updated in October 2019. Those policies are binding upon all members of the organisation.

### Corporate social responsibility (CSR)

- Corporate social responsibility.
- Purchasing.
- Supplier CSR commitment.
- Human rights.
- Anti-corruption and anti-fraud.
- Community work.

### Governance

- Internal control over financial reporting (ICFR).
- Risk control and management.
- Corporate governance.
- Director remuneration.
- Tax policy.
- Reporting to and communicating with shareholders and the market.
- Shareholder remuneration policy.
- Director selection and board diversity policy.
- Policy for engaging and interacting with the account auditor.





CIE Automotive is a global supplier of parts and subassemblies for the automotive market. It has been building scale on a sustained basis since it was set up in 1996 thanks to a solid and unique business model that has proven capable of withstanding adverse economic cycles. Five differentiating traits underpin the profitable growth delivered: multiple locations, customer diversification, a multi-technology approach, disciplined investing and decentralised management.

## CORNERSTONES OF THE BUSINESS MODEL (data as of 31/12/2019)



### ■ Multiple locations

CIE Automotive produces wherever its customers need it to. At year-end 2019, it had 110 manufacturing facilities in 16 countries in the four main automotive markets, as well as 10 R&D centres. All of its facilities stand out for their specialisation, process automation and strategic commitment to innovation.

This geographic diversification enables it to serve global automotive platforms and helps it mitigate sector issues by offsetting adverse trends in certain regions with stronger momentum in others.

### CIE AUTOMOTIVE FACTORIES AROUND THE WORLD

	TOTAL	MACHINING <sup>(2)</sup>	STAMPING <sup>(3)</sup>	FORGING <sup>(4)</sup>	PLASTIC <sup>(5)</sup>	ALUMINIUM <sup>(6)</sup>	ROOF SYSTEMS	CASTING
Europe <sup>(1)</sup>	44	15	5	6	5	7	6	
North America	19	6	5	2	3	1	2	
Brazil	15	3	4	1	5	1		1
Asia (India & China)	32	3	6	8	1	3	9	2
TOTAL	110	27	20	17	14	12	17	3

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

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

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

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

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

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

*CIE Automotive*



## NORTH AMERICA

CIE Automotive has 19 factories in 12 places in Mexico and in 6 in the United States. The company entered the North American market via Mexico 18 years ago and for the last eight years it has been building a presence in the United States via a series of acquisitions, generating a logistical balance suited to responding to customer demands and locations in North America.

## BRAZIL

With 15 manufacturing facilities, Brazil remains one of CIE Automotive's core markets. The company is continuing to increase its market shares thanks to the consolidation taking place among auto parts manufacturers in the wake of the crisis of 2014-2016.

## EUROPE

Europe is CIE Automotive's main market, with 44 manufacturing facilities between Western and Eastern Europe. The European market encompasses the MCIE group's factories, which are heavily focused on the commercial vehicle segment, and CIE's legacy factories, focused on passenger vehicles.

## ASIA

CIE has 20 manufacturing facilities in India and 12 in China. The group's solid position in India stems from its alliance with the local group Mahindra & Mahindra Ltd., which gave rise to the MCIE group, which has since been expanded with the acquisitions of the Bill Forge (2016) group and Aurangabad (2019).

The company's exposure to China, which has historically been small and focused on very specific products for western customers, has increased following the acquisition of CIE Golde.

## REVENUE MIX BY REGION

(€ million)	Revenue
Europe	933
MCIE Europe	917
North America	758
Brazil	528
Asia	326

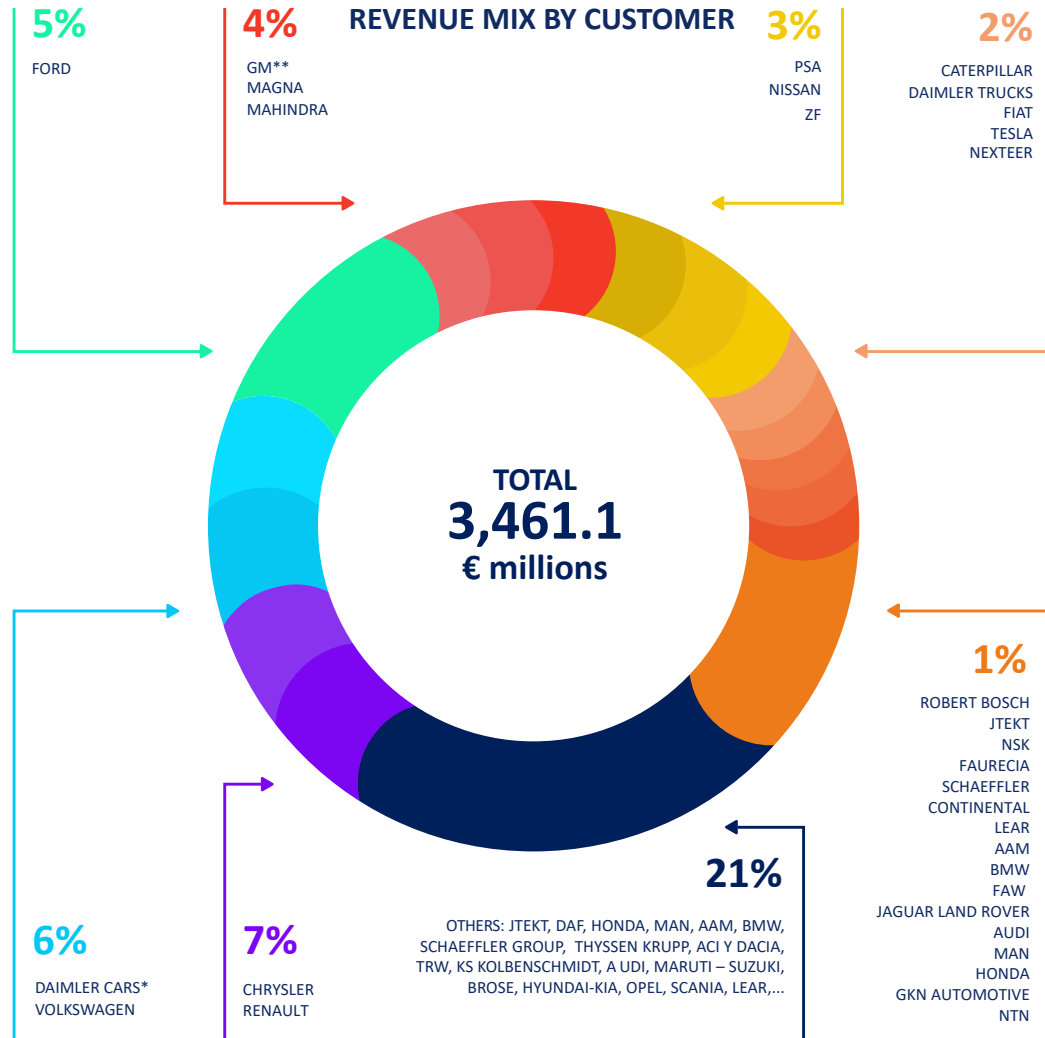


<span style="color: orange;">■</span> NORTH AMERICA	26.5%
<span style="color: blue;">■</span> EUROPE	26.9%
<span style="color: green;">■</span> ASIA	21.9%
<span style="color: darkblue;">■</span> MCIE EUROPE	15.3%
<span style="color: yellow;">■</span> BRAZIL	9.4%

## Customer diversification

CIE Automotive sells its products to OEMs (approx. 70%) and Tier-1 suppliers (approx. 30%). Its customer portfolio is very diversified, with its largest customer accounting for just 7% of revenue.

That diversification gives it greater price bargaining power, even during times of more intense market pressure.



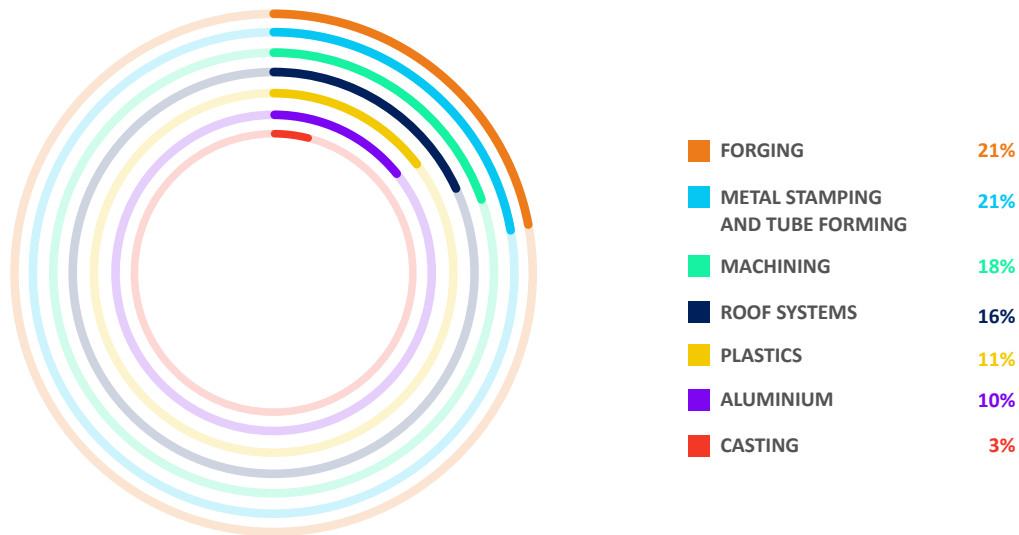
\*Includes 3% of BBAC (BAIC-DAIMLER JV) sales.  
 \*\* Includes 1% of SGM (SAIC-GM JV) sales.

## ■ Technological diversification

CIE Automotive uses seven different kinds of technology to make over 7,000 different products: machining, metal stamping and tube forming, forging, plastics, aluminium injection moulding, casting and roof systems.

Thanks to its mastery of such a broad range of technologies, it can offer different technological solutions for a given part and make a subassembly using a combination of processes. This means that customers can select the optimal solution without having to contact different suppliers and development teams.

### REVENUE MIX BY TECHNOLOGY



TECHNOLOGY	Revenue (€ million)
Forging	760
Metal stamping and tube forming	745
Machining	646
Roof systems	571
Plastics	369
Aluminium	366
Casting	114

Note: Includes €110 million of Intercompany sales.

## Financial discipline

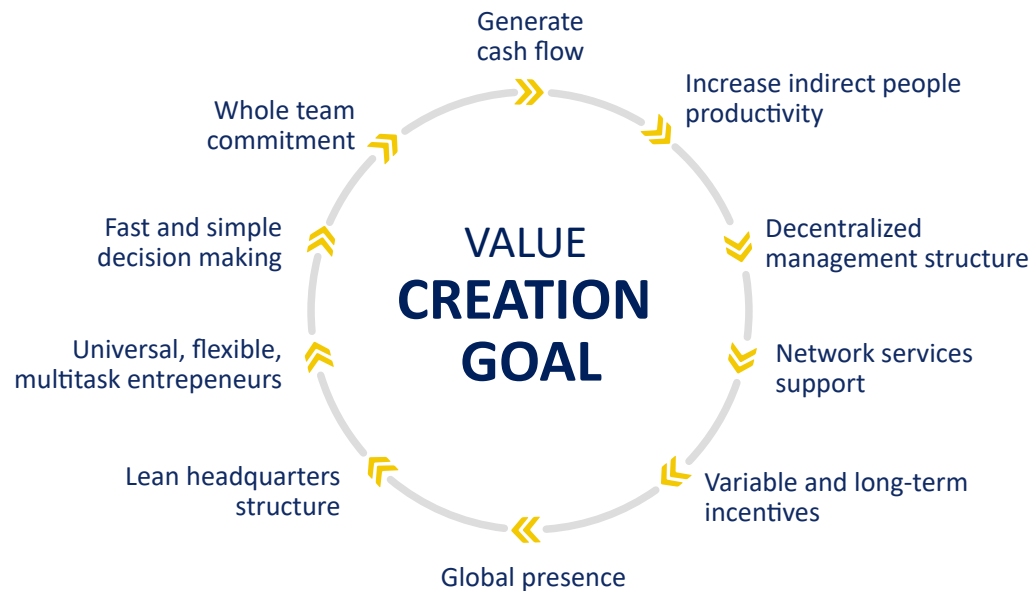
CIE Automotive’s decisions are framed by rigorous financial discipline. It keeps fixed costs low and works tirelessly to make its processes ever more efficient. It maintains a strict sales policy so that it never puts volumes ahead of profitability.

Its investments must meet three requirements: flexible equipment that is valid for multiple customers and platforms; high returns on investment; and EBITDA-to-cash conversion of over 55%.

## Decentralised management

Management is decentralised. That organisational structure enables it to take decisions more quickly, motivate managers, reduce costs and react to market trends, all with the overriding goal of creating value. The structure is articulated into four regional areas, which make decisions with the support of the Corporate Areas and Network Services vested with group-wide powers: Europe, North America, Brazil and Asia.

### PILLARS OF DISCIPLINED INVESTING STRATEGY

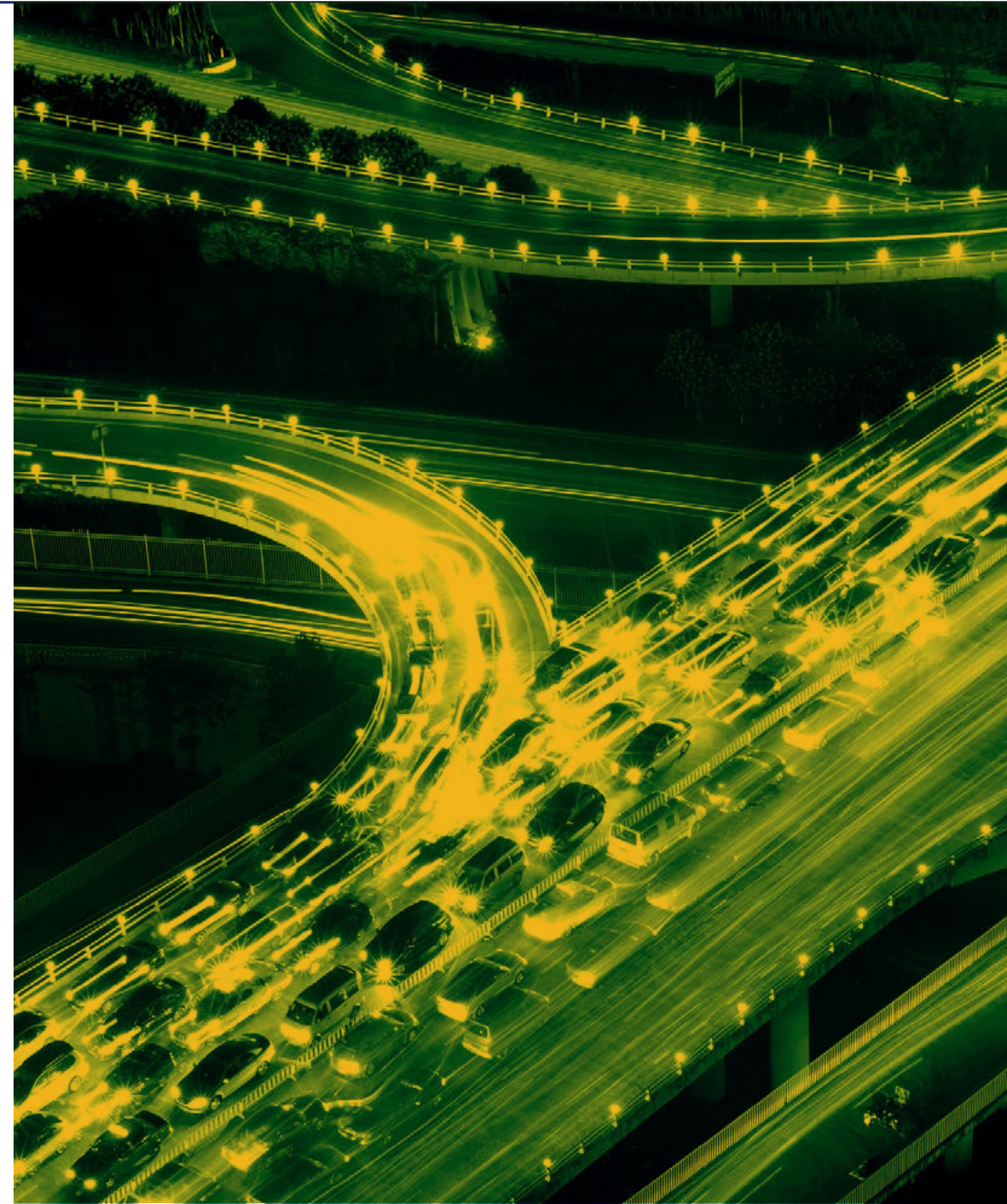




In 2019, one year ahead of schedule, CIE Automotive met the strategic objectives set out in its 2020 Business Plan, achieving strong margins in a highly adverse sector environment, demonstrating its resilience and flexibility when it comes to adapting to dizzying market shifts, the global economic slowdown and geopolitical uncertainty. Its strong performance is the result of an organic growth strategy focused on profits and cash flow generation, while taking advantage in parallel of the M&A opportunities thrown up by a highly fragmented market.

## 4.3.1 Sector environment

Automotive production contracted by 5.8% in 2019, to below 89 million vehicles and sales volumes declined by 4.5% to 89.5 million units, according to the most recent numbers, which implies returning to 2015 levels. The combination of a global economic slowdown, the geopolitical uncertainties threatening international trade and the technological progress required to meet environmental regulations and emerging mobility formulae are proving a major challenge for the automotive industry which, following the perfect storm sustained in 2019 and continuing in 2020, is expected to begin to grow anew in 2021, albeit trending differently in each market.



## ■ Sector performance by region

### ■ Europe

CIE Automotive’s main market is feeling the effects of the economic slowdown across the eurozone, the spectre of a no-deal Brexit and the introduction of new emissions testing standards.

Based on preliminary data, vehicle production decreased by 4.6% in 2019 to 20.7 million units. Vehicle registrations, meanwhile, were virtually flat at 20.5 million.

The passenger vehicle and truck segments posted opposite trends, although both segments contracted in 2019 as a whole.

During the first half of the year, the passenger vehicle segment was affected by the shift to WLTP - under which every

EUROPE IS FEELING THE EFFECTS OF **THE ECONOMIC SLOWDOWN, BREXIT AND THE NEW EMISSIONS TESTING STANDARDS**

vehicle model in all its configurations and versions must be tested in real as well as simulated conditions - making for a very tough comparison with the first half of 2018, when the OEMs had boosted output

precisely in anticipation of effectiveness of the new testing standards.

The second half of year was better than the first, due mainly to the fact that the OEMs focused on getting rid of stocks of their least environmentally friendly models before effectiveness of the emissions fines in 2020; the fact that the OEMs are concentrated on selling off those makes means that they are paring back production until they have better visibility as to how long the rebalancing process might take. Those sector-specific developments took place against the backdrop of political swings in certain countries with respect to future environmental legislation, which only served to heighten uncertainty.

In the truck segment, again based on the preliminary data for 2019, the first half was better than the second for several reasons:

- (i) the end of the truck cycle; and
- (ii) the pull-forward of production/purchases to the first half due to:

- The fear of new tariffs as a result of Brexit;
- Rising toll fees; and
- The introduction of a smart digital tachograph.

## ■ North America

Production across the US, Mexico and Canada, combined, decreased by 4% in 2019 to 16.3 million vehicles, while new registrations contracted by 2% to 20.3 million.

The market suffered the consequences of scaled back production by the US OEMs - which are focused on producing higher quality and margin vehicles and less so on volumes -, the uncertainty created by the threat of a trade war between the US and China and the ramifications of the strike

at General Motors, which paralysed 10 of its 13 factories for six weeks. The region additionally suffered uncertainty regarding the renewal of the NAFTA agreement.

Mexico, one of the highest potential markets and one in which CIE Automotive is very well positioned, was affected by the slowdown in domestic consumption and the drop in exports to its main markets: the US, Europe, Canada and South America.

## ■ Asia

**THE INDIAN MARKET CONTRACTED DUE TO A COMBINATION OF DEVELOPMENTS, WHILE THE CHINESE MARKET CONTINUED TO PERFORM POORLY**

In India, where CIE Automotive is strongly positioned via MCIE, sales contracted (by 12% to 3.5 million units) as did production (-11% to 4.2 million) due to a combination of developments: limits on the availability of credit from two of the country's biggest financial institutions which are affecting the country's entire financial system; vehicle adaptation for the new safety standards, which is making them more expensive; adaptation for the new *Bharat Stage 6* emissions standards (with a similar impact

THE NORTH AMERICAN MARKET SUFFERED THE CONSEQUENCES OF OUTPUT REDUCTION BY THE OEMs, TRADE FEARS OVER CHINA AND THE GM STRIKE

## ■ Brazil

The Brazilian market continued to perform well: new registrations increased by 8% to 2.7 million units and production climbed 1% to 2.8 million vehicles. Domestic consumption was fuelled by low interest rates, stable inflation and declining unemployment, offsetting the drop in exports to the country's main market, Argentina, which accounts for nearly 70% of all Brazilian exports and where economic conditions have been deteriorating in recent years.

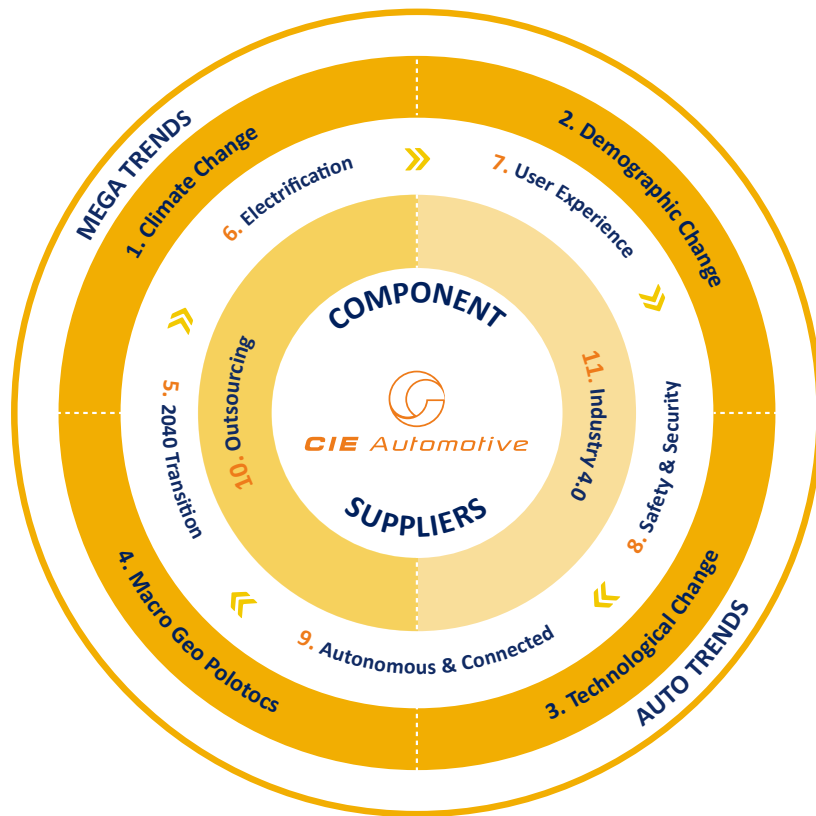
to that being observed in China as a result of the *China 6* standard, see below); pushback of consumer purchasing decisions in light of the rumour of a possible indirect vehicle tax cut; and a new requirement under which motorcyclists must prepay insurance for five years, pushing up the price of insurance by 15%.

In China, production continued to trend low (-8.4% to 24.6 million vehicles) as did new registrations (-9% to 25.2 million) due to: (i)

the economic slowdown; (ii) the uncertainty sparked by the trade war with the United States; and (iii) the implementation of the new *China 6* emissions standards in 13 provinces (representing c.50% of the market) in July, prompting the OEMs to focus on destocking the models that did not meet the new standards and postpone production of new models until they know how long that destocking process is likely to take.

## MEGA TRENDS IN THE AUTOMOTIVE SECTOR

In a turbulent environment, the automotive sector players are facing four mega trends which are set to shape the automotive industry in the years to come.



### ■ Climate change

In recent years, the automotive industry has managed to cut the emissions generated by the vehicles they make. However, the most recent regulations designed to combat climate change - the most restrictive of which in Europe and China - are obliging the OEMs and their suppliers to take further steps to reduce their environmental footprints.

The auto parts suppliers are committed to delivering the decarbonisation targets laid down in the Paris Agreement, contributing technology and helping design an efficient and effective regulatory environment conducive to job and competitiveness preservation in what is a vital component of the European manufacturing industry.

For decades now, the entire value chain comprising the Spanish automotive sector has been investing heavily in R&D in order to put increasingly cleaner and efficient vehicles on to the market, an effort articulated around the following trends:

- Electrification of a growing number of parts.
- Reduction of engine sizes.
- Lighter weight vehicles.
- More comfortable interior spaces.

### ■ Demographic developments

The experts believe that a number of mobility options, notable among which car-sharing formulae, will co-exist in the cities of tomorrow. Although the number of vehicles may diminish, their useful lives will similarly decline, driving higher vehicle turnover. As a result, the forecasts suggest that overall output will remain broadly similar to current levels.

In addition, population growth in some African countries and Iran is expected to drive growth in the vehicle market.



### ■ Technology developments

In order to reduce the weight of vehicles, multimaterial solutions, which differ from one vehicle to the next, have been gaining prominence. That requires mastery of a range of technological solutions and a new mix of materials in vehicle construction.

### ■ Geopolitical developments

Until now, the globalisation of the automotive sector has been underpinned by free trade. However, long-standing trade agreements are currently under threat from a new surge in protectionism. In this climate, the 'local production, local supply' philosophy makes more sense than ever.



## 4.3.2 Delivery of the 2016-2020 Business Plan targets

CIE Automotive delivered the targets it set for the end of the 2016-2020 Business Plan in 2019 thanks to its strong performance at 2018 plant perimeter.

### DELIVERY OF BUSINESS PLAN TARGETS

	Starting point 2015	2016-2020 Business Plan Original targets	Current guidance 2020 TARGETS	Guidance 2019	Results 2019
Growth	-	2X market <b>2016-2020</b> CAGR ≈4%	≈4X market <b>2016-2020</b> CAGR ≈7%	>6x <b>2016-2019</b> CAGR ≈9%	✓
EBITDA margin	15.4%	>17.0%	>18.0%	>18.0%	✓
EBIT margin	10.2%	≈13.0%	>14.0%	≈14.0%	✓
PROFIT AFTER-TAX	6.0%	≈9.0%	≈10.0%	>10.0%	✓
NET PROFIT	118 M€	x2.0	x2.5	x2.3-x2.5	✓
Annual capex	7.5%	≈7.0%	≈7.5%	≈7.5%	✓
Operating cash flow generation*	50.0%	≈50.0%	≈55.0%	>55.0%	✓
Net financial debt./EBITDA**	2.0x	≈0.7x	≈1.0x	≈1.4x	✓
RONA***	16.0%	>20.0%	≈23.0%	≈23.0%	✓

\*EBITDA-to-cash conversion = (EBITDA less interest expense paid less tax paid less maintenance capex less leases under IFRS 16) / EBITDA less leases under IFRS 16.

\*\*Net financial debt. = Bank and other borrowings less cash and cash equivalents – Other current and non current financial assets.

\*\*\*RONA (Return On Net Assets) = EBIT/(fixed assets + net working capital - goodwill not associated to cash outs).

**DELIVERY OF GUIDANCE BASED ON 2018 SCOPE**  
 2019 acquisitions not included

**MISSION ACCOMPLISHED**

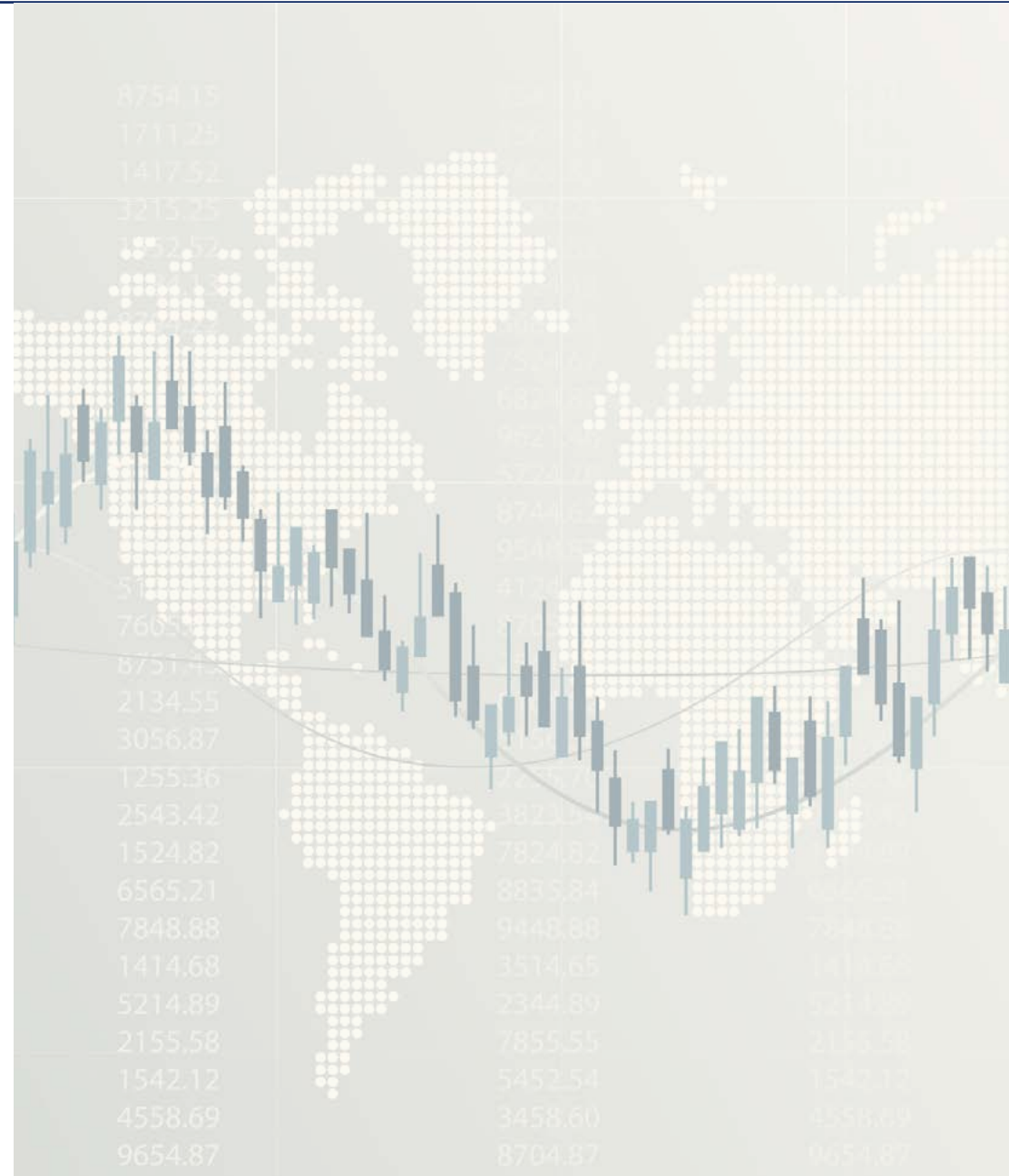
We delivered our 2020 strategic objectives one year ahead of schedule



In 2019, the like-for-like **EBITDA margin** remained at **over 18%** and the **EBT margin** at **over 10%**

Our factories' performance, coupled with our investment and fiscal discipline, enabled us to keep our **EBITDA-to-cash conversion ratio** at **over 55%**

The **net debt/like-for-like EBITDA** ratio remained at **≈1,4x**





The key drivers underpinning the group’s strong earnings performance are outlined line by line below:

## REVENUE

The gradual market slowdown observed between 2016 and 2019 (average growth <0.1%) has not harmed CIE Automotive, which continued to register outstanding organic growth over the same time horizon, maintaining a gap with respect to the market of 7 points.

## EBITDA

A strict sales policy, a tireless search for operational excellence and fixed-cost austerity, among other measures, have translated into significant margin expansion - 300 pp - in just four years.

## EBIT

The group’s investment discipline - focused on flexible assets, full capacity utilisation and high returns - has enabled margin expansion of almost 400 pp during the period.

## PAT

The work put into financing policy and tax planning, adapted appropriately for each geography, has yielded a double-digit profit-after-tax margin.

## NET PROFIT

Compliance with our net profit guidance, despite the challenging environment, demonstrating the company’s firm and unwavering commitment to delivery.

## CAPEX

CIE Automotive registered double-digit growth throughout the period while maintaining recurring capex at roughly 4% of revenue and growth capex at approximately 3%.

## OPERATING CASH FLOW GENERATION

Strong cash flow generation (above guidance for >55%) as a result of the company’s healthy profit margins, disciplined investment and corporate finance and tax policies are enabling continuation of the dividend policy - which is translating into double-digit growth, in parallel with growth in EPS - while financing growth investment without a significant increase in leverage.

## NET DEBT/EBITDA

The business’s recurring generation of operating cash flow is paving the way for systematic deleveraging and delivery of the debt guidance.

## RONA

The group’s exit from the less profitable non-automotive businesses and the gradual growth in the return in the automotive business has driven an improvement in the RONA of close to 40% in four years, to over 22% today.

### To deliver the above targets, CIE Automotive’s strategy was underpinned by the following drivers:

- Customer, geographical and product/technology diversification.
- Strategic focus on process efficiency.
- Decentralisation and simplification of the chain of command. Lean structure.
- Reduction in fixed costs.
- 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 Industry 4.0 factories.



### ■ Business strategy in 2019

IN AN ENVIRONMENT MARKED BY INTENSE **COMPETITION**, *THE KEY TO THE COMPANY'S PROFITABLE GROWTH LIES WITH PRIORITISATION OF PROFIT AND CASH GENERATION WHILE LEVERAGING M&A OPPORTUNITIES*

The contraction of the automotive market forced CIE Automotive to adapt its strategy in order to continue to grow profitably and respond to the industry's emerging needs.

In a challenging environment marked by strong competition, the key to the company's profitable growth lies with prioritisation of profit and cash generation, while leveraging compelling M&A opportunities as they arise.

In 2019, the group articulated its strategy around two axes:

#### 1. Increasing like-for-like profit margins.

- **Maintaining the established customer strategy in a highly complex sector environment:** Despite pressure on prices in the automotive industry, CIE Automotive only accepts projects that offer returns that meet its expectations. It is positioned to do this thanks to its customer diversification, which gives it greater bargaining power.
- **Improving factory operating efficiency:** CIE Automotive executes efficiency programmes across its factories which entail process analysis and fine-tuning and ongoing alignment of capacity with demand.
- **Containing fixed costs:** CIE Automotive boasts a lean structure which it revises systematically in order to eliminate anything that does not create value. In 2019, factory maintenance and upkeep expenses represented 4% of revenue.

## 2. M&A-led growth to gain market share by taking advantage of attractive opportunities in a fragmented market.

In 2019, CIE Automotive acquired three enterprises for around €802 million, increasing its market share in high-potential segments and markets.

**Inteva's roof systems business (CIE Golde)**, one of the world's top-three roof system manufacturers.

**Aurangabad Electricals Limited (AEL)**, a leader in aluminium injection moulding.

**Mecanizados de Precisión de México (Mapremex)**, located in a strategic corridor for the North American automotive industry.

*For more information about the company's acquisitions, refer to section 3.1. New enterprises added to the fold.*

Although those acquisitions have diluted profit margins in the short term, they are expected to meet CIE Automotive's profit standards in the future, implying scope for value creation.



## 4.3.2 Delivery of the 2019-2020 CSR Plan

In 2019, the company executed its 2019-2020 CSR Plan which furthers the systematisation and standardisation of CSR management across the entire group by improving measurement, communication and reporting systems and setting ESG working methodology for each department.

The plan covered a period of two years in order to coincide with the company’s next Business Plan. It concluded in 2019 so that any new CSR guidelines will be built into the 2020-2025 CSR Plan.



*For more information, refer to Section 5.4. Integration of CSR into management.*

The automotive industry is in the midst of transformation. One of the most noteworthy trends is the electrification of the sector, which is one of the ways in which it is responding to the need to cut CO<sub>2</sub> and NOx emissions. To reduce emissions by the magnitude required, the industry is being compelled to continue to work intensely to surmount current technological constraints.

Some of the technological limits impeding greater vehicle electrification are:

- Significant room for improving the environmental consequences of the current process for the manufacture of the existing lithium-ion batteries and the need to reduce the associated CO<sub>2</sub> emissions.
- The development of fuel cell technology which offers significant improvements with respect to batteries for heavy and long-distance transportation.
- The development of solid state batteries conducive to increasing the density of energy stored compared to existing batteries.
- Battery refrigeration systems that make it possible to work with higher charging voltages.

CIE Automotive has analysed these challenges in detail and devised a technology roadmap in order to adapt to these transformational trends. With that roadmap it aims to respond to the new trends that are shaping the mobility of tomorrow and help come up with technological solutions for challenges such as the need to cut emissions, digitalise vehicles and boost vehicle comfort and connectivity, among others. As in prior years, the group earmarked approximately 2% of its revenue to its R&D effort, working on innovative projects in collaboration with sector associations.





## 4.4.1 Forward-looking mobility technology

The OEMs and Tier-1 and Tier-2 suppliers are adapting to respond to the ways in which the industry is transforming in order to be able to continue to play a leading role. Against this backdrop, CIE Automotive has articulated a technological roadmap around six lines of initiative inspired by the systems, subsystems and parts it considers a priority.

### TECHNOLOGICAL ROADMAP

#### 1 HYBRIDS HEV, PLUG-IN-HYBRIDS-PHEV AND BATTERY ELECTRIC VEHICLES BEV

##### INTERNAL COMBUSTION ENGINE

- Crankshafts
- Aluminium engine covers
- Oil pans (multitechnology)
- Fuel injection rails (multitechnology)
- Accoustic/thermal management

##### TRANSMISSION

- Aluminium housings
- Crowns
- Rotative forging

##### ELECTRIC MOTOR

- Aluminium housings w/cooling systems
- Rotor shafts

##### ELECTRONIC CONTROL MODULES, INVERTERS

- Covers and housings (multitechnology)

##### BATTERIES

- Battery housings and structural elements (multitechnology)
- Thermal management system components (multitechnology)

#### 2 CHASSIS

- Electric steering EPS
- Electronic e-booster brake booster
- Corner module components (multitechnology)
- Active chassis

#### 3 LIGHTWEIGHT

- Lightweight and hybrid structures for body and chassis
- Aluminium forging

#### 4 COMFORT

- New concepts for panoramic roofs
- New materials and finishes for interior components

#### 5 MANUFACTURING

- New production processes around forging technologies

#### 6 INDUSTRY 4.0

- Energy consumption efficiency
- Manual facturing processes with Big Data/Machine learning
- Preventive maintenance
- Collaborative robotics and M2M communication
- Flexible production lines
- New technologies for quality control

That roadmap fits with the mobility of tomorrow envisioned by the leading sector associations, such as ACEA (European Automobile Manufacturers Association) and CLEPA (European Association of Automotive Suppliers), and is designed to enable the group to better respond to unfolding sector challenges. The idea is for its R&D projects to contribute to CIE Automotive's growth and diversification strategies. The projects are prioritised on the basis of their possible impact and detailed monitoring of their inputs relative to their outputs.

### A promising future for comfort-related products:

To prepare for this future, the company is working on an R&D roadmap with the aim of developing solutions that anticipate the next generation of vehicles and mobility concepts.

That roadmap, designed to respond to new comfort, connectivity and safety demands, while respecting environmental requirements, is articulated around two axes:

- In the near term:
  - Definition of product analyses in order to identify the next generation of product architectures.
  - Focused on four lines of product differentiation: maximum day light opening, maximum opening area, maximum head room and minimum flush and gap.
- In the medium term:
  - Development of new technologies during the advanced engineering phase in order to adapt to the trends shaping the cars of the future (connected, autonomous...). Those technologies will be articulated around three key lines: mass reduction, noise reduction and addition of comfort value.

The roadmap is designed to meet market expectations framed by profitability and value-added thresholds.

This approach is enhanced by bringing OEMs, users and CIE Roof Systems together. CIE Roof Systems is also adding to its know-how in key fields through in-house initiatives and R&D projects, such as Excelcar and ID4car, with the support of institutions.



## The future of the automotive sector, according to its protagonists

### ■ ORIGINAL EQUIPMENT MANUFACTURERS

ACEA's "Manifesto 2019-2024", which sets down this association's vision for the industry's lines of initiative and transformation for the years to come:

- **Clean and safe mobility.** Objective: enable the transition to zero emissions and zero fatalities.
- **Smart and convenient road transportation.** Objective: firmly establish the EU as the global leader in consumer-focused, innovative mobility solutions.
- **Affordable mobility and choice for all.** Objective: meet the diverse mobility and transport needs of all Europeans, regardless of their financial means.
- **A thriving and competitive industry.** Objective: ensure that an economically-sustainable automotive industry can continue to contribute to EU growth and jobs.

### ■ AUTOMOTIVE SUPPLIERS

CLEPA in its vision paper "Future as we move" calls for a safe, sustainable, smart and competitive industry and identifies four main pillars of transformation:

- **Zero casualties on the road.** Suppliers, OEMs and policy makers need to collaborate closely to deliver the target of zero casualties on the road by 2050.
- **Increased electrification and minimised environmental impact.** The improvements anticipated and under development in internal combustion engines (ICEs) and fuels are going to enable the ongoing manufacture and sale of conventional vehicles in the years to come. Battery electric vehicles (BEV) will play a key role in the short and medium term, existing alongside alternative propulsion technologies such as hybrid electric vehicles (HEV) and fuel cell electric vehicles (FCEV).
- **Enabling of connectivity and autonomous driving.** Policies will be required in the coming years that are propitious to enabling technology providers develop solutions for delivering sustainability, higher safety standards and lower mobility costs.
- **Powered by a competitive auto parts supply industry.** So as to continue to spearhead the technological transformation of our mobility.

## R&D PROJECTS IN 2019

CIE Automotive's R&D roadmap envisages the staggered rollout of a series of investments in projects defined around the challenges and opportunities the sector will throw up in the coming years.

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

MANY OF THE  
**COMPANY'S R&D  
 PROJECTS ARE  
 CARRIED OUT IN  
 COLLABORATION WITH  
**OTHER FIRMS****

By way of example, below is a sample of some of the projects the company worked on in 2019:

- **Programme: HAZITEK Strategic**

**EMOVLAB Project:** Platform for the provision of advanced sustainability mobility infrastructure and services.

**Goal:** Development of a battery pack (including a BMS, thermal management and cell modules) for electric vehicles (segment B).

**Project: ZEROEHUN** - Autonomous quality platform for the smart quality management of advanced and active processes in next generation auto parts production lines.

**Goal:** Development of an advanced data analytics system applied to welding processes (zero defects).

- **Programme: HAZITEK Competitive**

**Project: FOREV** - Development of a new differential system by fusing advanced manufacturing technologies (rotary forging).

- **Programme: CDTI**

**Project: REINTEGRA** - Research into electrochemical techniques for the recovery and full reuse of lubrication waste derived from hot forging processes.

**Project: INCRESTA** - Research into new alloys and treatment techniques in order to increase the durability of crankshaft forging stamps.

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

- **Programme: ELKARTEK**

**Project: MIKROMAK** - Development of advanced numerical models for the stamping of multi-stage metallic parts for light-weight vehicles.

- **Programme: EU - RCFS**

**Project: Hybrid Semi-Solid Forming (HSSF)**

- **Programme: Eco-Innovation IHOBE**

**Project: ECOPTAPE** - Development of structural parts for panoramic roofs made from continuous fibre-reinforced recycled polypropylene (PP).



## ■ LINES OF WORK IDENTIFIED FOR 2020

In 2020, in addition to continuing to execute its R&D roadmap, CIE Automotive wants to step up one of the lines of initiative in which the parts sector is set to make the greatest progress in the coming years: eco-design, the remanufacturing of parts and systems, the integration of recycled materials into parts and the enabling of their subsequent recyclability.

In fact, CIE Automotive is one of the founding members of the Basque Ecodesign Center, an initiative set up in 2011 by way of a public-private scheme between the Basque regional government and private enterprises with the following key objectives:

**CIE AUTOMOTIVE**  
*IS ONE OF THE*  
 FOUNDERS BEHIND THE  
**BASQUE ECODESIGN CENTER,**  
 A PLATFORM FOCUSED  
 ON FOSTERING  
**ECO-INNOVATION**

- Collaborative project design and execution involving enterprises, the Basque University (UPV-EHU) and leading knowledge centres in this field.
- Reinforcement of corporate competitiveness by leveraging the eco-design concept.
- The fostering of product eco-innovation and the incorporation of the environmental factor into corporate supply chains.

## ■ INNOVATION MODEL

CIE Automotive’s 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.

Mirroring the group’s management style, innovation is managed on a decentralised basis. Some innovation projects are conducted directly at the factories, layering in customer requirements, while others are executed at the corporate level and are carried out across the group’s 10 dedicated R&D centres.





Strong sustainability  
and community commitments



CIE Automotive’s corporate governance system is articulated around a commitment to business ethics and transparency and designed to generate shared value for the firm and its stakeholders. In October 2019, the Board of Directors approved the updated versions of the company’s ethics and compliance frameworks, having reached out to the various regions for their input.

CIE Automotive’s corporate governance model is articulated around its body of in-house rules and regulations which comprise its [Bylaws](#), the rules governing its governance bodies (the Board and Annual General Meeting), the corporate policies regulating stakeholder relations and a series of internal rules, most notable among which [the Code of Professional Conduct](#), the [Securities Market Internal Code of Conduct Regulation](#) and the [Criminal Risks Prevention Manual](#).

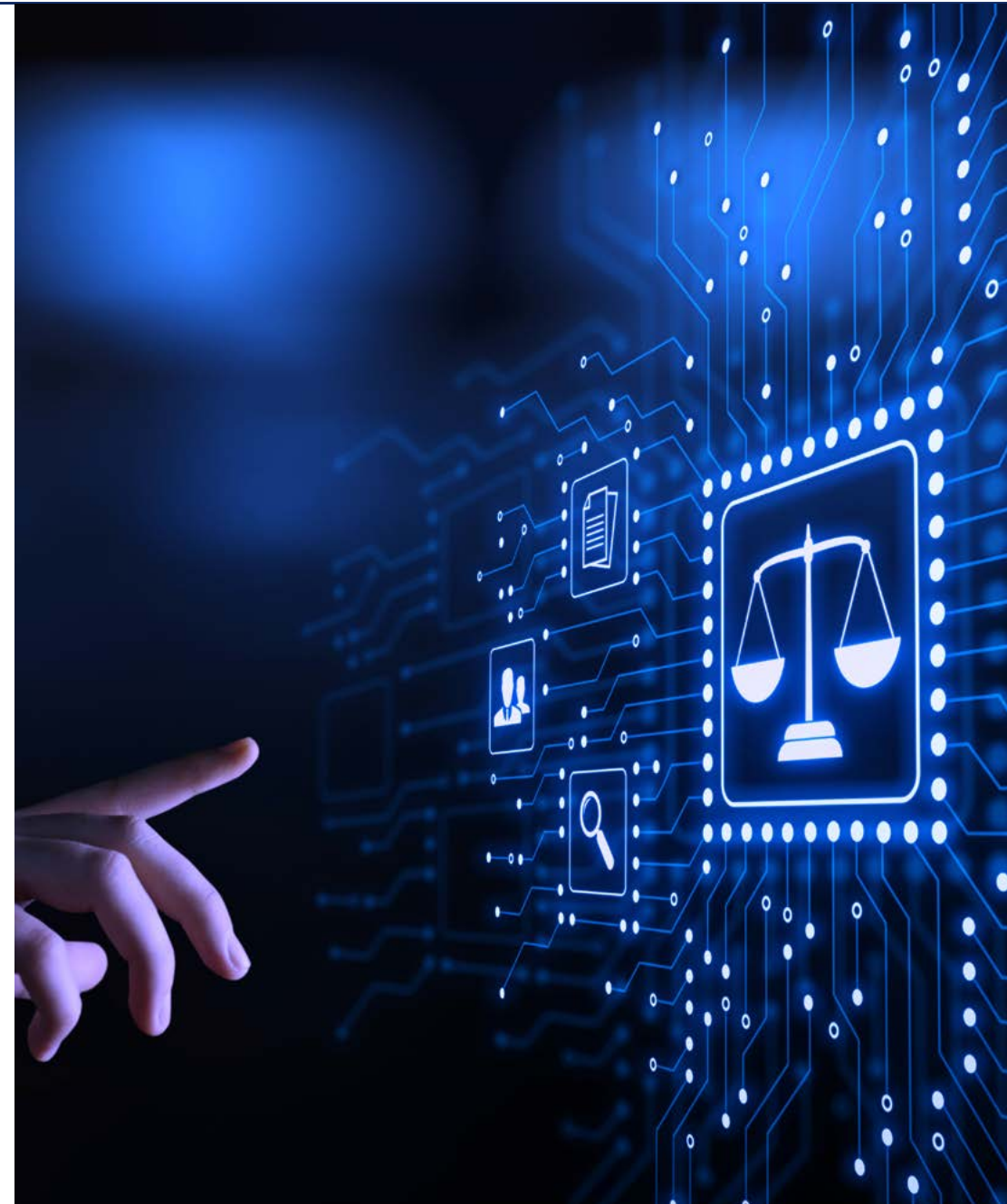
## 5.1.1 Update of in-house rules and procedures

**THE CODE OF CONDUCT HAS BEEN UPDATED, HAVING REACHED OUT TO ALL OF THE COMPANY'S REGIONS FOR INPUT**

On 30 October 2019, the Board of Directors approved the updated versions of the group’s ethics and compliance framework, including certain corporate policies applicable to all group companies. The most important changes are related with tightening control over fraud and corruption, making it possible to use the whistle-blowing channel anonymously and data management and protection.

The review of the company’s compliance model and key documents was carried out in collaboration with an external consultant, Deloitte, and with the involvement of representatives from all of its business regions. As a result, while they preserve their generic character, the documents have been adapted to reflect feedback from all countries and cultures.

[\[102-18, 103-1, 103-2, 103-3, 419-1\]](#)



## Tasks performed

✓ **Analysis and identification** of the regulatory universe and key compliance-related aspects.

✓ **Understanding the current status** of CIE Automotive's compliance model.

✓ **Request for key company information** related with the compliance model.

✓ **Interviews with the company's executives** to identify the current situation and their expectations and targets

✓ **Benchmarking of the prevailing situation** against best practices (UNE 19601) along different dimensions:

- **Governance and leadership:** Analysis of the assignation of roles and responsibilities in the compliance area and the area's

relationship with other implicated departments. Analysis of the resources assigned to the compliance bodies.

- **Rules, policies and procedures:** Analysis of the internal regulations which, as a whole, create the controls needed to address the key sources of ethics and compliance related risks within the organisation.

- **Risk identification and assessment:** Analysis of the criminal risk identification and assessment work performed and of the development of procedures for governing third-party contracting.

- **Training and communication:** Analysis of the training strategy in the compliance arena and of the plan devised for the communication of expectations and new developments in compliance and criminal risk matters.

- **Reporting:** The existence of protocols for informing and reporting to the corresponding control bodies.

- **Code of Conduct and whistle-blowing channel:** The existence of a Code of Conduct and of an incident and investigation management system that captures, classifies and prioritises such incidents and allocates responsibility for their handling.

- **Oversight:** The tasking of oversight of the compliance model and its modus operandi in a body vested with independent decision-making and control powers.

- **Third-party compliance:** The existence of a thorough compliance programme for third parties to help manage the various sources of risk throughout the life cycle of relationships with third parties (partners and agents).

✓ **Drafting of a diagnostic report and definition** of the target model to which CIE Automotive aspires in the short to medium term.

✓ **Identification of areas for improvement and gaps** in the information currently reported to management so that the company can deliver the target model along all its dimensions. Below are the actions to be taken between 2019 and 2020 for each of the dimensions analysed:

- **Governance and leadership:** Defining the compliance-related duties and responsibilities corresponding to senior management (executives).

- **Rules, policies and procedures:** addition of new controls to the Corporate Crime Risk Prevention Model and identification of the most significant subsidiaries in



terms of criminal compliance, analysing the differences with respect to the legislation applicable in Spain and adapting the control activities for each country.

- **Risk identification and assessment:** new controls have already been added to mitigate the risk of the following crimes: computer damage, trade secrets, privacy, tax fraud, planning offences, smuggling, bribery/influence peddling and corrupt business practices. In addition, in keeping with the contents of a circular issued by the Spanish State Attorney's Office in 2016 and best practices in the field, the plan is to detail the criminal risk assessment methodology along the same lines as the risk management methodology set down in the corporate risk control and management policy.

- **Training and communication:** the plan is to update and execute a training plan addressing compliance, ethics and risk prevention matters. Meanwhile, the system for the internal and external communication of ethics and compliance related matters has been improved via training for all employees, and any new hires, about the compliance model in the form of dedicated training seminars; internal publications alerting about any updates made to the compliance model; and simply news sound bites regarding the compliance model and the Code of Conduct.
- **Reporting:** in addition to the regular reports to the Audit and Compliance and CSR Committees and to senior management and the management team, the plan is to add a dashboard

with non-financial information to each factory's management plan in 2020 which will include indicators tracking the effectiveness of the compliance model.

- **Code of Conduct and whistle-blowing channel:** the idea is to work on the introduction of termination clauses for contracts entered into with third parties that entitle CIE Automotive to terminate them in the event of malpractice by counterparties in relation to the compliance model or the Code of Conduct.
- **Oversight:** the company is working to improve the indicators that track the effectiveness of the model, any deficiencies detected and the execution of any action plans underway at the recommendation of prior reports.

- **Third-party compliance:** the company has already improved how it analyses and studies professional or business relationships before entering into them, so minimising the possibility that the group may be held liable for materialisation of a corruption related risk.

In 2020, the management team will receive the training required - some of which in person and some via videoconferencing and/or the online training tool - to facilitate compliance with and enforcement of the new rules.

The organisational structure is defined and reviewed regularly by the Board of Directors, which delegates the responsibility for guaranteeing that the various layers have sufficient human and physical resources in the management team.

## ■ Rules and procedures updated in 2019



### Ethics framework:

- Code of Conduct.
- Ethical channel regulation.



### Corporate social responsibility policies:

- Corporate Social Responsibility Policy.
- Anti-corruption and Fraud Policy.
- Social Action Policy.
- Human Rights Policy.
- Purchasing Policy.



### Corporate governance policies

- Corporate Governance Policy.
- Control and Risk Management Policy.
- Internal Control Over Financial Reporting (ICFR) Policy.
- Corporate Tax Policy.
- Shareholder and Markets Reporting and Communications Policy.
- Shareholder remuneration policy.
- Policy governing the selection and diversity of the Board of Directors.
- Procurement policy and relations with the accounts audito.



### Criminal Risks Prevention Manual

## ■ Transparency

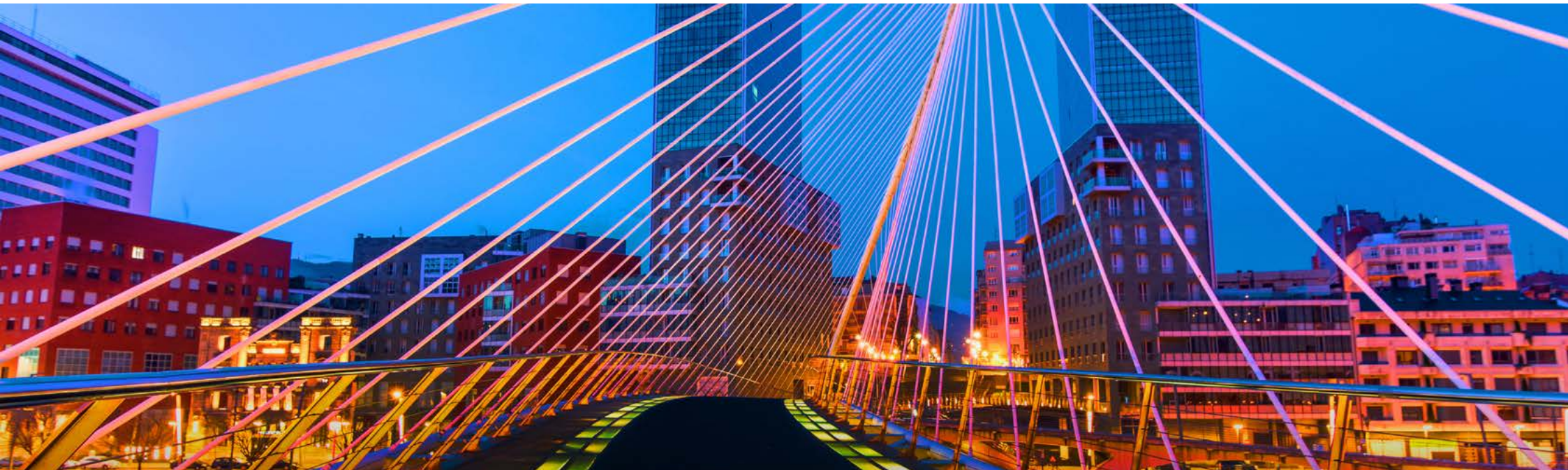
In order to ensure transparency, both the rules and regulations formulated by the Group and its Annual Corporate Governance Reports and Annual Director Remuneration Reports are available for consultation by stakeholders on the corporate website, [www.cieautomotive.com](http://www.cieautomotive.com), 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). CIE Automotive has been a member of the

**CIE AUTOMOTIVE**  
*IS A MEMBER OF*  
**FORÉTICA'S**  
 TRANSPARENCY, INTEGRITY  
 AND GOOD GOVERNANCE  
**CLUSTER**

Transparency, Integrity and Good Governance Cluster created by the business platform, Forética, since 2016. That forum leverages its global reach to encourage Spain to embrace the key trends and debates taking place around the world in these fields, collaborating to this end with authorities and opinion leaders.

Over the course of 2019, the cluster continued to work to share global, European

and national trends with its members, emphasising specific developments such as Spain's new Non-Financial Reporting Act (Law 11/2018), the European Commission's action plan on sustainable finance and the integration of ESG risks into corporate governance systems. The main theme of its annual study last year was transposition of the European directive on shareholder rights and activism.



## 5.1.2 Governing bodies

### ■ Shareholders General Meeting

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

In 2019, the SGM took place on 8 May. It was attended by 163 shareholders, in

**IN 2019**  
 THE AGM TOOK PLACE ON 8 MAY  
*AND WAS ATTENDED BY*  
**163 SHAREHOLDERS,**  
 REPRESENTING 67.95%  
**OF THE COMPANY'S**  
**SHARE CAPITAL**

person or via proxy. The shareholders attending personally represented 63.55% of the company’s shares, and those represented by proxy accounted for 4.4%, so that overall shareholder attendance – in person and by proxy – represented 67.95% of share capital.

### ■ Resolutions ratified at the 2019 SGM [102-37]

- Examination and 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 2018.
- Approval of the proposed distribution of profit for 2018.
- Examination and approval of the non-financial statement of the group comprising CIE Automotive S.A. and its subsidiaries for 2018.
- 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 24 April 2018, and the reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.
- Designation of PwC as the auditor of the company and its consolidated group for the year ended 31 December 2019.





- Delegation in the Board of Directors of the power to issue, during a period of five years, convertible, exchangeable or non-convertible bonds or debentures and/or other fixed income securities up to a maximum of €1 billion, specifically including the power to waive shareholders' and convertible security holders' pre-emptive subscription rights. The power to have the company secure, within the above-mentioned limits, new securities issues carried out by its subsidiaries.

- Advisory shareholder vote on the Annual Report on Director Remuneration at CIE Automotive, S.A.
- Delegation of powers to execute the resolutions.

*[For further information about the AGM.](#)*

## ■ Board of directors [102-18, 102-22, 102-23, 102-24, 102-26, 102-27, 405-1]

CIE Automotive's highest governing body is its Board of Directors, whose duties are stipulated in the company's Bylaws and the Board Regulations.

It is made up of 13 prestigious professionals: two are executive directors, two are independent directors and nine are proprietary directors. The two independent directors, who account for 15% of the boardroom, also sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee.

There are two female directors (15% of the boardroom). By nationality, two of the directors are Indian and the remaining 11 are Spanish.

CIE AUTOMOTIVE'S BOARDROOM IS MADE UP OF 13 RENOWNED PROFESSIONALS

## BOARD OF DIRECTORS (AS OF 31 DECEMBER 2019)

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

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

To optimise its efficiency, the Board of Directors organises its work through committees:

STRATEGY AND INVESTMENT COMMITTEE	AUDIT AND COMPLIANCE COMMITTEE	APPOINTMENTS AND REMUNERATION COMMITTEE	CORPORATE SOCIAL RESPONSIBILITY COMMITTEE
<p>Its duties include assessing and making proposals to the Board of Directors about business growth, development and diversification strategies; bringing new investment opportunities before the Board of Directors; and studying and proposing recommendations with respect to the strategic plans and plan updates submitted to the Board of Directors from time to time.</p>	<p>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.</p> <p>This committee held six meetings in 2019.</p>	<p>Among other duties, this committee is tasked with formulating and reviewing the criteria for selecting director candidates, evaluating the directors' performance, proposing and monitoring the director remuneration system, in particular the amounts of their annual pay, and overseeing new director selection procedures.</p> <p>It met on three occasions in 2019.</p>	<p>This committee is made up of three members and its job is to promote CIE Automotive's corporate governance and CSR strategy, among other duties.</p> <p>It sat five times in 2019.</p>

### Director CVs and qualifications



**ANTONIO MARÍA PRADERA  
JÁUREGUI**  
CHAIRMAN (PROPRIETARY)

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

On 31 December 2017, he stepped down from his executive duties at CIE Automotive, thus reinforcing the company's corporate governance practices.





**GOIZALDE EGAÑA  
GARITAGOITIA**  
VICE CHAIRWOMAN (PROPRIETARY)

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



**JESÚS MARÍA HERRERA  
BARANDIARAN**  
CHIEF EXECUTIVE OFFICER (EXECUTIVE)

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



**ÁNGEL OCHOA CRESPO**  
 DIRECTOR (INDEPENDENT)



**CARLOS SOLCHAGA CATALÁN**  
 LEAD INDEPENDENT DIRECTOR  
 (INDEPENDENT)

A graduate of business administration from the Basque University, Mr. Ochoa also holds a Master of International Business Administration (MIBA) from the United States International University of San Diego. He boasts over 25 years' experience in the financial sector, having held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-ended collective investment schemes (SICAVs). He is currently the financial advisor in the investment area and partner at the firm Ángel Ochoa Crespo EAF. He also chairs ISLOPAN, S.A.

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



**FRANCISCO JOSÉ RIBERAS MERA**  
DIRECTOR (PROPRIETARY)



**JUAN MARÍA RIBERAS MERA**  
DIRECTOR (PROPRIETARY)

Francisco J. Riberas Mera was born in Madrid, June 1st, 1964. He holds a degree in Law (1987) and in Economics and Business Administration (1988) from the University Pontificia de Comillas (ICADE E-3), Madrid. In 1989 he began his professional career working in Business Management at Gonvarri Group. He then became Director of Corporate Development, and was subsequently named CEO. In 1997 he promoted the creation of Gestamp, assuming his role of Executive Chairman and shaping along these years what Gestamp is today. He is member of the Board of Telefónica, CIE Automotive and General de Alquiler de Maquinaria (GAM). Furthermore, Riberas is also board member in other companies of Gestamp and of the family holding, ACEK, such as Gonvarri Group, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. Moreover, Riberas is Chairman of the Family Business Institute and he also takes part of Endeavor foundation, among others.

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



**FERMÍN DEL RÍO SANZ DE ACEDO**  
 DIRECTOR (EXECUTIVE)

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



**SANTOS MARTÍNEZ-CONDE Y GUTIÉRREZ-BARQUÍN**  
 DIRECTOR (PROPRIETARY)

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





**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 Group, before joining the Mahindra group. He currently chairs several subsidiaries of Aerospace & Defense and Special Steels and sits on the Executive Committee of Mahindra&Mahindra, Ltd. Previous posts at this group included director of strategy and of brand management. He is president of Mahindra CIE Automotive, Ltd.



**VANKIPURAM PARTHASARATHY**  
 DIRECTOR (PROPRIETARY)

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



**MARÍA TERESA SALEGUI  
 ARBIZU**  
 DIRECTOR (PROPRIETARY)

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



**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.

### ■ Director performance evaluation [102-28]

As a listed company, CIE Automotive is committed to applying the most stringent corporate governance principles.

The Chairman of the Board of Directors, in his capacity as proprietary director, as noted in last year's report, has assumed responsibility for overseeing the company's corporate governance, reaching out personally to the directors to encourage familiarity with all aspects of relevance to performance of their duties.

Having engaged an outside firm to assist him in evaluating the board's performance in 2017, in both 2018 and 2019, it was the Chairman, with the help of the Compliance Department, who headed up the assessment exercise.

As urged in recommendation #36 of Spain's Code of Good Governance for listed companies, the company will once again engage an outside expert to assist with the assessment in 2020. As of the data of issuing

this report, the Chairman had informed the company's Board of Directors that, in a bid to boost transparency and independence, the assessment would be carried out by an external firm every second year from now on.

One of the areas the company has been and continues to work on the most as a result of these assessments is the amount of advance time with which directors receive information and access to the minutes of the various governance bodies' meetings. The use of a tool called Diligent, which was fully deployed in 2019, has improved that aspect substantially.

Another aspect being focused on by the members of the Board of Directors and of the Appointments and Remuneration Committee is the boardroom's composition with respect to both independence and diversity criteria in an attempt to comply with the related Code of Good Governance recommendations.

### ■ Conflicts of interest [102-25]

The company's directors were not party to any conflicts of interest in 2019.



## ■ Management team

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

There is an Executive Committee which meets periodically and is made up of the heads of the various Business Units and Corporate Areas.



## ■ Director remuneration policy [102-35, 102-36, 102-37]

CIE Automotive's [Remuneration Policy for members of the Board of Directors](#) stipulates that director remuneration be proportionate in terms of the dedication and responsibilities assumed, in keeping with compensation levels at comparable companies in Spain and abroad, and aligned with the long-term interests of the shareholders as a whole.



## ■ Key principles of the remuneration policy

- ✓ Remunerating directors proportionately for their dedication and the responsibilities they assume, in keeping with the compensation paid by comparable companies in terms of market capitalisation, size, ownership structure and international presence.
- ✓ Ensuring their remuneration makes a direct contribution to delivery of CIE Automotive's strategic objectives.
- ✓ Ensuring the ability to attract, motivate and retain the best professionals.



CIE Automotive is exposed to a series of risks that are specific to its business and the markets where it conducts that business which, if they were to materialise, could jeopardise delivery of its strategic objectives. To reduce those risks to tolerable levels, the group has a [Control and Risk Management Policy](#) and an enterprise risk management (ERM) system, which is based on ISO 31000 methodology. The Board of Directors is ultimately responsible for the ERM system; it has delegated the duty of overseeing it and ensuring it is working as intended in the Audit and Compliance Committee.

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

Underpinned by strong and sustained commitment on the part of the Company’s senior executives and management team, coupled with robust strategic planning, CIE Automotive aims 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.

### ■ Enterprise risk management system - principles



Creation of a constructive vision of the concept of risk.



Committed and competent risk management professionals.



Use of a shared language.



Transparent communication throughout the entire organisation.

### ■ Risk map

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

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

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

Below is a list of the **main risks** to which the group is exposed and which are evaluated in the course of drawing up its risk map:

#### Strategic risks:

- Management of M&A-led growth.
- Change in market trends.
- Lack of succession plans for key management personnel.
- Lack of human resources needed to maintain growth.
- Lack of training and talent management policy.

#### Operational risks:

- Failure to meet customer expectations.
- Ability to guarantee the workplace health and safety of group employees.
- Cybersecurity.

#### Financial risks:

- Reliability of the financial information disclosed.
- Tax risks.
- Financial risk understood as market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.

#### Compliance risks:

- Failure to comply with legislation in any of the company's operating markets.
- Fraud and corruption.

#### ESG risks:

- Erosion of the corporate culture, the bedrock of the company's successful business model.
- Code of Conduct breaches by group employees.
- Reputational damage as a result of activities not linked directly to the company's operations.
- Breach of the ten principles enshrined in the United Nations Global Compact, of which the company has been a signatory since 2015.
- Non-alignment of the supply chain with the group's corporate social responsibility commitments.
- Adverse impact of climate change on delivery of the company's strategic objectives.

### ■ Map of the key risks

Below is an analysis of the main risks depicted in the risk map with an average probability of materialisation during the Business Plan horizon and a significant impact at the economic, organisational and/or reputational levels:

#### RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND SIGNIFICANT POTENTIAL IMPACT:

##### Management of M&A-led growth:

As envisaged in the Business Plan, the current pace of M&A-led growth requires tighter control over operations and investments. The integration of new firms into the group requires an initial effort in order to adjust their respective cultures and ways of doing things to align with CIE Automotive's management methods and profitability thresholds. In addition, the existence of local partners (joint ventures and/or partnerships with public and private enterprises and organisations) is a source of potential corruption, compliance, conflicts of interest and reputational risks which could have a direct impact on the company's performance. To mitigate these risks, CIE Automotive works hard to embed its business model and corporate culture at newly acquired companies.

##### Change in market trends:

The automotive industry is undergoing disruptive changes for which the company needs to be prepared by maintaining the flexibility required to adapt to customers' unfolding or future demands. New mobility technology (e.g., electric vehicles or diesel engine evolution) is reducing demand for some of our strategic products, while creating demand for new ones (electronics, etc.) for which the company is analysing a range of alternatives. Moreover, the advent of smart factories (Industry 4.0) may imply changes on which CIE Automotive needs to keep working. For example, the new skill-sets will impact its HR management.

##### Shortfall of human skills to enable CIE Automotive's growth:

Management of the current pace of growth requires consolidation and development of its top asset, its people. To that end, the working conditions of the existing team have been improved and those conditions are in turn proving effective in attracting new talent to the organisation. The company's human capital must embody the knowledge, skills, experience and authority needed for the adequate assumption of responsibilities. It is important to prevent the saturation of the project management teams.

##### Fraud and corruption

We are witnessing an uptick in fraud (in all of its manifestations and across all regions around the world). CIE Automotive is articulating its anti-fraud effort around a dual objective: prevention and mitigation of possible misconduct; and disclosure to the market of the internal mechanisms that have been put in place to guarantee the reliability of its financial information. The fact that the group operates in multiple markets all around the world increases its exposure to the risk of materialisation of fraud and corruption. To that end, it is working on tightening its anti-fraud controls. CIE Automotive has a corporate crime risk prevention model which it uses to identify which crimes could be committed and allocate the internal controls needed to mitigate or eliminate those risks.



### ■ Response and monitoring plans

The following actions were taken in 2019 to minimise the probability of materialisation of the main risks identified in 2018 and 2019.

#### Management of M&A-led growth:

With the aim of speeding up and improving the integration of newly acquired companies into the group, the company is taking the following steps:

- Involving the management team in M&A transactions.
- Defining and implementing a clear management model designed to enable the company to assume control over new acquirees rapidly.
- Encouraging the readiness and availability of key internal managers to tackle new integrations.

#### Change in market trends:

The company is working on maintaining a flexible mindset with respect to new trends and on readiness to adapt for customers' existing or future needs. The main lines of initiative being pursued are:

- Addition of electric vehicle parts to the portfolio by setting annual sales targets.
- Focusing of the sales effort on functions not affected by electrification.
- Planning for the decline of the diesel engine and maximisation of capacity utilisation in petrol engines.

#### Shortfall of human skills to enable CIE Automotive's growth:

The corporate HR department, together with the senior management team and the various regions and business divisions, has rolled out a project encompassing the following initiatives:

- Annual hiring plans targeted at new graduates with personalised follow-up by each business unit.
- Tailored plans for monitoring high-potential employees.
- Career development programme for executives and middle managers at each business unit.

#### Fraud and corruption:

The group established its Corporate Crime Prevention Model in 2015. It was updated in October 2019, based on a project executed together with an external consultant, namely Deloitte. The company relies on that model and its internal control system to ensure compliance with legislation and the internal policies and procedures put in place to mitigate these risks. The main tasks and action plans emanating from the effort to update the Compliance and Corporate Crime Prevention Model are described in greater detail in section 5.1.1. *Update of in-house rules and procedures*. Further on in this section there is more information about the company's current internal control system.

### ■ Risks mitigated in 2019

Thanks to the actions taken in 2019, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priorities in 2018, and, therefore, no longer deemed in need of priority attention in the 2019 risk map.

- **Breach of the Code of Conduct:**

In 2016 and 2017, the organisation completed the process of distributing the Code of Conduct globally and having it acknowledged by all employees; in 2018 and 2019 it took advantage of the global deployment of its CSR Workshops to reiterate the importance of compliance, reminding employees that CIE Automotive has a whistle-blowing channel that is jointly managed by the HR, Compliance and Legal Affairs Departments and permits anyone employed by the group to present complaints about matters related to Code breaches. That effort has translated into better dissemination of, familiarity with and adherence to the Code.

- **Cybersecurity:**

Cybersecurity, understood as protection of IT assets by handling threats that could jeopardise the information that is processed, stored and distributed over interconnected IT systems, has emerged as one of the biggest risks facing companies today. In 2018, CIE Automotive embarked on a project to protect those assets using process re-engineering and social engineering based on benchmark international standards with the aim of managing IT security in real time and ensuring the traceability of all security management processes.

The IT services worked on in 2018 and 2019:

- The Security Operations Centre (SOC)
- Security Information and Event Management (SIEM)
- Incident Response

In addition to the above lines of initiative, the policies for accessing and using the company's systems, the contingency plans in the event of data loss or facility damage and the anti-virus systems were all improved.

- **Succession plan for key management personnel and Training and talent management policy:**

The corporate HR department, together with the senior management team and the various regions and business divisions, has put together succession plans for the positions identified as key to delivery of CIE Automotive's strategic objectives and designated successors or defined strategies to be pursued to ensure that the company would not be affected in the event those individuals were no longer available. In parallel, it has stepped up both general and personalised training programmes, as is evident in the steady increase in training hours in recent years.

- **Reputation risk:**

Stakeholder relations could be affected by adverse comments in any media with the potential to significantly impact the main 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.

## ■ Risk control at the individual factory level

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

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

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

[419-1]

## ■ Corporate Crime Prevention Model

The group introduced a Corporate Crime Prevention Model in 2015 and updated it in 2019 on the basis of a project carried out with an external consultant, specifically Deloitte. The main tasks performed during the project and the resulting action plans are described in further detail in section 5.1.1. *Update of in-house rules and procedures.* There is a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Corporate Crime Prevention Model. The company relies on this Model in order to mitigate the risk of money laundering within the group.

## ■ Improving indicators

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

## ■ Impact, oversight and control

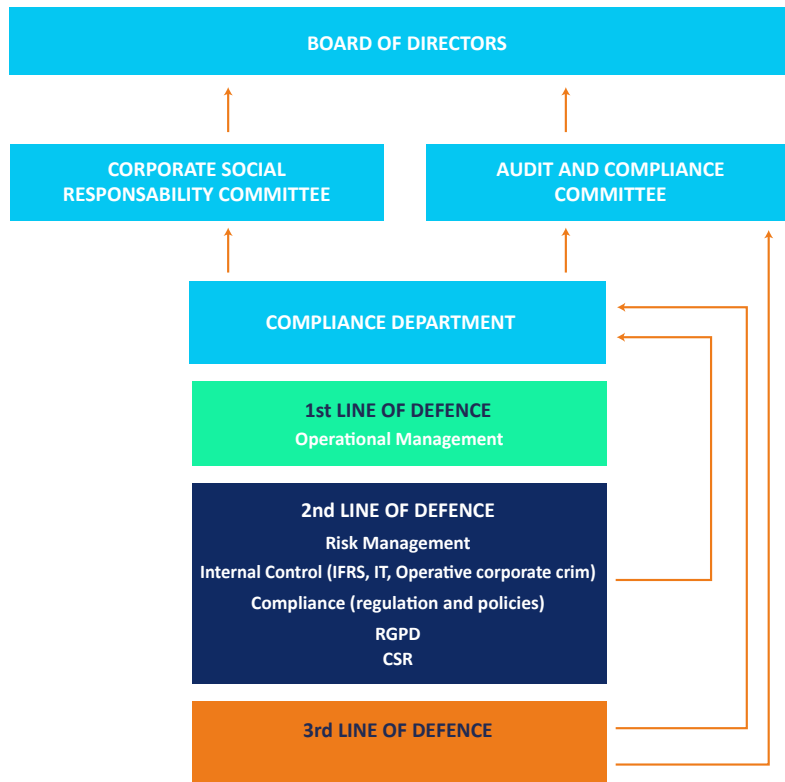
The result of the risk assessment exercise undertaken in 2019 confirmed that the risk map is aligned with CIE Automotive's strategy and evidences the effectiveness of the internal control system in the business arena as none of the key risks identified materialised during the year.

The oversight and control functions are performed via the Risk Management and Process Control modules of the SAP GRC tool operational in all of its productive facilities worldwide. Those modules define a specific number of controls (many of which are automatic) for each risk factor to be performed by different people. Due performance of those controls is monitored by the group's Compliance Department. The results of the entire effort are the subject of a review by the Internal Audit Department as part of its Annual Audit Programme.



## Internal control system

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



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

**ALL OF CIE AUTOMOTIVE FACTORIES ARE USING AN IT TOOL FOR ENSURING PERFORMANCE OF THE INTERNAL CONTROLS**

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

Thanks to this procedure, CIE Automotive is supervising compliance with more than 70 financial reporting (ICFR) controls per facility, in addition to other controls in the white-collar crime and non-financial information arenas.

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



CIE Automotive’s actions are guided by its **corporate values** which underpin the body of internal rules put in place to ensure that its members behave ethically and are in turn complemented by compliance oversight and breach remedy mechanisms. The **Code of Professional Conduct** and the corporate policies that implement this ethics framework were updated in October 2019.

The Code of Conduct provides the organisation’s members with principles and guidance for how to conduct themselves professionally.

Everyone who works at CIE Automotive is obliged to familiarise themselves and comply with the Code. The group also encourages its business partners (joint venturers, suppliers, customers, contractors and other partners) to align their conduct with the Code and apply equivalent standards of ethics.

In 2019, CIE Automotive updated its Code of Conduct to factor in feedback received from the senior management across the group’s various geographies. The most important developments relate to tighter controls over fraud and corruption and personal data protection.

## ■ CIE Automotive’s rules of conduct

- Ethical and lawful conduct.

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- Respect for people and society.

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- Workplace health and safety.

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- Relations with authorities and third parties.

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- Transparency, integrity and confidentiality.

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- Tax obligations and use of public funds.

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- Use of firm resources and assets.

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- Data protection.

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- Intellectual and industrial property.

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Failure by employees to comply with the Code of Conduct gives rise to application of the penalties contemplated in prevailing company law.

The Board of Director’s Corporate Social Responsibility Committee is responsible for supervising due compliance with the Code of Conduct.

## ■ Whistle-blowing channel

In order to encourage compliance with the Code of Conduct, CIE Automotive has set up a procedure for managing notifications and enquiries with respect to Code breaches or anomalies.

All members of the organisation and any of its stakeholder groups may use to it make enquiries or notify unusual activity or breaches of the rules set down in the Code of Conduct using the following channels:

- Whistle-blowing channel e-mail inbox: [canaletico@cieautomotive.com](mailto:canaletico@cieautomotive.com)
- Postal correspondence addressed to the Compliance Department:  
Alameda de Mazarredo 69, 8º, 48009 Bilbao (Vizcaya), Spain.
- Information and communication channel on the intranet and on the corporate website.

In a new development, the Code of Conduct has been modified to allow the submission of enquiries or notifications anonymously.

The Compliance Department is tasked with handling and analysing any such notifications and enquiries in a confidential manner. The data of the individuals involved are managed in keeping with prevailing data protection regulations in the country in question.

CIE Automotive received 18 complaints through this channel in 2019. They were mostly related with a lack of professional ethics and breaches of the Code of Conduct (13 out of 18) and, to a lesser degree, corruption (3) and discrimination (2). In all instances, the opportune actions were taken to analyse, monitor and remedy or close the cases. Those actions included the firing of the employees who participated in the cases of fraud and corruption reported

**THE NEW CODE OF CONDUCT  
 HAS BEEN MODIFIED  
 TO ALLOW THE SUBMISSION  
 OF ENQUIRIES OR  
 NOTIFICATIONS  
 ANONYMOUSLY**

and intervention by the corresponding management teams and HR departments to address the instances of discrimination reported and prevent their recurrence via enhanced education on the company's values and Code of Conduct rules. No complaints were received about human rights abuses, however.

## ■ Corporate policies

The 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 Fraud Policy](#) and the [Human Rights Policy](#).

*[More information about the corporate policies.](#)*

That 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.

## OBJECTIVES:

Generation of shared value for the company and for society by integrating social responsibility into the business model, business strategy and everyday operations.

## PROGRESS MADE IN 2019:

- ✓ Consolidation of the compilation of non-financial information.
- ✓ External assurance for GRI indicators.
- ✓ Establishment of ESG targets for each department.
- ✓ Implementation of a CSR working methodology for application at newly acquired enterprises.
- ✓ Systematisation of stakeholder communication.

CIE Automotive strives to embed pressing social, labour, environmental and human rights related concerns into its management model and strategy in order to generate shared value for the company and its stakeholders. It delivered the targets it had laid down in its 2019-2020 CSR Plan already in 2019. Notably, it cemented its non-financial information gathering effort and established CSR methodology aligned with the company's growth strategy.

## 5.4.1 CIE Automotive's commitments

As a member of the United Nations Global Compact since 2015, CIE Automotive embraces and complies with its 10 universally-accepted principles in the areas of human rights, labour, anti-corruption and the environment. Beyond upholding those universal principles, the company has committed publicly and voluntarily to acting as an agent of development and generating positive impacts on society as a whole based on compliance with the Sustainable Development Goals (SDGs).

That pledge translates into three specific commitments:

- **Commitment to the environment:** working to achieve the decarbonisation objectives set in the Paris COP Agreement. As an auto parts manufacturer, the company makes R&D investments each year in order to help get ever lighter and more efficient vehicles onto the road, framed by the premise that "every gram counts". It also invests in sustainable production and circular economy initiatives.
- **Commitment to stakeholders:** the company contributes to the wealth and wellbeing of its stakeholders by creating jobs, paying taxes, purchasing goods and services from suppliers, distributing dividends and contributing to community work initiatives.
- **Commitment to excellent governance:** setting protocols so that the company's directors and managers uphold stringent principles of ethics and transparency, acting to prevent corruption and fraud in any of their forms.

CIE Automotive has been a Signatory of the Spanish Network of the Global Compact, which is populated by over 700 organisations, since 2018. At the Local Network level, the idea is to work in alliances that enable the contribution of greater value added to member organisations and to the community alike.



## 5.4.2 Corporate Social Responsibility Policy and how it works [102-18, 102-19, 102-20, 102-27, 102-32]

In its [Corporate Social Responsibility Policy](#), which was updated in October 2019, CIE Automotive establishes the basic principles and general framework for governing the management of its CSR practices and integrating corporate citizenship into CIE Automotive’s management model and strategy. In this manner, the company manages to create value sustainably for all of its stakeholders, as well as for itself.

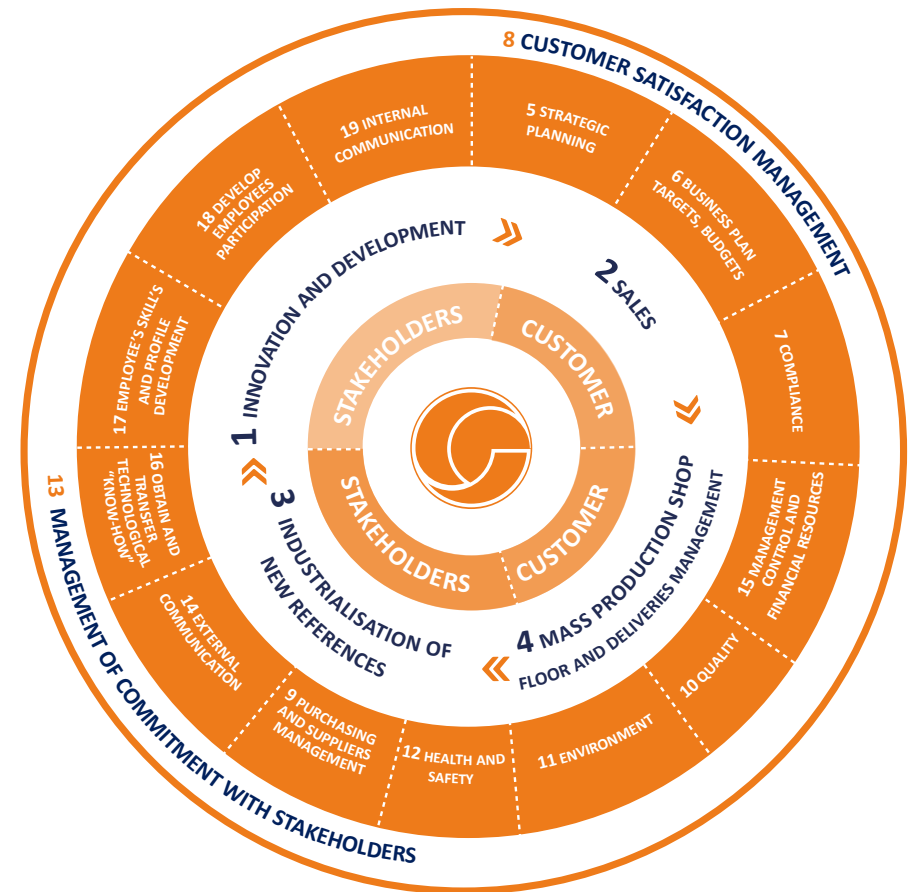
### ■ Embedding CSR into CIE Automotive’s processes

In 2019, this policy was implemented under the umbrella of the 2019-2020 CSR Plan. By the end of the year, the company had already met all of the targets set under that two-year plan and work was underway on integrating CSR into the group’s upcoming 2020-2025 Business Plan. In 2019, the company managed to establish a working methodology for layering CSR considerations into the process of integrating newly acquired companies.

*For more information about delivery of the Business Plan targets, refer to section 4.3. Solid and sustainable business strategy.*

Effective application of the CSR Policy and the potential risks associated with it are addressed in the [Control and Risk Management Policy](#), which follows the ISO 31000 methodology. CSR management is supervised by the Corporate Social Responsibility Committee, which delegates oversight of application of its principles in the Compliance Department, which in turn monitors and coordinates the work of the Cross-Group CSR Committee.

To measure its performance on the various ESG aspects, CIE Automotive has established CSR indicators for each department for tracking in 2020.





### ■ Cross-group CSR committee

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

### 5.4.3 Stakeholder engagement

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

CIE Automotive has identified nine stakeholder groups that contribute to its business performance and are in turn influenced by its actions: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the automotive sector and financiers.

## STAKEHOLDER GROUPS

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>· CIE Automotive generates value for its shareholders by increasing the company's value and via the dividends they receive every year.</li> <li>· It provides transparent, accurate and timely information to the investment community.</li> <li>· It earns the market's trust.</li> </ul>
<b>Professionals</b>	<ul style="list-style-type: none"> <li>· The company provides decent work in all its business markets and the training needed so its professionals can do their jobs.</li> <li>· It protects employee wellbeing in a safe and healthy workplace.</li> <li>· It facilitates collective bargaining.</li> <li>· It promotes respect for human rights with an emphasis on the more vulnerable markets.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>· The company is strategically committed to innovation to meet customers' demands.</li> <li>· It guarantees the quality and safety of its products.</li> <li>· It fine-tunes the supply chain continually.</li> <li>· It manages its resources efficiently in order to contain prices.</li> </ul>
<b>Business partners</b>	<ul style="list-style-type: none"> <li>· The strategic alliances with Mahindra&amp;Mahindra Ltd. in India and Donghua Automotive Industrial and the SAIC Group in China bring enhanced knowledge of and adaptation to the local market.</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>· The company guarantees its suppliers are given equal opportunities.</li> <li>· It promotes transparency and optimal pricing.</li> <li>· It provides fair payment terms.</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>· The company drives development through its activities in its operating markets.</li> <li>· It finances community work targeted at the least privileged.</li> <li>· It helps make safer and more comfortable and environmentally-friendly cars.</li> </ul>
<b>Public authorities</b>	<ul style="list-style-type: none"> <li>· The company works with the authorities in its business communities to improve various services.</li> <li>· It implements their requirements at its facilities, cooperating lawfully and transparently.</li> </ul>
<b>Sector</b>	<ul style="list-style-type: none"> <li>· The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.</li> </ul>
<b>Financiers</b>	<ul style="list-style-type: none"> <li>· The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.</li> </ul>

The company encourages dialogue with all of its stakeholders, framed by its conviction that engaging openly with them and meeting their legitimate expectations translates into opportunities for the firm.

### CORPORATE WEBSITE

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

### SPECIFIC CONTACTS FOR EACH STAKEHOLDER GROUP

**CSR and Society:** Susana Molinuevo  
[csr@cieautomotive.com](mailto:csr@cieautomotive.com)

**Professionals:** Javier Álvarez  
[hr@cieautomotive.com](mailto:hr@cieautomotive.com)

**Investor relations and business partners:**  
 Lorea Aristizabal  
[ir@cieautomotive.com](mailto:ir@cieautomotive.com)

**Customers and sector:** Mikel Orbegozo  
[sales@cieautomotive.com](mailto:sales@cieautomotive.com)

**Supply chain:** Irache Pardo [purchasing@cieautomotive.com](mailto:purchasing@cieautomotive.com)

**Financiers:** Irache Pardo [financierocie@cieautomotive.com](mailto:financierocie@cieautomotive.com)

**Public authorities:**  
[compliance@cieautomotive.com](mailto:compliance@cieautomotive.com)

### MAILING ADDRESS:

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

AIC - Automotive Intelligence Center.

Parque Empresarial Boroa, Parcela 2A - 4, 48340 Amorebieta (Bizkaia), Spain

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

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

### WHISTLE-BLOWING CHANNEL

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

**Whistle-blowing channel e-mail inbox:**  
[canaletico@cieautomotive.com](mailto:canaletico@cieautomotive.com)



CIE Automotive’s effort to reach out to its stakeholders is governed by a commitment to transparency. Framed by that top-down vision, the company presents its account of its annual performance along the economic, social and governance dimensions in a single integrated report. In 2019, *Informe Reporta*, a tool that analyses the quality of the information reported by companies, ranked CIE Automotive among the top five companies with the best public disclosures, among the 123 firms comprising the general Madrid stock exchange (IGBM). Its 2018 annual report earned a score of 82.1 points, compared to an average of 43.9.

**CIE AUTOMOTIVE**  
*IS AMONG THE TOP*  
**5 COMPANIES**  
 LISTED ON THE MADRID STOCK  
 EXCHANGE WITH THE BEST  
*PUBLIC DISCLOSURES*  
**ACCORDING TO**  
*INFORME REPORTA*

## CSR Workshops

CIE Automotive has been educating the organisation on its social responsibility commitments by holding dedicated “CSR Workshops” since 2017. In 2019, those sessions were used to present the Code of Conduct and its various implementing policies at the companies newly acquired, essentially CIE Golde (Europe and China), AEL (India) and Mapremex (Mexico). Those events were attended by more than 50 professionals. Later, in December, new sessions were celebrated in Brazil, attended by nearly 30 people.

The CSR Workshops are highly rated by their recipients, not only because they enable first-hand familiarity, via the Compliance Department, with CIE Automotive’s commitments but because they also give the subsidiary managers the chance to share their vision of the matters addressed and their fit with local culture. In light of their successful take-up, the plan is to continue to hold these events in 2020.

## ■ Progress made with stakeholders in 2019

### Shareholders and investors:

In the course of its ordinary interaction with its shareholder and investor community, CIE Automotive observed a gap between the information that was available to investors via third-party channels and the updated information the company was providing the market. In order to prevent such gaps from occurring and make sure investors get

a true and updated view of the company, the IR Department has set up a system for sending the corresponding information to interested investors by email (it is also monitoring that system to track user interest and needs), as well as publishing it on its [corporate website](#).

### Suppliers:

To improve its relationship with this stakeholder group, in 2019 the company rolled out its new Suppliers Portal. For more information about this initiative, refer to *section “2.5. Fine-tuning the supply chain”*.







The 2019 Annual Report provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, social, environmental and governance dimensions across the 16 countries in which it operates during the reporting period.

To correctly interpret the economic and financial data contained in this report, readers are cautioned that the comparative information is consistent with the consolidated financial statements published by CIE Automotive as of 31/12/2018, considering for 2018 the normalized Net Income of the Automotive segment after positive and negative non-recurring adjustments. See appendix I with the reconciliation at the end of the December 2019 Earnings Release document. Readers should also note the first-time consolidation of AEL, Inteva's roof systems division and Mapremex in 2019.

The non-financial information is presented following the GRI Standards, with a 'Core' 'in-accordance' option. The report additionally complies with the principles established in the AA1000 AccountAbility Principles Standard (2008).

To round out the information about the group's activities throughout the year, a number of other statutory reports are available for download on the [corporate website](#): annual financial statements, Annual Corporate Governance Report and Annual Report on Board Remuneration, along with all of the presentations published about different aspects of the group. Some of this information is included in the sections devoted to specific stakeholder groups.

The report was compiled with the input and oversight of the heads of all of the various departments and areas. The Corporate Development Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group CSR Committee and the Corporate Control, Finance, Treasury and R&D Departments.

## ■ How the Annual Report was prepared

This report addresses the material topics gleaned from the materiality assessment conducted with the company's stakeholders in 2017 and the surveys of over 140 of the organisation's executives from Brazil, the US, Mexico, India and China during the CSR Workshops held in 2018 and 2019.

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 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.

THIS REPORT EMBRACES  
**THE PRINCIPLES OF  
 TRANSPARENCY,  
 MATERIALITY,  
 COMPARABILITY,  
 TIMELINESS,  
 CLARITY AND  
 RELIABILITY**

<b>Registered name</b>	CIE Automotive S.A.
<b>Registered office</b>	Alameda Mazarredo, 69 – 8º, C.P. 48009, Bilbao (Bizkaia).
<b>Telephone number:</b>	Spain: +34 946 054 835
<b>Website</b>	<a href="http://www.cieautomotive.com">www.cieautomotive.com</a>
<b>Share capital</b>	€32,250,000
<b>No. of shares</b>	129,000,000
<b>Par value</b>	€0.25/share
<b>Business activity</b>	Manufacture of automotive parts.
<b>Markets</b>	CIE Automotive is present in 16 countries and its shares are listed on the Bilbao, Madrid and Bombay stock exchanges.

## DEDICATED CHANNELS FOR EACH STAKEHOLDER GROUP:

**Annual Report:** Corporate Development Department  
[ir@cieautomotive.com](mailto:ir@cieautomotive.com)

**CSR and Society:** Susana Molinuevo  
[csr@cieautomotive.com](mailto:csr@cieautomotive.com)

**Professionals:** Javier Álvarez  
[hr@cieautomotive.com](mailto:hr@cieautomotive.com)

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**Public authorities:**  
[compliance@cieautomotive.com](mailto:compliance@cieautomotive.com)



CIE Automotive’s 2019 Annual Report attempts to provide information about the matters deemed relevant to the company and its stakeholders. To identify those topics, it conducted a materiality assessment in 2017, updated in 2018, with the assistance of an independent expert (Deloitte), following consultation with a number of outside sources.

## Methodology

The materiality assessment was conducted in two phases:

### Phase 1

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

Here the goal was to determine the ESG matters of greatest relevance to CIE Automotive and its stakeholders.

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

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

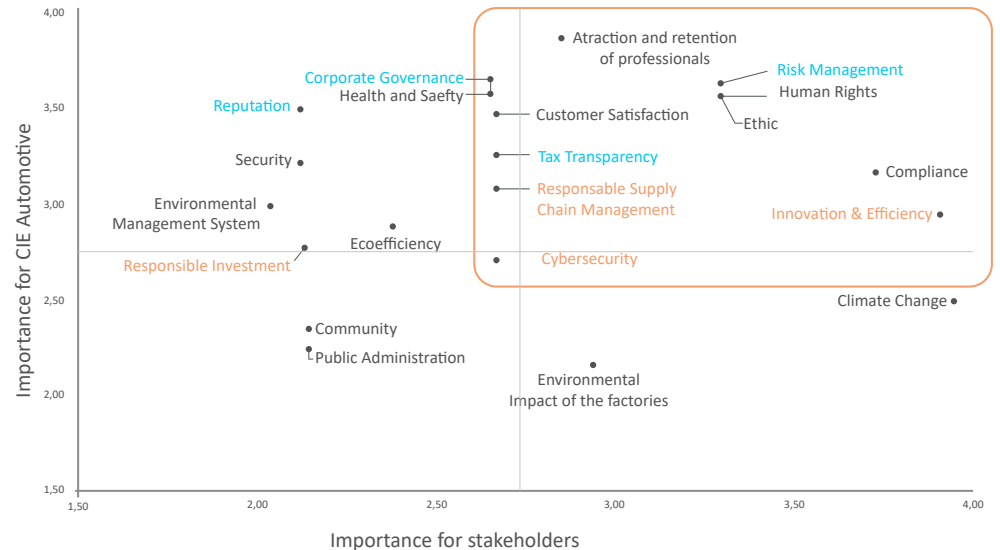
### Phase 2

#### Prioritisation of the issues identified as relevant

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

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

## 2017 MATERIALITY MATRIX



## Assessment update in 2018

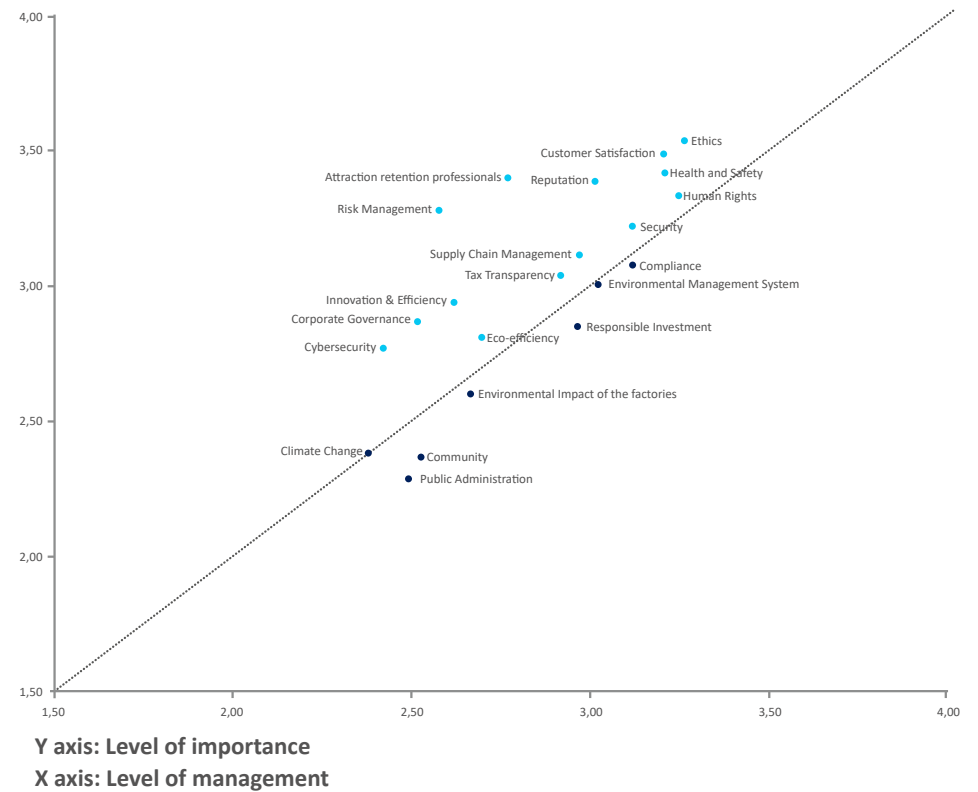
In 2018, the company complemented that analysis following the CSR workshops attended by 140 executives and managers from the Brazilian, Indian, Chinese, North American and Mexican plants, which enabled it to broaden its vision of the issues of greatest concern in each country.

The workshop agendas were articulated around management of CIE Automotive's expectations and needs with respect to its stakeholders (shareholders, customers, business partners, society, public authorities, the automotive sector and CIE Automotive's professionals). Materiality determination processes were also conducted to identify

which environmental, social and governance (ESG) criteria worry the organisation the most and understand how those issues are being managed in each of the countries mentioned.

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

## 2018 MATERIALITY MATRIX



## Material topics

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

### MATERIAL TOPICS

GRI	Contents	Correspondence with the Materiality Assessment	Section
GRI 102 General disclosures	102-2 Activities, brands, products, and services	Innovation and efficiency	4.2. Successful business model 6.2. Contact details
	102-8 Information on employees and other workers	Attracting and retaining talent	2.4. Managing a diverse team 6.5. Data tables and glossary
	102-16 Values, principles, standards and norms of behaviour	Ethics	4.1. Winning identity 5.3. Ethical conduct
	102-17 Mechanisms for advice and concerns about ethics	Ethics	5.3. Ethical conduct 5.4.3. Stakeholder engagement
	102-18 Governance structure	Corporate governance	5.1. Excellent corporate governance
	102-30 Effectiveness of risk management processes	Risk management	5.2. Efficient risk control
	102-42 Identifying and selecting stakeholders	Customer satisfaction	5.4.3. Stakeholder engagement
	102-43 Approach to stakeholder engagement	Customer satisfaction	5.4.3. Stakeholder engagement
102-47 List of material topics	N/A	6.3. Materiality	
GRI 201 Economic performance	201-1 Direct economic value generated and distributed	Tax transparency	2.7. Committed community work 6.5.3. Community



<b>GRI 202</b> Market presence	<b>202-1</b> Ratios of standard entry level wage by gender compared to local minimum wage	Attracting and retaining talent	2.4. Managing a diverse team
<b>GRI 204</b> Procurement practices	<b>204-1</b> Proportion of spending on local suppliers	Responsible supply chain management	2.5. Fine-tuning the supply chain
<b>GRI 205</b> Anti-corruption	<b>205-2</b> Communication and training on anti-corruption policies and procedures	Ethics	5.3. Ethical conduct
	<b>205-3</b> Confirmed incidents of corruption and actions taken	Ethics	5.3. Ethical conduct
<b>GRI 302</b> Energy	<b>302-1</b> Energy consumption within the organisation	Climate change	2.6. Progressing on environmental efficiency
<b>GRI 307</b> Environmental compliance	<b>307-1</b> Non-compliance with environmental laws	Compliance	2.6. Progressing on environmental efficiency
<b>GRI 308</b> Supplier environmental assessment	<b>308-1</b> New suppliers that were screened using environmental criteria	Responsible supply chain management	2.5. Fine-tuning the supply chain
<b>GRI 401</b> Employment	<b>401-1</b> New employee hires and employee turnover	Attracting and retaining talent	2.4. Managing a diverse team
<b>GRI 403</b> Occupational health and safety	<b>403-2</b> Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health & safety	2.4. Managing a diverse team
<b>GRI 404</b> Training and education	<b>404-1</b> Average hours of training per year and per employee	Attracting and retaining talent	2.4. Managing a diverse team
	<b>404-2</b> Programmes for upgrading employee skills and transition assistance programmes		

<b>GRI 412</b> Human rights assessment	<b>412-1</b> Operations that have been subject to human rights reviews or impact assessments	Human rights	2.4. Managing a diverse team
	<b>412-2</b> Employee training on human rights policies or procedures	Human rights	2.4. Managing a diverse team
<b>GRI 414</b> Supplier social assessment	<b>414-1</b> New suppliers that were screened using social criteria	Responsible supply chain management	2.5. Fine-tuning the supply chain
<b>GRI 419</b> Socioeconomic compliance	<b>419-1</b> Non-compliance with laws and regulations in the social and economic area	Compliance	5. Corporate Governance and CSR management
The GRI standards do not have a specific indicator that fits with the topic addressed by CIE Automotive in its Annual Report.		Cybersecurity	5.2. Efficient risk control

CIE Automotive is working actively to contribute positively to delivery of the United Nations Sustainable Development Goals (SDGs). As a member of the United Nations Global Compact and a Signatory of the Spanish Network of the Global Compact, it works towards delivering the goals by embedding social, environmental and governance values into its business strategy and working in alliances that permit the creation of shared value for the both organisation and the broader community.



## SUSTAINABLE DEVELOPMENT GOALS

<p><b>1</b> NO POVERTY</p> 	<p><b>2</b> ZERO HUNGER</p> 	<p><b>3</b> GOOD HEALTH AND WELL-BEING</p> 	<p><b>4</b> QUALITY EDUCATION</p> 	<p><b>5</b> GENDER EQUALITY</p> 	<p><b>6</b> CLEAN WATER AND SANITATION</p> 
<p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p> 	<p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p> 	<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p><b>10</b> REDUCED INEQUALITIES</p> 	<p><b>11</b> SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p><b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 
<p><b>13</b> CLIMATE ACTION</p> 	<p><b>14</b> LIFE BELOW WATER</p> 	<p><b>15</b> LIFE ON LAND</p> 	<p><b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p><b>17</b> PARTNERSHIPS FOR THE GOALS</p> 	 <p><b>SUSTAINABLE DEVELOPMENT GOALS</b></p>

In its capacity as manufacturer of parts and subassemblies for the automotive market, its contribution is more tangible in respect of seven specific goals (ODS 3, 4, 8, 9, 10, 12 and 17). It provides an account of its progress on those specific goals in this report.



### 3. HEALTH AND WELLBEING

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

➤ 2.4 Managing a diverse team



### 4. QUALITY EDUCATION

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

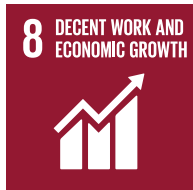
➤ 2.7 Committed community work



### 5. GENDER EQUALITY

Empowering women and girls has a multiplier effect and helps drive up economic growth and development across the board.

➤ 2.4 Managing a diverse team



### 8. DECENT WORK AND ECONOMIC GROWTH

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

➤ 2.4 Managing a diverse team



### 9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE

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

➤ 4.4 Strategic commitment to innovation and technology



### 10. REDUCED INEQUALITIES

Ensure equal opportunity and reduce inequalities of outcome; maintain a presence in less developed countries.

➤ 2.4 Managing a diverse team

➤ 4.2 Successful business model



### 12. RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns.

➤ 2.5 Fine-tuning the supply chain

➤ 2.6 Progressing on environmental efficiency

➤ 4.1 Winning identity

➤ 5.4 CSR management



### 17. PARTNERSHIPS TO DELIVER GOALS

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

➤ 2.7 Committed community work

➤ 4.1 Winning identity

➤ 4.4 Strategic commitment to innovation and technology

➤ 5.4 CSR management

### 6.5.1 The team [\[102-08\]](#)

#### BREAKDOWN OF HIRES AND DEPARTURES BY AGE AND GENDER

	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total women	Total
NEW HIRES	3,949	1,555	283	5,787	618	555	95	1,268	7,055
VOLUNTARY DEPARTURES	3,143	966	174	4,283	429	426	86	941	5,224

#### BREAKDOWN OF INVOLUNTARY TERMINATIONS BY REGION

Region	No. of layoffs	Men	Women
Europe*	342	264	78
North America**	720	488	232
Asia	117	113	4
Brazil	679	589	90
<b>TOTAL</b>	<b>1,858</b>	<b>1,454</b>	<b>404</b>

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

\*\*This region includes the Biofuels workforce in Guatemala.



**WORKFORCE BREAKDOWN BY JOB CATEGORY AND GENDER**

	2017	2018	2019
Executives	728	758	992
Men	667	690	877
Women	61	68	115
University graduates	5,913	6,055	7,620
Men	4,986	5,063	6,368
Women	927	992	1,252
Skilled workers	16,258	16,449	19,512
Men	13,607	13,707	16,302
Women	2,651	2,742	3,210
<b>TOTAL</b>	<b>22,899</b>	<b>23,262</b>	<b>28,124</b>
Total men	19,260	19,460	23,547
Total women	3,639	3,802	4,577



## 6.5.2 Environment

### WATER CONSUMPTION [303-1]

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 303-1 (1)	Surface water			2,009.00	64,363.00
	GRI 303-1 (2)	Underground water			47,574.00	30,893.00
	GRI 303-1 (3)	Rainwater	m <sup>3</sup> /year		22,034.00	25,253.00
	GRI 303-1 (4)	Municipal networks			435,096.00	321,631.00
		<b>Water used</b>		<b>635,129.58</b>	<b>506,713.00</b>	<b>442,140.00</b>
North America	GRI 303-1 (1)	Surface water			393.00	2,048.00
	GRI 303-1 (2)	Underground water			79,016.00	69,589.00
	GRI 303-1 (3)	Rainwater	m <sup>3</sup> /year		-	-
	GRI 303-1 (4)	Municipal networks			260,088.85	255,886.32
		<b>Water used</b>		<b>316,434.00</b>	<b>339,497.85</b>	<b>327,523.32</b>
Brazil	GRI 303-1 (1)	Surface water			52,698.00	-
	GRI 303-1 (2)	Underground water			37,784.00	75,234.00
	GRI 303-1 (3)	Rainwater	m <sup>3</sup> /year		-	-
	GRI 303-1 (4)	Municipal networks			124,009.00	175,959.00
		<b>Water used</b>		<b>174,443.00</b>	<b>214,491.00</b>	<b>251,193.01</b>
Asia (India and China)	GRI 303-1 (1)	Surface water			250,915.00	261,840.00
	GRI 303-1 (2)	Underground water			48,522.00	179,451.00
	GRI 303-1 (3)	Rainwater	m <sup>3</sup> /year		6,165.00	6,555.00
	GRI 303-1 (4)	Municipal networks			226,434.00	180,530.00
		<b>Water used</b>		<b>606,860.83</b>	<b>532,036.00</b>	<b>628,376.00</b>
TOTAL	GRI 303-1 (1)	Surface water			306,015.00	328,251.00
	GRI 303-1 (2)	Underground water			212,896.00	355,167.00
	GRI 303-1 (3)	Rainwater	m <sup>3</sup> /year		28,199.00	31,808.00
	GRI 303-1 (4)	Municipal networks			1,045,627.85	934,006.32
		<b>Water used</b>		<b>1,732,867.41</b>	<b>1,592,737.85</b>	<b>1,649,232.32</b>

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

### MATERIALS CONSUMPTION [301-1, 301-2]

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 303-1	Raw materials used	Kg	512,145,613.43	546,033,547.00	545,320,860.00
	GRI 303-2	Raw materials recovered	Kg	102,844,996.56	247,023,857.00	230,418,938.00
		Raw materials recovered	%	0.20	0.45	0.42
North America	GRI 303-1	Raw materials used	Kg	292,588,679.88	307,241,576.00	307,241,576.00
	GRI 303-2	Raw materials recovered	Kg	61,719,614.69	43,254,069.00	8,205,673.00
		Raw materials recovered	%	0.21	0.14	0.02
Brazil	GRI 303-1	Raw materials used	Kg	102,588,358.27	196,503,649.00	187,910,073.00
	GRI 303-2	Raw materials recovered	Kg	34,090,451.91	57,297,757.00	70,114,134.00
		Raw materials recovered	%	0.33	0.29	0.37
Asia (India and China)	GRI 303-1	Raw materials used	Kg	276,947,728.70	423,041,204.00	407,039,649.00
	GRI 303-2	Raw materials recovered	Kg	74,553,499.61	113,050,215.00	102,452,797.00
		Raw materials recovered	%	0.27	0.32	0.25
TOTAL	GRI 303-1	Raw materials used	Kg	1,184,270,380.28	1,472,819,976.00	1,510,283,589.00
	GRI 303-2	Raw materials recovered	Kg	273,208,562.76	460,625,898.00	411,191,542.00
		Raw materials recovered	%	0.23	0.31	0.27

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

### WASTE MANAGEMENT

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 306-2 (H)	Hazardous waste disposed of	Tonne	<b>115,653.74</b>	16,874.00	16,056.07
	GRI 306-2 (N-H)	Non-hazardous waste disposed of			101,945.57	129,598.75
	GRI 306-2	<b>Industrial waste treated</b>			<b>118,819.63</b>	<b>145,654.82</b>
North America	GRI 306-2 (H)	Hazardous waste disposed of	Tonne	<b>42,868.83</b>	2,937.95	3,125.34
	GRI 306-2 (N-H)	Non-hazardous waste disposed of			82,375.98	73,696.89
	GRI 306-2	<b>Industrial waste treated</b>			<b>85,313.93</b>	<b>76,822.23</b>
Brazil	GRI 306-2 (H)	Hazardous waste disposed of	Tonne	<b>19,122.59</b>	3,980.26	3,654.90
	GRI 306-2 (N-H)	Non-hazardous waste disposed of			48,432.53	41,572.17
	GRI 306-2	<b>Industrial waste treated</b>			<b>52,412.78</b>	<b>45,227.07</b>
Asia (India and China)	GRI 306-2 (H)	Hazardous waste disposed of	Tonne	<b>84,307.16</b>	3,114.36	2,402.97
	GRI 306-2 (N-H)	Non-hazardous waste disposed of			115,716.36	94,987.97
	GRI 306-2	<b>Industrial waste treated</b>			<b>118,830.71</b>	<b>97,390.94</b>
TOTAL	GRI 306-2 (H)	Hazardous waste disposed of	Tonne	<b>261,952.32</b>	26,906.63	25,239.28
	GRI 306-2 (N-H)	Non-hazardous waste disposed of			348,470.43	339,855.78
	GRI 306-2	<b>Industrial waste treated</b>			<b>375,377.06</b>	<b>365,095.06</b>

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

### ENERGY CONSUMPTION AND SAVINGS

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	760,177.02	904,828.58	774,253.76
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	144,3304.32	1,498,492.08	1,471,786.54
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	637,465.70	504,262.80
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	861,026.38	967,523.75
	GRI 302-1	<b>TOTAL</b>	<b>Gigajoules (GJ)</b>	<b>2,203,481.33</b>	<b>2,403,320.66</b>	<b>2,246,040.31</b>
Norh America	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	388,682.37	357,669.91	476,606.74
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	540,943.09	734,755.93	723,266.73
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	598,914.08	581,783.97
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	135,841.85	141,482.76
	GRI 302-1	<b>TOTAL</b>	<b>Gigajoules (GJ)</b>	<b>929,625.46</b>	<b>1,092,425.84</b>	<b>1,199,873.47</b>
Brazil	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	122,190.94	175,500.25	242,715.78
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	512,872.70	638,508.15	687,884.31
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	90,360.33	76,045.27
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	548,147.82	611,839.04
	GRI 302-1	<b>TOTAL</b>	<b>Gigajoules (GJ)</b>	<b>635,063.64</b>	<b>814,008.39</b>	<b>930,600.09</b>



Asia (India and China)	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	111,087.86	170,942.47	169,178.90
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	985,850.49	1,053,221.25	1,072,288.97
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	889,320.24	931,365.88
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	163,901.01	140,923.09
	GRI 302-1	<b>TOTAL</b>	<b>Gigajoules (GJ)</b>	<b>1,096,938.36</b>	<b>1,224,163.72</b>	<b>1,241,467.87</b>
TOTAL	GRI 302-1 (D)	Direct energy consumption	Gigajoules (GJ)	1,382,138.19	1,608,941.20	1,662,755.19
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	3,482,970.60	3,924,977.41	3,955,226.55
	GRI 302-1 (I)	Indirect energy consumption	Gigajoules (GJ)	-	2,216,060.35	2,093,457.91
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	Gigajoules (GJ)	-	1,708,917.05	1,861,768.64
	GRI 302-1	<b>TOTAL</b>	<b>Gigajoules (GJ)</b>	<b>4,865,108.78</b>	<b>5,533,918.61</b>	<b>5,617,981.74</b>

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

### EMISSIONS

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 305-1	Direct emissions		48,896.85	52,227.83	43,914.62
	GRI 305-2	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup>	134,484.94	78,277.93	60,798.05
	GRI 305	<b>Total emissions</b>		<b>183,381.79</b>	<b>130,505.76</b>	<b>104,712.67</b>
North America	GRI 305-1	Direct emissions		24,856.42	20,406.82	27,192.34
	GRI 305-2	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup>	70,596.58	78,860.08	76,247.68
	GRI 305	<b>Total emissions</b>		<b>95,453.01</b>	<b>99,266.90</b>	<b>103,440.02</b>
Brazil	GRI 305-1	Direct emissions		7,962.10	10,151.10	14,387.16
	GRI 305-2	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup>	12,693.03	1,706.81	1,436.41
	GRI 305	<b>Total emissions</b>		<b>20,655.12</b>	<b>11,857.91</b>	<b>15,823.57</b>
Asia (India and China)	GRI 305-1	Direct emissions		7,436.08	10,916.47	10,599.47
	GRI 305-2	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup>	241,360.28	206,331.15	216,386.94
	GRI 305	<b>TOTAL</b>		<b>248,796.36</b>	<b>217,247.62</b>	<b>226,986.41</b>
TOTAL	GRI 305-1	Direct emissions		89,151.45	93,702.22	96,093.59
	GRI 305-2	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup>	459,134.83	365,175.97	354,869.08
	GRI 305	<b>Total emissions</b>		<b>548,286.28</b>	<b>458,878.19</b>	<b>450,962.67</b>

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

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

	Indicador	Definición	Unidad	2017	2018	2019
Europe*	GRI 305-2	Indirect emissions	CO <sub>2</sub> KG	-	71,462.56	83,277.57
North America	GRI 305-2	Indirect emissions	CO <sub>2</sub> KG	-	17,020.41	17,709.85
Brazil	GRI 305-2	Indirect emissions	CO <sub>2</sub> KG	-	10,353.9	11,556.96
Asia (India and China)	GRI 305-2	Indirect emissions	CO <sub>2</sub> KG	-	38,936.4	33,508.38
<b>TOTAL</b>	<b>GRI 305-2</b>	<b>Indirect emissions</b>	<b>CO<sub>2</sub>KG</b>	-	<b>137,773.27</b>	<b>146,052.76</b>

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

### ENERGY INTENSITY

	Indicator	Definition	Unit	2017	2018	2019
Europe*	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.53	0.65	0.53
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.01	1.07	1.01
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	0.45	0.35
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	0.61	0.66
	GRI 302-3	<b>TOTAL</b>	<b>GJ/€ 000</b>	<b>1.55</b>	<b>1.71</b>	<b>1.54</b>
North America	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.54	0.47	0.52
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	0.75	0.96	0.79
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	0.78	0.63
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	0.18	0.15
	GRI 302-3	<b>TOTAL</b>	<b>GJ/€ 000</b>	<b>1.29</b>	<b>1.43</b>	<b>1.31</b>
Brazil	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.37	0.54	0.75
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.56	1.97	2.11
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	0.28	0.23
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	1.69	1.88
	GRI 302-3	<b>TOTAL</b>	<b>GJ/€ 000</b>	<b>1.93</b>	<b>2.52</b>	<b>2.86</b>
Asia (India and China)	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.23	0.32	0.22
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	2.04	1.95	1.41
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	1.65	1.23
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	0.30	0.19
	GRI 302-3	<b>TOTAL</b>	<b>GJ/€ 000</b>	<b>2.27</b>	<b>2.27</b>	<b>1.64</b>

TOTAL	GRI 302-3 (D)	Direct energy consumption	GJ/€ 000	0.47	0.53	0.48
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	1.18	1.30	1.14
	GRI 302-3 (I)	Indirect energy consumption	GJ/€ 000	-	0.73	0.6
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	GJ/€ 000	-	0.56	0.54
	GRI 302-3	<b>TOTAL</b>	<b>GJ/€ 000</b>	<b>1.65</b>	<b>1.83</b>	<b>1.62</b>

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

	Indicator	Definition	Unit	2017	2018	2018
Europe*	GRI 305-4 (D)	Direct emissions		0.03	0.04	0.03
	GRI 305-4 (I)	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup> /K€	0.09	0.06	0.04
	GRI 305-4	<b>TOTAL</b>		<b>0.13</b>	<b>0.09</b>	<b>0.07</b>
North America	GRI 305-4 (D)	Direct emissions		0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup> /K€	0.10	0.10	0.08
	GRI 305-4	<b>TOTAL</b>		<b>0.13</b>	<b>0.13</b>	<b>0.11</b>
Brazil	GRI 305-4 (D)	Direct emissions		0.02	0.03	0.04
	GRI 305-4 (I)	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup> /K€	0.04	0.01	0
	GRI 305-4	<b>TOTAL</b>		<b>0.06</b>	<b>0.04</b>	<b>0.05</b>
Asia (India and China)	GRI 305-4 (D)	Direct emissions		0.02	0.02	0.01
	GRI 305-4 (I)	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup> /K€	0.50	0.38	0.29
	GRI 305-4	<b>TOTAL</b>		<b>0.52</b>	<b>0.40</b>	<b>0.3</b>
TOTAL	GRI 305-4 (D)	Direct emissions		0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	Kg CO <sub>2</sub> <sup>TM</sup> /K€	0.16	0.12	0.1
	GRI 305-4	<b>TOTAL</b>		<b>0.19</b>	<b>0.15</b>	<b>0.13</b>

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





## 6.5.3 Community

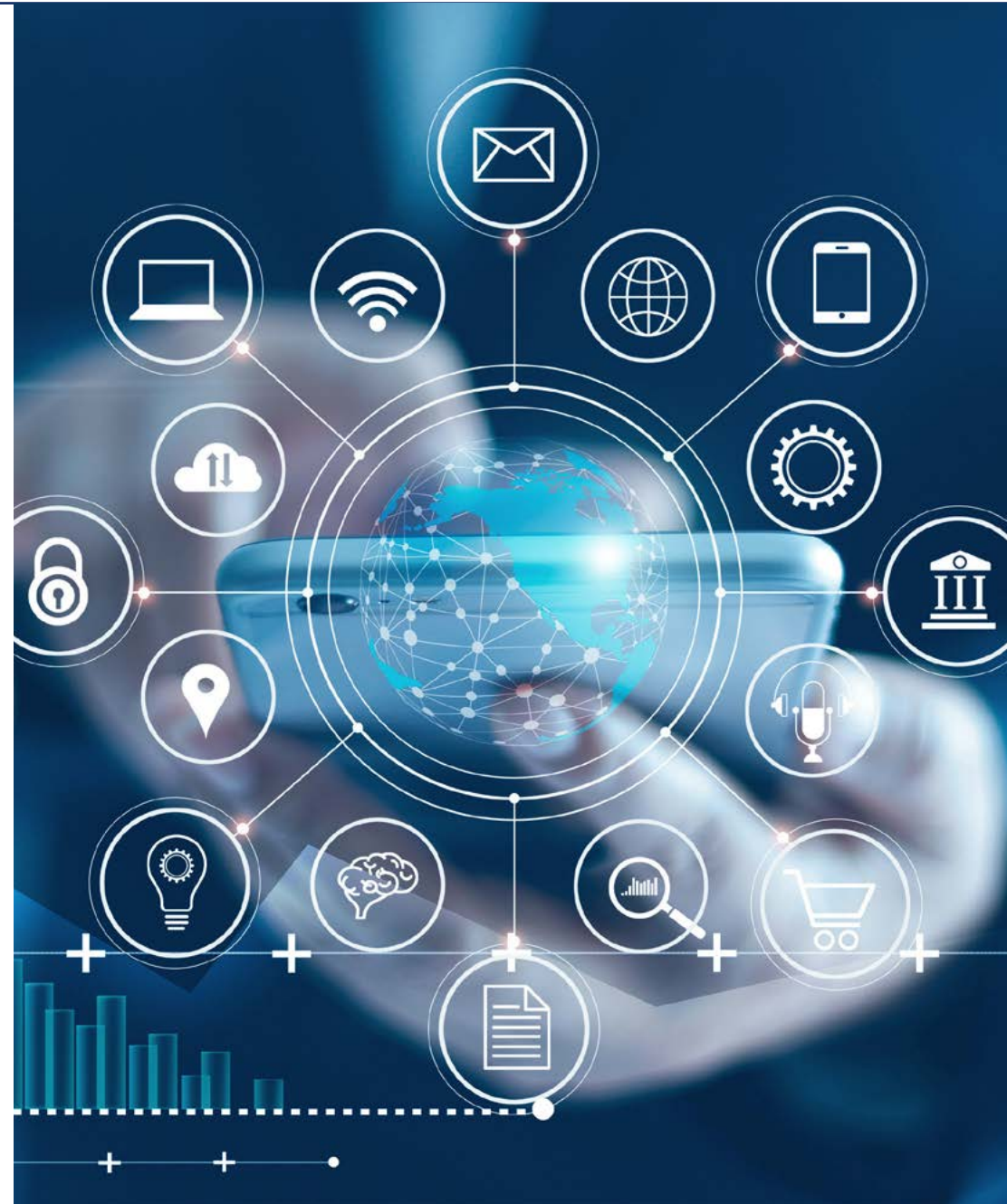
### INCOME TAX PAID BY COUNTRY

Tax jurisdiction	Profit/(loss) before income tax (€)	Income tax paid (€)
BASQUE COUNTRY	169,534.4	224.0
MEXICO	135,515.3	22,069.1
CHINA	48,692.2	5,686.5
BRAZIL	48,064.9	9,714.2
INDIA	42,412.3	7,576.3
SPAIN	36,640.1	8,032.0
USA	20,373.3	314.4
LITHUANIA	7,697.8	92.0
RUSSIA	6,846.1	0
ITALY	6,435.8	815.9
ROMANIA	6,141.6	106.6
CZECH REPUBLIC	5,498.5	1,062.0
FRANCE	5,189.6	1,842.0
ESLOVAKIA	3,431.4	253.5
NAVARRA	3,302.0	0
PORTUGAL	2,500.4	526.0
MOROCCO	988.8	0
UNITED KINGDOM	0	0
BARBADOS	-8.8	0
GUATEMALA	-62.1	0
HOLLAND	-468.4	0
GERMANY	-8,430.1	471.5
<b>Total (thousand euros)</b>	<b>540,295.3</b>	<b>58,785.9</b>

Data with no consolidation adjustments and under IFRS.

### 6.5.4 Glossary

- **ESG:** The acronym for environmental, social and governance; the term refers to corporate management of non-financial matters related with the environment, its impact on society and corporate governance.
- **EBIT:** The acronym for earnings before interest and taxes, also referred to as operating profit in this document.
- **EBITDA:** The acronym for earnings before interest, taxes, depreciation and amortisation, i.e., operating profit before deducting depreciation and amortisation charges.
- **Exterior trim:** The universe of external parts of a vehicle made from plastic, such as rim protectors, insignias and rear view mirrors.
- **Greenfield:** Facilities created from scratch, such as the construction of a new factory or the addition of capacity to an existing factory.
- **IFC:** The acronym for the International Finance Corporation, an institution under the umbrella of the World Bank whose mission is to foster economic development via the private sector.
- **Interior trim:** The coverings inside vehicles
- **Commercial vehicle:** A vehicle registered for the performance of any type of business, mainly trucks and buses weighing over 6 tonnes, although this segment also includes lighter-weight buses and vans.
- **Passenger vehicle:** Light vehicle whose main function is to transport passengers.
- **Light-duty vehicle:** Vehicle weighing up to 6 tonnes.
- **Medium-duty vehicle:** Vehicle weighing between 6 and 15 tonnes.
- **Heavy-duty vehicle:** vehicle weighing over 15 tonnes.
- **WLTP:** The acronym for the Worldwide Harmonized Light Duty Testing Procedure, a global, harmonised standard for determining vehicle emissions and fuel consumption levels.



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The non-financial information provided in this document is mainly sourced from CIE Automotive's Non-Financial Statement (NFS), which is audited separately by PricewaterhouseCoopers, which is the same firm that audits the group's annual financial statements. To facilitate reader access to the full information, the NFS is reproduced below. The original document can be reached via the following [link](#).

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