



ANNUAL REPORT
2020





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 **ABOUT THIS REPORT**



CHAIRMAN AND CEO'S
STATEMENT

Antón Pradera
Chairman



“THE YEAR THAT BROUGHT OUT THE BEST IN US”

Dear friends of CIE Automotive:

2020 will forever go down in the history books as the year of the COVID-19 pandemic. A year in which we looked on powerless as the virus spread, taking the lives of over two million people across the planet, confined us to our homes, paralysed industry and services and ushered in the worst global recession in 75 years. However, in the midst of that catastrophe, the human race once again demonstrated its ability to resist, find solutions and find a way through extreme conditions. We are proud to say, without wanting to blow our own trumpet, that CIE Automotive was a paradigm of that resilience.

For those of us in the CIE Automotive family, that annus horribilis will also be remembered as the year in which we gave our best: we prioritised the safety of our employees, uninterrupted supplies for our customers and protection of our shareholders' investments, while supporting our suppliers

Jesús M^a Herrera
CEO



and maintaining our environmental and community commitments. Thanks to that formidable effort, we managed to end the year with almost €1.5 billion of surplus liquidity, putting us in a strong financial position, having generated a net profit of €185 million in the worst year on record for the automotive industry, all while making firm continued progress on our ESG agenda.


In the 2020 Annual Report you have before you we will describe in detail how we managed to remain profitable in a year in which the automotive market contracted by 16.2%. We will also tell you about the considerable progress we made on measuring our environmental footprint and advancing towards a circular economy, as well as what we did as a socially responsible company vis-à-vis all of our stakeholders. We would like to use these lines to sincerely thank everyone who accompanied us on this complicated journey.

Looking back on the events of 2020, and fully aware that the pandemic is far from over, it would be pretentious to say we were ready for what lay in store. Nobody was. What we can tell you, however, is that we had the solidity and flexibility needed to tackle the challenges induced by it. Having learned our lessons in the wake of prior crises, we had a resilient business model in place, the know-how of an unbeatable team and the technological capabilities needed to tackle the ensuing challenges.

Our business model was, without a shadow of a doubt, the key to surmounting the difficulties encountered in 2020. Our geographical diversity, with 110 manufacturing facilities in 16 countries, enabled us to service the global OEMs throughout and partially offset successive stoppages in certain regions with

ongoing activity in others. Thanks to our customer diversification, specifically a well-populated portfolio of OEMs and Tier-1 suppliers, we were able to mitigate the drop in demand from some of them. Our multi-technology approach enabled us provide our customers with products that match their evolving vehicle mixes and needs as vehicle electrification accelerated further in 2020. The strict financial discipline that frames every single decision we take was critical to keeping our EBITDA-to-cash conversion ratio at 59%. Our decentralised management made it possible for each region and division to take the best decisions for its specific circumstances, underpinned by a common strategy, thus helping to create value for the group as a whole. Lastly, the integration of ESG criteria into our model, which materialised in the rollout of a new dashboard with 79 performance indicators in every factory's management plan, coupled with our renewed pledge to upholding the United Nations Global Compact principles, meant that our values and determination to attain excellence and sustainability remained unshakeable even at the height of the pandemic.

We had, therefore, a very solid base on which to layer a global strategy aimed at maintaining profitability in the face of the pandemic: the COVID-19 Response Plan. We launched that plan



"Thanks to that formidable effort, we managed to end the year with a net profit of €185 million in the worst year on record for the automotive industry"

during the second quarter, articulating it around four key lines of initiative: (i) work flexibility measures, aligned with the legislation and specifics of each country; (ii) war economy tactics, which meant strict control over fixed costs, capex and working capital; (iii) liquidity and financing, which translated into new and extended credit lines; and (iv) astute production planning, including new safety measures at the factories and stock buffers to ensure supply continuity.

Coordinated execution of that plan and the gradual improvements eked out at the more recently integrated companies underpinned EBITDA and EBIT margins of 15% and almost 10%, respectively, very high levels considering the double-digit contraction in the automotive market which had a highly adverse impact on most sector players' profitability. In addition, thanks to high operating cash flow, we were able to contain net debt, close our M&A transactions, pay our shareholders the agreed-upon dividend and cancel shares to boost remuneration.

Although the resilience displayed by CIE Automotive in the face of the pandemic was not tangible in its share price performance throughout the year, our shares did end 2020 higher than they started, at €22.06, a gain of 4.6%, despite the dire performance sustained by Spanish equities, with the benchmark Ibex-35 index correcting by over 15%.

All of our markets contributed to our healthy earnings performance with positive operating margins. Revenue in constant currencies declined by 13.2% even though vehicle production in our markets collapsed by over 20%.

"Our healthy performance across Europe, North America, Brazil and Asia is largely attributable to the reliability and quality of our supply chain worldwide"

Our healthy performance across Europe, North America, Brazil and Asia is largely attributable to the reliability and quality of our supply chain worldwide. In the midst of the pandemic, when many automotive parts suppliers were facing difficulties in honouring their obligations, CIE Automotive was able to offer business continuity thanks to good production planning and supply chain optimisation. To achieve that feat, we relied on the invaluable contribution of our suppliers, 92% of which are local.

That being said, we had to take difficult decisions to safeguard our viability as a company. In the face of the government decreed closures and the attendant ramifications on the industry, we were forced to temporarily reduce our headcount, availing of the schemes and measures put in place in each country. During the second half of the year, however, as our business picked up, we began to bring people back to work, ending the year with a headcount of 25,196.

While employee safety has always been a priority, in 2020 it became the key factor driving all our decisions. To ensure their safety, in addition to formulating and overseeing a prevention protocol at every factory, we introduced remote working arrangements for all positions not requiring in-person presence. In parallel, we continued to make progress on a series of initiatives designed to guarantee application of universal labour rights and equal opportunities across our diverse workforce.

Given our vested interest in the automotive industry, to tackle the challenges induced by the pandemic, we joined the sector in its call for an emergency action plan for the sector, and we continued to work through a number of associations on shaping the mobility of tomorrow. We believe we are well positioned to continue to respond to the prevailing trends in the automotive sector: vehicle electrification; decarbonisation and productive process efficiency; vehicle light-weighting; and process digitalisation.

With the mobility of tomorrow ever closer to becoming a reality, in 2020 we launched a number of projects in the electric and hybrid vehicle segment; we worked to collect data for the purpose of calculating our carbon footprint; we took our first steps in the self-generation of clean energy with photovoltaic facilities at a number of factories; and we continued to work on a number of projects related with the implementation of Industry 4.0 capabilities at the factory level.

In tandem, we fortified our global positioning with the completion in January of the acquisition of Italy's Somaschini, a deal which makes us a top global player in gear systems; the inauguration of greenfield facilities by CIE Plastics in Mexico and by AEL in India; and

an increased shareholding in MCIE, the venture resulting from our strategic alliance with Mahindra&Mahindra.

“You will never find a better sparring partner than adversity”, said Golda Meir. Adversity was our sparring partner for every day of 2020 and it ended up boosting our motivation and resilience, leaving us stronger and better prepared for the next challenge. Stick with us because we will continue to exceed your expectations.

Antón Pradera
Chairman



Jesús M^a Herrera
CEO





2020: GOOD THINGS TOO

The COVID-19 pandemic, which has sadly taken the lives of more than two million people and caused a drastic global recession, represented a formidable challenge for CIE Automotive in 2020. We responded to the temporary shutdown of manufacturing activity and the unprecedented collapse in the global automotive market with an action plan focused on profitability, the safety of our employees and business continuity, ending the year in the black.



REVENUE	EBITDA	EBIT	NET PROFIT	EBITDA-TO-CASH CONVERSION	NET DEBT/EBITDA**	EQUITY
MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	MILLIONS OF EUROS	RATIO	MILLIONS OF EUROS
2,882.5	431.2	283.4	185.2	239.0	3.59x	995.0
-13.2% VS -20.7% CIE MARKETS*	15.0% EBITDA MARGIN	9.8% EBIT MARGIN	6.4% MARGIN	59% OFF EBITDA		

(*) CIE markets: calculated by weighting the markets in which CIE Automotive has manufacturing facilities.

(**) Both the net debt and EBITDA figures include 50% of the SAMAP JV.

For the definition of all of the above concepts, refer to Section 6.4 Data tables and glossary

WE ARE AGENTS OF CHANGE



WE GENERATE VALUE AROUND US



SHAREHOLDERS

- **93.9** million paid out in DIVIDENDS
- **95.4** million invested in the SHARE BUYBACK programme
- **16** conferences and **16 roadshows with analysts**



CUSTOMERS

- Uninterrupted **supply** to over 80 TIER-1 and OEM CUSTOMERS
- **+ 7,000** SKUs across 7 technologies
- **10** R&D centres
- **70** FACTORIES with triple certification



EMPLOYEES

- **25,196** employees
- **427** million paid in SALARIES*
- **25** million in SUPPORT FOR OUR EMPLOYEES
- **548,184** hours of TRAINING



SUPPLIERS

- Nearly **€1.9** billion spent on PROCUREMENTS
- **92%** LOCAL SUPPLIERS
- **353** SUPPLIER AUDITS



SOCIETY

- **Membership** of the leading sector ASSOCIATIONS
- **€43** million paid in CORPORATION TAX
- **€941,253** invested in COMMUNITY WORK

* Wages without social security contributions.

WE RESTRAIN OUR ENVIRONMENTAL FOOTPRINT

→ CALCULATION CONSIDERING 17 DIFFERENT IMPACTS

→ COMMISSIONING OF 3 PV SOLAR FACILITIES IN EUROPE AND ANOTHER 5 IN INDIA



415,266.10
TONNES OF CO₂

Figures presented relative to revenue

0.14
= T CO₂ e/K€



1,450,888.78
m³ OF WATER

Figures presented relative to revenue

0.50
= M³/K€



282,367.22
TONNES OF WASTE RECOVERED

Figures presented relative to revenue

0.10
= Tonnes/K€

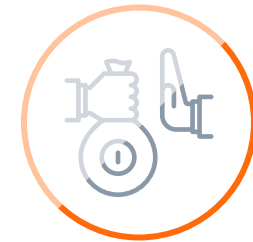
COMMITTED TO ETHICS AND TRANSPARENCY



79 ESG INDICATORS
added to factory
management plans



IMPLEMENTATION of the
criminal compliance model
in four new countries



TRAINING PROVIDED
on Criminal Liability and
Anti-Corruption Effort

2020 MILESTONES



JANUARY

Completion of the acquisition of **Somaschini**, a deal that consolidates CIE Automotive as a top global player in gear systems



JUNE

Inauguration of **CIE Plásticos México**, a factory devoted to moulding, injection processes and assembly
CIE Automotive ties its syndicated loan agreement to **ESG criteria**



DECEMBER

Commissioning of AEL's new facility in **Aurangabad** (India)



FEBRUARY

Rollout of **CIE WIKI**, an innovation platform that enables the factories to share their know-how



JULY

CIE Plasfil and CIE Stratis create their own photovoltaic solar farm in Figueira da Foz (Portugal)



NOVEMBER

CIE completes its **share buyback programme**
CIE publishes its **Protocol** for the Prevention and Handling of Workplace Harassment



Over the course of 2020

purchase of an additional 4% shareholding in **MCIE**



HOW DID WE TACKLE A YEAR OF UNPRECEDENTED CHALLENGES?

The events of 2020 put the resilience of our business model and the reliability of our profit-oriented strategy to test. Thanks to the collective efforts of the entire CIE Automotive team, and with the help of our stakeholders, we continued to provide our customers with excellent service, we supported our suppliers in their time of need, we defended our shareholders' investments and we continued to make progress on our social and environmental commitments.





We focused our efforts on achieving **RESULTS**

CIE Automotive posted a profit of €185 million in 2020, despite the contraction in volumes induced by the coronavirus pandemic. The company defended its healthy profitability and cash generation thanks to the rollout of its COVID-19 Response Plan and a margin protection effort at the factory levels, enabling it to control its leverage while executing a share buyback programme and paying its shareholders their dividend.



To stay profitable and maintain a solid financial position so that we generate long-term value for all of our stakeholders



- **Integration** of Somaschini to create a top global player in gear systems
- **Maintenance** of the dividend and share buyback programme
- **Earnings** defence in the context of sharply contracting business volumes
- **Linkage** of financing to ESG criteria
- **Continued** cash flow generation to control debt

EARNINGS PERFORMANCE

CIE Automotive reported net profit of €185 million in 2020, down 36% from 2019, but nevertheless an exceptional performance considering the temporary closure of the company's factories during the second quarter and the scale of the contraction in the global automotive market last year (-16.2%), a contraction that was even sharper in the universe of markets in which the group operates (-20.7%).

Faced by the unprecedented challenge posed by the coronavirus pandemic, CIE Automotive implemented its COVID-19 Response Plan, articulated around four lines of initiative: flexible working arrangements; war economy tactics vis-a-vis fixed costs, capex and working capital; financing and liquidity; and astute production planning.

Its business model, reinforced by execution of that action plan and margin expansion at the companies more recently integrated, enabled CIE Automotive to maintain its EBITDA and EBIT margins at 15.0% and 9.8%, respectively, and to convert 59% of that EBITDA into cash.

Thanks to strong operating cash flow, the group was in turn able to control its net debt, service the payments derived from its acquisitions, repurchase shares to reduce its share capital and honour its dividend commitments.

→ EARNINGS PERFORMANCE

(€ M)	2019	2020	Var.%
Revenue	3,461.1	2,882.5	-16.7%
EBITDA (*)	594.4	431.2	-27.4%
EBITDA margin %	17.2%	15.0%	
EBIT (*)	427.1	283.4	-33.6%
EBIT margin %	12.3%	9.8%	
Net profit (*)	287.5	185.2	-35.6%

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

EBITDA

€431.2

MILLION

-27.4% vs 2019





CAPEX AND ACQUISITIONS

CIE Automotive expanded its consolidation scope in 2020 with the integration of Italy's Somaschini in January. In addition, CIE increased its shareholding in the MCIE group over the course of the year to over 60%.

The group, which in previous years combined healthy organic growth with a dynamic M&A strategy, stripped its capex down to the bare minimum for permitting maintenance work, ensuring employee safety, enabling supply continuity and carrying out the projects already committed to.

On the capacity expansion front, it is worth highlighting two new builds: the CIE Plastics factory in Mexico and the AEL facility in Aurangabad (India), and two new projects, the new automatic liquid painting line at CIE Autometal Diadema (Brazil) and the servo press purchased at CIE Egaña (Spain), among others.



INTEGRATION OF SOMASCHINI

CIE Automotive completed the acquisition of Somaschini for €77.1 million in January 2020.

With two manufacturing facilities in Bergamo (Italy) and a third in Indiana (US), Somaschini is a significant supplier of gear systems to multiple vehicle segments: cars, commercial and industrial vehicles, tractors and off-road vehicles.

Its integration with the existing Italian facility in Metalcastello and the Indian gear division positions CIE Automotive as a top global player in gear systems with a footprint in the three major regions (Europe, North America and Asia).

The company has brought the group nearly 300 employees and its revenue in 2019 was of €70 million.

FINANCIAL SITUATION

CIE Automotive reported net debt of € 1,594.9 million at year-end 2020, implying adjusted leverage of 3.59 times EBITDA, a figure seriously affected by the slump in volumes induced by COVID-19.

Of that sum, close to €300 million corresponds to non-operating payment obligations, including payment for the acquisition of Somaschini; the earnout corresponding to the purchase of the roof systems division of Inteva; the acquisition of an additional 4% of MCIE (lifting its stake to over 60%); the €93.9 million dividend distribution; and the €95.4 million share buyback programme.

→ Comparative balance sheet

(€ M)	2019	2020
Fixed assets	3,393.5	3,293.2
Net working capital	(275.5)	(356.4)
Total net assets	3,118.0	2,936.8
Equity	1,235.0	995.0
Net debt	1,522.0	1,594.9
Other (net)	361.0	346.9
Total equity and liabilities	3,118.0	2,936.8

→ FINANCIAL RATIOS

2020
2019

NET DEBT/
EBITDA*

3.59
2.3



NET DEBT/EQUITY

1.6
1.2



LEVERAGE RATIO**

0.62
0.55



(*) Both the net debt and EBITDA figures include 50% of the SAMAP JV.

(**) Leverage ratio: net debt divided by total capital employed (equity + net debt).

Financing arrangements

In 2020, CIE Automotive reached out to all of its financiers to expand its financing and improve the terms.

Notably, in the first half of the year it entered into several financing agreements with Spain's official credit institute, the ICO, totalling €442 million; those loans are secured by the Spanish state and are part of the package of aid rolled out to mitigate the economic fallout from the pandemic. At year-end, the company had drawn down €297 million against those loans.

The Treasury Department systematically monitors the group's forecast liquidity requirements to ensure it has enough headroom on its undrawn committed borrowing facilities at all times so as to have sufficient cash to meet its operational needs without breaching borrowing limits or covenants on any of its borrowing facilities. Due to the earnings impact of the paralysis of manufacturing activity at the height of the pandemic, the organisation switched all of its efforts (during the earliest stages of the lockdown) to locking in liquidity and amending the contractual terms of all of its financing agreements to prevent any potential breach of covenant.

→ Debt maturity profile

(€ M)	2018	2019	2020
Within one year	282.3	524.8	586.7
Between 1 and 2 years	161.9	244.8	353.6
Between 3 and 5 years	789.6	1,146.4	1,111.7
Over 5 years	106.2	205.1	196.0
Total equity and liabilities	1,340.0	2,121.1	2,248.0

SUSTAINABLE Finance

In 2020, CIE Automotive reaffirmed its commitment to sustainability by tying the cost of its financing to environmental, social and governance (ESG) criteria, aligned with its commitment to creating value and growth in the long term.

Specifically, in June, the company amended the terms of its €690 million syndicated loan to turn it into a sustainable financing facility: annually, and as a function of a score to be assigned by an independent consultant, the group's borrowing cost will be adjusted in accordance with the trend in its sustainability indicators, which are in turn aligned with the United Nations Sustainable Development Goals.

That newly modified agreement joins other financing agreements tied to sustainability criteria in the amount of €984 million, of which €639 million (40% of net debt) has been drawn down.

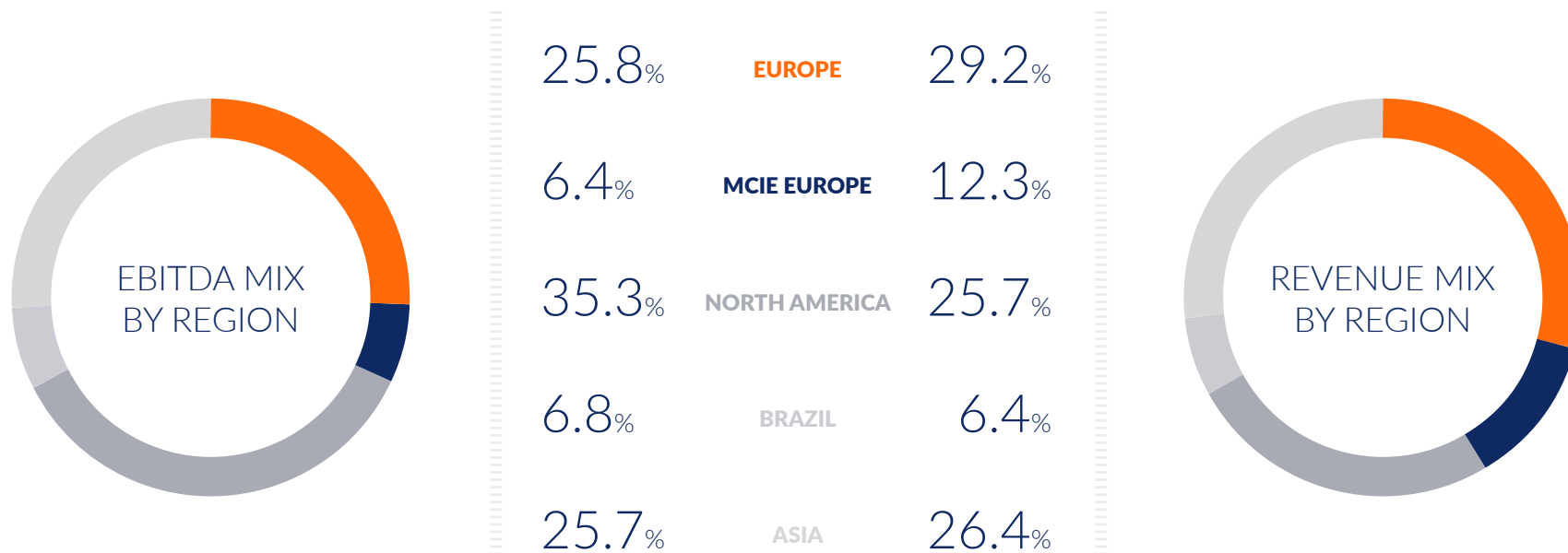

CIE Automotive's debt structure

(€ million)	2016	2017	2018	2019	2020	Due date	Characteristics
Syndicated loan	≈ 550	≈ 466	≈ 400	≈ 480	≈ 345	Apr. 2025	<ul style="list-style-type: none"> • Euro-denominated loan • Rate range based on ND/EBITDA • €345m in the form of a loan and €345m in the form of a revolving facility
EIB and IFC-EDC	≈ 70	≈ 61	≈ 82	≈ 247	≈ 261	Apr. 2031 and Jun. 2028	<ul style="list-style-type: none"> • Euro-denominated and dollar-denominated loan • Partially fixed rate
Long-term loan	≈ 85	≈ 81	≈ 81	≈ 77	≈ 68	July 2026	<ul style="list-style-type: none"> • Euro-denominated loan • Partially fixed rate
México	≈ 71	≈ 162	≈ 163	≈ 156	≈ 122	Sundry	<ul style="list-style-type: none"> • Dollar loans
Other	≈ 359	≈ 384	≈ 616	≈ 1161	≈ 1,452	Sundry	<ul style="list-style-type: none"> • Borrowings comprising bilateral loans (local), credit lines, working capital financing, etc.
Gross debt	≈ 1,135	≈ 1,158	≈ 1,340	≈ 2,121	≈ 2,248		
Cash and cash equivalents	≈ 240	≈ 201	≈ 392	≈ 599	≈ 653		
Net debt	≈ 895	≈ 957	≈ 948	≈ 1,522	≈ 1,595		

PERFORMANCE BY REGION

CIE Automotive posted a profit in the worst year in the history of the automotive industry, a year in which vehicle production contracted by 16.2%. After the factory closures during the second quarter to halt the spread of the virus, activity levels remained very subdued upon reopening in May and June, going on to gradually recover but only revisiting pre-pandemic levels in China.
 [For more information, refer to Section "Market environment and trends".]

The business environment was even worse in the markets where CIE Automotive has operations: production in those markets plummeted by 20.7%. Nevertheless, the group managed to defend its healthy margins in all of its operating regions.



The group's earnings performance by region:

EUROPE

CIE Automotive's revenue in this region declined by 18.2% to €1,194.8 million, against the backdrop of a contraction in vehicle production of 22.1%. Nevertheless, margins remained healthy. CIE Automotive's traditional factories, associated with light vehicles, benefitted during the second half of the year from government schemes rolled out to incentivise car-buying, whereas the MCIE Europe facilities were hurt by the end of the truck cycle and economic crisis.

→ **CIE Automotive's traditional European factories**



REVENUE

€840.3

MILLION

-9.9% vs 2019



EBITDA MARGIN

13.3%



EBIT MARGIN

6.9%

↓ MARKET -22.1%

→ **MCIE European factories**



REVENUE

€354.6

MILLION

-32.8% vs 2019



EBITDA MARGIN

7.8%



EBIT MARGIN

3.0%

↓ LIGHT VEHICLES -22.1% ↓ TRUCKS IN GERMANY* -23.6%

(*) The market to which CIE Automotive is most exposed in this segment



NORTH AMERICA



REVENUE

€741.7

MILLION

-17.3% vs 2019
LFL



EBITDA MARGIN

20.5%



MARKET

-19.1%

EBIT MARGIN

15.8%

The North American factories generated €741.7 million of revenue in 2020, down 17.3% from 2019, compared to a market contraction of 19.1%. The recovery, which has been stronger than in Europe due to lower inventory levels and the hefty direct price discounts provided by the OEMs, was beneficial for CIE Automotive, which defended its strong margins in this market.

BRAZIL



REVENUE

€185.6

MILLION

-23.5% vs 2019
LFL



MARKET

-32.1%



EBITDA MARGIN

15.7%

EBIT MARGIN

10.7%

In Brazil, CIE Automotive reported revenue of €185.6, down 23.5% from 2019, compared to market shrinkage of 32.1%. The company posted EBITDA margin of 15.7% and EBIT margin of 10.7%, notwithstanding the sharp market contraction due to the difficulties encountered by the authorities in reining in the pandemic but also other factors that had already been pressuring the market: a slowdown in consumption due to the sharp rise in unemployment; uncertainty regarding emission standards; and the collapse in exports to Argentina.

ASIA



REVENUE

€760.3

MILLION

+5.4% vs 2019
LFL



MARKET

-7.0%



EBITDA MARGIN

14.6%

EBIT MARGIN

10.2%

In India, the pandemic added to what was already proving a perfect storm in the country's automotive sector: an economy headed south; increasing car ownership costs; the weakness of certain financial institutions; and consumer reluctance to purchase vehicles with internal combustion engines. Even in that context, CIE Automotive managed to post revenue of €329.4 million (down 17.6%) and defend its profit margins.

In China, which topped expectations by staging a V-shaped recovery in production, CIE Automotive's revenue increased by 34.0%.

We defended our **SHAREHOLDERS'** interests

CIE Automotive's share price was hit hard in 2020 by the collapse in Spanish equities in the wake of the coronavirus pandemic, a situation which led to an unsubstantiated mismatch between the company's fundamentals and its market value. To support its share price, protect its shareholders' investments and boost their remuneration, CIE Automotive decided to buy back shares. That decision, coupled with the company's earnings momentum in the adverse environment, helped pave the way for a share price recovery, to end the year at €22.06.



OBJECTIVE

To generate long-term value for our shareholders and investors



LINES OF INITIATIVE UNDERTAKEN IN 2020

- **Capital** was reduced by 5% to boost shareholder remuneration
- **€93.9** million paid out in dividends
- **Continuous contact** with the market (shareholders and investors) in order to communicate the company's situation and plans
- **Telling** the CIE Automotive equity story in order to underpin the share price

SHARE PRICE PERFORMANCE

In 2020, CIE Automotive's share price was naturally not immune to the ramifications of the COVID-19 pandemic. Indeed, having started the year at €21.08 euros, already feeling the pressure of global geopolitical turmoil and an uncertain outlook for the automotive industry in recent years, the share price fell as low as €10 in March but went on to recover, ending the year at €22.06.

Faced by the persistent and unjustified drop in its share price, the group decided in February to carry out a share buyback programme in order to reduce its share capital by 5%. With that plan, not only did it manage to give the share price a new lease of life, it also increased each shareholder's remuneration going forward, as they will now receive more for the same number of shares.

Although the company's share price outperformed Spain's benchmark index, the Ibex-35, in 2020, and was one of the few index constituents to post a gain for the year, we believe that our share price in no way corresponds to the resilience displayed in the face of the pandemic relative to other sector players: whereas CIE Automotive's shares gained a slim 5%, despite the healthy earnings reported, the Stoxx Europe 600 Automobiles & Parts index gained 4%, even though the automotive market contracted by 16%, bringing the sector's earnings down with it.

The mismatch between CIE Automotive business and share price performance over the course of the year may be attributable, in

addition to the knock-on effect of the pandemic on all of the stock markets, to the growing use of automated trading systems controlled by the hedge funds, systems that fail to take into account CIE Automotive's reliable track record, growth potential or profitability, as well as the impact of speculative short positions in the market. Indeed, during the worst moments of the crisis, the analyst community's target price was double the company's share price.

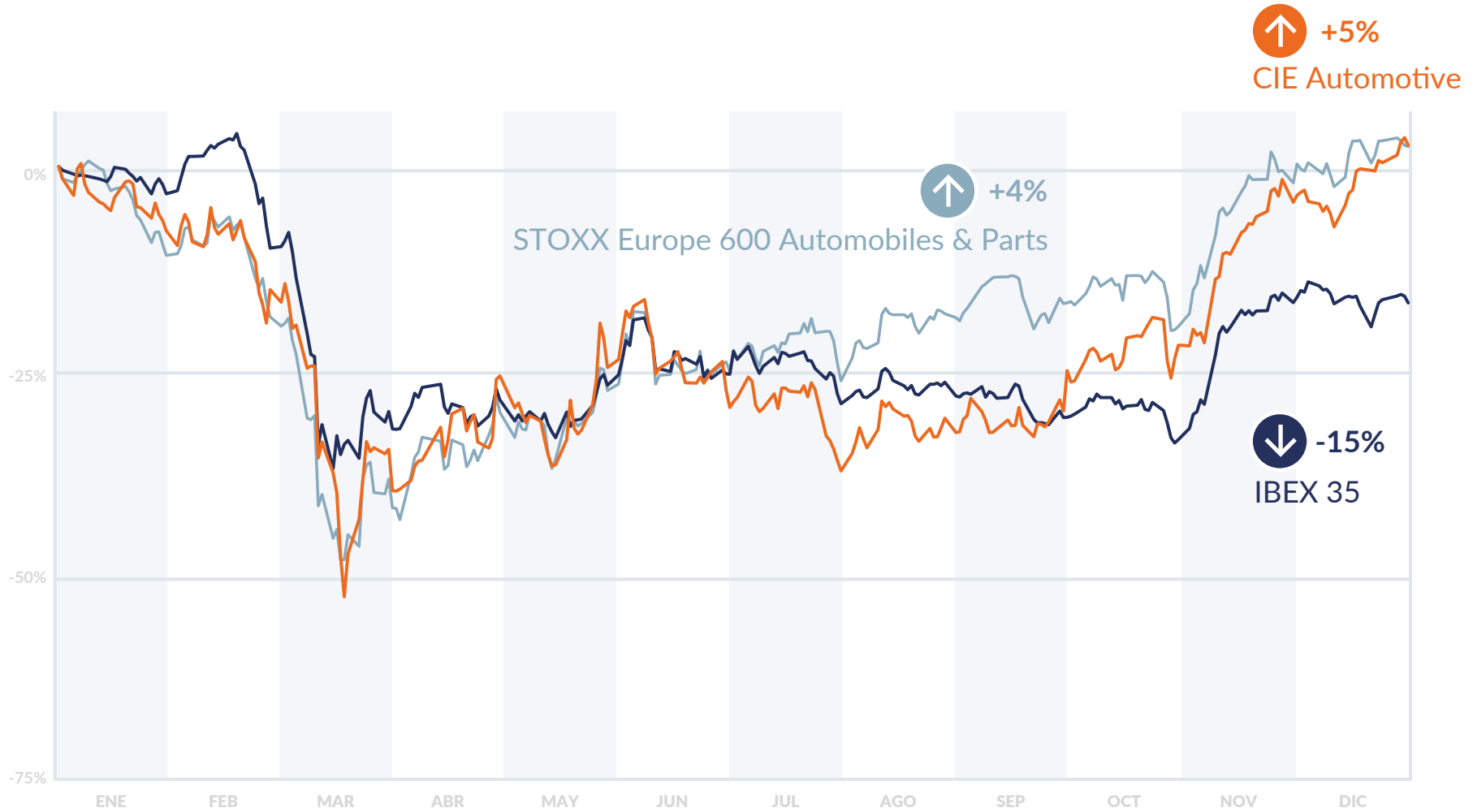


CIE AUTOMOTIVE'S Stock market indicators

	2018	2019	2020
Number of shares at year-end	129,000,000	129,000,000	122,550,000
Share price at year-end (€)	21.44	21.08	22.06
Market capitalisation at year-end (€ M)	2,765.8	2,719.3	2,703.5
Average trading volume	87,149	57,296	79,535
P/E multiple*	11.4	9.5	14.6

(*) P/E multiple: ratio between share price and EPS 2018: normalised earnings in the automotive segment.

→ **CIE AUTOMOTIVE'S SHARE PRICE PERFORMANCE**
comparison with the Ibex-35 and the Stoxx Europe 600 Automobiles & Parts



→ ANALYST RECOMMENDATIONS

(as 15 February 2021)

Company	Analyst	Recommendation	Target price	Actualización
Alantra Equities	Álvaro Lenze	Buy	26.80 €	10/2020
Bankinter	Esther Gutierrez de la Torre Coll	Buy	21.80 €	05/2020
Bestinver Securities	Enrique Yáñez	Buy	18.40 €	01/2021
Caixabank BPI	Bruno Bessa	Hold	24.20 €	02/2021
Exane BNP Paribas	Francisco Ruiz	Hold	17.00 €	11/2020
Intermoney Valores	Virginia Pérez	Buy	22.00 €	07/2020
JB Capital Markets	José María Cánovas	Hold	25.50 €	02/2021
Kepler Cheuvreux	Alexandre Raverdy	Buy	23.00 €	12/2020
Link Securities	Iñigo Isardo	Under review	Under review	05/2020
Mirabaud Securities	Manuel Lorente	Buy	24.45 €	02/2021
Nau Securities	Pedro Baptista	Buy	27.00 €	07/2019
Norbolsa	Ander Peña	Buy	22.03 €	11/2020
Oddo BHF	Anthony Dick	Reducir	17.00 €	12/2020
Renta 4	Álvaro Aristegui	Hold	23.00 €	12/2020
Sabadell	Alfredo del Cerro	Under review	Under review	01/2021
Santander	Robert Jackson	Hold	17.50 €	07/2020
CONSENSUS	-	-	22.12 €	-



ANALYST Recommendations



MCIE's share price performance on the Indian stock exchanges

The shares of MCIE, which are traded on India's two main stock exchanges - the National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange (BSE) - gained 4% in 2020. As with the rest of the automotive sector players, the share prices of the companies in India sustained significant corrections during the first and second quarters of the year due to the pandemic, going on to recover as consumer demand began to rebound. Specifically, Mahindra CIE's share price marked a low of INR59.05, but went on to trade above INR160 during the second half of the year.

	CONCEPTO	2018	2019	2020
Number of shares at year-end	millions	378.78	379.01	379.01
Share price at year-end on the BSE	INR	253.45	164.75	171.8
Share price at year-end on the NSE	INR	257.00	164.75	172.00
High for the year on the BSE	INR	301.8	258.3	179.1
Low for the year on the BSEE	INR	199.2	135.55	59.05
Market capitalisation on the BSE (12/31)	millions of INR	96,002	62,442	65,114
Volumen medio de negociación en BSE	'000 shares	75,674	47,831	16,302
Volumen medio de negociación en NSE	'000 shares	456,739	185,060	207,911

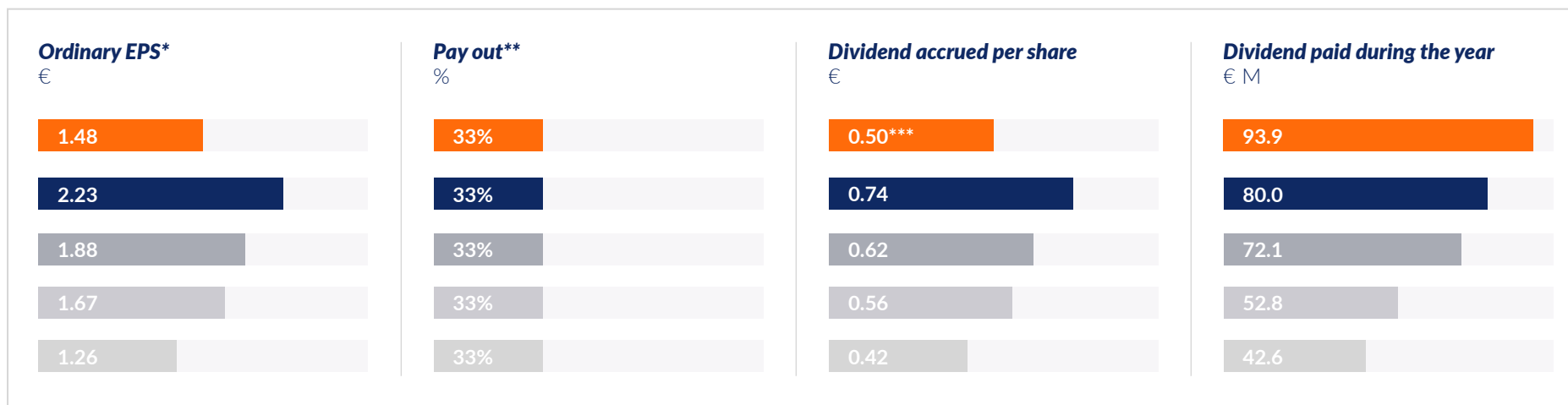


SHAREHOLDER REMUNERATION

Each year, CIE Automotive pays out one-third of its profits to its shareholders. Under that policy, shareholder remuneration has been experiencing double-digit growth in recent years, in line with the company's earnings.

True to that dividend policy, in 2020 it distributed €93.9 million against 2019 earnings. That dividend was paid in two instalments of €0.37 per share (before withholding tax), the first on 3 January and the second on 6 July.

In December 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 per share, which was paid on 7 January 2021.



(*) 2018 EPS calculated using normalised earnings in the automotive segment.

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

(***) Estimate as of the date of publication of this report.



Capital reduction to boost **SHAREHOLDER REMUNERATION**

In February 2020, CIE Automotive announced a plan to buy back own shares in order to reduce its share capital. Between then and November, the group repurchased 6,450,000 shares, equivalent to 5% of its share capital, for €95.4 million. Those shares were acquired at an average price of €14.80 per share.

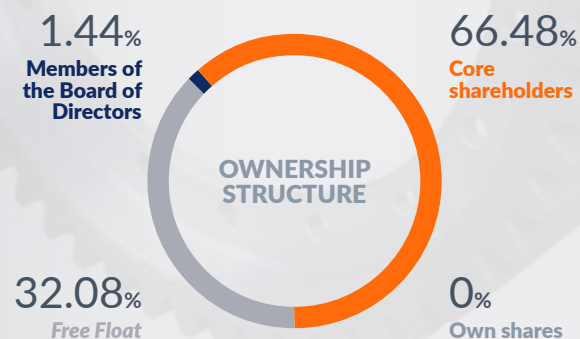
Having cancelled the shares bought back, CIE Automotive has 122,550,000 shares outstanding, each with a par value of €0.25.

The share buyback strategy opened up a new way of remunerating shareholders in a year in which the company's profits were eroded by the pandemic, as its shareholders will receive a bigger share of the dividend payment with the same number of shares, as well as benefitting from the resulting share price gain.

OWNERSHIP STRUCTURE

CIE Automotive boasts a stable core of long-term, benchmark shareholders. Those shareholders held 66.48% of the company's shares at year-end 2020, while the Board of Directors held a 1.44%; the remaining 32.08% is freely floated.

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



Change in **SHAREHOLDER STRUCTURE**

	2018	2019	2020
ACEK Desarrollo y Gestión Industrial, S.L.	14.90%	14.91%	15.69%
Grupo Inversiones Inssec. S,L,	10.00%	10.00%	10.53%
Corporación Financiera Alba. S,A,	10.10%	10.15%	12.73%
Elidoza Promoción de Empresas. S,L,	10.00%	10.00%	10.89%
Mahindra&Mahindra. Ltd,	7.43%	7.43%	7.83%
Addvalia Capital. S,A,	5.00%	5.00%	5.26%
Alantra Asset Management. SGIC. S,A,	3.50%	3.74%	3.55%
Total core shareholders	60.93%	61,24%	66.48%
Autocartera	0%	0%	0%
Miembros del Consejo de Administración	1.37%	1.37%	1.44%
Free float	37.70%	37.39%	32.08%

INVESTOR RELATIONS

CIE Automotive's policy of engaging with the investor community transparently ensures all of its shareholders and investors receive equal treatment in terms of the information they receive and their right to participate in and cast their votes at its Annual General Meeting, as is set down in its Market Information and Communication Policy and Spain's Corporate Enterprises Act.

The Board of Directors is the highest power tasked with supervising the information provided to the company's shareholders and the markets in general, taking the opportune measures to enable them to exercise their rights, framed by the Shareholder and Market Information and Communication Policy.

PRINCIPLES OF THE MARKET information communication policy

→ **Publication** of information that is transparent, clear, accurate, uniform and reaches everyone at the same time

→ **Equal** treatment in acknowledging the rights of all shareholders and facilitating their exercise

→ **Collaboration** with shareholders in a bid to ensure reporting practices are transparent, effective and aligned with the company's interests

→ **Protection** of the legitimate rights and interests of all shareholders

→ **Provision** to shareholders of information continuously and permanently

→ **Development** of information tools and communication channels that make the most of emerging technologies

→ **Compliance** with the law and the company's corporate governance rules and its principles for cooperating transparently with the authorities, regulatory bodies and competent authorities



The company communicates openly via its corporate website, www.cieautomotive.com. Under the "Shareholders and investors" tab it publishes relevant and up-to-date information about the group, along with the details for contacting the Investor Relations Department, whose mission is to provide the investor community with a regular flow of accurate information.

In 2020, the IR Department continued to provide the analyst and investor communities with information and assistance remotely on account of the pandemic, transforming the in-person events organised by the company into virtual meetings.

As part of its communication effort, it met with around 600 investors, including online and in-person meetings; it participated in 16 roadshows and 16 conferences; and organised the corresponding results presentations and the Annual General Meeting, which in 2020 was held remotely. **For additional information about the AGM, refer to Section "Professional governing bodies"**

The IR Department used those events to focus on investor and analyst concerns about the company's borrowing levels and liquidity buffer, earnings flexibility, visibility into the sector's outlook in the short and medium term, etc.

To facilitate its work, the IR Department uses Nasdaq IR Insight, a management platform that allows it keep a detailed record of its meetings (content and labelling), bringing up information about investor profiles and contacts and generating real-time market alerts. The company is working to leverage that tool to standardise some of its internal ad hoc publications, to develop internal reports about market developments and the company's share price performance and to better target potential investors, among other functionalities.

ACCOLADES

CIE Automotive's work on the investor relations front was recognised by Institutional Investor, the leader in investor relations research, which awarded it 14 prizes from the 16 possible categories.



Most Honored Companies



Best CEOs



Best IR Professionals



Best IR Team



Best IR Program



Best IR Events



Best ESG Metrics

	Most Honored Companies	Best CEOs	Best IR Professionals	Best IR Team	Best IR Program	Best IR Events	Best ESG Metrics	
SMALL & MIDCAPS	CIE Automotive 1°	Jesús María Herrera (CIE Automotive) 1°	Lorea Aristizabal (CIE Automotive) 1°	CIE Automotive 1°	CIE Automotive 1°	CIE Automotive 1°	CIE Automotive 1°	CIE Automotive
	Gestamp Automoción 2°	Francisco López (Gestamp Automoción) 2°	Juan Camiña (CIE Automotive) 2°	Gestamp Automoción 2°	Gestamp Automoción 2°	Gestamp Automoción 2°	Gestamp Automoción 2°	Gestamp Automoción
	Faurecia 3°	Klaus Rosenfeld 3°	Álvaro Bachiller (Gestamp Automoción) 3°	- 3°	Faurecia 3°	Pirelli & C. 3°	Faurecia 3°	Faurecia
ALL CAPS	CIE Automotive 1°	Carlos Tavares (Peugeot) 1°	Lorea Aristizabal (CIE Automotive) 1°	Volkswagen 1°	BMW 1°	BMW 1°	CIE Automotive 1°	CIE Automotive
	Peugeot 2°	Herbert Diess (Volkswagen) 2°	Andrea Bandinelli (Peugeot) 2°	CIE Automotive 2°	CIE Automotive 2°	CIE Automotive 2°	BMW 2°	BMW
	Volkswagen 3°	Jesús María Herrera (CIE Automotive) 3°	Helen Beckermann (Volkswagen) 3°	BMW 3°	Volkswagen 3°	Volkswagen 3°	Gestamp Automoción 3°	Gestamp Automoción



We offered our **CUSTOMERS** solutions they can count on

In the midst of the COVID-19 pandemic, when many automotive parts suppliers were facing difficulties in honouring their obligations, CIE Automotive demonstrated its reliability as a supplier and the quality of its products thanks to good production planning and an investment focus on projects already committed to. In a market in which electric cars are gaining momentum, CIE Automotive once again proved its ability to offer flexible solutions that evolve well in response to shifting market trends.



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.



- **Production** planning to ensure uninterrupted supplies for our customers
- **Enhanced** positioning of CIE Automotive with respect to the rollout of electric cars
- **Concentration** of investments on projects already committed to
- **Integration** of Somaschini to become a top global player in gear systems

VALUE-ADDED OFFERING

CIE Automotive provides its customers with the solutions they need, when and how they need them, as dictated by its Health, Safety, Environment and Quality (HSEQ) policy. Honouring that promise became a real challenge at the onset of the pandemic, when factories all over the world had to close their doors in an attempt to slow its spread and prevent the collapse of the health services.

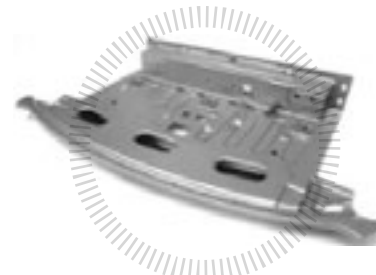
In those unprecedented circumstances, certain actions became crucial: the efforts made by the sales teams to offer flexible solutions all over the world and astute production planning, which meant keeping stock buffers at all of the factories during the lockdown for the manufacture of critical parts and prototypes, while guaranteeing minimum stock levels and the continuity of projects under development.

With the aim of offering its customers enhanced service levels and boosting its market share, in January 2020 CIE Automotive completed the acquisition of Italy's Somaschini, so becoming a top global player in gear systems. In parallel, it continued to invest in greenfield builds and committed projects, selected in response to market trends. [Further information can be found in Section 3.1.1. "Earnings performance".](#)

 **PRODUCT families**



ROOF SYSTEMS



BODYWORK, CHASSIS & STEERING



INTERIOR AND EXTERIOR TRIM



TRANSMISSION AND BRAKES



ENGINES AND GEARBOXES



COMMERCIAL VEHICLES

Response to market trends: VEHICLE ELECTRIFICATION

The automotive sector is in the midst of far-reaching change as the world moves towards new mobility solutions, a thrust that is shaping a series of simultaneous trends such as vehicle electrification, decarbonisation, productive process optimisation and vehicle light-weighting.

Thanks to its technological and geographic diversification, CIE Automotive is well prepared for adapting to market shifts. That is evident in the fact that over 80% of its product portfolio can be used in any vehicle, irrespective of whether it has an electric motor, an internal combustion engine or a hybrid system.

2020 witnessed institutional backing for accelerating vehicle electrification, particularly in China and Europe, although progress remains gradual and is markedly different from one region to the next.

CIE Automotive is already well positioned in the key parts for electric vehicles, including batteries, electric motors and electronics, poised for the anticipated growth in market and customer volumes.

On the electrification front it is working with legacy OEMs (Renault, VW, Nissan, etc.) and has already made inroads with new players (Tesla, Rivian, etc.).

The mix of combustion, hybrid and electric engines forecast for the coming decades, with hybrid vehicles expected to play a dominant role, means electrification represents a key opportunity for CIE Automotive to boost the value of its engine propositions.

MILESTONES BY REGION

NORTH AMERICA

- Successful development of stamped aluminium parts in the battery area for different customers.
- New customer and business win: the VW Chattanooga SUV ID.4, giving the company a solid positioning with VW in electric vehicles.
- New win at CIE Nugar: variety of products for the Model S and Model X by Tesla.
- New project for MANDO in steering technology: first Korean customer.
- New project win: stamping technology for transmission products for ZF (Tier-1 supplier).

- Business win entailing new technology: suspension parts for Continental.
- Customer diversification: two new forged crankshaft customers - Hyundai and Ford.
- Start-up of new greenfield factory by CIE Plásticos in Derramadero, Mexico in July.
- CIE Pensa Saltillo, finalist for the FCA 2020 supplier of the year award.
- CIE Pensa Saltillo, supplier integration management (SIM) recognition from FCA for the successful launch of the MCA platform.

BRAZIL

- Development of the painting process for *wheel covers* at the Minas factory in a significant boost for the company's competitiveness.
- Consolidation of CIE Autoforjas' new line producing *driveline* parts for NTN and Nexteer.

EUROPE

- Launch of a number of projects in the electric and hybrid vehicle segments.
- Integration of Somaschini within the machining division.
- New business win: stainless steel rails for petrol engines for VW.
- Purchase by CIE Egaña of a 2,000 MT servo press that will enable it to make new types of highly-complex parts in the near term and position itself well for the manufacture of battery parts for electric vehicles.

INDIA

- Transfer of the two composites factories to a single *greenfield* factory in Kahne, which includes new production lines and a painting line.
- Start-up of the new AEL *greenfield* factory for the production of HPDC aluminium parts in Aurangabad.
- Start-up of the new Billforge *greenfield* factory in Hosur for the production of fuel rails, as well as forged and machined parts.
- Expansion of the gears factory in Rajkot (Gujarat).

MODELO DE CALIDAD TOTAL

CIE Automotive is a benchmark in total quality in the auto parts industry, having embedded the basic principles of total quality (as set down in its [HSEQ Policy](#)) - safety, training, systematic reviews and ongoing learning - into all of its processes. Everyone who works at CIE Automotive is committed to the “zero defects, zero accidents and zero pollution” policy.

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

In 2020, it completed the process of adapting its OHSAS 18001 certifications for the new ISO 45001 standard.

→ Global CERTIFICATION Snapshot

	Total factories Certifications		IATF 16949				ISO 14001				ISO 45001			
	2019 2020		2019 2020		2019 2020		2019 2020		2019 2020		2019 2020			
	Nº	Nº	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%	Nº	%
Europe*	42	45	42	100%	44	98%	38	90%	42	93%	32	76%	38	84%
North America	16	17	15	94%	16	94%	11	69%	15	88%	1	6%	3	48%
Brazil	12	12	12	100%	12	100%	12	100%	12	100%	3	25%	6	50%
Asia (India/China)	31	32	28	90%	29	91%	19	61%	26	81%	20	65%	23	72%
Total	101	106	97	96%	101	95%	80	79%	95	90%	56	55%	70	66%

*Includes the factories located in Morocco and Russia.



Consumer health and safety measures

Although CIE Automotive has no direct contact with end consumers, dealing instead with the OEMs, it meets all the health and safety standards required of it by its customers, as well as upholding sector-specific regulations, such as the IATF standard (group delivery with which is shown in the certification snapshot table provided below).

The IATF 16949 standard is the international quality standard most widely used in the automotive industry and harmonises the different assessment and certification systems in the global automotive supply chain.



Customer satisfaction

Customer satisfaction is the ultimate goal of CIE Automotive's business activities and the key to its success. To that end it works tirelessly surpass expectations all throughout the customer relationship process: from the sales pitch and project management to on-time production and service, including a swift response in the event of any deviations and the purposeful gathering of feedback. The company's customer pledge is tangible in CIE Automotive's process map, where the customer lies at the centre with its satisfaction in the outer ring.



Consumer claims, complaints and grievance systems

In line with the modus operandi in the automotive sector to which it belongs, CIE Automotive manages the claims and complaints fielded from its customers (OEMs and TIER-1 suppliers) following the procedures stipulated in the terms of contract (as it does not have direct contact with end consumers, it does not have proprietary customer grievance management systems). The company did not receive any complaints related with end customer health or safety in 2020 or 2019.



Confidentiality

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

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

- Guidelines and general principles for initiating, implementing, maintaining, and improving information security management in an organisation.
- Real-time management of information security matters.



Accolades

The satisfaction of CIE Automotive's customers and its reputation among its peers were evidenced by a battery of accolades in 2020.

In the media, the Brazilian supplement "Valor 1000", the North American publication "Automotive News" and the Lithuanian newspaper "Verslo Zinios" acknowledged CIE's strong positioning in their rankings on account of its performance in 2019. Whereas "Valor 1000" ranked CIE Autometal #4 in the general sector classification in Brazil, the "Automotive News" list of Top Suppliers ranked the group #59 worldwide, a climb of seven positions. In Lithuania, meanwhile, CIE LT Forge was ranked among the top 10 manufacturing and energy companies in Lithuania by the leading business daily, "Verslo Zinios."



Brazilian journal Valor 1000, North American publication Automotive News and Lithuania's Verslo Zinios all acknowledged CIE Automotive's positioning in the automotive sector.



PRIZES and accolades

Cliente	Planta	País	Reconocimiento
Honda	Cie Autoforjas	Brazil	"Atende sem restrições"
SMG	CIE Golde Shandong	China	Impeccable launch and support during product phase
GMK	CIE Golde Shandong	China	Quality of the launch of project 9B for several suppliers and parts
General Motors	MCIE	India	Excellent quality performance
Siemens	MCIE- Gears	India	Gold Award for its efforts to attain a zero-defect quality culture

We guaranteed the safety of our **EMPLOYEES**

The COVID-19 pandemic brought new and unforeseen challenges for human resource management at CIE Automotive. On top of the need to temporarily reduce the workforce due to the lockdowns and other legal restrictions, the group was forced to adapt in double time for home-based work, arrangements put in place in all locations, albeit affecting those in office jobs to a greater extent. In that unpredictable environment, employee safety became the number one priority. The COVID-19 response protocol sent to all of the company's HR departments around the world on 11 and 12 March 2020 stated that "The first and key recommendation is to follow the indications set by the authorities and in the corresponding legislation in each country. Concern for the wellbeing of our professionals must be the key factor in decision-making".



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



- **Prioritisation** of employee safety in every area of CIE Automotive and continuous improvement of the health and safety indicators, particularly the injury frequency and severity rates.
- **Management** of a number of work-related measures in response to the pandemic: remote working arrangements; extraordinary health and safety measures; extraordinary flexibility measures; and, in general, the urgent resolution of unexpected situations.
- **Materialisation** of the CIE Automotive Diversity Plan embarked on in 2019: formulation, publication and endorsement by every factory and HR manager of the Protocol for the Prevention and Handling of Workplace Harassment.
- **Integration** of the new factories acquired by the group in Italy and USA, and the greenfield factories commissioned during the year.

OUR RESPONSE TO THE PANDEMIC

CIE Automotive ended 2020 with 25,196 employees, 2,928 fewer than in 2019. The spread of the coronavirus through the various regions in which it operates obliged the group to introduce a series of workplace flexibility measures to tackle the fluctuations in demand derived from the pandemic and the limitations imposed by the various governments around the world, including mobility restrictions, curfews, lockdowns and the closure of non-essential activities.

The group had to downsize its workforce significantly on account of the pandemic but a very significant portion of those adjustments proved transient: although the number of people furloughed remained very considerable through June, once the initial lockdowns began to be eased, the headcount began to recover in line with production, albeit without revisiting pre-pandemic levels by the time of writing. Based on the headcount figures on record at the end of each month, during the second half of the year, employment recovered by more than 1,100 people from the June low, increasing from almost 24,100 mid-year to close to 25,200 by year-end.

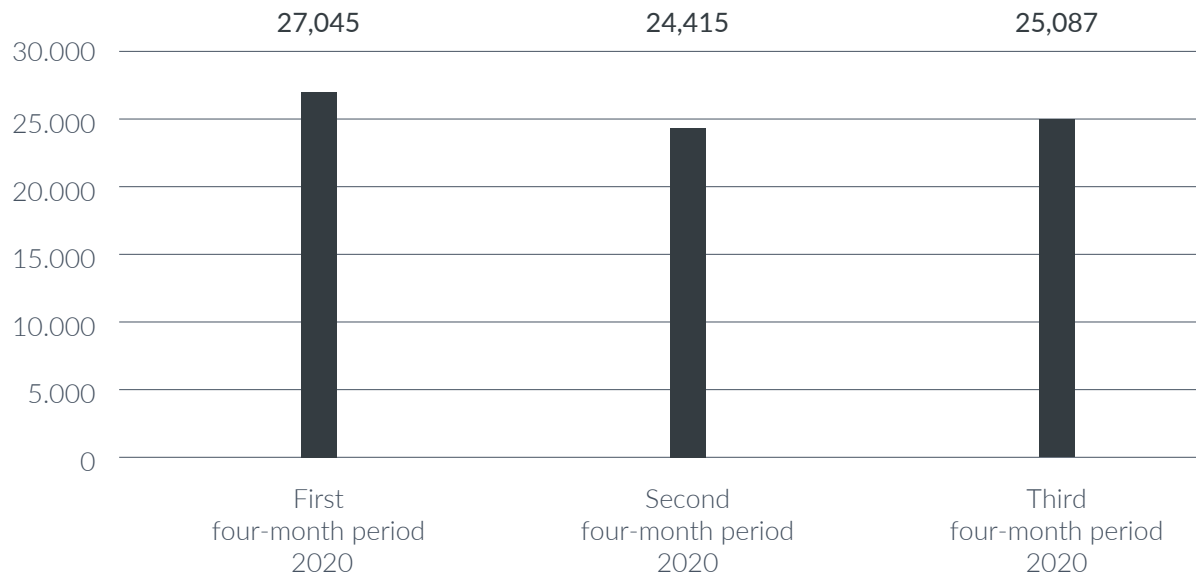
Given the group's geographic diversity, as well as its long-standing decentralised management style, the measures taken in response to the pandemic took different paths not only in every country but even in every factory, depending on the specific circumstances of each. In every instance, however, the responses complied with the labour legislation and pandemic measures dictated by the various

national authorities. Most of the European factories availed of the different furlough schemes put in place, whereas in the Americas other concepts such as the anticipation of collective annual leave and working hour pool schemes prevailed. In other places working hours were reduced. There were even workplaces where the specific circumstances of the factory or offices in question meant that flexibility measures were not required.

In all instances, employees' labour rights were scrupulously respected and once again, the decentralised management approach, factory by factory, emerged as a competitive advantage that enabled CIE Automotive to react swiftly. For example, by the last week of March 2020 all of the company's factories in Spain had made significant progress on negotiating or even launching the corresponding flexibility measures, which were not identical from one facility to the next. That approach also enabled the company to respond differently to situations that, while similar, insofar as the pandemic affected us all, presented nuances in each location which warranted consideration for the purpose of designing the corresponding flexibility and health and safety measures.

[For further information on employment, contract types and redundancies in 2020, refer to the detailed tables provided in Section "Data tables and glossary".](#)

→ **Four-monthly trend in EMPLOYMENT**



The chart above shows the average headcount at CIE Automotive by quarter in 2020. As shown, the average headcount in the first quarter already fell below the 2019 average, as the coronavirus pandemic began to take a heavy toll worldwide as early as March. That reduction became more pronounced in the second quarter, when virtually all of the measures rolled out by the various governments to stem the spread of COVID-19 (lockdowns, curfews, mobility restrictions, among others) were in effect. June was the month in which

employment hit bottom (at close to 24,100). From then on, as is evidenced by the third-quarter figures, the headcount began to recover, reaching a quarterly average of 25,087 in the last quarter and hitting its highest level since June - almost 25,200 - in December.



SUCCESSFUL ROLLOUT OF REMOTE WORKING DURING THE PANDEMIC

In all countries, home-based working was implemented for all positions that did require in-person performance. Remote working arrangements of one form or another were introduced in all factories and regions, tailored for the specific circumstances of each factory, labour regime and job. The company's professionals were encouraged to request home-based working if they were needed for care-giving purposes or if they had specific health concerns, among other reasons.

Those arrangements implied a significant effort to ensure the availability in record time of the equipment and digital tools needed to keep the business running.

Employee Safety, our TOP PRIORITY

Concern for the wellbeing of CIE Automotive's professionals emerged as a key decision-making factor in 2020. In early March, the company drew up a COVID-19 response protocol for all group entities, establishing individual safety measures and the steps to be taken in the event of a professional catching the virus.

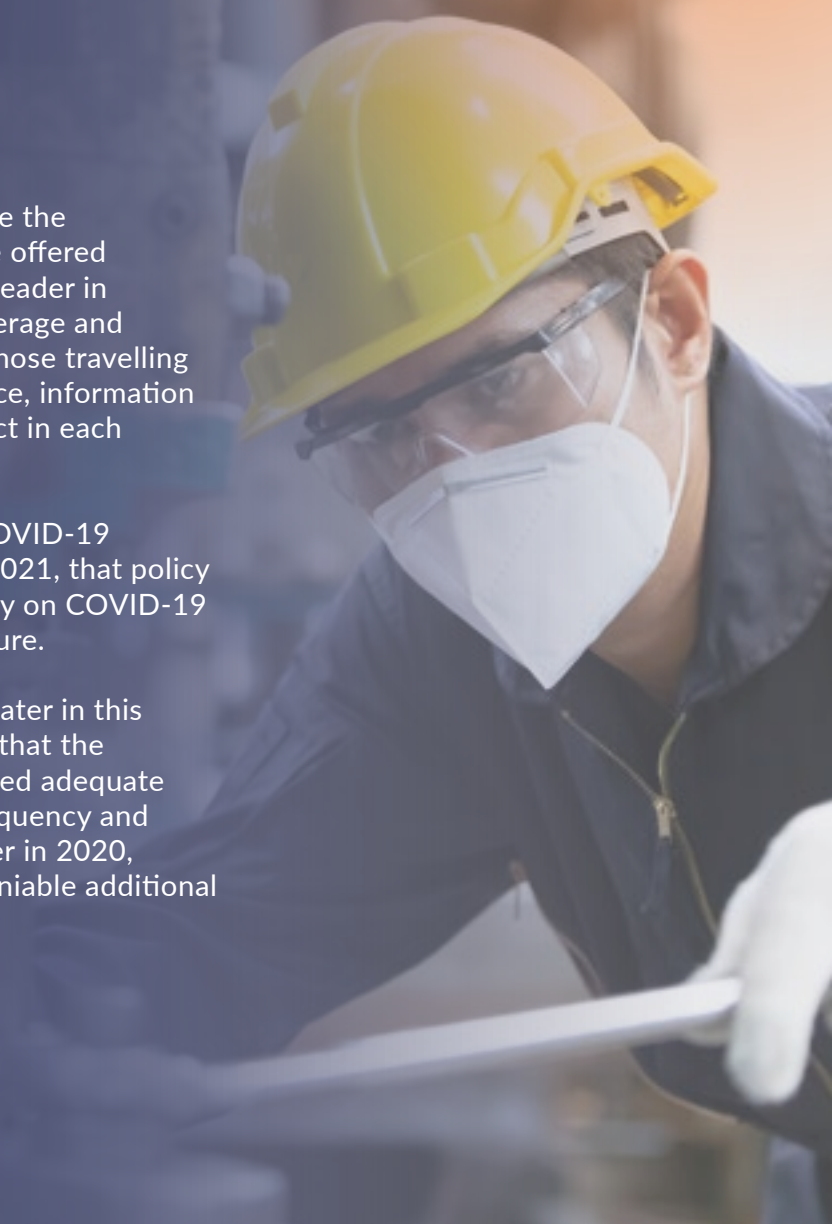
The protocol establishes basic rules for respiratory, hand and environmental hygiene to be followed inside company facilities and mandatory supplies for the various workplaces (dispensers, containers, waiting areas and signage). The protocol also limited travel to that strictly necessary and required pre-clearance for any such essential trips.

In line with the decentralised management approach, the managers at each workplace were urged to use their judgement to take additional measures based local circumstances. Here it is worth highlighting the good work done by the human resource departments at each workplace who played a vital role in ensuring compliance with the safety measures and legislation in effect in each market.

The company's employees who, despite the restrictions, had to travel abroad, were offered the services of International SOS, the leader in international medical and security coverage and assistance. Thanks to those services, those travelling had 24-hour access to medical assistance, information and advice about the measures in effect in each country.

The company also arranged specific COVID-19 coverage to boost traveller safety; in 2021, that policy will expand from focusing exclusively on COVID-19 so as to cover any pandemic in the future.

Although analysed in greater detail later in this Annual Report, it is worth noting here that the health and safety measures taken proved adequate considering the fact that the injury frequency and severity ratios continued to trend lower in 2020, marking record lows, despite the undeniable additional risks implied by the pandemic.



PROGRESS ON THE DIVERSITY FRONT

Geographic and cultural diversity is a hallmark of CIE Automotive's workforce: its more than 25,000 professionals work in 17 countries.

CIE Automotive is strategically committed to hiring local talent, which it views as a source of creativity and innovation and the best way of achieving healthy earnings. Some 89% of its factories are managed by local managers and 91% of the more than 500 professionals sitting on the factories' management committees hail from the local markets, evidencing the fact that CIE Automotive's commitment to talent in each region is not limited to the factory boss but trickles right down the management ranks. It also demonstrates the faith the company has (i) in the staff working in the factories it acquires and their ability to integrate and (ii) in the capabilities of CIE professionals irrespective of their country of birth, culture, race or gender.

The group works to find opportunities for professionals from different cultures to cooperate and embrace the company's shared identity and goals. Thanks to the Diversity Plan formulated in 2019, a Diversity Committee will be set up in 2021; it will be populated by representatives from all of the company's business markets, who will meet from time to time to work, firstly, on diagnosing the diversity situation factory by factory and, after that, on establishing a common set of minimum thresholds and, later, on drawing up action plans to reach those thresholds. That process will run until 2025.

Among the initiatives designed to spark bonding between people

from different countries, the Ulysses Project stands out. That initiative combines mobility and talent attraction, bringing young graduates from the countries in which CIE Automotive has factories in for training in their home countries initially, after which they spend several months at Spanish factories and training centres. In that manner the programme delivers four objectives: embedding the group's values; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence. Although the Ulysses Programme had to be suspended in 2020 on account of the coronavirus pandemic, the human resource teams are working to relaunch the initiative as soon as possible (ideally in 2021, pandemic permitting) with the aim of involving more people and at least three different countries in the programme.

Eighty-nine per cent of the factories are managed by local managers and of the more than 500 professionals sitting on the factories' management committees, 91% hail from the local markets

➔ **JOB MAP AT CIE AUTOMOTIVE**
(at year-end)

NORTH AMERICA

7,042 **81%**
Number of employees Fixed/indefinite contracts
M **4,899** | W **2,143** M **84%** | W **75%**

81% **96%**
Local managers Local members of factor management committees

256,156 **6,703**
Training hours Employees trained
36.4 Training hours per person **38.2** Training hours per person trained
M **35.1** | W **39.3** M **37.0** | W **41.0**

EUROPE

6,790 **93%**
Number of employees Fixed/indefinite contracts
M **5,238** | W **1,551** M **93%** | W **93%**

86% **91%**
Local managers Local members of factor management committees

122,128 **5,645**
Training hours Employees trained
18.0 Training hours per person **21.6** Training hours per person trained
M **17.5** | W **19.6** M **21.1** | W **23.4**

ASIA

8,314 **78%**
Number of employees Fixed/indefinite contracts
M **7,906** | W **409** M **78%** | W **67%**

96% **85%**
Local managers Local members of factor management committees

141,355 **7,064**
Training hours Employees trained
17.0 Training hours per person **20.0** Training hours per person trained
M **16.2** | W **33.1** M **19.3** | W **31.5**

BRAZIL

3,050 **98%**
Number of employees Fixed/indefinite contracts
M **2,690** | W **360** M **98%** | W **94%**

100% **100%**
Local managers Local members of factor management committees

64,509 **2,986**
Training hours Employees trained
21.1 Training hours per person **21.6** Training hours per person trained
M **20.1** | W **29.2** M **20.2** | W **34.2**

CIE AUTOMOTIVE (TOTAL)

25,196 **85%**
Number of employees Fixed/indefinite contracts
M **20,733** | W **4,463** M **86%** | W **82%**

89% **91%**
Local managers Local members of factor management committees

584,148 **22,398**
Training hours Employees trained
23.2 Training hours per person **26.1** Training hours per person trained
M **21.5** | W **31.1** M **24.3** | W **34.0**

For more information about employees by country, refer to Sections "Data tables" and "Glossary"

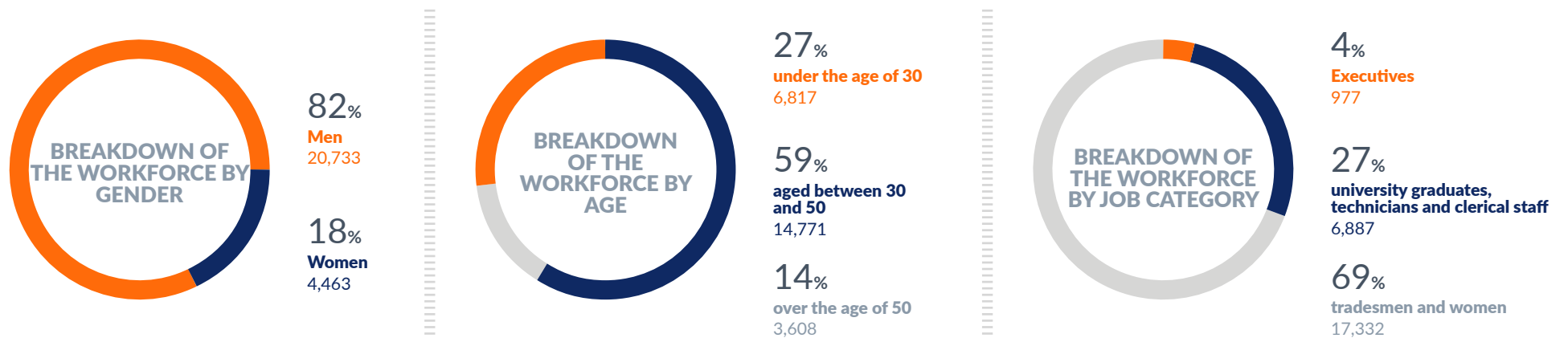
EDUCATIONAL, GENERATIONAL and GENDER mix

CIE Automotive's capacity for integration is also evident in the inclusion of people of different genders, generations and capabilities. Around 27% of its employees are under the age of 30; 59% are aged between 30 and 50; and 14% are over the age of 50.

Gender-wise, although the percentage of women remains low due to the automotive sector's traditional perception as a 'man's industry' and still lower female participation in STEM degrees, the group is working hard to increase the percentage of women in its workforce: female representation increased from 16% in 2019 to 18% in 2020, thanks to growth in the percentage of new hires that were female, which stood

at 21% in 2020, compared to 18% in 2019. CIE Automotive expects female participation to increase in all areas and at all levels between 2020 and 2025, boosted by the creation of the group's Diversity Committee, among other measures.

As for education levels, 69% of its employees are tradesmen and women, 27% are university graduates and 4% are executives, data in line with the previous year.



For further information about the employee breakdown by gender, age and job category and by contract type, refer to Sections "Data tables" and "Glossary"

CIE Automotive worked on drawing up an Equality and Diversity Plan which emphasises the plurality of nationalities, cultures and gender

ACCESSIBILITY FOR PERSONS WITH DISABILITIES

CIE Automotive employs 311 people with some form of disability; that is 1.2% of its current workforce (similar to last year: 1.3%).

The group is a member of the Advisory Board of the integration initiative in the Basque region called Foro Inserta led by ONCE. That platform's purpose is specifically to facilitate the integration and employability of people with differing capabilities.

The expectation is that in the coming years, boosted by specific measures such as the creation of the Diversity Committee and buoyed by healthier market momentum, the number of employees with differing abilities will increase considerably.

DIVERSITY PLAN

Throughout 2019 and 2020, CIE Automotive worked on drawing up an Equality and Diversity Plan which emphasises not only the plurality of nationalities and cultures but also gender variety within the organisation, in keeping with the United Nations Sustainable Development Goals.

One of the first initiatives to emanate from that plan, which was formulated with the input of over 250 employees via personal interviews and focus groups, was the design and drafting of the Protocol for the Prevention and Handling of Workplace Harassment, in line with the United Nations principles on inclusion and non-discrimination.

NEW PROTOCOL FOR THE PREVENTION OF WORKPLACE HARASSMENT, including sexual and gender-based harassment

To guarantee a harassment-free workplace in which everyone respects everyone else, CIE Automotive has drawn up a Protocol for the Prevention and Handling of Workplace Harassment. It is binding across all group facilities. The protocol was approved by the Corporate HR Department and signed by the CEO before it was published and distributed.

The protocol addresses mobbing and sexual and gender-based harassment and defines a series of prevention measures, including a zero-tolerance attitude towards harassment, the sharing of responsibility by all employees for monitoring workplace conduct and the establishment of communication programmes.

In addition, with the aim of ensuring that no instance of harassment goes unreported due to uncertainty about whom to report to, the corresponding procedure can be initiated in two ways: through the HR area (factory or corporate) or through the group's whistle-blowing channel, which is not managed by the HR departments.

The key steps stipulated in the protocol are designed to deliver a speedy solution and provide protection throughout, as follows:

- Guaranteed confidentiality and protection of the privacy and dignity of the people involved
- Prioritisation and urgent handling
- Exhaustive investigation of the events
- Guaranteed action, including potential disciplinary measures
- Protection against retaliation

To ensure that everyone at the group is familiar with and respects the Protocol, the following measures were taken in 2020:

- Publication of the Protocol on the corporate website.
- Publication of the Protocol in the in-house newsletter for the second half of 2020 which is distributed to all group facilities.
- Endorsement of the Protocol by the CEO, Head of HR and the managers and HR heads of all of the group's factories. The commitment assumed by the above executives in signing the Protocol is two-fold: they undertake to comply with it but also to make sure the people they manage are familiar with it.

WOMEN at CIE Automotive

CIE Automotive has been working to increase female participation in its leadership ranks in recent years, as is evidenced by the fact that 40% of the group's Management Committee (four executives) are female. In addition, the percentage of women on the Board of Directors has increased from 15% to 21%.

Although female representation remains low in percentage terms, at 18%, reflecting the fact that the automotive sector has traditionally been perceived as a 'man's industry', coupled with still limited female access to certain STEM courses and degrees, it increased by two percentage points in 2020 thanks to efforts being made by CIE Automotive to hire more women (21% of all hires in 2020, which is 3 points higher than female representation in the workforce at year-end 2020 and also 3 points higher than the percentage of females hired in 2019).

→ GENDER indicators

	% of women working at the company committee	% of female new hires	% of women on the Group's Management
2019	16%	18%	40%
2020	18%	21%	40%

As in other areas and in line with its decentralised approach, CIE Automotive manages its female diversity at different levels:

- **Factory:** The factories, in addition to managing the everyday aspects of the vast number of areas under their purview, spearhead key processes whose objective is to move each facility towards effective equality. At present, several factories are preparing gender equality plans which must be negotiated with the works committees and will translate into individual four-year action plans to be overseen by management and worker representatives.
- **Corporate:** having examined the issue with the objectivity brought by the corporate area, in 2019 CIE Automotive launched its Diversity Plan, which is not limited to gender but rather addresses diversity in all its manifestations. That plan, for which the aim was to capture the various diversity-related sensitivities across CIE Automotive, has already given rise to new protocols and is behind the plans for the creation of a Diversity Committee in 2021, whose mission will be to conduct an internal benchmarking exercise, study best practices in the field, implement action plans as needed and ensure the group as a whole advances towards effective equality.
- Despite the progress made in recent years, there continues to be a gender wage gap of 7% at the company (average annual pre-tax earnings for men of €16,147 versus €15,004 for the company's female employees), which is essentially attributable to the gender composition of the hierarchical ranks in certain countries.

GENDER PAY GAP

The gender pay gap stood at 7% in 2020 (5% in 2019). That figure is calculated on the basis of pre-tax earnings per employee, including fixed and variable remuneration, whether in cash or in-kind; it does not include social security contributions.

Without considering where in the world they work or what positions they hold, CIE Automotive's female employees earn €15,004 on average, compared to the €16,147 earned on average by their male counterparts. However, the gender pay gap varies by job category. For example, among executives and university graduates, the women earn more than the men, whereas in the most populated category - skilled tradesmen and women - the men earn 14% more than their female counterparts.

The aggregate gap widened by two points due to shifts in the relative weight of certain countries in the total. The mere existence of a gender pay gap is a matter for prioritisation by the above-mentioned Diversity Committee in the years to come.

Although the gender pay gap affects all the sector players and also depends on exogenous factors (reduced female access to STEM training and even unequal female access to the labour market in some countries), CIE Automotive is set on reducing its gender pay gap by analysing the equality situation factory by factory and introducing a range of diversity and inclusion initiatives.

AGGREGATE gender pay gap	2019			2020		
	No. of employees	Average earnings	Gap %	No. of employees	Average earnings	Gap %
Male	23,547	15,450	95%	20,195	16,147	93%
Female	4,577	14,750		4,288	15,004	

Gender pay gap by CATEGORY	2019			2020		
	No. of employees	Average earnings	Gap %	No. of employees	Average earnings	Gap %
Male executives	877	52,395	106%	875	57,081	101%
Female executives	115	55,635		113	57,677	
Male graduates	6,368	18,282	117%	5,701	18,378	118%
Female graduates	1,252	21,425		1,156	21,692	
Tradesmen	16,302	12,356	86%	13,619	12,584	86%
Tradeswomen	3,210	10,682		3,019	10,846	

(*) The number of people included in the denominator in 2020 is the group's average headcount, adjusted as warranted by employment contracts suspended as a result of the flexibility measures rolled out in response to the pandemic (furloughs and similar schemes).

Gender pay gap BY SIGNIFICANT LOCATION**

EUROPE



ASIA



AMERICA



(**) Signification locations for these purposes refers to the countries in which the headcount at year-end exceeded 500 employees.

OUR EMPLOYEE VALUE PROPOSITION

CIE Automotive provides its employees with decent work, pay aligned with individual responsibilities and capabilities and training so that they can grow professionally in a safe and healthy environment. That value proposition is set down in the company's Human Resources Policy which stipulates the guiding principles for human capital management at all places of work.

COMPLIANCE WITH HUMAN RIGHTS POLICY ACROSS THE VARIOUS WORKPLACES

Commitments

Action taken in 2020



Prevention of discriminatory practices.

→ Formulation of a Protocol for the Prevention and Handling of Workplace Harassment.



Zero-tolerance stance on compulsory or child labour.

→ None of the factories surveyed in 2020 identified risks of forced or child labour.



Provision of decent work.

→ Remuneration aligned with the job, dedication and performance and above minimum wages in all regions.



Protection of its people's safe and healthy.

→ Dissemination of the COVID-19 Response Protocol and follow-up.
 → Continuous improvement of the health and safety indicators. Those key performance indicators improved significantly in 2020: the number of accidents decreased by 27% while the injury frequency and severity ratios, which factor in the number of hours worked in each reporting period, improved by 8% and 11%, respectively. In 2020, we offered our employees 202,886 hours of health and safety training.

Commitments

Action taken in 2020



Facilitation of collective bargaining and freedom of association.

→ 59% of CIE Automotive's employees are covered by collective bargaining agreements, six points more than in 2019.



Promotion of a culture of respect for human rights and employee awareness-raising in this area.

→ 30,839 hours of human resources training provided to 8,553 group employees.



Respect for indigenous and local communities.

→ 89% of factory managers are local.
 → 91% of the factory management committees are local.



Contribution to the effort to fight corruption and protect privacy.

→ Training on corporate liability and anti-corruption matters provided to 104 CIE Automotive executives in 2020, as well as to all the members of the Board of Directors, including its Secretary. That training effort is set to be broadened in 2021.

REMUNERATION

Employee remuneration at CIE Automotive complies amply with the minimum wage requirements in each country.


The group uses a 'total comp' model made up of a fixed remuneration component, which depends of the characteristics of each job and a job performance evaluation. In addition, more than 7,000 employees also received a bonus in 2020 as a result of delivery of set targets and/or excellent or improved performances.

In addition to their wages, in 2020 the group continued to provide its employees with a series of company benefits which enhance their and their families' quality of living and entailed an investment of almost €25 million.

For further information about average remuneration and the trend broken down by gender, age and job category or equivalent metric, refer to Sections "Data tables", "Glossary" and "Gender wage gap".

When a company is integrated into the group, labour due diligence is performed to verify compliance with the law and ensure the acquiree's employees are provided with the same rights as the rest of the group's professionals.

In 2020, CIE Automotive analysed the situation at the three companies it integrated, two in Italy and one in the US, following the acquisition of Somaschini. That analysis revealed that all three companies pay their male and female employees significantly more than the local minimum wages. In the case of their female employees, In the case of their female employees, the wage earned by the lowest-earning women at each of the three companies is 1.6, 1.6 and 2.1 times the local minimum wage respectively; in the case of the male employees, the wage earned by the lowest-earning men at each is 1.3, 1.6 and 2.9 times the local minimum wage respectively..



Employee remuneration complies amply with the minimum wage requirements in each country. Each time CIE Automotive acquires a new company, its HR Department verifies such compliance.



SUPPORT for our employees



Around €15 million on health insurance coverage or in-house medical services

- United Healthcare, among other providers, at some of the US factories
- Premium health cheques in certain cases in Slovakia
- Private health insurance coverage at the Spanish, Brazilian, Chinese and Mexican factories, among others
- Specific COVID coverage added to the group's travel insurance (to be reconverted to a policy with pandemic coverage, COVID or otherwise, in the future)



Around €5 million earmarked to food services

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



Around €5 million of subsidies related with transport

- Transport service for candidates for working at the Mexican factories
- In-house buses and transport services
- Company cars and transport vouchers



Around €0.5 million earmarked to education

- University support fund at Brazilian factories
- Distribution of school materials for children of employees in Morocco, the Czech Republic and Mexico, among others
- Prizes for the children of employees with the best school grades at Mexican factories
- Third-level education support programme at the Portuguese factories

DECENT WORK and right to collective bargaining

CIE Automotive is committed to the provision of decent work in every country it operates in, in line with the labour rights acknowledged in the United Nations Global Compact.

The percentage of people on indefinite contracts increased by four percentage points in 2020, to account for 85% of the workforce (86% of male employees and 82% of female employees); indefinite arrangements are very high in Spain and Brazil (93% and 98% of total contracts, respectively), compared to around 80% in Asia and North America.

The increase in the percentage of women on indefinite contracts is attributable, in addition to the long-term nature of most of the employment contracts entered into by the Group, to the headcount reductions induced by the pandemic. Unquestionably, the employee departures which were concentrated in the first half of the year and were not fully mitigated by the more than 1,100 jobs recovered in the second half, have had a significant impact on the hiring of temporary workers during production peaks. CIE Automotive hopes to recover the jobs lost in the years to come and maintain a high percentage of fixed employment.

The company respects its employees' freedom of association and right to collective bargaining, engaging with its workers' representatives, not only in its European plants but also in less unionised countries. Employee relations are based on respect for others and transparency.

In 2020, 59% of the company's employees were covered by collective bargaining agreements that protect those rights.

Over the course of 2020, the company signed 39 collective bargaining agreements (at the regional, sectoral or factory levels) at a number of manufacturing facilities in the following countries: Germany, Brazil, China, Slovakia, Spain, France, India, Mexico, the Czech Republic and Romania. In 2019 it arranged 36 agreements. [102-41]

As a rule, all of the agreements make special mention of workplace health and safety matters, this being one of the most important topics.

The percentage of people on indefinite contracts increased by 4 percentage points in 2020, to account for 85% of the workforce


COLLECTIVE BARGAINING COVERAGE
by country

	2019			2020		
	Headcount Nº	Employees covered Nº	%	Headcount Nº	Employees covered Nº	%
Germany	1,058	921	87%	879	818	93%
Brazil	3,499	3,350	96%	3,050	3,047	100%
China	707	205	29%	628	176	28%
Slovakia	1,763	358	20%	1,570	347	22%
Spain	829	230	28%	837	215	26%
France	2,490	2,253	90%	2,333	2,208	95%
Guatemala	1,652	-	0%	1,582	-	0%
Netherlands	346	342	99%	338	338	100%
India	1	-	0%	-	-	-
Italy	8,772	2,660	30%	6,744	2,683	40%
Lithuania	284	280	99%	439	436	99%
Morocco	242	-	0%	221	-	0%
Mexico	132	-	0%	103	-	0%
Portugal	5,318	3,247	61%	5,460	3,694	68%
Czech Republic	5	-	0%	4	-	0%
Romania	317	316	100%	323	323	100%
Russia	616	616	100%	611	611	100%
UK	92	-	0%	74	-	0%
US	1	-	0%	-	-	-
TOTAL	28,124	14,778	53%	25,196	14,896	59%



Organisation of working hours

As with nearly everything it does, CIE Automotive organises its working arrangements on a decentralised basis, which it views as the best way to let its factories opt for the flexible or work-life balance measures that best suit the idiosyncrasies of each factory, division or country.

This section outlines the flexibility measures in place at the group under 'normal' circumstances, i.e., without addressing the special flexibility measures rolled out in response to the pandemic, which are described elsewhere in this report.

Some of the most common measures found across the group are: flexible start and end times; adjustment of working hours for alignment with care-giving responsibilities; home-based working; days' maternity/paternity leave additional to statutory requirement; and protective measures for pregnant employees.

In 2020, 90% of the company's workplaces had measures designed to facilitate work-life balance and sharing of caring responsibilities, compared to 70% in 2019.

Moreover, at eight CIE Automotive facilities (one more than in 2019), in five different countries (Germany, France, Slovakia, Brazil and the Czech Republic) have specific 'right to disconnect' from work policies to ensure digital disconnection (PCs, company phones, etc.) outside of working hours and during leave and vacation. The company believes it could do better in that respect, given the number of factories it has. It expects to work hard on this area in the coming years, in tandem with its efforts to boost diversity and inclusion, among others.

Absenteeism was 5% at the company in 2020, flat year on year. That 5% translates into the loss of 2.5 million hours of work (in 2019, the total number of hours was close to 3 million). The company believes that its absenteeism rate is reasonably stable at that percentage and, despite being partially manageable, it is also heavily affected by exogenous factors such as the pandemic, the age of the factories' employees and the general economic situation in the various regions.



TRAINING and career development

In a sector in the midst of transformation, in which the players' survival will depend largely on their ability to adapt to new market trends, employee learning is a key factor in boosting competitiveness. Aware of the importance of training, CIE Automotive helps its professionals acquire new skills and offers them opportunities for growth via mobility and training.

Internal mobility is one of CIE Automotive's hallmark traits. The company encourages its employees to take on new responsibilities within and outside their businesses or functions and even their countries of residence. It is worth singling out the Ulysses Programme among the initiatives put in place by the company to attract talented youths keen to get international exposure; although that programme had to be put on hold in 2020 on account of the pandemic, it is expected to be revived in the coming years as it is an excellent tool for generating shared knowledge and camaraderie in a decentralised group. It is also worth highlighting the company's collaborations with a broad range of universities, technology centres and vocational training centres, etc.

In recent years, the training provided across the group has focused on aspects that have traditionally been important to its human capital management effort (health and safety, soft skills and hard skills) as well as on topics that are relatively new in the world of business that are likely to grow in importance going forward.

Specifically, in 2020, the company provided its professionals with 30,839 hours of training on human rights evidencing the group's strategic shift to focusing on ESG matters. In 2019, there were provided 5,469 training hours in human rights.

CIE Automotive has a dedicated training plan protocol which establishes the steps any training plan at the group needs to follow: gap identification, planning, definition, execution, evaluation and feedback.


In addition, at the corporate level, a non-binding proposal is presented to the CIE Automotive factories each year itemising all of the training initiatives to be undertaken on a centralised basis in the year ahead. Those initiatives include sessions aimed at providing advanced management and interpersonal skills for individuals with certain abilities and/or potential, ESG training and training on ethics and conduct codes.

In 2020, training remained a core part of the human capital management effort despite the fact that it was hindered by the pandemic. At the onset of the pandemic during the first half of 2020, the training sessions programmed had to be put on hold in order to comply with some of the health and safety measures contemplated in the COVID Action Plan.


As the weeks went by and it became clear that the pandemic was going to last longer than initially anticipated, new measures were taken to proceed, within reason, with the various training initiatives, stepping up the corresponding safety measures, particularly the number of people in attendance per session, while making greater use of remote learning tools.

In 2020, CIE Automotive imparted 584,148 hours of in-person training, 181,968 fewer than in 2019. The breakdown by job category was 24,476 hours for executives, 157,039 hours for university graduates and 402,633 hours for factory workers.

The majority of employees who benefitted from training were men - 81.7% - reflecting the company's predominantly male workforce. However, the number of training hours provided to female employees - 34 hours per female recipient - was higher than that provided to their male counterparts - 23.4 hours. That phenomenon was common to all regions.

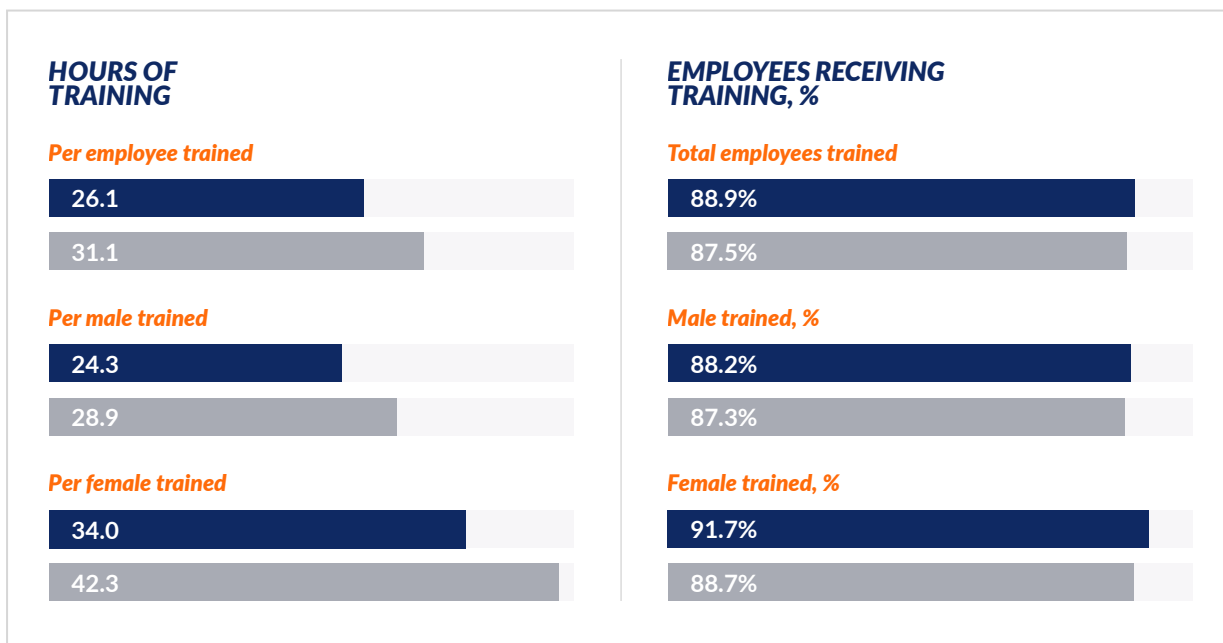


In 2020, CIE Automotive imparted 584,148 hours of in-person training, 181,968 fewer than in 2019 on account of the pandemic.



→ **Training hours by job category**

Job category	No. of training hours		No. of employees receiving training	
	2019	2020	2019	2020
Executives	29,140	24,476	766	850
University graduates	231,994	157,039	6,748	6,173
Tradesmen and women	504,982	402,633	17,103	15,375



2020 2019



The originally scheduled training programmes had to be halted as a result of the coronavirus outbreak. They were subsequently reactivated, reinforcing the related safety measures and making greater use of distance learning tools.

SAFE and healthy environment

Before the COVID-19 pandemic spread around the globe, CIE Automotive was already placing a priority focus on occupational health and safety, as set down in its [Health, Safety, Environment and Quality \(HSEQ\) Policy](#), centred on prevention, risk minimisation and the elimination of potential dangers for its people.

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

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

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

safety officer who, in addition to monitoring accidents and the key performance indicators, is tasked with improving ergonomic aspects, protecting employees from exposure to harmful substances and monitoring employee health, stress levels and psychosocial risks.

Employees receive safety training tailored to the risks posed by their jobs. Groupwide, 202,886 hours were devoted to health and safety training for 17,392 employees in 2020 (14,065 men and 3,327 women). The year-on-year increase in health and safety training hours - 74% - partially reflects new training needs induced by COVID-19. In 2019, the group provided 116,567 hours of health and safety training to 12,306 people.

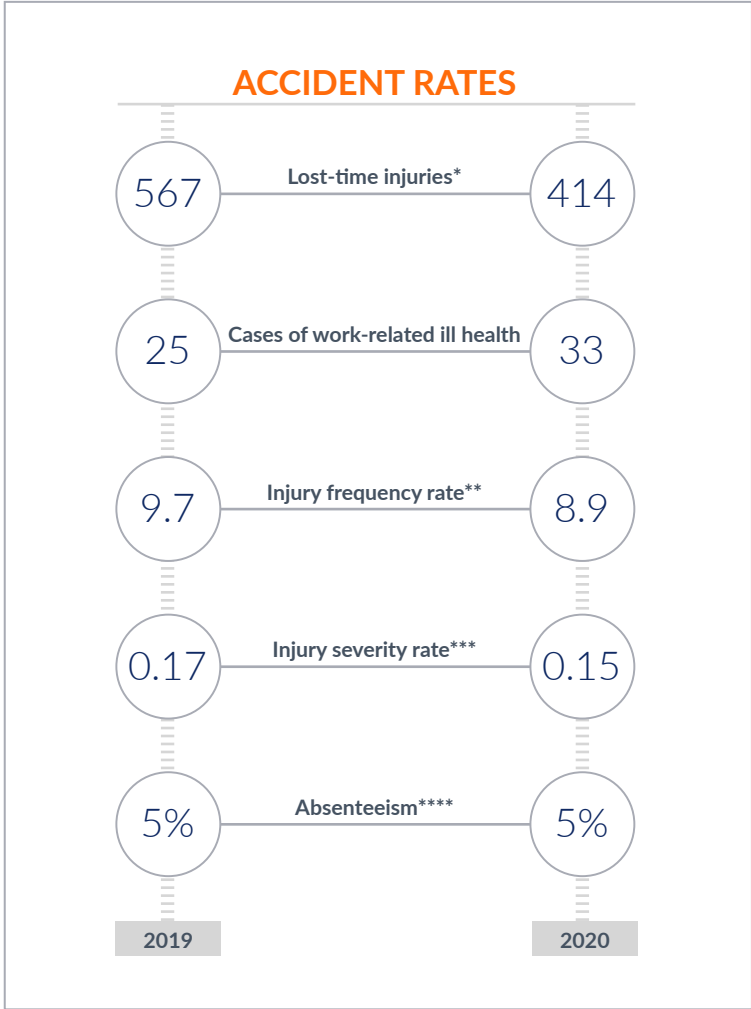


Elsewhere, there were 414 accidents in 2020, 52 affecting women and the remaining 362 affecting men. In 2019, there were 567 accidents, 517 affecting men and 50 affecting women.

The injury frequency and severity rates have been improving significantly in recent years. The severity rate was 0.15 in 2020, while the frequency rate remained below 9. All of the accidents were minor and there were no fatalities.

As for subcontractors, there were no serious accidents affecting the people employed at any manufacturing facility in 2020.

Lastly, the group detected 33 cases of work-related ill health in 2020, 28 affecting male employees and the remaining five, female employees (2019: 25 cases; 16 men and 9 women).



* Injury: an accident occurring at work that causes at least one lost day.
 ** Frequency: injuries per million hours worked.
 *** Severity: days lost due to injuries per thousand hours worked.
 **** Absenteeism: absences not substantiated by holidays or other leave.

Delivery of the 2020 OHS Strategic Plan

CIE Automotive embarked on the implementation of its 2020 OHS Plan in 2017. That plan was articulated around the following lines of initiative: continuous improvement of the injury frequency and severity rates; implementation of evaluation questionnaires at every factory; and ISO 45001 certification across all factories.

Now complete, it is possible to draw the following conclusions::

- Indicators. The continuous improvement target has clearly been met. The injury frequency and severity rates have come down considerably in recent years: in 2020, the frequency rate stood at 8.9 (2019: 9.7), while the severity index fell to 0.15 (2019: 0.17); there were 414 accidents in 2020 (2019: 567).
- One hundred per cent of the group's factories are following the CIE SAFETY survey, which is of particular importance for those that have yet to obtain OHSAS 18001/ ISO 45001 certification by providing them with a vital safety tool.
- As for delivery of the certification targets:
 - In 2017, the year the plan was launched, 85 factories were included, i.e., all except for those acquired or built subsequently (the CIE Somaschini, CIE Golde, AEL or CIE Mapremex factories, and the greenfield factories built in Mexico, Spain, India and China).
 - Of the originally identified 85, 68 are currently certified (80% delivery rate). Two additional factories, not included under the initial scope of the certification schedule, are also already certified, so that at year-end 2020, 70 of the company's manufacturing facilities had obtained certification.
 - A further 10 factories will be certified by the end of April 2021, lifting the delivery rate to 92%.
 - The company believes that those numbers amply evidence the group's efforts on the certification front. Despite not having achieved 100% delivery of this target, it is important to note that certification activities were seriously disrupted in 2020, the year for which the highest number of certifications had been planned. The fact that by April 2021, 92% of the scheduled certifications will have been obtained indicates a satisfactory performance in this regard.

Framed by 2020 OHS Strategic Plan, the injury frequency and severity rates and the absolute number of accidents have been coming down in recent years.



SMOOTH *employee communication*

CIE Automotive communicates openly with its employees, mainly through the company dashboards and intranet. The company also publishes a twice-yearly in-house newsletter in which it updates employees on the most significant developments at the company on the economic, environmental, social governance and fronts.

Every two years it conducts a workplace climate survey at every factory. The average score gleaned from the surveys carried out in 2020 was very satisfactory: 7.4 points out of 10. The results of those surveys will be used to formulate annual or bi-annual action plans for improving employee satisfaction.



In 2020 CIE Automotive conducted workplace climate surveys at 41 manufacturing facilities to gauge employee satisfaction, obtaining a score of 7.4 out of 10



We stepped up collaboration with our **SUPPLIERS**

CIE Automotive's supply chain proved its resilience during the coronavirus pandemic in 2020. The constant and close collaboration between the company's buyer teams and their suppliers, mainly local firms, meant that the factories were able to resume activity swiftly after the lockdowns and fulfil their customers' orders without delays, while preserving quality and service standards in all markets.



To optimise the purchase of materials and services globally, while guaranteeing (i) strict compliance with the defined standards of quality, safety, service and environmental management and with national and international laws and regulations; and (ii) respect for social rights and equality, specifically including gender equality. To strengthen the business model despite limits on travel and physical contact. To build on the management tools that enabled us to successfully navigate the events of 2020.



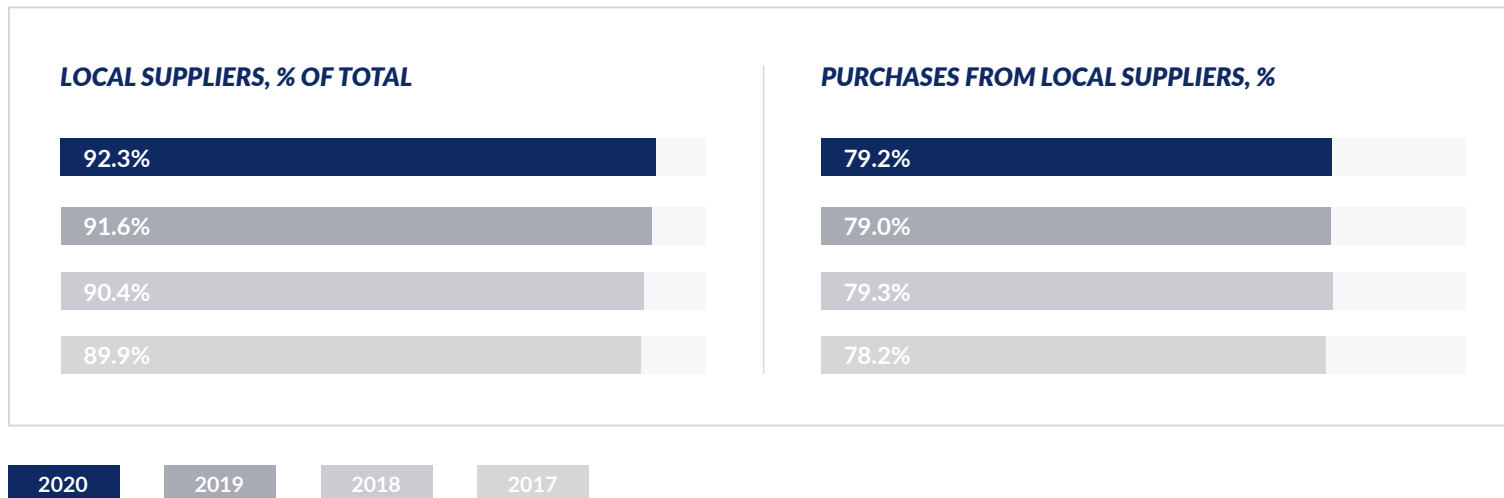
- **Integration**, under CIE Automotive standards, of Somaschini.
- **Partner** and supplier training via the update of the Supply Chain video.
- **Quarterly** monitoring of the percentage of local suppliers.
- **New** edition of the ESG awards for the suppliers exhibiting the greatest commitment to environmental, social and governance topics.
- **Reissue** of the Global Supply Chain Manual and the Purchasing Policy.
- **Consolidation** of the global launch of the Suppliers Portal for productive suppliers.
- **Global**, in-person and online training on ESG matters for global buyer teams.
- **Addition** of a new questionnaire to the Suppliers Portal: Civil liability insurance coverage.

WE FINE-TUNED THE SUPPLY CHAIN

The buyer teams focused their efforts on optimising qualitative and quantitative aspects of the company's supply chain in order to ensure business continuity and navigate the problems the new COVID-19 paradigm implied not only for the company but also the nearly 23,000 suppliers that make a difference to its value proposition. Supplier purchases topped €1.9 billion in 2020.

CIE Automotive's long-standing commitment to local suppliers proved to be a significant advantage during the pandemic, reducing logistics and tariff costs, mitigating exchange risk and facilitating the management of non-financial matters thanks to physical proximity and mutual commitment. In 2020, 92% of the company's supplier base constituted local firms, which represented 79% of group procurements.

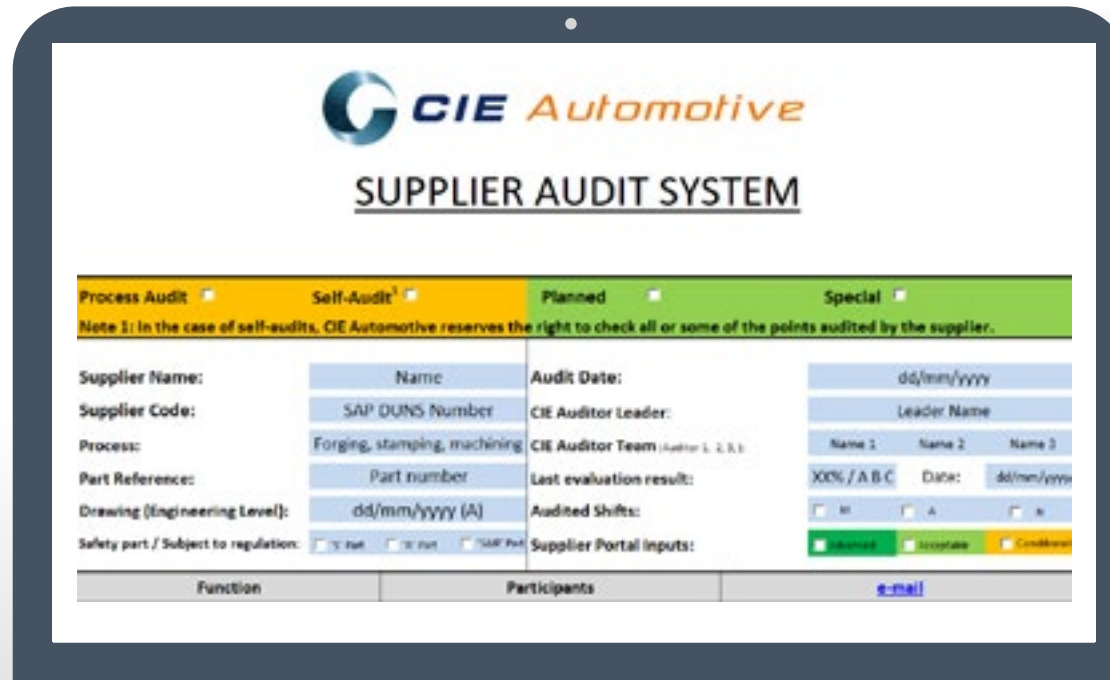
The company's model of securing its supplies locally (on-shoring) and/or regionally (near-shoring) overcomes cultural, linguistics and time-zone barriers as well as logistics complexities, while also facilitating regulatory uniformity, among other benefits.



SUPPLIER SUPPORT AND AUDITS IN PANDEMIC TIMES

Framed by the group's supplier certification standards, supplier audits to analyse fit for purpose are key. Despite the difficulties encountered during the year on account of COVID-19, the company continued to audit its suppliers using management tools implemented of late for extraordinary circumstances, tools that can be shared with suppliers so that they can do a self-assessment that is later verified by experts at CIE Automotive.

Thanks to that effort, the company was able to continue its legacy certification procedures without undermining the results. In 2020, CIE Automotive conducted 353 supplier audits, down from 2019 (687) on account of the pandemic.





SUPPLIER CERTIFICATION AT CIE AUTOMOTIVE

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

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

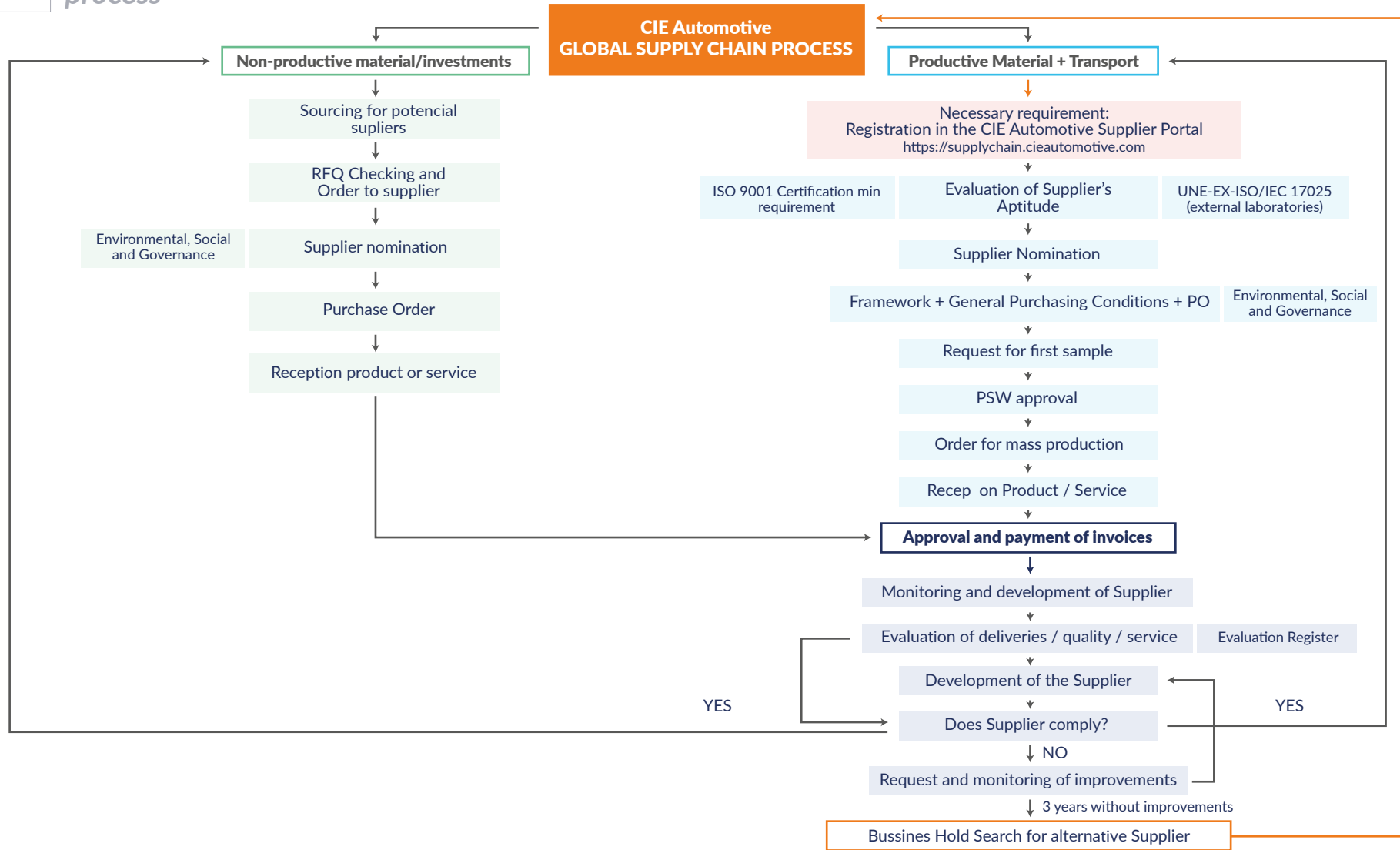
Supplier evaluations are rounded out by audits which assess and score them on the following parameters: planning, reception, training and skills, process, maintenance, inspection, packaging, storage, continuous improvement and environmental performance, customer satisfaction, documentation and ESG criteria.

ESG criteria

In several of the above areas, specific mention is made of critical environmental and workplace safety criteria and the suppliers are explicitly audited on those matters. In addition, in the dedicated section, the company verifies that existing and newly audited suppliers' processes comply with the environmental, social and governance (ESG) requirements CIE Automotive endorses and promotes in its supply chain.

Twenty-five per cent of all suppliers registered in the Supplier Portal evidenced environmental certification under ISO 14001, which is one point more than in 2019.

➔ **PROCUREMENT process**



INTEGRATION OF SOMASCHINI AND GREENFIELDS SUPPORT

Given the wide variety of suppliers, CIE Automotive's buyer teams work hard to inject uniformity into its supply chain, as this is essential to maintaining product reliability and quality, as well translating into synergies and, by extension, cost savings. That is why it is essential to provide training to the supply chain teams at newly integrated companies.

In 2020, the Somaschini companies acquired in January received due training on the company's management, quality and safety standards and procedures, and also on CIE Automotive's values and ESG practices and demands. To provide that training in spite of the restrictions induced by the pandemic, the online channel was beefed up.

SUPPLIERS PORTAL

The Suppliers Portal has been one of the tools that has made the biggest difference in enabling the measurement and delivery of the group's non-financial objectives for the supply chain. The Portal is an online platform that is free to use and accessible from the Supply Chain tab on the corporate website on which existing and prospective suppliers of products and services to CIE Automotive can register. It aims to deliver two targets: (i) facilitating access for new suppliers and their prior assessment; and (ii) providing a channel for submitting enquiries to procurement managers.

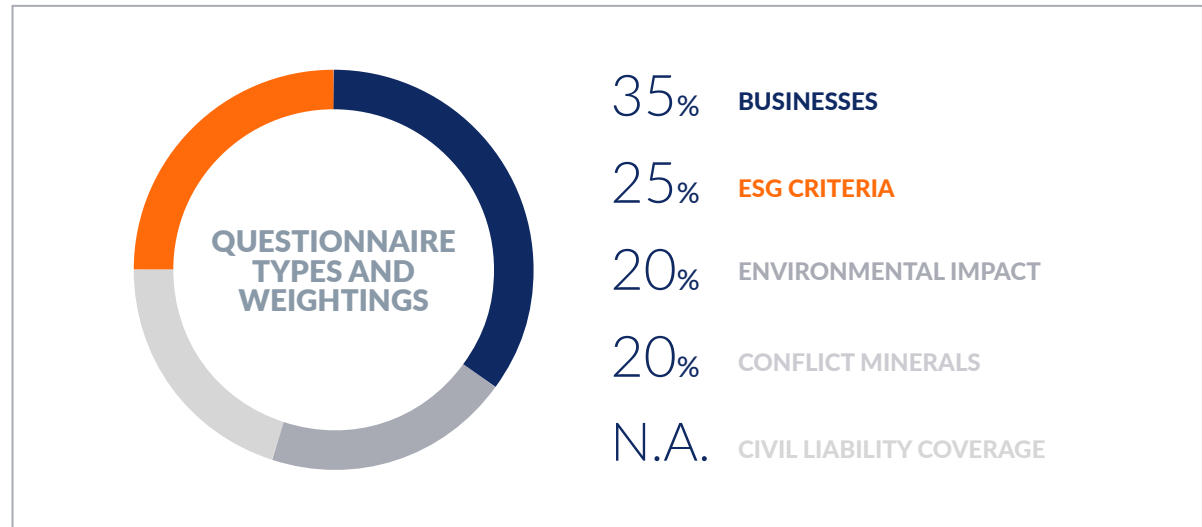
The global rollout of the Suppliers Portal guarantees standardisation of the procurement process framed by identical criteria of objectivity, impartiality and equal opportunities across all geographies.

Suppliers are making increasing use of the Portal around the world, which is helping CIE Automotive to generate ever more reliable and user-friendly information and paint an increasingly accurate picture of its supplier base. Over 2,300 firms made use of the channel in 2020. A non-web version, with the same assessments and scoring system as the web-based platform, has been created for suppliers encountering difficulties in registering with the Portal.

Currently, suppliers registering with the Suppliers Portal have to answer five questionnaires (4 until 2019) about how they manage their businesses, environmental impact, ESG criteria, conflict minerals and civil liability coverage; they are available for consultation on the Supply Chain tab of the company's corporate website.

The "Civil liability insurance coverage" questionnaire was added in 2020 and relates to the policies each supplier must have to cover any damages deriving from the supply of defective products or services. Specifically, the suppliers are asked to provide substantiated information about the insurance provider, the type of policy written, the scope and amount of coverage, renewal date, etc. In that manner the company addresses the dual goal of minimising risks for CIE Automotive and getting a better idea of the coverage underwritten by the constituents of CIE Automotive's supply chain.

For the time being the new questionnaire does not compute in the final score assigned to each of the registered suppliers; it is rather an initial assessment of their suitability and unquestionably helps the group assess the level of potential risk latent in its supplier base.



Based on the data gathered via the Suppliers Portal, the group has learned that around 78% of the existing and prospective suppliers that have completed the registration process have formulated and distributed a code of conduct; 25% have attached ISO 14001 certification for their environmental management; and 100% said that they either did not use conflict minerals or that when they are used in their productive processes they were able to guarantee they did not originate in conflict zones.

MANAGEMENT APPROACH TO THE SUPPLY CHAIN

The progress made on fine-tuning the supply chain is underpinned by the Purchasing Policy, which is designed to guide all procurement professionals with the ultimate aim of building a solid base of suppliers and partners, while enabling all group companies to purchase goods and services on the best possible terms.

That Policy has materialised in the Global Supply Chain Manual, accessible to any interested party and of value to suppliers, which details graphically and in plain language the Mission, Purchasing Policy, the various product and service purchasing categories, the purchasing flowchart and the associated internal procedures and requirements suppliers must meet in order to work with CIE Automotive.

The General Purchasing Terms and Conditions (in sections 15 “Supplier lawfulness”; 16 “Safety and environmental management”; 17 “Endorsement of rules”; and 18 “ESG criteria”) and the Global Supply Chain Manual attest to the

company's requirement that the supply chain constituents commit to complying with and enforcing applicable local ESG regulations. Moreover, section 15 of the Supplier ESG Commitment details what is required of suppliers environmental-wise in the course of doing business.

Both the Purchasing Policy and the Global Supply Chain Manual were reissued in 2020. In updating the Global Supply Chain Manual new sections were added, such as “Management in times of crisis”, outlining steps to and considerations for extraordinary circumstances such as those experienced during the COVID-19 pandemic.



PRODUCT PURCHASE FAMILIES

The approach to supply chain management is articulated around purchasing product families and the allocation of internal resources to their management, as well as to the measurement and control of the related KPIs.

➔ **PROCUREMENT**
product families

PRODUCTIVE PURCHASE			NON PRODUCTIVE PURCHASE		
RAW MATERIAL	COMPONENTS	SUBCONTRACTION	MRO	ENVIRONMENT	PROFESSIONAL SERVICES
STEEL	BAR-TURNING	TTT	PNEUMATIC	WASTE PROCESING	CONSULTING
ALUMINUM	STAMPING	SUPERFICIAL COVERING	HYDRAULIC	SANITARY	AUDIT
PLASTIC	FORGING	FOUNDRY	MECHANICAL	ENVIRONMENTAL CONSUMABLES	INDUSTRIAL DESIGN
ALLOY COMPONENTS	FOUNDRY	FORGING	ELECTRICAL		INSURANCE
RAW MATERIAL TOOLS	MOTOR COMPONENTS	STAMPING	ELECTRONICS	OTHER CONSUPTIONS	DATA PROCESING
	SINTERING	MACHINING	TECHNICAL SERVICE		COMMUNICATION
TOOLING	THERMOFORMING	INSPECTION & ASSEMBLY	FIRE EXTINCTION	CHEMICAL	CLEANING
CONTROL TOOLING	TISSUE	CUTTING	GENERAL MAINTENANCE	PACKAGING	MEDICAL SERVICE
MACHINING	INJECTION & OVERINJECTION	WELDING		CUTTING TOOLS	TRAVELLING
TTT & WELDING	GLASS		ENERGY	INDUSTRIAL SUPPLY	HUMAN RESOURCES
STAMPING TOOLING			WATER	WELDING	SECURITY SERVICES
MOLDES	LOGISTICS		ELECTRICITY	OFFICE CONSUMABLES	MARKETING
TUBE FORMING			GAS	PPES&CLOTHES	
SPARE PARTS	TRANSPORT		FUELS	INDUSTRIAL GAS	INVESTMENTS
REPAIRING & MODIFICATIONS	STORAGE			HARDWARE & SOFTWARE	MACHINERY
					EQUIPMENTS
					BUILDINGS
					OTHERS

INTERNAL MANAGEMENT AND ESG TRAINING

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

There are more than 250 highly engaged local procurement professionals worldwide,

30% of whom are female. That team of professionals, together with the group's corporate purchasing department, guarantees the correct implementation of the company's policies, procedures, values and objectives around the world, framed by a global policy.

The corporate purchasing team is in charge of transmitting the ESG targets set for the supply chain at the group level; measuring

progress and ensuring their delivery; and making sure they are embedded into everyday dealings with the company's suppliers.

As for the ESG dashboard created in 2020 and added to every factory's management plan, 18 of the 79 ESG indicators are centred on supply chain management.



18 of the 79 KPIs in the dedicated ESG dashboard are focused on supply chain management

SUPPLIER ENGAGEMENT

The company's purchasing professionals engage constantly with the group's suppliers using the various local and corporate communication channels in place; they also reach out to the supplier community via meetings, talks given at universities, participation in specialist forums, attendance at trade fairs and one-on-one contacts by phone or email.

The email contact address for suppliers, as displayed on the Suppliers Tab of the corporate website, is purchasing@cieautomotive.com; that inbox receives over 10,000 messages a year.



Annual ESG awards for suppliers

Once again in 2020, CIE Automotive sought to distinguish its top-performing suppliers on ESG criteria, without neglecting those that stood out on more classic measures such as quality, claims, incidents, etc.

To that end the company awarded prizes to the suppliers in its various markets who obtained the highest ESG scores in the Suppliers Portal. Specifically, the group awarded such prizes to two suppliers in Mexico, three in India and two in Europe.



Update of the Supply Chain video

Last year the company updated its corporate "Supply Chain" video, which it uses as an educational tool to graphically depict the main supply chain management procedures and to outline the shared goals the company aims to achieve together with its suppliers

[That video](#) specifically outlines CIE Automotive's objectives in the ESG arena, what it expects from its suppliers in that respect and how it can help them achieve the minimum required standards. A dedicated email inbox has been set up for handling supplier enquiries with respect to these matters: esg@cieautomotive.com.



We renewed our **ENVIRONMENTAL** commitments

CIE Automotive is set to contribute to combatting climate change by gradually decarbonising its processes and introducing circular economy criteria throughout its value chain. In 2020, it focused its efforts on collecting data from the factories to calculate their environmental footprint, a complex process that will enable it to understand and track all of the impacts associated with its activities and to therefore take the optimal decisions for reducing them. It also took its first steps in energy self-generation, installing photovoltaic solar facilities in Spain, Portugal and India.



Measure the entire company's environmental footprint.



→ **Collection** of data from the factories for calculating the environmental footprint.

→ **Installation** of self-generation capacity.

→ **Calculation** of the cost of emissions in relation to the value added.

*CIE Automotive
is committed to
preserving the
environment
for future
generations*



APPROACH TO THE ENVIRONMENT

As a forward-looking company, CIE Automotive is committed to preserving the environment for future generations, as is set down in its Mission, Vision and Values and its Health, Safety, Environmental and Quality (HSEQ) Policy.

The group is working to slow global warming and reduce its impacts on the environment, specifically including its greenhouse gas emissions, under the umbrella of an Environmental Plan, through which it is gradually introducing environmental criteria into the management of all of its processes. The corporate environment department is responsible for setting guidelines and coordinating related initiatives across all the factories.

At CIE Automotive, the industrialisation of any product entails an assessment of the environmental aspects of its production, from raw materials to waste disposal. Each factory analyses its consumption not only from the financial standpoint but also in environmental terms (per kWh, m3. etc.), using other measurement criteria designed to help ensure the necessary environmentally-friendly approach.

To gain a more faithful vision of its environmental impact, in 2020 the company continued to work on calculating its footprint.

CLIMATE CHANGE ACTION

CIE Automotive's value chain impacts the climate. The inevitable use and consumption of raw materials, water and energy in its business activities is managed by means of annual risk assessments at each of its locations, framed by the ISO 14001 standards and a continuous monitoring regime.

Aligned with the United Nations 2030 Agenda, CIE Automotive has set environmental targets to be met by each of its factories and in all of its operating regions; those targets are based on the Global Reporting Initiative (GRI) standards.

In defence of the position taken at the Paris Climate Conference to halt global warming, CIE Automotive joined Forética's Climate Change Cluster, a platform whose mandate is to transpose into the Spanish landscape the main global climate change trends and debates and become an authority on corporate environmental matters.

	GRI	Description	Annual target	2030 Agenda target
ENERGY	302-1	Energy consumption within the organisation Reduction in energy consumption (electricity) Reduction in energy consumption (gas)	2%	20%
	305-1	Direct (Scope 1) GHG emissions Reduction in GHG emissions	2%	-
	305-2	Energy indirect (Scope 2) GHG emissions Increased use of electricity generated from renewable sources	5%	100%
WASTE	301-2	Recycled input materials used	-	-
	306-2	Waste by type and disposal method Decrease in the total volume of waste generated Increase in the percentage of waste sent for recycling	5% 5%	- 90%
WATER	303-3	Water withdrawal by source Reduction in water consumption	2%	-
		Increased use of recycled water	2%	-

POLLUTION CONTROL

CIE Automotive's environmental management systems are based on the ISO 14001 standard and ensure pollution does not exceed the thresholds stipulated in prevailing regulations.

Under the slogan “measure to move forward”, CIE Automotive's global dashboard includes environmental cost as a function of revenue as a key performance indicator. That indicator includes the cost of emissions calculated in terms of emission allowances (EUA), even though it does not participate in the global emission trading scheme.

Noise pollution can be a relevant issue, depending on factory technologies and locations. However, CIE Automotive's factories are located in industrial areas at a sufficient distance from residential districts so as not to pose a problem.

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



BIODIVERSITY PROTECTION

Given that CIE Automotive carries out its business activities in industrial areas/estates, it believes that its impact on biodiversity is not significant and therefore not material for the purpose of the group's reporting effort. No information is therefore provided with respect to biodiversity in this report.

Under the slogan “measure to move forward”, CIE Automotive's global dashboard includes environmental cost as a function of revenue as a key performance indicator

ENVIRONMENTAL RISK MANAGEMENT

CIE Automotive tackles its environmental commitments by taking a preventive approach. The risk of industrial accidents is covered under the company's global civil liability policy. The company additionally began to cover gradual liability for the following factories in Spain in December 2019:

- CIE Alcasting, with aluminium technology.
- CIE Amaya, with two technologies: aluminium and machining
- The three Spanish factories with Integrated Pollution Prevention Control (IPPC) permits: CIE Galfor (forging), CIE Inyectametal and CIE Vilanova (the latter two with aluminium technology).

The claims limit on that gradual pollution insurance policy for those five factories is €3 million. The company is also working to minimise the adverse impacts the manufacturing and distribution of automotive parts and roof systems could have on the environment, as set down in its Mission, Vision and Values and in its Health, Safety, Environmental and Quality (HSEQ) Policy, and Risk Management and Control Policy.

Elsewhere, climate change is posing a growing risk to delivery of the company's strategic objectives. To that end, CIE Automotive has specifically factored climate change risk into its risk mapping process, addressing not only the risks deriving from the company's impact on the environment and climate change, but also the risks posed to the company by the environment and climate change, and the interrelationship between the two.

To reinforce the management of its environmental and safety risks, CIE Automotive has embarked on a joint project with the technical experts from Marsh (insurance broker) and HDI (the company's current underwriter). Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies, to then formulate plans for their elimination or at least mitigation.

In 2020, that project focused on the Spanish facilities, specifically evaluating the factories with IPPC permits, CIE Galfor and CIE Inyectametal, as well as CIE Egaña and CIE Legazpi, and on the Mexican operations, where assessments were conducted at the CIE PEMSA Celaya, CIE Forjas de Celaya, CIE Matic, CIE Mapremex, CIE Celaya Aluminio and CIE Celaya Metal factories.

The group has classified its climate change risks into the following categories:

- Transition risks: risks that arise in the course of transitioning to a low-carbon, climate-resilient economy, including political, legal, technological, market and reputational risks. Changes in local legislation, new international treaties (Paris Climate Agreement), limits on greenhouse gas emissions, emissions and carbon footprint regulations, etc. increase compliance risks for the organisation, including by extension, the risk of reputational damage and sanctions, which could be monetary or related with the revocation of permits.
- Physical risks: risks that affect the availability and supply of water and energy for production processes: raw material extraction, equipment cooling, cleaning processes, etc. Those risks can be categorised into:
 - a. Acute physical risks that arise from ad-hoc extreme events (storms, flooding, fires, heatwaves, etc.).
 - b. Chronic physical risks related to temperature change such as rising sea levels, reduced availability of water, loss of biodiversity and soil degradation.



INVESTMENTS

In 2020 the company adapted its production facilities to meet the environmental requirements of the countries in which they are located.

More specifically, it invested in minimising its environmental impact and environmental protection and restoration work, in addition to incurring expenditure on waste management and environmental consultancy, measurement and certification. The combined amounts of investments and expenses accrued in 2020 in relation to environmental protection work totalled €4.5 million (€6.9 million in 2019).

The company did not receive any significant fines for non-compliance with environmental laws or regulations in either 2020 or 2019. Significant fines are those of €30,000 or more.

PROGRESS ON CALCULATING OUR ENVIRONMENTAL FOOTPRINT

The manufacture of parts and subassemblies for the automotive industry on a global scale has an adverse impact on the environment. CIE Automotive believes it is essential to know its precise environmental footprint in order to evaluate the environmental aspects of its business activities, identify the opportunities for reducing its adverse impacts and take competitiveness-driven environmental decisions.

The company embarked on the process of calculating its environmental footprint in 2018 by defining the objectives and scope of the process; that scope spans the entire value chain, from generation of the raw materials to when its products leave the factory doors. Framed by those parameters, in 2019 the company came up with a prototype for calculating its environmental footprint which contemplates 17 impact variables, from destruction of the ozone layer to soil transformation.

In 2020, the company worked on the design and implementation of an IT tool within the corporate intranet that coordinates the collection of data related with its resource usage so as to enable direct calculation of its footprint.

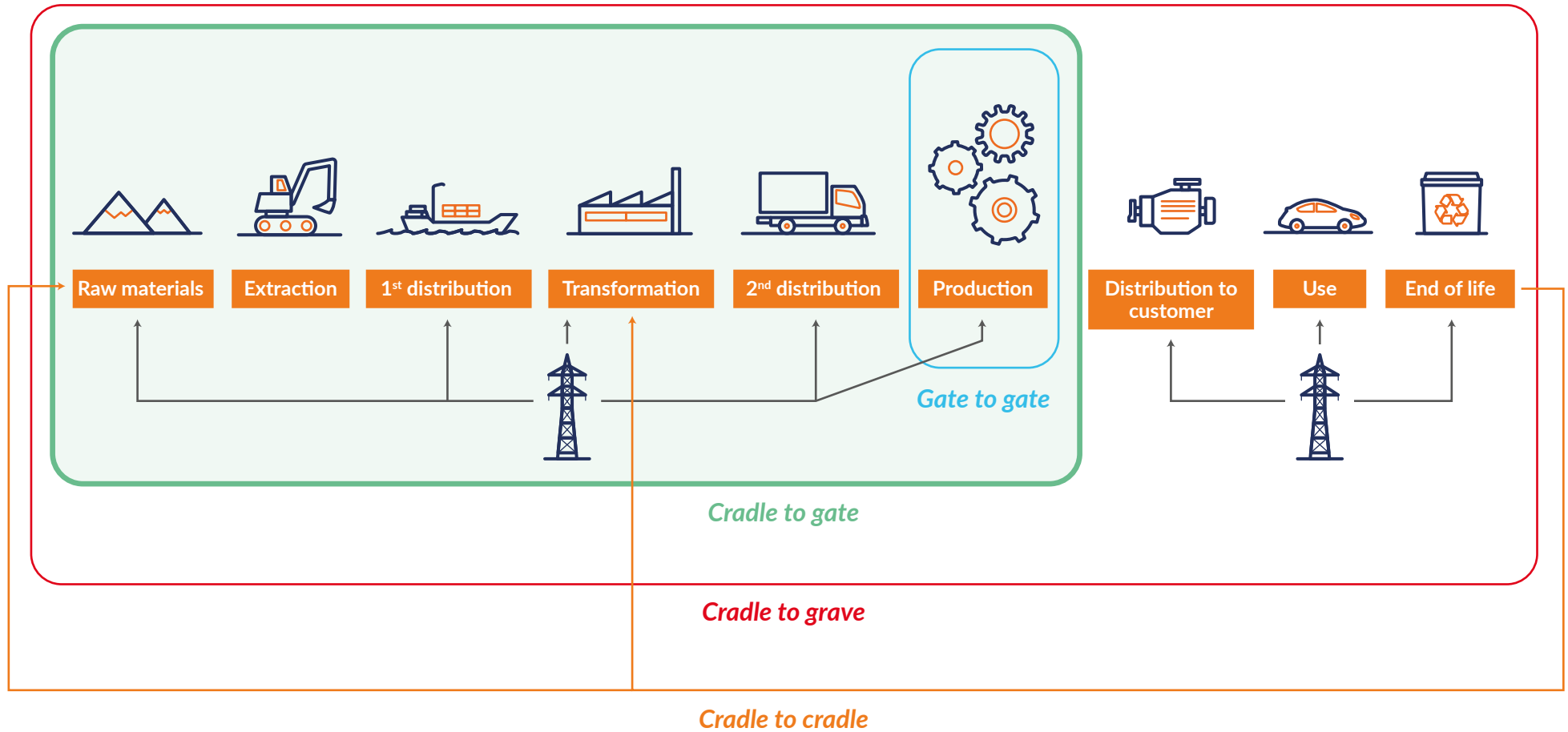
With the aim of improving the calculation, the information the factories were already reporting regularly was broken down further, particularly in the materials and waste management areas. Based on that information, the idea is to calculate the environmental footprint of the Spanish and European factories in 2021, adding the rest of CIE Automotive's manufacturing facilities in the medium term.

The company uses the ReCIPE life cycle impact assessment tool to calculate its environmental footprint, to which end it is receiving assistance from the Basque regional government's environmental management company, IHOBE.



The company designed and implemented an IT tool within the corporate intranet for calculating its environmental footprint

➔ *Scope of CIE Automotive's ENVIRONMENTAL FOOTPRINT*



The 17 impacts ANALYSED

- Climate change (human health)
- Depletion of the ozone layer
- Toxicity for humans
- Formation of photochemical smog
- Formation of fine particles
- Ionising radiation
- Climate change (ecosystems)
- Soil acidification
- Seawater eutrophication
- Soil ecotoxicity
- Freshwater ecotoxicity
- Marine ecotoxicity
- Rural land occupation
- Urban land occupation
- Natural soil transformation
- Use of natural resources
- Use of solid fuels

TOWARDS A CIRCULAR ECONOMY

CIE Automotive is embracing circular economy criteria, striving to reduce raw material, water and energy consumption and waste year after year. To that end, it is taking action at every stage of its value chain, introducing energy efficiency measures throughout its processes and facilities that not only help minimise its environmental impact but also reduce energy costs.

→ CIE AUTOMOTIVE and the circular economy

Suppliers:

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

Sales:

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

Internal process

- Reuse of waste generated:
 - Aluminium casting.
 - Steel casting.
 - Plastic injection moulding.
- Specialist waste handlers.

Eco-design

- Remanufacture of parts and systems, integrating recycled materials into parts and ensuring their subsequent recyclability.

In 2020, CIE Automotive reinforced its strategic commitment to renewable energies with the installation of photovoltaic panels at some of its factories

ENERGY EFFICIENCY AND EMISSIONS

Energy efficiency is a top priority for CIE due to its impact on its environmental footprint and because it represents a source of competitiveness. CIE Automotive has managed to cut its relative greenhouse gas emissions by 10% during the last three years to 415,276.10 metric tonnes of CO₂ per €1,000 of revenue.

In 2020, the company reinforced its strategic commitment to renewable energies. As well as purchasing clean energy to power its facilities, it installed photovoltaic panels at some of its factories. It forwent emissions equivalent to 121.386,24 metric tonnes of CO₂ thanks to the purchase of power generated from renewable sources.

Energy consumption and savings

Gigajoules	2018	2019	2020
Direct energy consumption	1,608,941.20	1,662,755.19	1,521,671.97
Indirect energy consumption	3,924,977.41	3,955,226.55	3,340,296.56
Indirect energy consumption	2,216,060.35	2,093,457.91	1,774,612.12
Indirect energy consumption from renewable sources	1,708,917.05	1,861,768.64	1,565,684.45
TOTAL	5,533,918.61	5,617,981.74	4,861,968.53

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



The emissions factors corresponding to the company's energy consumption were obtained on the basis of version 3.4 of the Ecoinvent life cycle inventory database, using the ReCiPe life cycle impact assessment method. The fuel factors used take into consideration the type of technology used to generate the fuel. In accordance with Directive 2003/87/EC of the European Parliament and of the Council, biomass is deemed a source of energy with an emission factor of zero.

Lastly, the emission factors associated with electricity consumption were determined on the basis of each country's generation mix.

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

Emissions

CO ₂ TM	2018	2019	2020
Direct emissions	93,702.22	96,093.59	90,859.13
Indirect emissions	365,175.97	354,869.08	324,416.97
TOTAL	458,878.19	450,962.67	415,276.10

For further information on emissions by region, refer to the detailed table provided in Section 6.4 "Data tables and glossary"

Emissions foregone as a result of the purchase of energy generated from renewable sources

CO ₂ TM	2018	2019	2020
Indirect emissions foregone	137,773.27	146,052.76	121,386.24

SELF-GENERATION at CIE Automotive factories

2020 was the year CIE Automotive embarked on the process of generating its own clean energy by installing photovoltaic solar panels at a number of its factories in Europe and India. The self-generation effort seeks two objectives: reducing emissions and lowering its energy bill.

The Portuguese factories, CIE Plasfil and CIE Stratis de Figueira da Foz, devoted to plastic part injection moulding and painting, built their own photovoltaic solar facility during the first half of the year with the aim of covering 19% of their energy needs and cutting CO₂ emissions by 845 tonnes of CO₂ per annum. In Orense, Spain, CIE Galfor covered its car park with photovoltaic panels.

In India, work has begun on the construction of photovoltaic facilities. The Indian stamping factories have been the first to launch this initiative. Thanks to these self-generation projects and the detailed information they have generated, CIE Automotive is analysing the options for expanding this line of initiative to other facilities in the future.



CONSUMPTION OF WATER AND MATERIALS

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

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

<i>m³/ year</i>	2018	2019	2020
Surface water	306,015.00	328,251.00	282,218.00
Surface water	212,896.00	355,167.00	338,394.00
Rainwater	28,199.00	31,808.00	30,286.00
Municipal networks	1,045,627.85	934,006.32	799,990.78
TOTAL	1,592,737.85	1,649,232.32	1,450,888.78

For further information on consumption by region, refer to the detailed table provided in Section 6.4 "Data tables".

→ Materials consumption

<i>kilograms</i>	2018	2019	2020
Raw materials used	1,472,819,976.00	1,510,283,589.00	1,270,687,234.00
Raw materials recovered	460,625,898.00	411,191,542.00	300,992,757.00
Raw materials recovered	31%	27%	24%

For further information on consumption by region, refer to the detailed table provided in Section 6.4 "Data tables".

WASTE MANAGEMENT

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes. The waste generated that cannot be recycled is collected by expert handlers who prioritise recycling over the landfill disposal method. In 2020, 13% of all waste generated was sent to landfill, while the remaining 87% was reused.

→ Aluminium

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

→ Plastics

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

→ Steel

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

→ Waste management

TM	2018	2019	2020
Hazardous waste disposed of	26,906.63	25,239.28	16,329.20
Non-hazardous waste disposed of	348,470.43	339,855.78	266,038.02
TOTAL	375,377.06	365,095.06	282,367.22

For further information on waste generation by region, refer to the detailed table provided in Section 6.4 "Data tables".

CIE Automotive understands that its responsibility for the waste it generates does not end when that waste is removed from its facilities. To that end, in addition to its waste minimisation plans, the company is planning to devise a new waste classification system sorted by **method of elimination**, thereby seeking to reduce its environmental impact.

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



We reaffirmed our **COMMUNITY** commitments

As part of the automotive parts ecosystem, CIE Automotive participates in a number of Spanish and international platforms that in 2020 upheld the sector's interests in the face of the situation induced by the pandemic, while continuing to reach out to the various institutions to help shape the mobility of tomorrow. Beyond the repercussions for society of the work done through those sector platforms, the company remained involved in a number of community projects and continued to generate benefits for its community stakeholders.



To help shape the mobility of the future through participation in business associations and contribute to development in the communities where it does business by creating wealth, paying taxes and doing community work.



- **Defending** the sector's interests in the face of the pandemic.
- **Continuing** its community work effort in terms of the number of projects, employee participation and the number of beneficiaries.
- **Forging** ahead with its alliance with Save the Children.

SHAPING THE MOBILITY OF TOMORROW


CIE Automotive is a significant player in the automotive parts sector and as such it champions fair and responsible regulation of its activities so as to benefit the sector, its stakeholders and society.

To that end, it participates actively in the Spanish association of auto suppliers, SERNAUTO, which, together with the rest of the automotive sector in Spain, called on the government to draw up an emergency plan for tackling the difficulties derived from the coronavirus pandemic.

Through its membership of SERNAUTO, CIE Automotive advocates for a constructive, proactive and negotiated model for the automotive industry in which the targets for the decarbonisation and digitalisation

of the stock of vehicles in Europe are attained while preserving the sector's manufacturing capabilities, skilled jobs and market size, underpinned by an inclusive transition designed to pave the way for the transformation of the current productive fabric with as few adverse effects as possible.

The company's membership of a range of associations also helps it to remain abreast of sector developments, market trends and other circumstances that could affect its business. In 2020, that close communication with other sector players gave it a broader vision of the repercussions of the pandemic and geopolitical developments with an impact on its activities.



CIE Automotive advocates for an automotive industry model that marries decarbonisation and digitalisation of the stock of vehicles on the road with preservation of the sector's manufacturing capabilities, skilled jobs and market weight

ASSOCIATIONS to which CIE Automotive belongs

- **SERNAUTO** – The Spanish association of automotive equipment and components manufacturers. Member of the Management Board.
- **APD** – Association for management progress.
- **CLEPA** (*European Association of Automotive Suppliers*) – The European Association of Automotive Suppliers. Member of the R&D Committee.
- **EGVIA** (*European Green Vehicles Initiative Association*) – the European Green Vehicles Initiative Association.
- **M2F** (*Move to Future*) – A Spanish automotive and mobility technology platform. Membership of the Governing Board.
- **TECNALIA** – A private applied research centre Member of the Management Board.
- **CTAG** – The Galician automotive cluster.
- **ACICAE** – A private applied research centre Member of the Management Board.
- **AIC** – Automotive Intelligence Center. Vice-Chair of the Management Board.
- **TASKFORCE PILOT TESTING ADVANCED MANUFACTURING IN THE BASQUE REGION** – Member of the Executive Committee.
- **ACMA** – the Automotive Component Manufacturers Association of India.
- **BACC** – *the Baltic Automotive Components Cluster*.
- **FVEM** – the Vizcaya confederation of metal companies.
- **BASQUE ECODESIGN CENTER** – Founder.



RELATIONS WITH THE LOCAL AUTHORITIES

All engagement between CIE Automotive and the various authorities as a result of its industrial activity are framed by strict observance of prevailing legislation and the utmost transparency, in keeping with the principles laid down in its Code of Professional Conduct.

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

The company did not receive any significant fines for non-compliance laws or regulations in the social or economic arenas in either 2020 or 2019. Significant fines are those of €30,000 or more.

VALUE DISTRIBUTED TO SOCIETY

CIE Automotive's business activities generate value for its stakeholders and society as a whole. In 2020, of the €2,883 million generated, the company distributed €2,372 million to society between employee benefits, payments to suppliers, dividends for shareholders and taxes.

Value generated and distributed

€ M	2018	2019	2020
REVENUE	3,029.5	3,461.1	2,882.5
ECONOMIC VALUE DISTRIBUTED			
To shareholders (dividends)*	72.1	80.0	93.9
To shareholders (special dividend)**	404.7	-	-
To employees (employee benefits expense)	557.8	623.2	561.2
To suppliers (consumption of raw materials and auxiliary materials)	1,836.7	2,047.8	1,673.4
To society (income tax paid)	66.9	58.8	43.3

(*) Dividend paid during the year.

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



TAX PAID

CIE Automotive complies with its tax and social security obligations under prevailing law in each country, as stipulated in its Code of Professional Conduct. That Code expressly outlaws the evasion of taxes, the improper generation of tax benefits and applications for subsidies, tax exemptions or government funds on a fraudulent basis.

The table below outlines the profits generated country by country and the income tax paid.



Profits earned country by country and income tax paid*

Tax jurisdiction	2019		2020	
	Profit/(loss) before income tax	Income tax paid (cash criterion)	Profit/(loss) before income tax	Income tax paid (cash criterion)
Basque Foral Territory	169.5	0.2	158	0.0
Mexico	135.5	22.1	120.7	23.7
China	48.7	5.7	63.5	9.9
India	42.4	7.6	21.0	1.0
Common Spanish Territory	36.6	8.0	21.0	2.5
US	20.4	0.3	12.0	-0.5
Slovakia	3.4	0.3	10.4	0.1
Romania	6.1	0.1	8.6	0.6
France	5.2	1.8	5.4	0.8
Lithuania	7.7	0.1	3.5	0.5
Czech Republic	5.5	1.1	3.4	0.6
Navarre Foral Territory	3.3	0.0	2.9	0.5
Russia	6.8	0.0	1.5	0.1
Portugal	2.5	0.5	1.4	0.3
Italy	6.5	0.8	1.2	0.2
Brazil	48.1	9.7	1.2	1.1
Morocco	1.0	0.0	0.4	0.0
Netherlands	-0.5	0.0	0.2	0.0
UK	0.0	0.0	0.0	0.0
Barbados	0.0	0.0	0.0	0.0
Guatemala	-0.1	0.0	-0.1	0.0
Germany	-8.4	0.5	-15.1	1.9
TOTAL (€ M)	540.3	58.8	421.1	43.3

Figures under IFRS, before consolidation adjustments.

* Note that the information included in the table is presented in Form No. 231, the Information Statement submitted to the regional authorities of Vizcaya. In turn, that form is aligned with Council Directive (EU) 2016/881 of 25 May 2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, which regulates the country-by-country reports that 'multinational enterprise groups' are required to present annually and for each tax jurisdiction in which they do business. Those reports can be used for the purposes of assessing high-level transfer-pricing risks; their main purpose is to provide the information needed to analyse related-party transaction risks, thus facilitating the work of the tax authorities, which may also use them to assess other risks related to base erosion and profit shifting.

In transposing that Directive, the obligation to present a country-by-country report was regulated in sections 10 and 11 of article 43 of Navarra Provincial Law 11/2013 on corporate income tax and article 21 bis of Basque Provincial Law 203/2013, enacting the corporate income tax regulation.

FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENTS

In 2020, CIE Automotive received €3.4 million of government grants, €2 million more than in 2019. Of the total received, it obtained €2.7 million in Spain; €0.2 million in each of Russia, Germany and Portugal and €0.1 million in China.

COMMUNITY WORK

In keeping with its Community Work Policy, which regulates its efforts in this area, CIE Automotive's community work must be aimed at addressing the difficulties and needs of its communities by providing solutions articulated around three lines of action:

- **Donations:** ad-hoc financial support for non-governmental organisations and similar organisations for the pursuit of their social activities.
- **Sponsorships:** whether carried out at the corporate or individual local company level, these initiatives are framed by the principles laid down in the Community Work Policy.
- **Community investment:** long-term investments aimed at giving back to the communities where the company does business.

In 2020, the company donated up to €940 thousand to community work programmes (€90 thousand directly linked to non-profit organisations) which involved over 1,500 employees and more than 12,000 equivalent work hours. The group's financial donations were near to €600 thousand in 2019.

Many of the community projects in which CIE Automotive participates are brought to the company's attention by its employees on the ground; the fact that most of its factories are managed by local managers makes it easier to respond to community needs and take decisions quickly in the case of social emergencies. The company collaborates with various organisations on local projects, in keeping with the United Nations Sustainable Development Goals. In addition to the strategic collaboration with Save the Children Mexico, since April 2019 it has been working on a specific project called "Caminando hacia el futuro", which means Walking towards the future, which consists of training youths aged between 15 and 21 with the aim of increasing their chances of finding decent work and breaking intergenerational poverty cycles.

COMMUNITY WORK: KEY PERFORMANCE INDICATORS FOR 2020





In 2020, the company donated up to €940 thousand to community work programmes

→ Community work BY REGION

	EUROPE	NORTH AMERICA	BRAZIL	ASIA
TOTAL €	402,356	17,351	32,699	488,847
Nº. of employees volunteering	432	126	4	940
Nº. of work hours devoted to community work	173	132	2,640	9,237

In 2020, CIE Automotive focused its efforts on helping to tackle the pandemic, channelling its donations to initiatives working to provide a rapid response to the health and social emergency in all its business markets. The following key initiatives stand out:

- In Spain, CIE Automotive lent support to a number of non-profit associations, including Doctors without Borders, thus helping to support the platforms coordinating the response to the epidemic and contributing to the creation of external hospitals set up to alleviate hospitals and health centres. In addition, CIE Automotive was one of the firms that sponsored EiTb Maratoia's research into COVID.
- In parallel, CIE Automotive remained true to its commitment to supporting and helping the Food Banks which this year faced greater needs at the same time as fewer volunteers due to the COVID-19 social distancing measures. As a result, the company decided to give all the money normally set aside for the corporate Christmas dinner, cancelled this year due to the pandemic, to the Food Bank.
- CIE also gave to charity campaigns in hospitals in Romania and Morocco, supporting the people hit the hardest by the pandemic.



→ In Mexico, CIE Automotive joined forces with Doctors of the World to improve access to healthcare, protection and safety messaging for migrants and refugees in response to the COVID-19 pandemic. Among other initiatives, primary health care was provided at hostels in Tapachula that take in migrants and asylum seekers, who were offered cultural mediation assistance in addition to medical care. Follow-up care was provided, referring cases to specialists as required, prioritising children under the age of five, pregnant women, patients with chronic illnesses and anyone else especially vulnerable to COVID-19. Thanks to that collaboration, technical assistance was also provided to third-sector organisations and institutions via online training sessions on COVID-19, how to prevent it and what to do in the event of infection. Lastly, the initiative encompassed awareness campaigns with information about how to prevent transmission and how to get healthcare in event of presenting COVID-19 symptoms.

→ The MCIE and Bill Forge factories are known for encouraging their employees to participate in voluntary community work, with a priority focus on the areas of education, environmental protection, personal and road safety and health. That is evident in the voluntary participation of nearly 1,000 employees who devoted over 9,000 hours of their personal time to a range of initiatives. Here it is worth highlighting the help provided by employees in India in distributing face masks, hand gels, food and healthcare materials to the neediest and those living in rural areas, particularly during the period of lockdown.

THE KEYS TO OUR RESILIENCE

In a context of extreme uncertainty and complexity, our business model, articulated around diversification, a lean organisational structure and strict financial discipline, allowed us to successfully implement the action plan designed to mitigate the impact of COVID-19 and continue move towards realisation of our full potential by leveraging innovation and service excellence.



A resilient **BUSINESS MODEL**

Ever since its origins in 1996, CIE Automotive's progression as a supplier of parts and subassemblies to the automotive industry has been buoyed by periods of economic prosperity and impeded by episodes of crisis, such as that prevailing, which the group has navigated and surmounted thanks to the hallmark traits of its business model: multiple locations, customer diversification, a multi-technology approach, disciplined investing and decentralised management. That model has been enriched in recent years by embedding stringent ESG criteria, which have emerged as the sixth cornerstone of its business model.

CORNERSTONES of the business model



Geographical balance

110 manufacturing facilities in 105 different locations across 16 countries

10 research centres



Customer diversification

70% OEMs

30% TIER-1 suppliers



Multi-technology approach

7 technologies

- Machining
- Metal stamping and tube forming
- Forging
- Plastics
- Aluminium injection moulding
- Casting
- Roof systems



Disciplined investing

Flexible standard machinery

High returns on investments

High EBITDA-to-cash conversion ratio



Decentralised management

4 autonomous geographic regions

1 corporate network to support the regions



Integration of ESG standards

Commitment to ethics

CIE culture: developing and retaining existing talent in a balanced and sustainable manner

Eco-efficiency: rationalised consumption and reuse of materials:

Active listening: stakeholder engagement

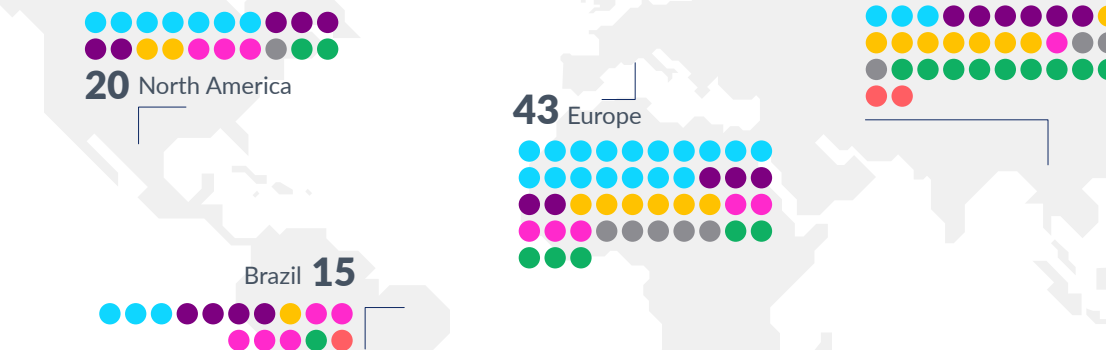
GEOGRAPHICAL BALANCE

CIE Automotive sites its manufacturing facilities close to the OEMs' assembly factories. At year-end 2020, it had 110 manufacturing facilities and 10 research centres in 16 countries in Europe, North America, Brazil and Asia, as well as offices in another three countries.

That healthy geographical balance enables it to offset adverse circumstances in certain regions with stronger momentum in others and presents a critical competitive advantage when it comes to servicing the global automotive platforms.

The company has expanded its footprint via and mix of mergers and acquisitions, alliances with other companies and greenfield factories in new markets. In 2020, despite the pandemic, the group managed to reinforce its global footprint with the acquisition of Italy's Somaschini, the inauguration of new facilities by CIE Plásticos in Mexico and by AEL in Aurangabad (India) and an increased shareholding in MCIE, the venture resulting from the strategic alliance with India's Mahindra&Mahindra.

CIE Automotive factories around the world



	TOTAL	Machining ²	Stamping ³	Forging ⁴	Plastics ⁵	Aluminium ⁶	Roof systems	Casting
Europe ¹	43	17	5	6	5	5	5	
North America	20	7	5	2	3	1	2	
Brazil	15	3	4	1	5	1		1
Asia (India and China)	32	3	6	8	1	3	9	2
TOTAL	110	30	20	17	14	10	16	3

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

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

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

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

(5) Includes one multi-technology factory (CIE Autometal Diadema), as well as certain facilities in India and one in the US that use composites technology.

(6) Includes two multi-technology factories (CIE Autocom and CIE Celaya).

Europe

CIE Automotive has 43 manufacturing facilities between Western and Eastern Europe. The European market encompasses the MCIE group's factories, which are heavily focused on the commercial vehicle segment, and CIE Automotive's legacy factories, focused on passenger vehicles.

North America

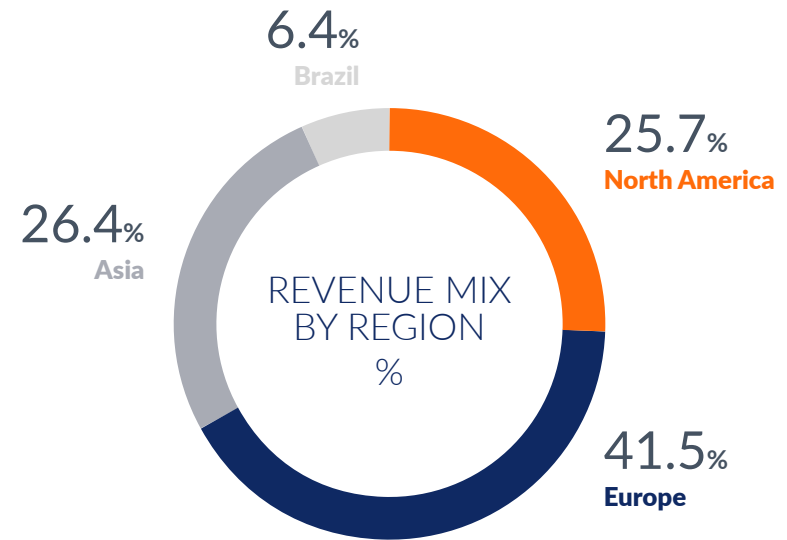
CIE Automotive has a manufacturing presence in 13 locations in Mexico and seven in the US. The company, which made its initial foray into the Mexican market 19 years ago, has been building a presence in the US market over the last nine years via a series of acquisitions.

Brazil

With 15 manufacturing facilities, Brazil remains one of CIE Automotive's core markets. The company has forged a meaningful position in this market in the wake of the OEM concentration observed in recent years.

Asia

CIE Automotive has 20 factories in India and 12 in China. The group's solid position in India stems from its alliance with the local group Mahindra&Mahindra Ltd., coupled with the acquisitions of the Bill Forge group (2016) and Aurangabad (2019). Its exposure to the Chinese market has been boosted in recent years by the integration of CIE Golde.



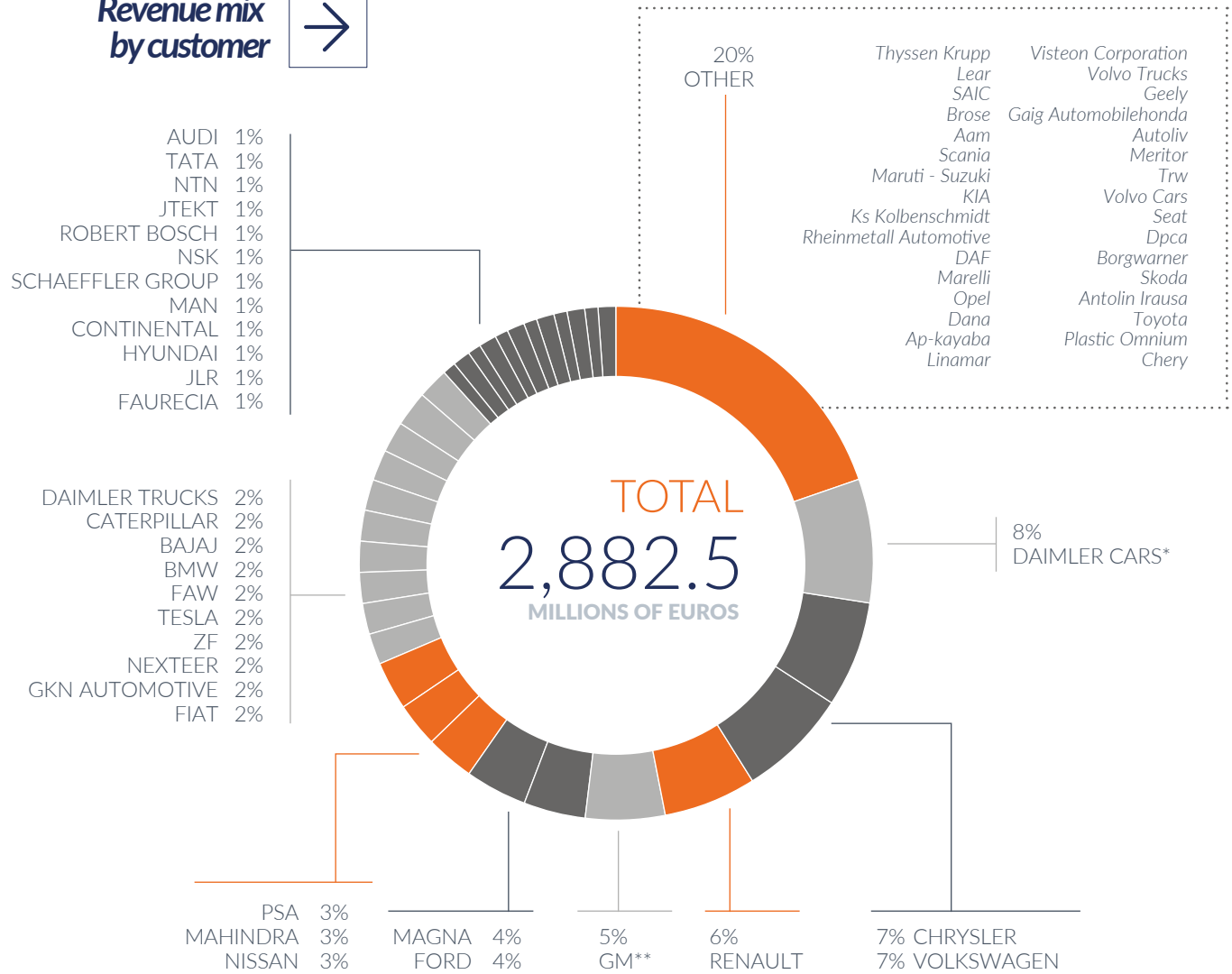
The company has expanded its footprint via and mix of mergers and acquisitions, alliances with other companies and greenfield factories in new markets

CUSTOMER DIVERSIFICATION

CIE Automotive's customer base comprises major multinational original equipment makers (OEMs) (70%) and Tier-1 parts suppliers (30%). No single customer accounted for more than 8% of total revenue.

As with its geographical expansion, the company's customer diversification enables it to even out revenue in the event of customer losses, while putting it in a strong position to negotiate prices so as to defend margins during episodes of heightened market pressure.

Revenue mix by customer →



* Includes 5% sales to BBAC (BAIC-DAIMLER JV). | ** Includes 2% sales to SGM (SAIC-GM JV).

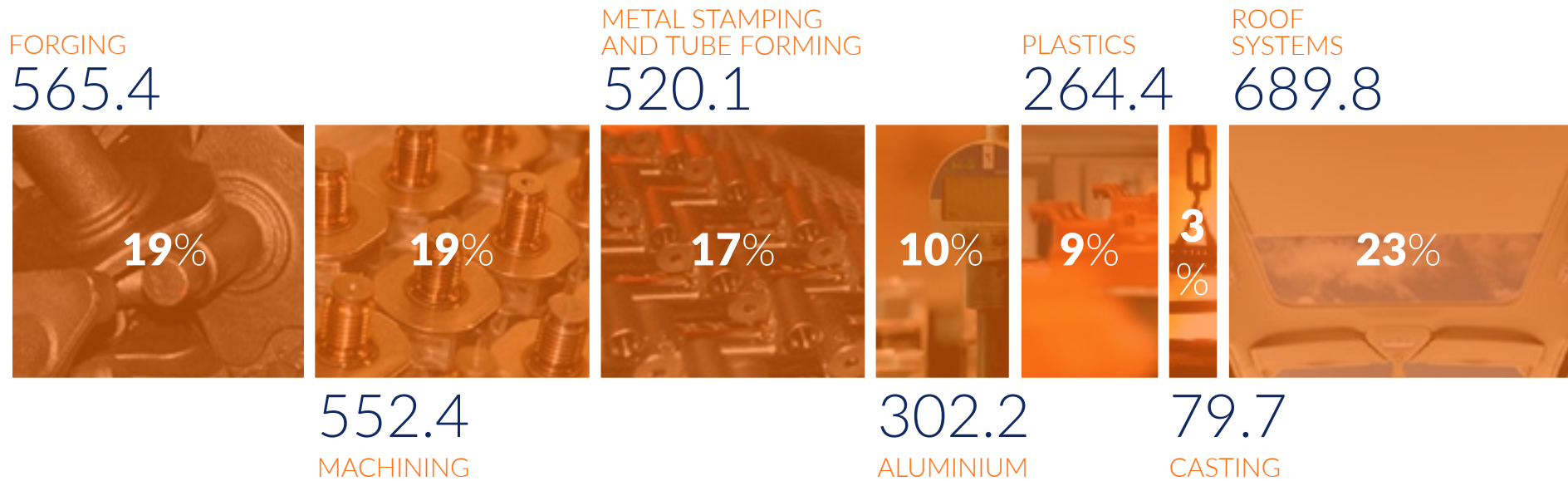
MULTI-TECHNOLOGY APPROACH

CIE Automotive carries over 7,000 vehicle parts and subassemblies, using seven different core processes or technologies: forging, metal stamping and tube forming, machining, roof systems, plastics, aluminium and casting.

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

→ **REVENUE BY TECHNOLOGY**
MILLIONS OF EUROS

TOTAL 2,974.0 Includes €91.5m of intercompany sales
MILLIONS OF EUROS



FINANCIAL DISCIPLINE

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

Historically, the company has focused its investment effort on increasing its productive capacity and rendering its facilities more efficient, articulating that strategy around three cornerstones: flexible machinery; stringent return-on-investment hurdles and high EBITDA-to-operating cash conversion ratios.

In 2020, in order to mitigate the impact of the pandemic, investments were pared back to the bare minimum needed to ensure customer supply, employee safety and preventative factory maintenance.

PILLARS OF DISCIPLINED INVESTING STRATEGY



Flexible, standard equipment

- Enables high capacity utilisation.
- Recurring capex of ~4% of revenue, which is sufficient to enable facility maintenance and organic growth.



Strict investment discipline High return hurdles

- Capex 20% ROI.
- Net working capital ≈ 0.*



EBITDA-to-operating cash conversion ratio

- EBITDA-to-operating cash conversion ratio
- Target ratio of > 55%.

(*) Excludes non-recourse factoring.

DECENTRALISED MANAGEMENT



In order to speed up decision-making and deliver on its corporate targets, CIE Automotive has built a decentralised management model in which each region and each division takes the most suitable decisions in light of their circumstances, with the support of the Corporate Areas and Network Services vested with a group-wide remit: Europe, North America, Brazil and Asia.

Thanks to that lean structure and replication of that tried-and-tested strategy to tackle the pandemic, all of the regions joined the effort to contain fixed costs in order to maximise liquidity and recover pre-COVID profitability levels over the course of the year.

INTEGRATION OF ESG STANDARDS

In recent years, CIE Automotive has integrated benchmark Environmental, Social and Governance (ESG) criteria into its business model and financing agreements.

On the environmental front, it individually monitors each factory's environmental footprint. The company is also moving towards a circular economy by rationalising the use of resources and reusing materials when manufacturing its parts and subassemblies.

In terms of society, it engages with the stakeholders who make its business activities possible in order to satisfy their legitimate expectations to the extent possible. In parallel it does extensive community work, an area in which its strategic alliance with Save The Children stands out.

In the governance arena, in addition to a strong commitment to upholding stringent principles of ethics and keeping its internal rules and regulations aligned with legal requirements, it carries out dedicated training initiatives and constantly realigns its risk management effort, on which it reports transparently.

Framed by its membership of the Spanish automotive business

association, SERNAUTO, it is worth highlighting the company's active involvement, along with more than 15 sector players, on the Responsible Business Committee created by the latter. That committee is chaired by Miguel López-Quesada, Director of Communication, Marketing and Institutional Relations at Gestamp. Its main objectives are to:

- Raise the profile of the sector's current contribution to the 2030 Agenda and foster new initiatives to increase its impact on delivery of the Sustainable Development Goals (SDGs)
- Foster the implementation and/or improvement of the sustainability strategies of the firms on the committee.
- Create a forum for exchanging experiences and synergies; and
- Provide tools for carrying out initiatives and reporting on them.

The work performed in 2020 notably included the publication of the White Book - Contribution of the automotive parts industry to sustainable development - 2030 Agenda drivers, which sets down the best practices followed by the committee members.



Our **COMMITMENT** to excellence and sustainability

Despite the unprecedented challenges faced in 2020, CIE Automotive extended its steadfast commitment to the excellence and sustainability pledged in its Mission, Vision and Values.

MISSION

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

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



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

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

VISION

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

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

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

→ **We aim to be:**

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



VALUES



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

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

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

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

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

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

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

- Promoting honest relations.
- Respecting their rights.

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

- Upholding Spanish and international law.

Our profitability-oriented **STRATEGY**

The automotive sector was one of the hardest hit by the profound economic crisis triggered by the COVID-19 pandemic, with vehicle production plummeting 16.2% in 2020.

MARKET ENVIRONMENT AND TRENDS

The global economy suffered the biggest recession since World War II in 2020, contracting 5.2% on the back of the widespread fallout from the coronavirus pandemic and the lockdowns imposed to contain it. According to the World Bank's estimates, the advanced economies saw drastic contractions (7%), while the universe of emerging and developing economies sustained a recession for the first time in 60 years (2.5%).

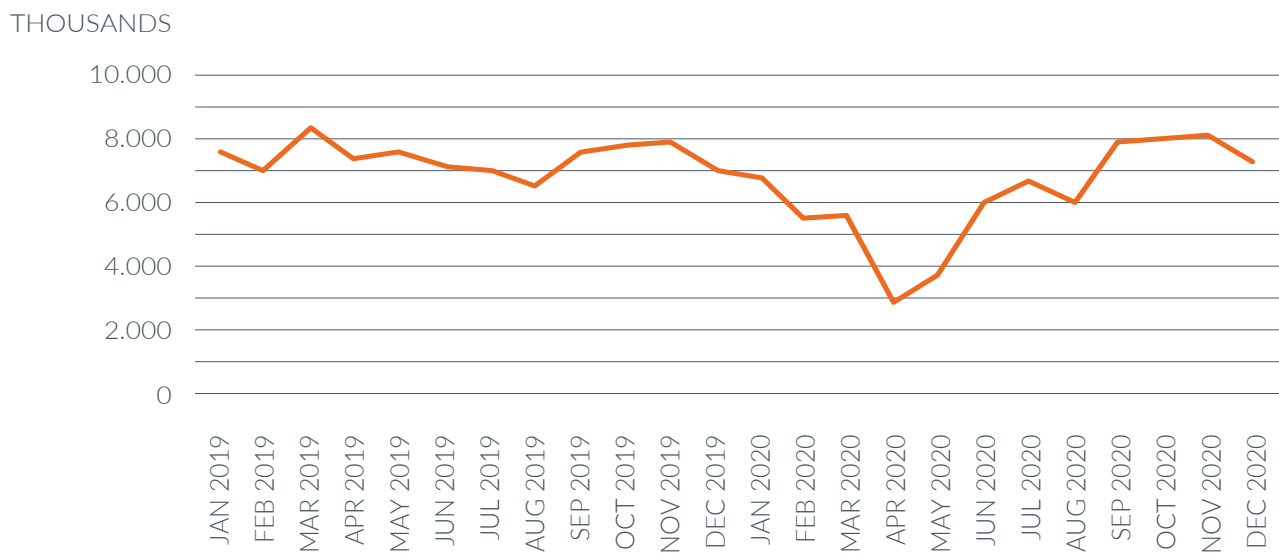
Against that unprecedented backdrop, the automotive industry, which was already suffering the consequences of a global economic slowdown, geopolitical uncertainties and technical requirements

to adapt to new emission regulations, was one of the hardest hit by the health crisis. In 2020, vehicle production plummeted 16.2% to 74.5 million, while sales, measured by new registrations, fell by 14.4% to 76.8 million.

During the initial months of confinement and restrictions following the spread of the coronavirus originating in China, the OEMs were particularly affected by their dependence on global supply chains, the difficulties in keeping their employees safe and, lastly, the shutdown of non-essential activities by the various governments. Once the restrictions were eased and the supply chain had stabilised, production began to recover.

The trend in consumer demand and the general and sector-specific incentives rolled out by the authorities were key to shaping the industry's performance in each region.

→ Trend in vehicle production



Source: IHS

In the universe of countries in which CIE Automotive operates, the automotive sector contracted by more than the global market, as evidenced by declines in production and sales of 20.7% and 18.4%, respectively. Below is an account of the sector's performance by region.

EVOLUCIÓN DEL SECTOR POR REGIONES



Europe

In Europe, the coronavirus pandemic only exacerbated the plight of the automotive sector, already struggling from mature economy fatigue, the fear of tariffs in the event of a no-deal Brexit and the cost of adapting to the new emissions standards.

The COVID-19 outbreak forced the OEMs to close their doors between March and May, after which they restarted activity at levels significantly below those of last year. Production began to recover during the second half, helped by the incentives provided in several European countries (including Germany, France, Italy and Spain) for car purchases.

Despite those programmes, which were less resounding than in other regions, vehicle production decreased by 22% in 2020 to 16.2 million units, while new registrations

declined by 20% to 16.3 million units.

That situation had very adverse effects for the automotive suppliers. According to CLEPA data, nearly all of the sector players saw their revenue decline by 20% or more last year, with more than half of them posting a loss.

It was not all bad news, however. After a year of uncertainty, the European Union and the UK sealed a deal on Brexit which is expected to have a limited impact on the automotive industry. Nevertheless, CIE Automotive's exposure to the UK market is very limited as it has not had a manufacturing presence in the country since 2018.



North America

Production in Mexico and North America totalled 13.0 million units, a decline of 20% compared to 2019, while new registrations amounted to 17.1 million, down 16%.

The North American assembly plants recovered faster than their European counterparts as a result of a combination of factors: firstly, the stimulus plan deployed by the US government to reactivate the economy; secondly, the fact that inventory levels were somewhat lower than in other regions; thirdly, the deals offered by the OEMs directly to end customers; and lastly, the grace period awarded for compliance with the USMCA Treaty (which replaces NAFTA), so that even though it took effect in July 2020, fines won't be imposed before 1 July 2021.



Brazil

Production in Brazil fell sharply (-32%, to 1.9 million vehicles), as did sales (-27%, to 2.0 million units).

The recovery has been slower at the Brazilian factories than in other regions following a 10-week-long closure, due to the difficulty in reining in the pandemic, a sharp rise in unemployment which weighed on internal demand and exporting dependence Argentina.



India

India, where CIE Automotive commands a meaningful presence through MCIE, closed its factories for six weeks from the end of March until early May.

The COVID-19 pandemic was the last straw for the automotive industry, which in previous months had already been seriously affected by a number of factors: the higher cost of car ownership; the delicate health of certain financial institutions; a deterioration in business sentiment; and reluctance to invest in vehicles with internal combustion engines for fear of emissions standards.

Nevertheless, pent-up demand, the replenishment of inventories ahead of the year-end season of festivities, increased use of private vehicles relative to public transport due to the pandemic and a good monsoon season, which boosted rural demand (which represents 40% of the total) meant that production in India ended the year at 3.2 million units (-23%) and 2.8 million registrations (-22%).



China

The world's largest producer topped all expectations in 2020, when it produced 23.6 million vehicles, a decline of 4% from 2019, and sold 24.1 units, down 5%. China has recovered very fast, reaching pre-Covid production levels by the middle of the year, fuelled by growing domestic demand, special offers direct from the OEMs and, above all, superior control over the pandemic all year long.

OUTLOOK

It is still too early to venture when the automotive sector might revisit pre-pandemic production and sales volumes. Some experts believe the sector will not repeat 2019 volumes before 2022-2023, and peak 2017 volumes before 2025. Either way, the future will depend on certain health-related drivers, and others related with the economy such as the trend in unemployment and consumer confidence, potential additional incentives for car purchases and international trade volumes.

What does look likely is that the over a medium-term horizon the automotive companies stand to emerge stronger from the crisis to the extent they can adapt to the new scenario, foreseeably characterised by the following factors:

- Reduction in surplus capacity.
- Concentration processes: fewer players that are larger, more diversified and more resilient vis-a-vis future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control.

Thus, in the last quarter of 2020, global vehicle production recovered dramatically, reaching production levels 2.5% higher than in the same period of 2019 (pre-pandemic).

Towards decarbonised mobility

The deals introduced to stimulate the purchase of cars to offset the COVID-19 crisis, which are strongly oriented towards electric and hybrid vehicles, have accelerated the transition towards decarbonised transportation, although the rhythm of vehicle electrification varies significantly from one region to the next.

China stands out in terms of electric vehicle penetration, underpinned by unconditional government support in the form of considerable subsidies and a multitude of models. The European Union, meanwhile, has unveiled its mobility strategy, specifically the target of reaching 30 million "zero-emission" vehicles in 2030 with virtually the entire fleet boasting that standard by 2050.

Attainment of those targets will imply significant investment by the automotive industry, according 2020 data, as just 3% of the vehicles produced in the world are electric, whereas hybrid cars, the natural path towards full electrification, account for a 10%.

The focus for now is on guaranteeing raw material availability, on the one hand, and battery development, which is key to reducing the cost of electric vehicles, on the other. More specifically, the thrust is concentrated on evolving from liquid lithium-ion batteries to solid-state batteries.

COVID-19 RESPONSE PLAN

CIE Automotive's business strategy is articulated around profitability and cash flow generation. To achieve those priority objectives in circumstances as adverse as those encountered in 2020, the group drew on the lessons learned from the last crisis in rolling out its COVID-19 Response Plan. That action plan, applied worldwide, pivoted around four key lines of initiative: flexible working arrangements; war economy tactics; liquidity; and astute production planning.



Flexible working arrangements

→ Rollout of measures aligned with legislation and specific circumstances

- Furlough schemes in Europe
- Anticipation of collective annual leave and working hour pool schemes in Mexico and Brazil
- Wage and working hour cuts in other markets

→ Remote working for all jobs possible



War economy tactics

→ Minimisation of fixed costs

→ Capex limited to strictly essential investments:

- Ensuring continuity of customer deliveries
- Guaranteeing employee safety
- Keeping facilities in good repair
- Preparing for new builds



Liquidity and financing

→ Efficient working capital management:

- Monitoring customer payments
- Overseeing projects in progress to manage payment terms
- Optimising inventory levels
- Rollover of credit lines and upping of limits
- Arrangement of state-secured loans in Spain
- Cooperation with institutions such as the EIB and banks in relation to bilateral loans in different currencies



Production planning

→ Buffer stocks at all facilities in order to ensure smooth supply:

- Equipment maintenance
- Revision of layouts
- Production of critical components and prototypes
- Setting aside of minimum stocks
- Design and implementation of employee safety measures

ESG STRATEGY

Having completed its 2019-2020 CSR Plan in 2019, last year CIE Automotive continued to make progress on its ESG strategy.

Compilation of ESG data:

- CIE Automotive believes that the key to achieving its ESG targets is to implement measurement systems that enable it to analyse the situation and assess the progress made and measures taken. With that in mind, in 2020 it drew up an ESG dashboard made up of four core lines of initiative populated in turn by 79 indicators, to be tracked by all of the company's factories all around the world.
- The indicators have to be reported either quarterly, semi-annually or annually and are framed by targets to be met within five years' time, starting in 2020.
- All of that information gets consolidated into a global ESG dashboard hosted within the group's corporate internet. Progress on the various indicators is reported to the Board's ESG Committee. Below the latter is a Cross-Group ESG Committee made up of the heads of the various corporate departments in which the board-level committee delegates compliance with the areas within each member's purview.

The company has also prepared a prototype for calculating its carbon footprint, which is one of its priority concerns as a socially responsible company.

Stakeholder communication:

To align its business strategy with the legitimate wishes of all the parties with a vested interest in its fortunes, CIE Automotive engages intensely with all of its stakeholders using a number of different communication channels, notable among which its corporate website, which contains a dedicated investor tab, the in-house newsletter and the Supplier Portal. In 2020, the company updated its materiality matrix to ensure it reflected all of the topics of greatest relevance to its stakeholders.

Integration of ESG criteria into the company's corporate governance effort:

In 2020, the company updated its internal policies to reflect the ESG criteria it embraces, align them with regulatory requirements and recommendations and reinforce the internal control system. On the training front, it launched a number of programmes on anti-corruption and criminal liability topics; it plans to round those courses out in 2021 with a universal course on the Code of Professional Conduct which all CIE Automotive professionals will have to take.

For more information, refer to section "Progress on ESG management"



Our strategic commitment to **TECHNOLOGY and INNOVATION**

CIE Automotive implements cutting-edge technology across its facilities and management models in order to make its productive processes more efficient and respond to sector demands. In 2020, the COVID-19 pandemic highlighted the value of the company's Industry 4.0 tools which enabled it to respond swiftly to shifting needs in a tumultuous market and remain profitable.

Against the backdrop of dizzying and disruptive transformation in car and car parts manufacturing processes, CIE Automotive has spent the last few years making its processes 'smarter' with a triple objective: (i) boosting its quality metrics (approaching its "zero defects" target); (ii) raising productivity (with compelling OEE ratios); and (iii) rendering its facilities increasingly flexible to facilitate new product references and ever-shorter production runs.

Those R&D investments proved critical to defending the company's margins in 2020. On the one hand, the digital tools deployed in the logistics operations, enabling real-time data management and communication with suppliers, facilitated optimal production planning and helped keep supplies running smoothly. On the other, the implementation of smart equipment, lines and factories helped keep production costs very low, which is essentially to propping up margins when volumes are falling.

MARKET REQUIREMENTS



Excellent time- and cost-to-market.



100% quality in products and customer relations.



Cost-cutting.



Greater availability.



Product traceability.



Paring back of low value-added operations.



Minimum stocks.

CIE AUTOMOTIVE'S LINES OF INITIATIVE

Automated production line measurements (hot and cold).



Use of artificial vision technology to acquire, process and analyse parts images during the various phases of the process.



Sensorisation, capture, analysis and visualisation for process-critical variables to anticipate deviations and facilitate decision-making.



Unit traceability.

When designing its investment roadmap, the company contemplates the various trends that are shaping the automotive sector, such as emission standard requirements, product and process digitalisation, new comfort-driven mobility concepts and vehicle electrification.

Implementation of Industry 4.0 tools

Along its journey towards smart manufacturing, CIE Automotive is developing and implementing a range of Industry 4.0 tools and enabling technologies that interact with and feed off each other. In parallel it is deploying sensorisation capabilities so that it can capture data and analyse it using algorithms.

→ INDUSTRY 4.0



→ ADDITIVE MANUFACTURING

- Validation of the mechanism and function
- Conceptual prototypes
- Complex tool concepts



→ NEW INTERFACES

- All data available in a single view; no paper trail
- Team briefings, skills-training and communication
- Maintenance alerts and support



→ ROBOTICS

- Flexible and collaborative robots



→ BIG DATA

- Real-time data capture for analysis, maintenance or automated learning in the systems involved in the process.



→ INTERNET OF THINGS

- Traceability of all product-related data



→ DIGITAL TWINNING

- Modelling the manufacturing process using different approaches, from simulation to cloud computing



→ PROCESS CONTROL

- Development of manufacturing cell models
- Data analysis | Predictive analysis



→ CLOUD

- All data retrievable from the cloud

The company **is working on multiple fronts** - strategy, organisation, technology, industrial processes, etc. - in order to model and simulate its processes using smart connection and collaboration modes. In the industrial division, the company is intervening at the start of the technology value chain by modelling and simulating the processes in a virtual environment and at the design engineering phase, fine-tuning the process parameters optimally by introducing sensors to critical aspects of the multivariable process and controlling in-line manufacturing sequencing. The critical variable control system enables the company to predict possible process deviations.

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

At present, CIE Automotive is working on a number of Industry 4.0 related pilot projects, including “Digital Twin”, understood as the digital replica of a physical process; and 5G in confined spaces, technology set to have a major impact on data transmission and making productive processes more effective thanks to mobile communication between machines and robots in real time.

R&D funding

To fund its R&D work, an effort to which CIE earmarks around 2% of its revenue each year, CIE Automotive has different sources of financing, including the €80 million loan extended by the EIB for its investments in European factories and other funding obtained for specific projects from public agencies at the regional (Hazitek), national (CDTI) and European (Horizon 2020, soon to be Horizon Europe) levels.



***CIE Automotive
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5G in confined
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THE CORPORATE GOVERNANCE THAT GUIDES US

CIE Automotive has designed its corporate governance structure with a view to ensuring its long-term sustainability, building credibility and generating value for its stakeholders.



A high-quality governance **STRUCTURE**

That model, framed by ethics principles and a commitment to transparency, is articulated around a body of in-house rules and regulations. It controls what the company's governing bodies do, establishes mechanisms for mitigating potential risks and provides a framework for stakeholder engagement.

The most significant of those rules and regulations include the Bylaws, the rules regulating the governing bodies, the [Code of Professional Conduct](#), the [Internal Securities Markets Code of Conduct](#) and the [Criminal Risk Prevention Manual](#).

Rules and regulations updates

From time to time the company reviews its rules and regulations in order to keep them aligned with the regulator's requirements and regulations. In 2020, an effort that has continued in 2021, the company also updated some of its regulations to include its ESG commitments. It has also drafted a new Compliance Manual.



Rules and procedures updated in 2020

Regulation of the Board of Directors

Regulations of the ESG Committee

(that committee was formerly called the CSR Committee)

ESG Policy

(that policy was formerly called the CSR Policy)

Control and Risk Management Policy

Internal Audit Statute and Manual

Compliance Manual (a new document)

In order to ensure transparency, both the rules and regulations formulated by the group and its Annual Corporate Governance and Annual Director Remuneration Reports are published on the corporate website, www.cieautomotive.com/en/web/investors-website/corporate-governance-annual-report, in keeping with the technical and legal formalities and specifications stipulated by Spain's securities market regulator, the CNMV, in Circular 3/2015 (of 23 June 2015).

Member of the Transparency, Integrity and Good Governance Cluster

CIE Automotive has been a member of the Transparency, Integrity and Good Governance Cluster created by the business platform, Forética, since 2016. Thanks to its global reach, the forum is able to transpose onto the Spanish context the key governance trends and debates taking place around the world, collaborating to this end with authorities and opinion leaders.

In 2020, in addition to embracing those international best practices, the Cluster helped its members to take their management of non-financial matters to higher level. The matters addressed included the following:

- Supplier management and value chain due diligence.
- Presentation of a study about sustainable boards of directors which analyses the extent to which sustainability has been integrated at the highest level of governance in order to identify the keys to attaining a sustainable corporate governance model.
- A hands-on workshop on non-financial information transparency and reporting, analysing the main reporting frameworks, the latest regulatory developments and the keys for improving corporate non-financial reporting.
- Monitoring the progress made by the European Commission on the Sustainable Finance Action Plan and the European Green Deal.



*CIE Automotive
has been a
member of the
Transparency,
Integrity
and Good
Governance
Cluster created
by the business
platform,
Forética*

Professional governing **BODIES**

CIE Automotive's most important governing bodies are the Annual General Meeting and the Board of Directors.












ANNUAL GENERAL MEETING

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

In 2020, the company held its AGM on 29 April. It was held remotely, via the corporate website, due to the state of emergency declared to manage the health crisis induced by COVID-19. It was attended by 257 shareholders, in person or via proxy, representing 81,61% of the company's share capital.

In order to ensure the attendees were duly identified and could exercise their rights, in the run-up to the AGM, the company's shareholders were asked to register and record their requests for information or clarification and those requests were answered during the AGM. The shareholders cast their votes remotely during the course of the meeting.

→ Resolutions ratified at the 2020 AGM

- | | |
|--|--|
| <ul style="list-style-type: none">  Approval of the separate financial statements and directors' report of CIE Automotive, S.A. and of the consolidated financial statements and directors' report for 2019. | <ul style="list-style-type: none">  Board authorisation to increase share capital under the terms and constraints stipulated in article 297.1.b) of the Spanish Corporate Enterprises Act, including the power to waive pre-emptive subscription rights under the terms of article 506 of the Corporate Enterprises Act. |
| <ul style="list-style-type: none">  Grant of discharge to the Board of Directors. | <ul style="list-style-type: none">  Determination of the number of members of the Board of Directors at 14. Appointment and re-election of directors. |
| <ul style="list-style-type: none">  Approval of the proposed distribution of profit for 2019. | <ul style="list-style-type: none">  Approval of the maximum amount of remuneration payable to the directors in their capacity as such. |
| <ul style="list-style-type: none">  Examination and approval of the non-financial statement of the group comprising CIE Automotive and its subsidiaries for 2019. | <ul style="list-style-type: none">  Reappointment of the auditor of the separate and consolidated financial statements. |
| <ul style="list-style-type: none">  Board authorisation for the derivative acquisition of own shares, either directly or through group companies, and the reduction of share capital in order to cancel own shares, delegating the powers needed to execute this resolution in the Board of Directors. | <ul style="list-style-type: none">  Advisory vote on the Annual Report on Director Remuneration. |
| | <ul style="list-style-type: none">  Delegation of powers to execute the aforementioned resolutions. |
| | <p style="text-align: center;">Approval of the minutes of the meeting.</p> |



BOARD OF DIRECTORS

CIE Automotive's Board of Directors is made up of 14 members, including its Chairman. Two of the directors are executive, three are independent and nine are proprietary. The three independent directors sit on the Appointments and Remuneration Committee and the Audit and Compliance Committee.

Its actions are governed by the Bylaws and by Regulation of the Board of Directors, which in 2020 was adapted to align it with the regulator's recommendations and the group's ESG commitments.

Diversity-wise, there are three female directors (21% of the total) while 12 of the directors are Spanish nationals and the other two are Indian. As evidenced by the curriculum vitae provided next, the company's directors boast a diversity of backgrounds and expertise; some have markedly industrial profiles while others have financial acumen.

In 2020, the Board of Directors met on eight occasions and all the meetings were presided by its Chairman.

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


Board of Directors (as of 31 December 2020)

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

• Secretary, non-member: José Ramón Berecibar Mutiozabal

In keeping with recommendation #36 of Spain's Code of Good Governance for listed companies, the Board of Directors conducts an annual evaluation, adopting, where necessary, an action plan to correct weaknesses detected in:

- a. The quality and efficiency of the Board's operation.
- b. The performance and membership of its committees.
- c. The diversity of Board membership and competences.
- d. The performance of the Chairman of the Board of Directors and the company's chief executive.
- e. The performance and contribution of individual directors, with particular attention to the chairs of the Board committees.

The evaluation of Board committees starts from reports they send the Board of Directors, while that of the Board itself starts from a report issued by the Appointments and Remuneration Committee.

Every three years, the Board of Directors engages an external facilitator to aid in the evaluation process. That facilitator's

independence is verified by the Appointments and Remuneration Committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group are detailed in the [Annual Corporate Governance Report](#). The process followed and areas evaluated are also detailed in the Annual Corporate Governance Report.

The purpose of the evaluation questionnaire is to help the members of the Board of Directors identify the key areas in which it could have done better in 2020 so as to add more value going forward.

The questionnaire is organised into ten general areas as a function of the issues prioritised by the Chairman of the Board and the Appointments and Remuneration Committee. It was drawn up in accordance with the above-mentioned recommendation #36 and the technical guidance provided by the regulator (CNMV) on nomination and remuneration committees. The priority aspects are outlined below; the remaining topics are categorised within group 9 (Other aspects evaluated):



Every three years, the Board of Directors engages an external facilitator to aid in the evaluation process

- 1 **Environmental, Social and Governance (ESG) aspects.**
- 2 **The quality and efficiency of the functioning of the Board.**
- 3 **The composition of the Board and its diversity and skill-sets.**
- 4 **The policy for communicating with investors and other stakeholders.**
- 5 **The composition and functioning of the Board committees.**
- 6 **Succession policies and plans.**
- 7 **The performance of the Chairman and CEO.**
- 8 **The contribution of each director.**
- 9 **Other aspects identified.**
- 10 **Individual suggestions.**

Each director is asked to provide an opinion on the scope for improving a series of specific aspects identified for each area. To that end, they are asked to provide a score to reflect their assessment of the room for improvement on a four-level scale:

A	Marginal room for improvement	High efficiency
B	Room for improvement	Medium-high efficiency
C	Significant room for improvement	Medium-low efficiency
D	Requires substantial improvement	Low efficiency

The report, compiled by the independent specialist, Evaluación de Consejos, concluded that the aggregate quantitative results demonstrate a reasonable level of satisfaction with how the Board of Directors is functioning. The aggregate average score for improvement for all the areas analysed was 1.429, suggesting higher satisfaction by comparison with the assessment conducted in 2017. That figure is below the scores of similar companies, which, in the experience of the appraiser, tend to range between 1.8 and 2.1. In short, the level of satisfaction expressed by the directors of CIE Automotive with how the Board and its committees operate is higher than that observed, on average, at other comparable companies.

The study also reveals the progress made during the last three years in terms of both director satisfaction with the Board's functioning and the level of response alignment. That progress is particularly noteworthy in the following areas: board composition; chairman and chief executive performance; committee performance; and director contributions.

It is worth highlighting the fact that half of the Board members spontaneously alluded to the company's strong corporate culture, which is key to delivering results.

Fully in line with the 2020 Risk Map, the area presenting the greatest room for relative improvement (formal authorisation of a dedicated protocol to be officially notified to the Board of Directors) relates to succession plans, warranting an action plan aligned with the measures taken by the HR departments.

BOARD COMMITTEES

Strategy and M&A Committee

Its duties include assessing and making proposals to the Board of Directors about business growth, development and diversification strategies; bringing new investment opportunities before the Board of Directors; and studying and proposing recommendations with respect to the strategic plans and plan updates submitted to the Board of Directors from time to time.

Given the events on the health front, this committee did not meet formally last year.

Audit and Compliance Committee

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

This committee held six meetings in 2020.

Appointments and Remuneration Committee

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

It met twice in 2020.

ESG Committee

This committee is made up of three members and its job is to promote CIE Automotive's ESG strategy.

It met twice in 2020.

DIRECTOR CVS



Antonio María Pradera Jáuregui
CHAIRMAN (PROPRIETARY)

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

**Goizalde Egaña Garitagoitia**

VICE CHAIRWOMAN (PROPRIETARY)

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

**Jesús María Herrera Barandiaran**

CHIEF EXECUTIVE OFFICER (EXECUTIVE)

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



Ángel Ochoa Crespo
DIRECTOR (INDEPENDENT)

A graduate of business administration from the Basque University, Mr. Ochoa also holds a Master of International Business Administration (MIBA) from the United States International University of San Diego. He boasts over 26 years' experience in the financial sector, having held a number of positions, including that of manager of the Multinationals Department at Barclays Bank, deputy director of Corporate Banking at Lloyds Bank, deputy general manager at Banque Privée Edmond de Rothschild Europe in Spain and director for the Basque and Cantabria regions at Banco Sabadell Atlántico. He has also sat on the boards of several open-ended collective investment schemes (SICAVs). He is currently the financial advisor in the investment area and partner at the firm Ángel Ochoa Crespo EAF. He also chairs ISLOPAN, S.A.



Carlos Solchaga Catalán
LEAD INDEPENDENT DIRECTOR (INDEPENDENT)

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



Francisco José Riberas Mera
DIRECTOR (PROPRIETARY)

A dual law (1987) and business studies graduate (1988) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997 since which time he has been that firm's Executive Chairman, forging the group it is today. He currently sits on the boards of Telefónica and General de Alquiler de Maquinaria (GAM). He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. In addition, he chairs the Spain-China Council Foundation, the Spanish-Chinese Business Advisory Council and the Endeavor Foundation in China. He additionally presided the IEF (acronym in Spanish for the Family Business Institute) between May 2018 and June 2020.



Juan María Riberas Mera
DIRECTOR (PROPRIETARY)

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



Fermín Del Río Sanz De Acedo
DIRECTOR (EXECUTIVE)

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



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

Santos holds a Bachelor of Engineering (roads, canals and bridges), a Master of Business Administration from ICADE and a Diploma in Nuclear Technology from ICAI. He has built his career in a number of engineering and financial sector firms: Sener, Técnica Naval e Industrial, S.A. (1979-1980), Técnicas Reunidas, S.A. (1980-1987), Bestinver, S.A. (1987-1990), Corporación Borealis, S.A. (1990-1994), Banco Urquijo, S.A. (1994-1998) and Corporación Financiera Alba, S.A. (1998-2020), serving as CEO at the latter. He has served on the boards of numerous listed and unlisted companies across a wide range of business sectors. He currently sits on the boards of Corporación Financiera Alba, S.A., Acerinox, S.A. and Indra Sistemas, S.A.

**Shriprakash Shukla**

DIRECTOR (PROPRIETARY)

A technology graduate from the Indian Institute of Technology at Banaras Hindu University, Mr. Shukla also holds an MBA from the Indian Institute of Management of Ahmedabad. He has built his career at multiple companies, including Dunlop India, Swisscom Essar (currently Vodafone Essar) and Reliance Infratel, before joining the Mahindra group. He currently presides several Aerospace & Defence and Special Steels subsidiaries and sits on the Executive Committee of Mahindra&Mahindra, Ltd. Previous posts at this group included director of strategy and of brand management. He is the chair of Mahindra CIE Automotive, Ltd.

**Vankipuram Parthasarathy**

DIRECTOR (PROPRIETARY)

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



Jacobo Llanza Figueroa
DIRECTOR (PROPRIETARY)

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



María Teresa Salegui Arbizu
DIRECTOR (PROPRIETARY)

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



Arantza Estefanía Larrañaga
DIRECTOR (INDEPENDENT)

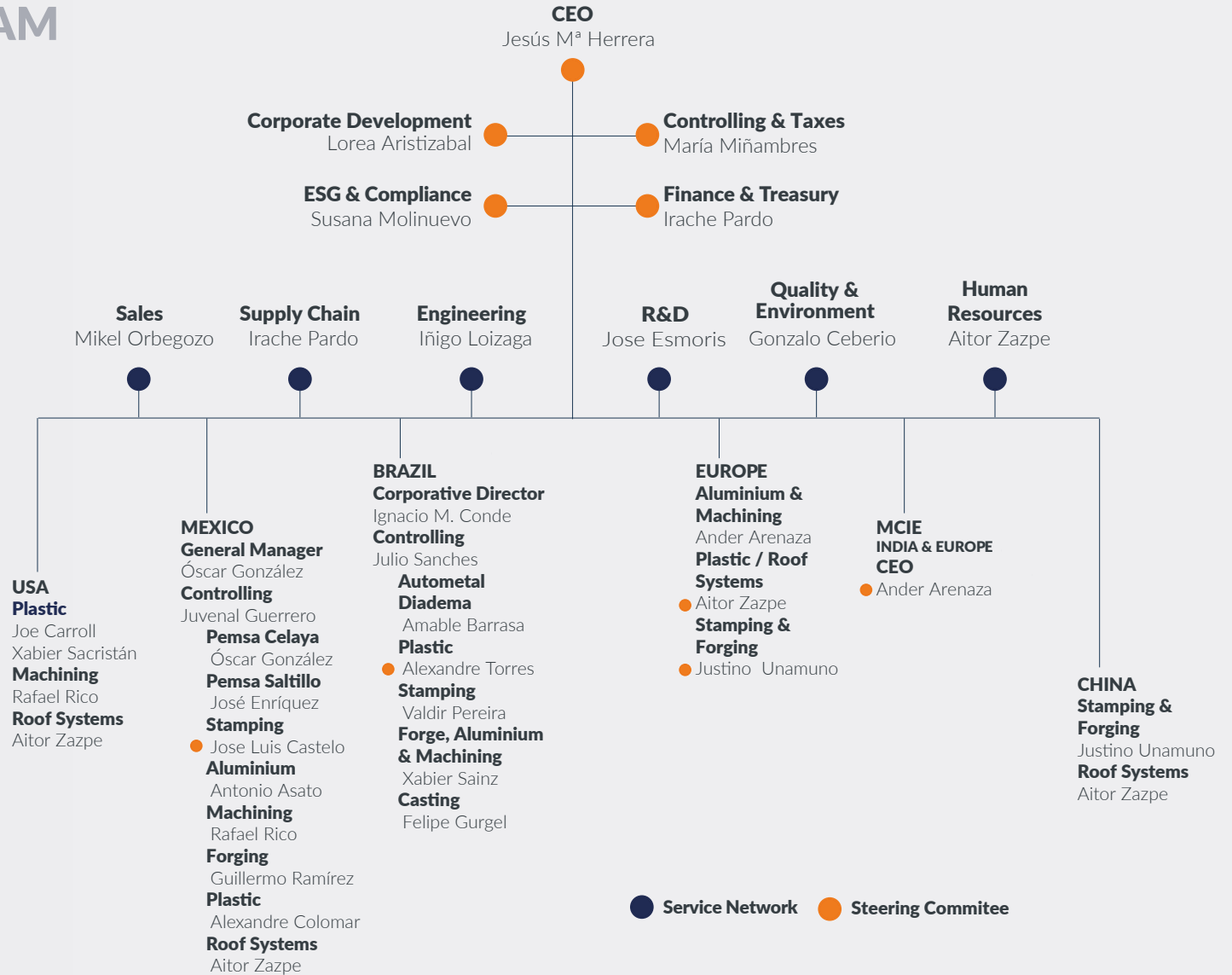
Arantxa graduated in law with highest honours from Deusto University. She boasts over 30 years' experience in corporate law, including her stint as managing partner at the law firm, Uría Menéndez Abogados S.L.P., in Bilbao, from when it was set up in 2000 until January 2019. In recent years she has built up a renowned practice specialising in compliance, white collar crime prevention, and environmental and safety law. At Uría, Arantxa sat on the board, on the professional practice management committee and on the criminal liability prevention committee. She has been named Best Lawyer in Spain many times, a leading lawyer in arbitration and mediation consecutively since 2013 and lawyer of the year in procedural law. She currently sits on the board of directors of Repsol as an independent director; she is also a member of that same company's appointments and sustainability committees. She presides the economic committee of the Basque regional government's economic and social department and is the board secretary at Bilbao Exhibition Centre S.A. Since May 2020 she has been a member of the board of Global Dominion Access, S.A. whose audit and compliance committee she heads up.



*At the 2020
AGM, the
company's
shareholders
agreed to
increase the
number of
directors to 14*

MANAGEMENT TEAM

The management team directly oversees management of the Business Units and coordination with the Corporate Areas with authority across all of CIE Automotive, including the Network Services. There is an Steering Committee which meets periodically and is made up of the heads of the various Business Units and Corporate Areas.



DIRECTOR REMUNERATION POLICY

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

Average remuneration in euros for Directors and Senior Management, including bonuses, attendance fees, termination benefits, long-term savings/pension benefits and any other compensation, broken down by gender, was as follows:

2019	Total people	Men	Average remuneration €	Women	Average remuneration €
Directors*	5	5	1,357,000	0	-
Senior Management	9	5	954,000	4	307,000

*Remunerated directors: two executive directors, two independent directors and the Chairman.

2020	Total people	Men	Average remuneration €	Women	Average remuneration €
Directors*	6	5	1,096,249	1	53,333
Senior Management	9	5	978,180	4	323,223

*Remunerated directors: two executive directors, three independent directors and the Chairman.

For further details, refer to the notes headed Employee benefits expense and Related-party transactions in the group's consolidated financial statements for the year ended 31 December 2020 and to the 2020 Annual Director Remuneration Report and the Remuneration Policy itself, all of which are published on the corporate website: <https://www.cieautomotive.com/web/investors-website>



Remuneration policy principles

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

The **ETHICS FRAMEWORK** that shapes us

CIE Automotive's actions are guided by its corporate values, which underpin the body of rules put in place to ensure that its people behave ethically; those rules are in turn complemented by compliance oversight and breach remedy mechanisms. The [Code of Professional Conduct](#) and most of the [corporate policies](#) that implement the company's ethics framework were updated between 2019 and February 2021.

CODE OF PROFESSIONAL CONDUCT

The [Code of Professional Conduct](#) provides the organisation's members with principles and guidance for how to conduct themselves professionally. Everyone who works at CIE Automotive is obliged to familiarise themselves and comply with the Code. The group also encourages its business partners (joint venturers, suppliers, customers, contractors and other partners) to align their conduct with the Code and apply equivalent standards of ethics.

The Code itself establishes compliance monitoring and breach remedy mechanisms. The ESG Committee is responsible for supervising due compliance with the Code of Professional Conduct. Any members of the organisation who breach the Code are subject to the penalties contemplated in applicable legislation.


**CIE Automotive's
rules of conduct**

- Ethical and lawful conduct.
- Respect for people and society.
- Workplace health and safety.
- Ethical relations with authorities and third parties.
- Transparency, integrity and confidentiality.
- Compliance with tax obligations and proper use of public funds.
- Adequate use of firm resources and assets.
- Data protection.
- Respect for intellectual and industrial property rights.

WHISTLE-BLOWING CHANNEL

CIE Automotive has set up a procedure for managing notifications and enquiries with respect to Code of Professional Conduct breaches or anomalies.

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



WHISTLE-BLOWING CHANNEL E-MAIL INBOX:

whistleblowerchannel@cieautomotive.com



**POSTAL CORRESPONDENCE ADDRESSED
TO THE COMPLIANCE DEPARTMENT:**

**Alameda Mazarredo 69, 8°. 48009 Bilbao
(Bizkaia), Spain.**



**INFORMATION AND COMMUNICATION CHANNEL
ON THE INTRANET AND ON THE CORPORATE
WEBSITE**

The Code of Professional Conduct has been modified to allow the submission of enquiries or notifications anonymously.

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

In 2020, the company received 10 complaints through its whistle-blowing channel, eight fewer than in 2019. Those complaints were related with:

- Personnel scheduling for everyday factory work purposes (four complaints in total).
- Workplace harassment (two complaints): potential cases of inappropriate attitudes on the part of managers vis-a-vis factory workers.
- Discrimination (one complaint): failure to guarantee equal opportunities.
- Breach of the Code of Professional Conduct (one): failure on the part of certain employees to uphold the rules of conduct.
- Business management (one): related with the company's dealings with its stakeholders.
- Fraud and corruption (one): malpractice on the part of a professional from one of the factory's purchasing department who required suppliers to pay certain amounts to that professional in order to secure business. Although the amounts involved were not material and the scale of the contracts with the supplier in question did not have a material impact on earnings at the factory involved, the events harmed the group's image and violated its ethics commitment.

In 2019, most of the complaints processed had to do with a lack of professional ethics and breaches of the Code of Professional Conduct (13 out of 18), corruption (three cases) and discrimination (two).

In all of the cases reported in 2020 and notified to the Audit and Compliance Committee, the opportune actions were taken to analyse, monitor and remedy or close the cases.

Those actions included the firing of the employee who participated in the fraud and corruption case reported and intervention by the corresponding executive and HR professionals to address the instances of discrimination and harassment reported and prevent their recurrence via enhanced education on the company's values and Code of Professional Conduct rules.



CORPORATE POLICIES

The ethics framework is implemented by means of a series of corporate policies which are drawn up by the corresponding departments. Those policies are binding upon all members of the organisation. CIE Automotive's corporate policies were approved by the Board of Directors for the first time in December 2015 and most of them have been revised, updated and re-approved between 2019 and February 2021.



ESG policies

- ESG
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and fraud
- Social action



Governance policies

- Internal Control over Financial Reporting (ICFR)
- Control and risk management
- Corporate governance
- Director remuneration
- Corporate tax
- Shareholder and markets reporting and communications
- Shareholder remuneration
- Selection and diversity of the Board of Directors
- Procurement policy and relations with the accounts auditor

The Compliance Department is responsible for overseeing the correct deployment and implementation of all of the group's corporate policies.

Below are examples of its supervisory work in 2020:

- Collaboration with the corporate HR Department to get all of the factory workers to endorse the group's Human Rights Policy. Somaschini, the latest company to be added to the group, has also signed it.
- Launch of two training courses on criminal liability and anti-corruption. After the provision of the related content, participants are asked to complete a test with questions about the Criminal Risk Prevention Manual and the Anti-Corruption and Fraud Policy.
- Development of a training course on the Code of Professional Conduct to be launched in early 2021; this new programme will be global in scope.
- Update of the Control and Risk Management Policy and distribution to the group's Senior Management and Management Team.
- Update of the Regulation of the Board of Directors Regulations and the Regulation of the ESG Committee to comply with the group's commitments in the ESG arena and to align both sets of regulations with the requirements and recommendations issued by the Spanish securities market regulator (CNMV).

ANTI-CORRUPTION AND BRIBERY STANCE

CIE Automotive is committed to combatting corruption in all its forms, including extortion and bribery, and to developing specific and exemplary policies in this arena. That commitment is tangible in its endorsement of the ten principles enshrined in the United Nations Global Compact.

In addition to the Code of Professional Conduct, whose rules include that of tackling fraud and corruption, the company has an official [Anti-Corruption and Fraud](#) policy which stipulates that dealings with public officials and authorities must be governed by the principles of transparency, integrity, objectivity, impartiality and lawfulness.

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

One of the Internal Audit Department's duties is to oversee that the group companies are operating lawfully and in keeping with the defined corporate values.

As was the case in 2019, no public legal cases were brought against the organisation or its employees in relation with corruption in 2020.

Measures taken to combat money laundering.

The group introduced its Criminal Risk Prevention Model in 2015 and updated it in October 2019 to introduce a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance therewith. The company leverages that model to articulate its effort to thwart money laundering, as well as providing training on the Code of Professional Conduct and application of the various corporate policies.

Measures taken to prevent corruption and bribery

With the aim of impeding or minimising the probability of occurrence of irregular practices and, if any are detected, ensuring their cessation and demanding accountability, in 2020 the company: (i) made specific updates to the Criminal Risk Prevention Manual; (ii) deployed the criminal compliance model in Mexico, Brazil, India and China; (iii) approved, at the Audit and Compliance Committee level, the provision of two training courses on criminal liability and anti-corruption to 250 people, including the members of the Board of Directors, the global senior management team and the global top management team.

Both courses were put together by the Compliance Department and the Secretary of the Board of Directors with the help of an external consultant, Thomson Reuters. The courses concentrate on:

- The company's existing ethics framework and criminal compliance effort: Code of Professional Conduct and Criminal Risk Prevention Manual.

- The governing bodies responsible for those matters: the Board of Directors, Audit and Compliance Committee and ESG Committee, all of which assisted by the Internal Audit Department.
- The policies ([Anti-Corruption and Anti-Fraud](#)) and controls in place to prevent corruption and other irregular practices, the procedures for identifying, evaluating, managing and controlling the potential risks and the associated impacts, and the channels ([whistle-blowing channel](#) and its rules) for reporting potential breaches of the [Code of Professional Conduct](#).

In 2020 the company prepared specific training on the Code of Professional Conduct to be imparted all over the world starting in early 2021 to everyone who works at CIE Automotive.

As indicated above, in 2020 the company received one complaint specifically related with fraud and corruption through its whistle-blowing channel, in response to which it took the steps needed to study, monitor, remedy and close the case. Those actions included the firing of the employee who participated in the case of fraud and corruption reported.

HUMAN RIGHTS PROTECTION

CIE Automotive defends the universal rights set down in the United Nations Global Compact, which the company endorsed back in 2015. That commitment has translated into the Human Rights Policy [Human Rights Policy](#), through which it formally undertakes to respect those universal rights in everything it does, applying the policy not only to its employees but also its customers, suppliers and the communities surrounding its facilities and any of their indigenous peoples.

To that end it formally repudiates child labour, compulsory labour and workplace discrimination; fosters respect for the freedom of association and right to collective bargaining; and complies with prevailing legislation in all its business markets, framed by the internationally recognised human rights and its own Human Rights Policy.

The Human Rights Policy complies with the provisions contained in the International Labour Organisation's fundamental conventions on the freedom of association and the right to collective bargaining. The number of people covered by such agreements is provided in section "Our employee value proposition".

Although all of the factory managers and HR heads endorse this policy, thus committing to comply with it and enforce it, a survey is undertaken annually to identify which plants present human rights violation risks and take any measures warranted. 100% of the factories filled out that survey, with all responding that they had not identified any such risks.

The company therefore does not have business dealings or suppliers that pose a significant risk of presenting incidents of child or compulsory labour or, indeed, dealings or suppliers liable to violate the right to collective bargaining.

Note that the company did not receive any complaints related with human rights violations, understood as breaches of the right to decent work and a living wage, in keeping with the United Nations Declaration, in either 2020 or 2019.

Elsewhere, in 2020 the company drew up a new protocol for the prevention of workplace harassment which is applicable worldwide.

RISK readiness

CIE Automotive has an enterprise risk management (ERM) system to reduce to tolerable levels the risks that, were they to materialise, could jeopardise delivery of its corporate targets. The ERM, as set down in the corporate [Control and Risk Management policy](#), follows ISO 31000 methodology and is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee. In 2020 the company implemented its criminal compliance model in China, Brazil, Mexico and India.

ENTERPRISE RISK MANAGEMENT SYSTEM

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

Enterprise risk management system - principles



Creation of a constructive vision of the concept of risk.



Committed and competent risk management professionals.



Use of a shared language.



Transparent communication throughout the entire organisation.

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

Risk mapping: procedure and scope

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

- From the standpoint of residual risk: considering the controls already in place at CIE Automotive in order to mitigate the potential impact of their materialisation
- Based on the probability of occurrence (past and future):

	5- VERY HIGH	4 - HIGH	3- MEDIUM	2 - LOW	1 - VERY LOW
	>80%	61% - 80%	31% - 60%	10% - 30%	<10%
Materialisation in the past	Risk that materialised > 5 times in last 2 years	Risk that materialised > 5 times in last 5 years	Risk that materialised > 5 times in last 10 years	Risk that materialised between 1 and 4 times in last 2 years	Risk that has not materialised ever or at least for 10 years
Materialisation in the future	Materialisation of the risk would affect the organisation imminently (this year)	Materialisation of the risk would affect the organisation within 1 year (next year)	Materialisation of the risk would affect the organisation within 2 years' time	Materialisation of the risk would affect the organisation within 5 years' time	Materialisation of the risk would affect the organisation in more than 5 years' time

- Based on their impact along three dimensions: economic, organisational and/or reputational:

5- VERY SEVERE	4 - SEVERE	3- SIGNIFICANT	2 - SLIGHT	1 - VERY SLIGHT
Economic impact				
Very severe adverse impact on EBITDA. Impact on the P&L* of > 5%	Severe adverse impact on EBITDA. Impact on the P&L* of between 3.5% and 5%	A significant reduction in EBITDA guidance. Impact on the P&L* of between 1.5% and 3.5%	A slight reduction in EBITDA guidance. Impact on the P&L* of between 0% and 1.5%	No impact on EBITDA
Organisational impact				
Materialisation of the risk requires the intervention of the Board of Directors	Materialisation of the risk requires the intervention of the CEO	Materialisation of the risk can be addressed at the corporate level	Materialisation of the risk can be addressed by the corresponding division	Materialisation of the risk can be addressed by the corresponding factory
Reputational impact				
Loss of reputation on account of several developments that have a serious adverse impact on the company's image and share price	Loss of reputation on account of several developments that have an adverse impact on the company's image and share price	Occurrence of a development or event that is picked up on by high-profile publications and comes to the attention of the regulator/analysts	Occurrence of a development or event that is picked up on by the local media	No impact

*P&L: statement of profit or loss

In total, 66 people participated in drawing up the current risk map (up 14% from 2019). They considered a time horizon of until 2025 and their geographic and technology purviews in providing their answers,

which meant that some respondents were in a position to assess a given risk for more than one region and/or technology.

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

For the second year in a row, the risk mapping process materialised in a detailed report presented top down, by region, by technology and by region and technology. It quantifies, in euros, the impact on EBITDA of the potential materialisation of each risk and the trends in the key risk factors over the past three years in all of the foregoing categories.

New this year is the assessment of the financial impact by region and technology, in addition to the overall impact, and inclusion of all of the controls for each key risk monitored by the internal management tool, SAP GRC.



For the second year in a row, the risk mapping process materialised in a detailed report presented top down, by region, by technology and by region and technology

RISKS EVALUATED IN 2020

Below is a list of the main financial and non-financial risks to which the group is exposed and that are evaluated in the course of drawing up its risk map, classified by the areas that are critical to the company:



People:

- Ability to guarantee the workplace health and safety of group employees.
- Erosion of the corporate culture, the bedrock of the company's successful business model.
- Lack of succession plans for key management personnel.
- Lack of human resources needed to maintain growth.
- Lack of training and talent management policy.



Human rights:

- Code of Professional Conduct breaches by group employees.



Corruption and bribery:

- Fraud and corruption.
- Failure to comply with legislation in any of the company's operating markets.
- Breach of any of the 10 principles enshrined in the United Nations Global Compact, of which the company has been a signatory since 2015 and/or failure to contribute to delivery of certain Sustainable Development Goals (SDGs).



Society:

- Reputational damage as a result of activities not linked directly to the company's operations.
- Non-alignment of the supply chain with the group's ESG commitments.
- Change in market trends.
- Failure to meet customer expectations.
- Management of M&A-led growth.
- Cybersecurity and data protection.



Environment:

- Impact of climate change on delivery of the company's strategic objectives.



Finance:

- Reliability of the financial information disclosed.
- An aggressive tax strategy or risks considered manageable becoming unmanageable.
- Financial risk understood as market risk (including foreign exchange and interest rate risk), liquidity risk and credit risk.



The initiatives taken and controls introduced in 2020 to mitigate certain risks deemed priority risks 2019 which no longer rank among the top concerns

2020 RISK MAP

The 2020 risk mapping process revealed growing concerns about cybersecurity and the financial damage its mismanagement could imply, as well as heightened awareness of the scope for fraud and corruption within the company, an area also linked to cybersecurity.

The map also depicts the consolidation as key risks some of those that are intrinsic to the sector and its development, such as change in market trends and customer satisfaction, and one associated with the company's performance, growth and future, namely management of M&A-led growth. Care for the company's most important assets - its people - emerged as a critical factor, along with the associated risks: having adequate training and internal promotion and succession policies.

Elsewhere, it is also worth highlighting the initiatives taken and controls introduced in 2020 to mitigate certain risks deemed priority risks 2019 which no longer rank among the top concerns. The risks so mitigated are the existence of a team to handle the company's growth, compliance and the corporate culture, known as "CIE Culture".

Key risks: description and action plans

Below is an analysis of the main risks depicted in the risk map with an average probability of materialisation during the Business Plan horizon and a moderate impact at the economic, organisational and/or reputational levels: Note that none of the risks has been rated as highly probable or of serious or very serious impact.

RISKS WITH MEDIUM PROBABILITY OF OCCURRENCE AND LOW POTENTIAL IMPACT



CYBERSECURITY

Cybersecurity, understood as the shielding of IT assets by handling threats that could jeopardise the information that is processed, stored and distributed over interconnected IT systems, has emerged as one of the biggest risks facing companies today. It is vital to pay particular attention to users and possible improper usage; service outsourcing and potential sources of loss or damage (theft, fire, etc.). In addition, the current health crisis has prompted an increase in remote working arrangements and communication networks are more exposed to potential attacks.

→ Action plan:

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

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

To complement those initiatives, the company also worked to improve its IT system access and usage systems, drew up contingency plans for the loss of data or facilities and upgraded its anti-virus protection. At the end of 2020 it launched a pilot test for raising awareness about cybersecurity which, having been approved, is set to be rolled out across the organisation.



FRAUD AND CORRUPTION

In recent years, we have been witnessing an uptick in fraud (in all of its manifestations and across all regions around the world), a situation only exacerbated by the prevailing global health crisis. CIE Automotive is articulating its anti-fraud effort around a dual objective: (i) prevention and mitigation of possible misconduct; and (ii) disclosure to the market of the internal mechanisms that have been put in place to guarantee the reliability of its financial and non-financial information.

The fact that the group operates in multiple markets all around the world increases its exposure to fraud. To that end, it is working on tightening its anti-fraud controls.

Applicable legislation is increasingly stringent such that the risk of non-compliance is also rising. In Spain, for example, Organic Law 5/2010 had the effect of modifying the Criminal Code in 2010, introducing the concept of criminal liability for legal persons into Spanish law (via article 31 bis, later amended in 2105), specifically making legal persons criminally liable for the commission of certain crime by their officers or employees in the course of discharging their professional duties. As a result, the universe of criminal risks to which legal persons are exposed has increased, specifically to include:

- Liability for crimes committed in the name and on behalf of the legal person and for their benefit by its legal representatives or actual or de facto directors.
- Liability for crimes committed, in the course of company-related activities, on their own behalf and for their own benefit by persons who, by virtue of falling under the authority of natural persons with managerial powers (employees), were able to conduct such crimes as a result of a lack of due control over them

→ Action plan:

CIE Automotive has a Criminal Risk Prevention Model which it uses to identify which crimes could be committed and allocate the internal controls needed to mitigate or eliminate those risks. The model, created in 2015 and updated in 2019 on the basis of a project carried out in collaboration with the external consultant, Deloitte, was implemented locally in Mexico, Brazil, China and India (ongoing) in 2020 and will be implemented worldwide over the course of 2021.

The model is underpinned by a Support Unit made up of:

- CIE Automotive's General Secretary, who is tasked with presiding, managing and coordinating the Support Unit.
- A representative from CIE Automotive's Internal Audit Department.
- Any professionals called on for their expertise.

The unit has independent intervention and control powers within the organisation and its mandate is to oversee compliance with the corporate Criminal Risk Prevention Model.

The additionally company relies on that model to prevent money laundering by leveraging its internal control system (via the SAP GRC module) to ensure compliance with legislation and the internal policies and procedures put in place to mitigate these risks.

Lastly, it is worth highlighting the launch, at the end of 2020, of training courses addressing criminal liability and anti-corruption aspects. Those courses have been provided to the members of the Board of Directors, Senior Management and much of the management team. In 2021, a year in which the company is also planning to provide worldwide training on the Code of Professional Conduct, the cornerstone of the Criminal Risk Prevention Model, the goal is to provide those courses to everyone at CIE Automotive.



CHANGE IN MARKET TRENDS

The automotive industry is undergoing disruptive changes for which the company needs to be prepared by maintaining the flexibility required to adapt to customers' unfolding or future demands, as well as increasingly stringent regulations.

New mobility technology (e.g., electric vehicles and diesel engine evolution) is reducing demand for some of our strategic products, while creating demand for new ones (electronics, etc.) for which the company is analysing a range of alternatives. The resulting idle capacity around the world is intensifying competition and exerting strong downward pressure on prices, squeezing margins.

On the telecommunications front, the advent of smart factories (Industry 4.0) may imply operational changes on which CIE Automotive is already working. For example, the new skill-sets required will impact its HR management. The inability to respond could lead to major difficulties in securing new business or maintaining existing business with an attendant loss of competitiveness in certain regions, warranting major restructuring to boost internal efficiency.

→ Action plan:

The company is working on remaining flexible vis-a-vis new trends and on readiness to adapt to customers' existing or future needs. The main lines of initiative being pursued are:

- Integrating electric vehicle parts (in the battery, motor and electronics categories, for example) into its product portfolio by setting annual sales targets, poised for the anticipated growth in market and customer volumes.
- Focusing the sales effort on functions not affected by electrification. Thanks to its technological and geographic diversification, CIE Automotive is well prepared for adapting to market shifts. That is evident in the fact that over 80% of its product portfolio can be used in any vehicle.
- Planning for the decline of the diesel engine and maximisation of capacity utilisation in petrol engines.
- Being a local supplier in a global market. Setting up close to the OEMs and not having to depend on global supply chains. In short, continuing to hone one of the group's core strengths: multiple locations.



FAILURE TO MEET CUSTOMER EXPECTATIONS

Suboptimal management of new projects and/or operations could lead to a failure to uphold the defined standards and potential breaches of contract (e.g., deadlines, milestones, quality specification), including the possibility of having to recall a product. In the event of such breaches, customers could potentially seek the supply of parts even while the issue gets remedied, or throughout the course of a lawsuit.

In addition, in the current global health crisis many of our customers are losing money or seeing their margins tumble, which is placing extra pressure on prices and driving production relocation to new regions, mainly in Asia; this has adverse consequences for the group's factories in the region via heightened competition and lower prices.

All of which would have a clearcut impact on the group's ability to manage and generate margins.

→ Action plan:

Although the group does not have a single or specific plan for mitigating this risk factor, all of its divisions and regions are working to improve their productive processes in a bid to become more efficient as well as more flexible in terms of adapting to customer demands.



SUCCESSION PLAN FOR KEY MANAGEMENT PERSONNEL & TRAINING AND PROMOTION POLICY

The current over-reliance on key management personnel, most of whom are over the age of 50, and the absence of a defined contingency plan could have an adverse effect on the company's business if it were to lose any such personnel via instability in decision-making, discoordination of everyday activities or the loss of the know-how needed to carry on the business.

That is why it is key to agree a unified training and promotion plan with the aim of planning, appraising and enhancing professionals' current and future skillsets in terms of delivering CIE Automotive's strategic objectives and preventing the various regions from acting in an individual and uncoordinated manner. Moreover, the need to continuously hire and train professionals is set to remain a major challenge in the years to come.

→ Action plan:

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

Lastly, it is important to note that the ESG strategy formulated by the ESG Committee and the Board of Directors, which is strongly championed by the CEO, includes a specific line of action and KPI for monitoring that this risk does not materialise and have an impact on the company.



MANAGEMENT OF M&A-LED GROWTH

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

Lastly, the prevailing global health crisis and the attendant limits on mobility could imply a change in the management model by impeding the deployment and expatriation of personnel to help with the integration of new companies.

→ Action plan:

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

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



RISKS MITIGATED IN 2020

Thanks to the actions taken in 2020, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priorities in 2019, and, therefore, no longer deemed in need of priority attention in the 2020 risk map.



SHORTFALL OF HUMAN SKILLS TO ENABLE CIE AUTOMOTIVE'S GROWTH

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

→ **Action plan:**

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

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



FAILURE TO COMPLY WITH LEGISLATION IN ANY OF THE COMPANY'S OPERATING MARKETS

The company's senior officers and executives need to guarantee oversight and control of local, environmental, social and labour legislation and specific regulations in the regions in which it does

business, paying particular attention to potential political conflicts and legislative developments (abnormal market situations) that could result in financial losses, such as government changes, new global agreements (e.g. USMCA), new safety standards that oblige the discontinuation of certain models, bans on driving diesel engine cars in large cities, the impact on consumption of trends in consumer credit by regions, etc.

→ Action plan:

For the first time, in 2020 the company launched two courses on the online platform covering criminal liability and anti-corruption to reaffirm the company's commitment to upholding the law. In parallel, the rollout of the criminal compliance model in Mexico, Brazil, China and India also helped reduce the level of perceived risk.



LOSING CORPORATE CULTURE IN THE COMPANY'S CURRENT AND FUTURE ENVIRONMENT

The corporate culture (*CIE Culture*) encompasses the regulations, values and rules of conduct shared by everyone at CIE Automotive and is shaped by factors such as the personality of the senior officers,

the company's history and our surroundings. The CIE Culture is an integration factor and the senior officers are well aware that it is an area that needs work and alignment with the company's strategic objectives so as to create a consistent identity in every respect.

In the current environment of constant growth and international expansion, the absence of a corporate culture strongly aligned with the company's corporate objectives could undermine the ability to deliver the latter and result in deficient compliance effort and/or shortfall of transparency.

→ Action plan:

In 2020 the company distributed CIE Automotive's Code of Professional Conduct (which was updated in October 2019) globally, getting all its recipients to formally endorse it. That effort has helped cement and reaffirm the group's values across its manufacturing facilities, while increasing the level of ESG training provided to the company's employees. In early 2021, training on the Code of Professional Conduct is set to be provided globally, as noted elsewhere in this report.

CONTINUOUS IMPROVEMENT OF THE RISK MAP

Continuous improvement of the risk map:

- CIE Automotive continues to work to integrate strategic risk management at the operational level (i.e., risk management at the factory level by process in order to obtain IATF certification) into a single reporting tool whose reports will be published on the corporate intranet.
- The company plans to launch new controls in the criminal liability area, thanks to the global rollout of the compliance model.
- Lastly, it plans to develop the management of risks related with climate change, so complying with the corresponding EU Directive

CIE Automotive continues to work to integrate strategic risk management at the operational level into a single reporting tool whose reports will be published on the corporate intranet

RISK CONTROL AT THE INDIVIDUAL FACTORY LEVEL

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

- In addition, the factories already undertake various risk analysis exercises using tools such as:
 - FMEA (Failure Modes and Effects Analysis) with respect to products and productive processes.
 - Identification and evaluation of environmental impacts.
 - Assessment of workplace health and safety risks.
 - Legal compliance assessments.
 - SWOT analysis (Strengths, Weaknesses, Opportunities and Threats).

CRIMINAL RISK PREVENTION MODEL

CIE Automotive put its Criminal Risk Prevention Model in place in 2015. There is a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the corporate Criminal Risk Prevention Model. The company relies on this Model in order to mitigate the risk of money laundering within the group.

CIE Automotive analyses the level of maturity attained by its compliance model regularly. During its last update, carried out between 2019 and 2020, it decided to identify the most significant subsidiaries in terms of criminal compliance, analyse the differences with respect to the legislation applicable in Spain and adapt the model to suit each country's characteristics. China, on account of its fast growth within the group and its increasing regulatory stringency, was the first country chosen for the international rollout of the criminal compliance model, in collaboration with the consultancy, Deloitte.

International rollout of the *criminal compliance model*

In 2020, the company implemented its criminal compliance model in China, Brazil, Mexico and India.

The work began with a regulatory benchmarking exercise to map out the regulations applicable in each jurisdiction, followed by the process of designing the corporate standards for controlling the main criminal risks to which the various regions are exposed. To design the new models, the company started from the compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

Once that was done a series of questionnaires were sent to the subsidiaries to identify criminal risks and controls for subsequent analysis and inclusion, along with the suggestions for improvement and other specific considerations.

That ultimately gave rise to an Action Plan which establishes the requirements stipulated in applicable legislation (the essential elements) as well as recommendations and lines of initiative to improve the model.

IMPACT, OVERSIGHT AND CONTROL

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

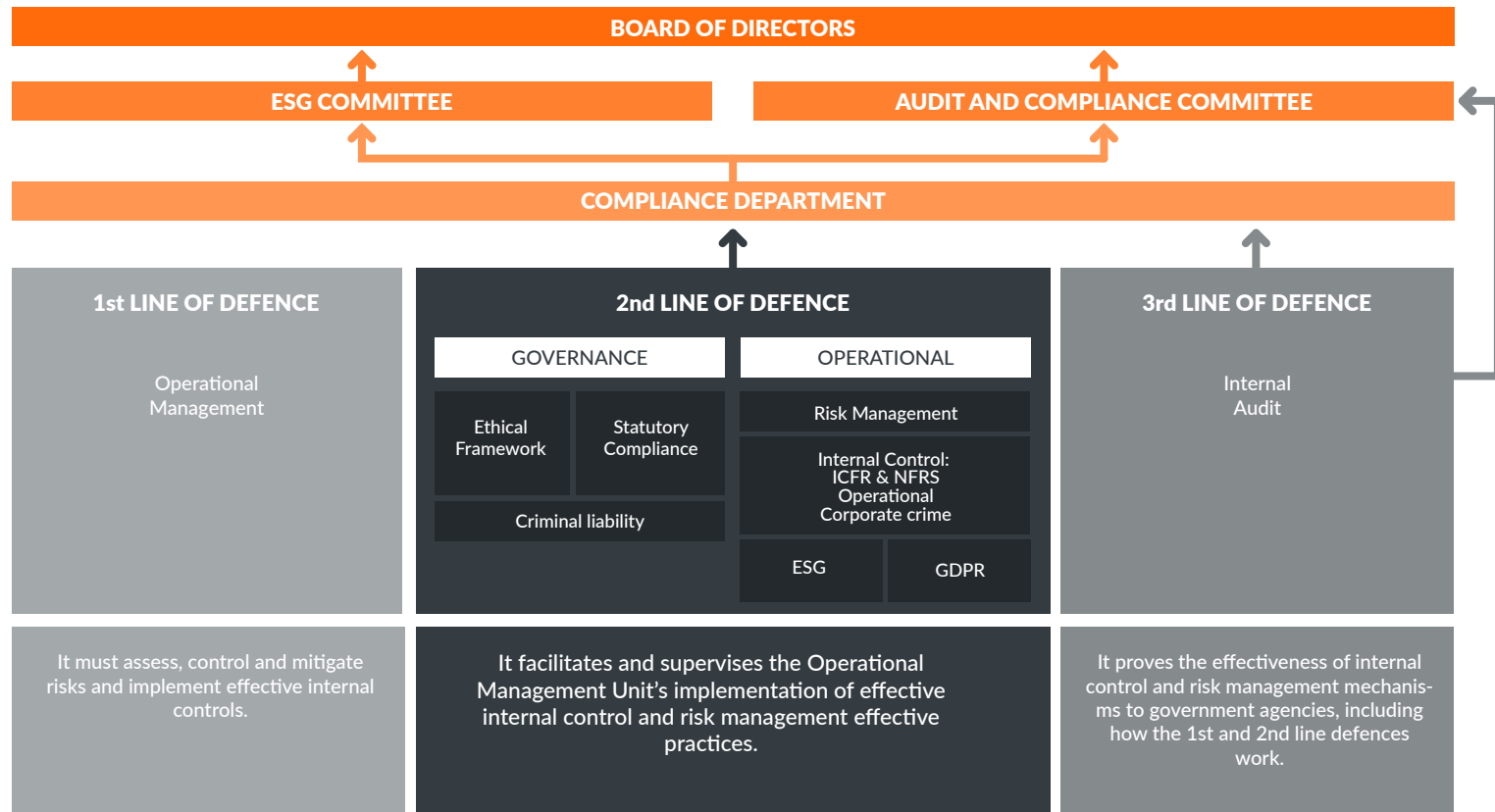
The results of the entire effort are the subject of a review by the Internal Audit Department as part of its Annual Audit Programme.

INTERNAL CONTROL SYSTEM

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



3 lines of defence



ICFR: Internal Control over Financial Reporting

NFRS: Non-Financial Reporting Statement

GDPR: General Data Protection Regulation

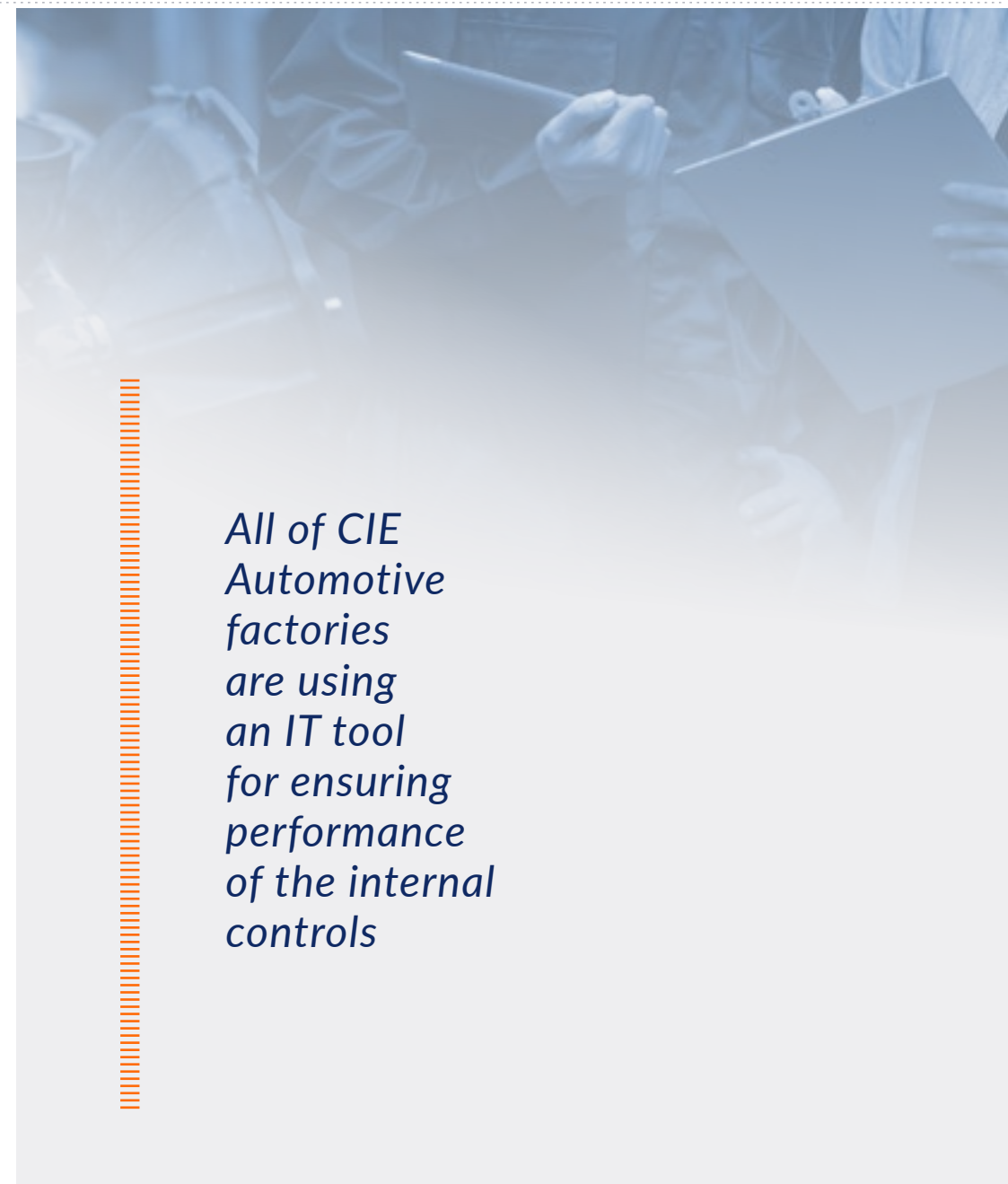
ESG: Environment, Social & Governance

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

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

Thanks to that procedure, CIE Automotive is supervising compliance with more than 200 financial (ICFR) and non-financial (ESG, criminal liability and data privacy) controls per facility.

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



**All of CIE
Automotive
factories
are using
an IT tool
for ensuring
performance
of the internal
controls**


COMPLIANCE MODEL

In 2019, in collaboration with Deloitte, the company conducted a compliance maturity analysis in order to bring CIE Automotive's model to the desired level; in 2020, it continued to execute the tasks derived from the action plan resulting from the analysis.

TASKS PERFORMED

1. **Analysis and identification of the regulatory universe and key compliance aspects, with a special emphasis on criminal liability legislation in Spain, Mexico, Brazil, India and China.**
2. **Rollout of CIE Automotive's compliance model in Mexico, Brazil, India and China.**
3. **Interviews with the company's compliance heads to understand the current situation and their expectations and targets.**
4. **Benchmarking of the company's current situation against best market practices (UNE 19601 standard) along different dimensions: governance and leadership; rules, policies and procedures; risk identification and assessment; training and communication; reporting; code of professional conduct and whistle-blowing channel; oversight; third-party compliance.**
5. **Identification of areas for improvement and gaps with respect to each dimension and execution of the following actions:**
 - a. **Governance and leadership:** definitions of the compliance-related duties and responsibilities corresponding to the dedicated ESG Committee (formerly known as the CSR Committee), the Audit and Compliance Committee and the company's senior officers in drawing up the Compliance Manual.
 - b. **Rules, policies and procedures:** addition of new controls to the Criminal Risk Prevention Model and identification of the most significant subsidiaries in terms of criminal compliance, analysing the differences with respect to the legislation applicable in Spain and adapting the control activities for each country. The Criminal Risk Prevention Model was implemented in all subsidiaries in Mexico, Brazil, India and China, and the prevailing model in Spain was updated.
 - c. **Risk identification and assessment:** new controls have been added to the prevailing model to mitigate the risk of criminal conduct and new crimes (criminal conduct) have been introduced as a result of the benchmarking of the Spanish model against the other regions in which the compliance model has been rolled out. Work to mitigate those new risks will begin in 2021.
 - d. **Training and communication:** work has begun on a Training Plan for the prevention of criminal conduct and corruption which has been initially addressed at the Board of Directors, senior offices and senior executives; preparations have been made to extend training on the Code of Professional Conduct to all employees in 2021.

- e. Reporting:** in addition to the regular reports to the Audit and Compliance and ESG Committees and to the senior officers and executives, the plan is to add a dashboard with non-financial information to each factory's management plan in 2021 which will include indicators tracking the effectiveness of the compliance model. Note that the dashboard was approved by the Board of Directors and the ESG Committee in July 2020 and is being actively championed by the company's CEO.
- f. Code of Professional Conduct and whistle-blowing channel:** work continued on the introduction of termination clauses for contracts entered into with third parties that entitle CIE Automotive to terminate them in the event of mala praxis by counterparties in relation to the compliance model or the Code of Professional Conduct.
- g. Oversight:** the company has identified and determined indicators that track the effectiveness of the model, any deficiencies detected and the execution of any action plans underway at the recommendation of prior reports.
- h. Third-party compliance:** the company has improved how it analyses and studies professional or business relationships before entering into them, so minimising the possibility that the group may be held liable for materialisation of a corruption related risk.



All information regarding the suite of corporate policies and the Compliance Model is published on the group's corporate website and in the various reports the company is required to file with the regulator annually



Progress on **ESG** management

CIE Automotive generates shared value for the company and its stakeholders by integrating social responsibility criteria into its business model, business strategy and everyday activities. In 2020 the company made further progress on crystallising its commitment to Environmental, Social and Governance (ESG) criteria by drawing up a new dashboard for all of the factories with 79 ESG indicators. In parallel, it provided its employees with ESG-specific training, updated its corporate documents to include sustainability criteria and surveyed its stakeholders to understand their concerns in order to fine-tune its reporting effort in response.

COMMITMENT TO THE 2030 AGENDA

In October 2015, CIE Automotive formally endorsed the [United Nations Global Compact](#) and its 10 principles, thus placing its commitments to human, labour and environmental rights and to fighting corruption and fraud on public record. Five years on it is a signatory member of the [Spanish chapter of the Global Compact](#). It has fully embraced its role as an agent of change and is making progress on the integration of ESG criteria into its management in a bid to help deliver the United Nations 2030 Agenda by contributing to some of the corresponding Sustainable Development Goals.

In its capacity as manufacturer of parts and subassemblies for the automotive industry, its contribution is more tangible in respect of eight specific goals (ODS 3, 4, 5, 8, 9, 10, 12 and 17). It provides an account of its progress on those specific goals in this report:

<p>3 GOOD HEALTH AND WELL-BEING</p>	<p>3. HEALTH AND WELLBEING Ensure healthy lives and promote well-being for all at all ages.</p> <p>→ We ensured EMPLOYEE safety</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.</p> <p>→ Our strategic focus on TECHNOLOGY and INNOVATION</p>
<p>4 QUALITY EDUCATION</p>	<p>4. QUALITY EDUCATION Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.</p> <p>→ We reaffirmed our COMMUNITY commitments</p>	<p>10 REDUCED INEQUALITIES</p>	<p>10. REDUCED INEQUALITIES Ensure equal opportunity and reduce inequalities of outcome; maintain a presence in less developed countries.</p> <p>→ A resilient BUSINESS MODEL → Progress on the diversity front</p>
<p>5 GENDER EQUALITY</p>	<p>5. GENDER EQUALITY Empowering women and girls has a multiplier effect and helps drive up economic growth and development across the board.</p> <p>→ Progress on the diversity front</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>12. RESPONSIBLE CONSUMPTION AND PRODUCTION Ensure sustainable consumption and production patterns.</p> <p>→ Our COMMITMENT to excellence and sustainability → We stepped up collaboration with our SUPPLIERS → We offered our CUSTOMERS solutions they can count on</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>8. DECENT WORK AND ECONOMIC GROWTH Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.</p> <p>→ We ensured EMPLOYEE safety</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>17. PARTNERSHIPS TO DELIVER GOALS Strengthen the means of implementation and revitalise the global partnership for sustainable development.</p> <p>→ We reaffirmed our COMMUNITY commitments → Our COMMITMENT to excellence and sustainability → Our strategic focus on TECHNOLOGY and INNOVATION</p>

Nearer to home, in our capacity as signatory member of the Spanish chapter of the Global Compact, which encompasses over 640 organisations, work is done in alliances in order to generate greater value for the businesses and their communities.

ESG POLICY IN ACTION

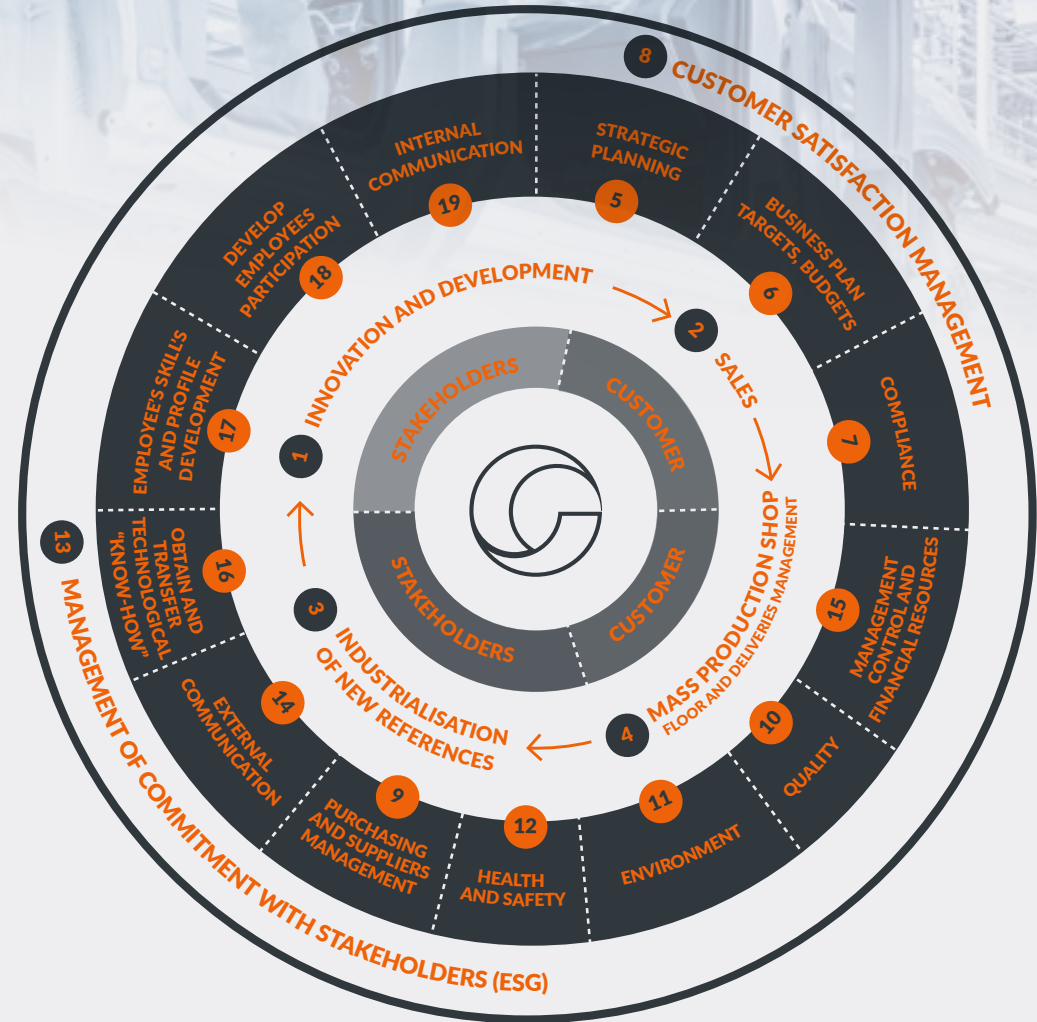
The company's environmental, social and governance (ESG) principles and framework are set down in the [ESG Policy](#), which lays out how social responsibility must ground the business model, strategy and productive processes.

Effective application of the ESG Policy and management of the risks associated with it are addressed in the [Risk Management and Control Policy](#), updated in 2020, which follows ISO 31000 methodology.

ESG and sustainability management are supervised by the ESG Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group ESG Committee.

To measure its performance along the different dimensions of its ESG effort, CIE Automotive established 79 ESG indicators for tracking at the global level; those KPIs are set to be included in each factory's management plans.

➔ How ESG is integrated into CIE Automotive's processes



CROSS-GROUP ESG COMMITTEE

- Permanent member
- Non-permanent member



● **Susana Molinuevo**
ESG & Compliance



● **Aitor Zazpe**
Human Resources & Business Management



● **Lorea Aristizabal**
Business Development



● **Gonzalo Ceberio**
Quality & Environmental Management



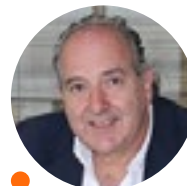
● **Iker Hernández**
Internal Control & Risk Management



● **Mikel Orbezo**
Sales



● **Irache Pardo**
Finance, Treasury & Supply Chain



● **Ángel Zalduegui**
Community work



● **Iñigo Loizaga**
Engineering



● **María Miñambres**
Control & Tax



● **Jose Esmoris**
R&D



● **Javier Alvarez**
Human Resources

ESG and sustainability management are supervised by the ESG Committee, which delegates oversight of execution of the key lines of initiative in the Cross-Group ESG Committee

ROLLOUT OF NEW ESG INDICATORS AND OTHER PROGRESS

Following delivery in 2019 (one year ahead of schedule) of the targets set in the CSR Plan, CIE Automotive continued to work throughout 2020 towards the full integration of its ESG criteria into its management.

One of the most important initiatives was the formulation of a new dashboard with 79 ESG indicators and its integration into all of the factories' management plans. Each manufacturing facility is obliged to report those indicators. The expectation is that this new reporting effort will take place via the corporate intranet from the first quarter of 2021.

Approval of the new dashboard by the ESG Committee and the company's CEO evidences the company's commitment to environmental, social and governance values, while laying the groundwork for the upcoming ESG Plan.

Other progress made in 2020

In addition to the dashboard, progress was also made on the following fronts last year:

→ Updated rules and regulations

Over the course of the year, the company updated a number of its internal rules and regulations in order to include its ESG commitments (Board Regulations, ESG Committee Regulations, ESG Policy, Risk

Management and Control Policy, Internal Audit Statute and Manual). The company also formulated its Compliance Manual.

→ Rollout of the criminal compliance model

To implement the Compliance Model all across the group, the company proceeded to detail the control measures (rules, policies and procedures) applicable in each region, analyse the differences with respect to the legislation applicable in Spain and adapt the model as necessary for the characteristics specific to each country.

→ Training

As part of the company's effort to boost familiarity with corporate criminal liability and the anti-corruption matters, in 2020 CIE Automotive launched two online training initiatives: (i) specific training for the members of its Board of Directors, Senior Management and global executive team, which is scheduled for completion in early 2021; and (ii) worldwide training on the contents of the Code of Professional Conduct which is slated for deployment in early 2021.

The purpose of the courses is to familiarise and engage employees with the company's policies and bodies in these key areas and the tools and procedures in place for ensuring they are complied with and to raise broad awareness of their importance and benefits.

→ Materiality

The group analysed the topics of greatest importance to its stakeholders in order to update its materiality matrix. The outcome was the addition of new topics, which have been taken into consideration in drafting this integrated Annual Report, as is detailed in section "Materiality" below.

STAKEHOLDER ENGAGEMENT

Thousands of people and hundreds of institutions contribute to CIE Automotive's business activities or are affected by them. In order to systematise its knowledge of that diverse web of stakeholders and thereby try to meet their expectations, the group has identified nine key groups:

Shareholders	CIE Automotive generates value for its shareholders by increasing the company's value and via the dividends they receive every year. It provides transparent, accurate and timely information to the investment community. It earns the market's trust.
Professionals	The company provides decent work in all its business markets and the training needed so its professionals can do their jobs. It protects employee wellbeing in a safe and healthy workplace. It facilitates collective bargaining. It promotes respect for human rights with an emphasis on the more vulnerable markets.
Customers	The company is strategically committed to innovation to meet customers' demands. It guarantees the quality and safety of its products. It fine-tunes the supply chain continually. It manages its resources efficiently in order to contain prices.
Business partners	The strategic alliances with Mahindra&Mahindra Ltd. in India and Donghua Automotive Industrial and the SAIC Group in China bring enhanced knowledge of and adaptation to the local market.
Suppliers	The company guarantees its suppliers are given equal opportunities. It promotes transparency and optimal pricing. It provides fair payment terms. It reaches out to its supplies as part of its effort to deliver customer satisfaction.
Society	The company drives development through its activities in its operating markets. It finances community work targeted at the least privileged. It helps make safer and more comfortable and environmentally-friendly cars.
Public authorities	The company works with the authorities in its business communities to improve various services. It implements their requirements at its facilities, cooperating lawfully and transparently.
Sector	The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.
Financiers	The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.

In order to facilitate stakeholder engagement, the company has set up a series of information and communication channels, the most important of which is its corporate website, which houses all manner of information about the company; it also provides access to other dedicated channels such as the [Suppliers Portal](#) and the [Investors and Shareholders](#) tab within the corporate website.

Communication channels and contact details	
Corporate website	The corporate website www.cieautomotive.com provides relevant information about the company: in addition to information about possible jobs in the dedicated human resources tab, the supplier tab provides access to the new Suppliers Portal . There is also a 'Press Centre' with all of the company's press releases and an extensive tab with information for investors and shareholders containing all the documentation required under securities market regulations (CNMV Circular 3/2015).
Specific contacts for each stakeholder group	<p>ESG and Society: Susana Molinuevo esg@cieautomotive.com</p> <p>Professionals: Aitor Zazpe hr@cieautomotive.com</p> <p>Investor relations and business partners: Lorea Aristizabal ir@cieautomotive.com</p> <p>Customers and sector: Mikel Orbegozo sales@cieautomotive.com</p> <p>Supply chain: Irache Pardo purchasing@cieautomotive.com</p> <p>Financiers: Irache Pardo financierocie@cieautomotive.com</p> <p>Public authorities: compliance@cieautomotive.com</p>
Mailing address	Any stakeholder so wishing may also write to the department in question at the following address: AIC - Automotive Intelligence Center Parque Empresarial Boroa, Parcela 2A - 4, 48340 Amorebieta (Bizkaia), Spain
	To report anything of concern using the whistle-blowing channel, stakeholders may write to the Compliance Department at the following address: CIE Automotive's Compliance Department Alameda Mazarredo 69, 8º. 48009 Bilbao (Bizkaia), Spain
Whistle-blowing channel	Anyone can notify unethical conduct or breaches of the company's business ethics or any of the matters stipulated in CIE Automotive's Code of Professional Conduct through this channel. Ethical channel e-mail inbox: whistleblowerchannel@cieautomotive.com



*CIE Automotive
was one of the
few listed
companies
whose 2019
Non-Financial
Statement was
carried
unanimously
at the Annual
General Meeting*

ANNUAL REPORT

CIE Automotive reports on its performance along the economic, Environmental, Social and Governance (ESG) dimensions in a single integrated Annual Report.

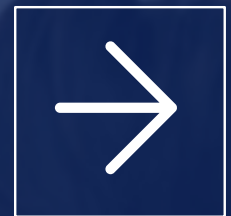
The 2019 Annual Report, published in February 2020, once again ranked very well on Informe Reporta, an assessment of the quality of the information reported by the companies listed on the Madrid stock exchange by analysing 36 indicators related with the principles of importance, relevance, transparency and accessibility.

The company ranked sixth on that list, scoring 85 out of 100 points, a 4% improvement on its prior-year performance. That mark is significantly above the average obtained by the companies evaluated - 46.5 points - and the average score of 49.7 points obtained by the companies populating the "Basic Materials, Manufacturing and Construction" subcategory to which CIE Automotive belongs.

Also evidencing the effort put into the report, the jury awarding the nineteenth edition of the AECA Awards for Corporate Transparency distinguished CIE Automotive as the firm with the best integrated report in 2019.

The 2020 Annual Report contains all of the information pertaining to the non-financial statement, an integral part of the documents that have to be authorised by the Board of Directors before submission for shareholder approval at the Annual General Meeting; the non-financial report must be approved by the shareholders as a separate agenda item to the financial and corporate governance information.

ABOUT THIS REPORT



METHODOLOGY

This Annual Report provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, Environmental, Social and Governance dimensions (ESG) dimensions in 2020 in all of the countries in which it is present.

To correctly interpret the financial and non-financial data contained in this report, the reader should note the first-time consolidation of the Somaschini group of companies, domiciled in Italy.

HOW THE NON-FINANCIAL INFORMATION WAS PREPARED

CIE Automotive's 2020 Non-Financial Statement (NFS) provides information about the performance of CIE Automotive, S.A. and its investees along ESG dimensions during the reporting period in the 16 countries in which it has operations and includes information for the group of companies most recently consolidated: Somaschini. Section 6.5 links that information with the group's disclosure requirements under Spain's Non-Financial Reporting Act.

The non-financial information was drawn up in keeping with the non-binding guidelines on non-financial reporting issued by the European Commission on 5 July 2017 (EU Guidelines 2017/C 215/01) and version 2016 of the GRI sustainability reporting guidelines (In-

accordance option: Core). The information has been independently assured by PricewaterhouseCoopers, which is also the group's statutory auditor. The Audit and Compliance Committee is tasked with ensuring that firm's independence.

The non-financial information, which is part of the NFS, included in this report was compiled with the input and oversight of the heads of all of the various departments and areas:

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

- The Board of Directors is ultimately responsible for approving it for issue, along with the Directors' Report. The Board of Directors is kept regularly abreast of the most significant ESG matters by its ESG Committee.

This report expounds on the relevant topics identified in the course of the materiality analysis conducted with stakeholder groups between 2019 and 2020 (as detailed in section 6.2.2 below), topics deemed material on account of their importance to the various stakeholders and to the company and the extent to which they are being duly addressed by the latter.

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



HOW THE ANNUAL REPORT WAS PREPARED

This report expounds on the relevant topics identified as a result of the materiality assessment conducted in 2017 and updated most recently between 2019 and 2020 on the basis of questionnaires and analysis carried out to detect the topical issues deemed most important due either to the significance for the company and its stakeholders or due to the perception they are receiving insufficient management attention within the organisation.

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

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

The Annual Report was compiled with the input and oversight of the heads of all of the various departments and areas. The Marketing and Communication Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group ESG Committee.



MATERIALITY

CIE Automotive's 2020 Annual Report attempts to provide information about the matters deemed relevant to the company and its stakeholders.

In order to understand its stakeholders' expectations and plan an appropriate response, between 2019 and 2020, with the help of an external consultant, Deloitte, CIE Automotive reviewed and updated the materiality assessment conducted in 2017, when it identified which aspects were most important to both the company and the parties with a vested interest in its activities. To conduct that assessment, it consulted internal and external sources and, in 2018, complemented that analysis following the ESG workshops attended by 140 executives and managers from the Brazilian, Indian, Chinese, North American and Mexican plants, which enabled it to broaden its vision of the ESG issues of greatest concern in each country.

Note that the workshops scheduled for 2020 had to be postponed on account of the health crisis induced by COVID-19; the plan is to reschedule them in 2021 and for them to take place remotely rather than in-person.

To review and update the assessment, the company analysed the topics considered material for CIE Automotive, sustainability trends and commitments, media coverage, regulatory developments and the materiality analyses performed by peers. The update also factored in the demands of the analyst and investor communities, among other stakeholders.

→ **HOW DID WE DO OUR MATERIALITY ASSESSMENT?**



→ **Materiality assessment: CALCULATING SIGNIFICANCE**

The significance ascribed to each of the possible material topics emerging from the materiality assessment was calculated on the basis of two variables: importance with respect to each of the ESG categories analysed and weightings. The weightings were assigned as a function of the importance of the sources of information for CIE Automotive.

MATERIAL TOPICS

As a result of that exercise, 23 topics emerged for validation, five of which are new material topics: circular economy; employee wellbeing; equality, diversity and inclusion; product quality and safety; and stakeholder engagement. In addition, three material topics (workplace health and safety; compliance and environmental impact) were reiterated in 2020 (they had been included under several similarly named topics in 2018).

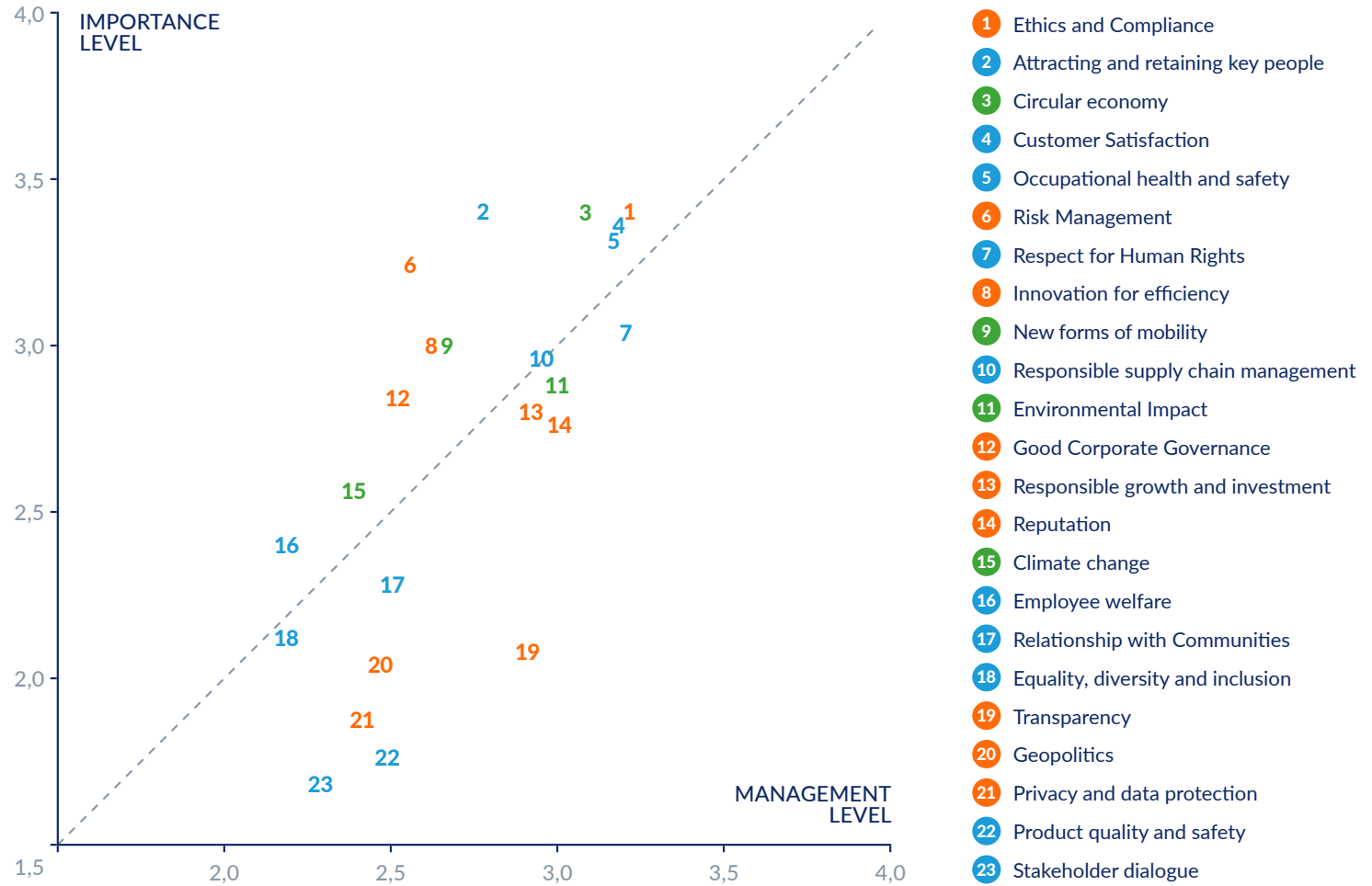
The topics increasing in importance the most were new forms of mobility (+5) and innovation to drive efficiency (+3), together with the new material topics identified in 2020, whereas transparency and reputation emerged as of significantly less concern (-10), thanks to the hard work put into that area.

DIMENSION	MATERIAL TOPIC 2020	Ranking 2020	Ranking 2018	YoY change	Section
GOVERNANCE	Ethics and compliance	1	1	0	- Our COMMITMENT to excellence and sustainability - The ETHICS FRAMEWORK that shape us - Progress on ESG management
SOCIAL	Expert talent management	2	5	1	- We ensured EMPLOYEE safety - Data tables and glossary
ENVIRONMENTAL	Circular economy: efficient use of resources and waste management	3	New	New	- We renewed our ENVIRONMENTAL commitments - Data tables and glossary
SOCIAL	Customer satisfaction	4	2	0	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Workplace health and safety	5	3	-2	- We ensured EMPLOYEE safety
GOVERNANCE	Risk management	6	7	1	- RISK readiness
SOCIAL	Respect for human rights	7	6	-1	- The ETHICS FRAMEWORK that shape us
GOVERNANCE	Innovation to drive efficiency	8	11	3	- A resilient BUSINESS MODEL - Our strategic focus on TECHNOLOGY and INNOVATION
ENVIRONMENTAL	New forms of mobility	9	14	5	- We offered our CUSTOMERS solutions they can count on - We reaffirmed our COMMUNITY commitments
SOCIAL	Responsible supply chain management	10	8	-2	- We stepped up collaboration with our SUPPLIERS
ENVIRONMENTAL	Environmental impact	11	10	-1	- We renewed our ENVIRONMENTAL commitments
GOVERNANCE	Strong corporate governance	12	12	0	- A high-quality governance STRUCTURE - Professional governing BODIES - RISK readiness
GOVERNANCE	Growth and responsible investment	13	13	0	- We focused our efforts on achieving RESULTS
GOVERNANCE	Reputation	14	4	-10	- Progress on ESG management
ENVIRONMENTAL	Climate change	15	16	1	- We renewed our ENVIRONMENTAL commitments
SOCIAL	Employee wellbeing	16	New	New	- We ensured EMPLOYEE safety
SOCIAL	Community relations	17	17	0	- We reaffirmed our COMMUNITY commitments
SOCIAL	Equality, diversity and inclusion	18	New	New	- We ensured EMPLOYEE safety
GOVERNANCE	Transparency	19	9	-10	- Progress on ESG management - We defended our SHAREHOLDERS' interests
GOVERNANCE	Geopolitics	20	18	-2	- Our profitability-oriented STRATEGY
GOVERNANCE	Privacy and data protection	21	15	-6	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Product quality and safety	22	New	New	- We offered our CUSTOMERS solutions they can count on
SOCIAL	Stakeholder engagement	23	New	New	- Progress on ESG management

MATERIALITY MATRIX

Ascribing scores as a function of the level with which they are being duly managed at CIE Automotive and the assessment of their relative importance yielded the following materiality matrix:

The company's targets for 2021 include the running of new "ESG Workshops" around the world in order to share the results of this analysis across the various regions and enable a more detailed internal materiality analysis, of greater scope, so as to continue to generate feedback for the materiality matrix and drill down into what the group needs to prioritise.



CONTACT DETAILS

102-1

102-2

102-3

102-5

102-53

Registered name **CIE Automotive S.A.**

Registered office **Alameda Mazarredo, 69 – 8º, 48009 Bilbao (Bizkaia).**

Telephone number **Spain: +34 946 054 835**

Website **www.cieautomotive.com**

Share capital **30,637,500 euros**








No. of shares **122,550,000**

Par value **0.25€ per share**

Business activity **Manufacture of automotive parts.**

Markets **CIE Automotive has factories in 16 countries and its shares are listed on the Bilbao, Madrid and Mumbai stock exchanges.**

DEDICATED CHANNELS for each stakeholder group:

- 
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DATA TABLES

EMPLOYMENT TABLES

→ Total number and breakdown of employees by gender, age and job category

Employee data is as of the end of 2020

	Men (M)			Total M	Women (W)			Total W	TOTAL	
	<30	30-50	>50		<30	30-50	>50			
2019	Management Committee	-	2	4	6	-	4	-	4	10
	Executives	13	618	240	871	11	85	15	111	982
	University graduates	1,877	3,721	770	6,368	389	722	141	1,252	7,620
	Skilled employees	5,294	8,787	2,221	16,302	767	1,961	482	3,210	19,512
	Total	7,184	13,128	3,235	23,547	1,167	2,772	638	4,577	28,124
2020	Management Committee	-	2	4	6	-	4	-	4	10
	Executives	41	592	239	872	9	71	15	95	967
	University graduates	1,473	3,469	746	5,688	355	707	137	1,199	6,887
	Skilled employees	4,118	8,073	1,976	14,167	821	1,853	491	3,165	17,332
	Total	5,632	12,136	2,965	20,733	1,185	2,635	643	4,463	25,196

→ Total number and breakdown by contract category

Employee data is as of the end of 2020

	2019	2020
Indefinite contracts	22,738	21,478
Temporary contracts	5,386	3,718
Total employees	28,124	25,196
Full-time	27,933	24,995
Part-time	191	201
Total employees	28,124	25,196


Total number and breakdown of employees by country

Employee data is as of the end of 2020

	2019	2020
India	8,772	6,744
Mexico	5,318	5,460
Brazil	3,499	3,050
Spain	2,490	2,333
US	1,652	1,582
China	1,763	1,570
Germany	1,058	879
Slovakia	829	837
Czech Republic	707	628
Romania	616	611
Italy	284	439
France	346	338
Portugal	317	323
Lithuania	242	221
Morocco	132	103
Russia	92	74
Netherlands	5	4
Guatemala	1	-
UK	1	-
Total	28,124	25,196


Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category

Employee data is as of the end of 2020

Average contracts during 2019	Gender		Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
Indefinite	19,357	3,878	5,767	13,959	3,509	930	6,966	15,339
Temporary	4,623	779	2,959	2,083	360	74	827	4,501
Full-time	23,848	4,569	8,658	15,961	3,798	1,000	7,709	19,708
Part-time	132	88	68	81	71	4	84	132

Average contracts during 2020	Gender		Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
Indefinite	18,320	3,746	4,479	13,937	3,650	978	6,713	14,375
Temporary	2,840	737	2,179	1,209	189	18	461	3,098
Full-time	21,007	4,403	6,589	15,060	3,761	985	7,071	17,354
Part-time	153	80	69	86	78	11	103	119

→ Average earnings and trend broken down by gender, age, job category or equivalent metric

Employee data is as of the end of 2020

	Average annual pre-tax earnings*		Age			Category		
	Men	Women	<30 yo	30-50	>50 yo	Executives	University graduates	Skilled employees
2019	15,450	14,750	7,786	15,805	29,690	52,771	18,799	12,081
2020	16,147	15,004	7,896	15,838	31,016	57,150	18,937	12,269

(*)All of the average annual pre-tax earnings figures provided in the table above are calculated by summing the total number of people employed by CIE Automotive in the category provided in the breakdown, without considering their origin or place of work.

→ Breakdown of hires and departures by age and gender

Employee data is as of the end of 2020

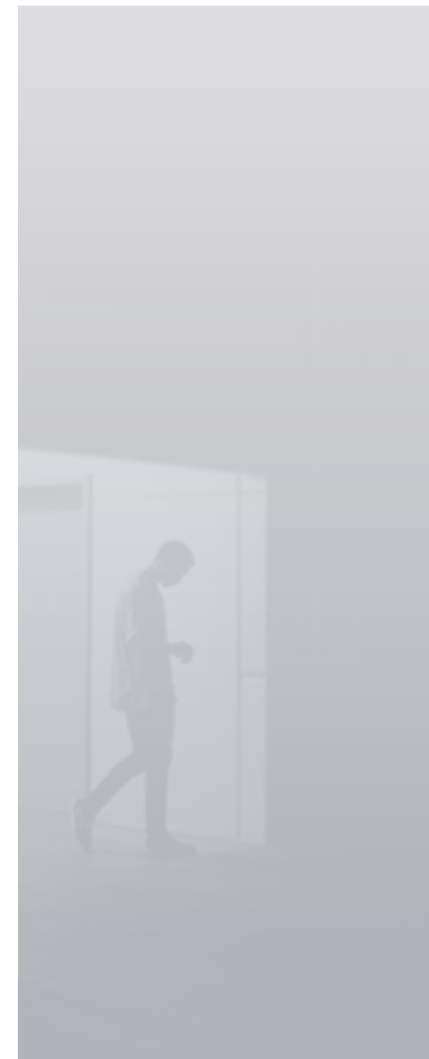
	2019				2020				Total
	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total Women	
New hires	3,949	1,555	283	5,787	618	555	95	1,268	7,055
Voluntary departures	3,495	1,258	301	5,054	526	518	107	1,151	6,205
	2020				2020				Total
	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total Women	
New hires	3,603	1,438	201	5,242	692	609	83	1,384	6,626
Voluntary departures	3,372	1,804	639	5,815	429	451	113	993	6,808

→ **Number of dismissals
by gender, age and job category**

Employee data is as of the end of 2020

2019	Men (M)			Total M	Women (W)			Total W	TOTAL
	<30	30-50	>50		<30	30-50	>50		
Executives	1	11	16	28	1	3	2	6	34
University graduates	113	279	38	430	28	62	9	99	529
Skilled employees	359	480	157	996	74	185	40	299	1,295
Total	473	770	211	1,454	103	250	51	404	1,858

2020	Men (M)			Total M	Women (W)			Total W	TOTAL
	<30	30-50	>50		<30	30-50	>50		
Executives	-	15	11	26	-	8	1	9	35
University graduates	169	354	80	603	48	56	12	116	719
Skilled employees	916	689	201	1,806	85	190	59	334	2,140
Total	1,085	1,058	292	2,435	133	254	72	459	2,894



ENVIRONMENTAL MANAGEMENT TABLES

→ Water consumption

<i>m³/year</i>	Indicator	Definition	2018	2019	2020
Europe*	GRI 303-3 (1)	Surface water	2,009.00	64,363.00	31,385.00
	GRI 303-3 (2)	Underground water	47,574.00	30,893.00	36,803.00
	GRI 303-3 (3)	Rainwater	22,034.00	25,253.00	26,441.00
	GRI 303-3 (4)	Municipal networks	435,096.00	321,631.00	303,515.00
	TOTAL		506,713.00	442,140.00	398,144.00
North America	GRI 303-3 (1)	Surface water	393.00	2,048.00	-
	GRI 303-3 (2)	Underground water	79,016.00	69,589.00	59,079.00
	GRI 303-3 (3)	Rainwater	-	-	-
	GRI 303-3 (4)	Municipal networks	260,088.85	255,886.32	224,587.78
	TOTAL		339,497.85	327,523.32	283,666.78
Brazil	GRI 303-3 (1)	Surface water	52,698.00	-	14,242.00
	GRI 303-3 (2)	Underground water	37,784.00	75,234.00	56,906.00
	GRI 303-3 (3)	Rainwater	-	-	-
	GRI 303-3 (4)	Municipal networks	124,009.00	175,959.00	104,723.00
	TOTAL		214,491.00	251,193.00	175,871.00
Asia (India/China)	GRI 303-3 (1)	Surface water	250,915.00	261,840.00	236,591.00
	GRI 303-3 (2)	Underground water	48,522.00	179,451.00	185,606.00
	GRI 303-3 (3)	Rainwater	6,165.00	6,555.00	3,845.00
	GRI 303-3 (4)	Municipal networks	226,434.00	180,530.00	167,165.00
	TOTAL		532,036.00	628,376.00	593,207.00
TOTAL	GRI 303-3 (1)	Surface water	306,015.00	328,251.00	282,218.00
	GRI 303-3 (2)	Underground water	212,896.00	355,167.00	338,394.00
	GRI 303-3 (3)	Rainwater	28,199.00	31,808.00	30,286.00
	GRI 303-3 (4)	Municipal networks	1,045,627.85	934,006.32	799,990.78
	TOTAL		1,592,737.85	1,649,232.32	1,450,888.78

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.


Materials consumption

Kg	Indicator	Definition	2018	2019	2020
Europe*	GRI 301-1	Raw materials used	546,033,547.00	545,320,860.00	383,474,092.00
	GRI 301-2	Raw materials recovered	247,023,857.00	230,418,938.00	145,243,605.00
			45%	42%	38%
North America	GRI 301-1	Raw materials used	307,241,576.00	370,013,007.00	300,490,431.00
	GRI 301-2	Raw materials recovered	43,254,069.00	8,205,673.00	9,820,027.00
			14%	2%	3%
Brazil	GRI 301-1	Raw materials used	196,503,649.00	187,910,073.00	152,235,258.00
	GRI 301-2	Raw materials recovered	57,297,757.00	70,114,134.00	54,837,125.00
			29%	37%	36%
Asia (India/China)	GRI 301-1	Raw materials used	423,041,204.00	407,039,649.00	434,487,453.00
	GRI 301-2	Raw materials recovered	113,050,215.00	102,452,797.00	91,092,000.00
			27%	25%	21%
TOTAL	GRI 301-1	Raw materials used	1,472,819,976.00	1,510,283,589.00	1,270,687,234.00
	GRI 301-2	Raw materials recovered	460,625,898.00	411,191,542.00	300,992,757.00
			31%	27%	24%

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.


Waste management

TM	Indicator	Definition	2018	2019	2020
Europe*	GRI 306-2 (H)	Hazardous waste disposed of	16,874.07	16,056.07	9,240.72
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	101,945.57	129,598.75	82,926.86
	GRI 306-2	TOTAL	118,819.63	145,654.82	92,167.58
North America	GRI 306-2 (H)	Hazardous waste disposed of	2,937.95	3,125.34	3,126.86
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	82,375.98	73,696.89	68,823.73
	GRI 306-2	TOTAL	85,313.93	76,822.23	71,950.60
Brazil	GRI 306-2 (H)	Hazardous waste disposed of	3,980.26	3,654.90	2,155.99
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	48,432.53	41,572.17	37,774.96
	GRI 306-2	TOTAL	52,412.78	45,227.07	39,930.95
Asia (India/China)	GRI 306-2 (H)	Hazardous waste disposed of	3,114.36	2,402.97	1,805.63
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	115,716.36	94,987.97	76,512.47
	GRI 306-2	TOTAL	118,830.71	97,390.94	78,318.10
TOTAL	GRI 306-2 (H)	Hazardous waste disposed of	26,906.63	25,239.28	16,329.20
	GRI 306-2 (N-H)	Non-hazardous waste disposed of	348,470.43	339,855.78	266,038.02
	GRI 306-2	TOTAL	375,377.06	365,095.06	282,367.22

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.


Energy consumption and savings

Gigajoules	Indicator	Definition	2018	2019	2020
Europe*	GRI 302-1 (D)	Direct energy consumption	904,828.58	774,253.76	639,301.96
	GRI 302-1 (I)	Indirect energy consumption	1,498,492.08	1,471,786.54	1,160,924.20
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	637,465.70	504,262.80	401,043.59
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	861,026.38	967,523.75	759,880.62
	GRI 302-1	TOTAL	2,403,320.66	2,246,040.31	1,800,226.16
North America	GRI 302-1 (D)	Direct energy consumption	357,669.91	476,606.74	426,553.41
	GRI 302-1 (I)	Indirect energy consumption	734,755.93	723,266.73	693,956.78
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	598,914.08	581,783.97	537,472.46
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	135,841.85	141,482.76	156,484.32
	GRI 302-1	TOTAL	1,092,425.84	1,199,873.47	1,120,510.19
Brazil	GRI 302-1 (D)	Direct energy consumption	175,500.25	242,715.78	153,633.44
	GRI 302-1 (I)	Indirect energy consumption	638,508.15	687,884.31	536,138.85
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	90,360.33	76,045.27	41,090.25
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	548,147.82	611,839.04	495,048.60
	GRI 302-1	TOTAL	814,008.39	930,600.09	689,772.29
Asia (India/China)	GRI 302-1 (D)	Direct energy consumption	170,942.47	169,178.90	302,183.16
	GRI 302-1 (I)	Indirect energy consumption	1,053,221.25	1,072,288.97	949,276.73
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	889,320.24	931,365.88	795,005.82
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	163,901.01	140,923.09	154,270.91
	GRI 302-1	TOTAL	1,224,163.72	1,241,467.87	1,251,459.89
TOTAL	GRI 302-1 (D)	Direct energy consumption	1,608,941.20	1,662,755.19	1,521,671.97
	GRI 302-1 (I)	Indirect energy consumption	4,433,531.16	4,460,965.25	3,340,296.56
	GRI 302-1 (I)	Indirect energy consumption from non-renewable sources	2,724,614.10	2,599,196.61	1,774,612.12
	GRI 302-1 (I)	Indirect energy consumption from renewable sources	1,708,917.05	1,861,768.64	1,565,684.45
	GRI 302-1	TOTAL	6,042,472.36	6,123,720.43	4,861,968.53

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.



→ Emissions

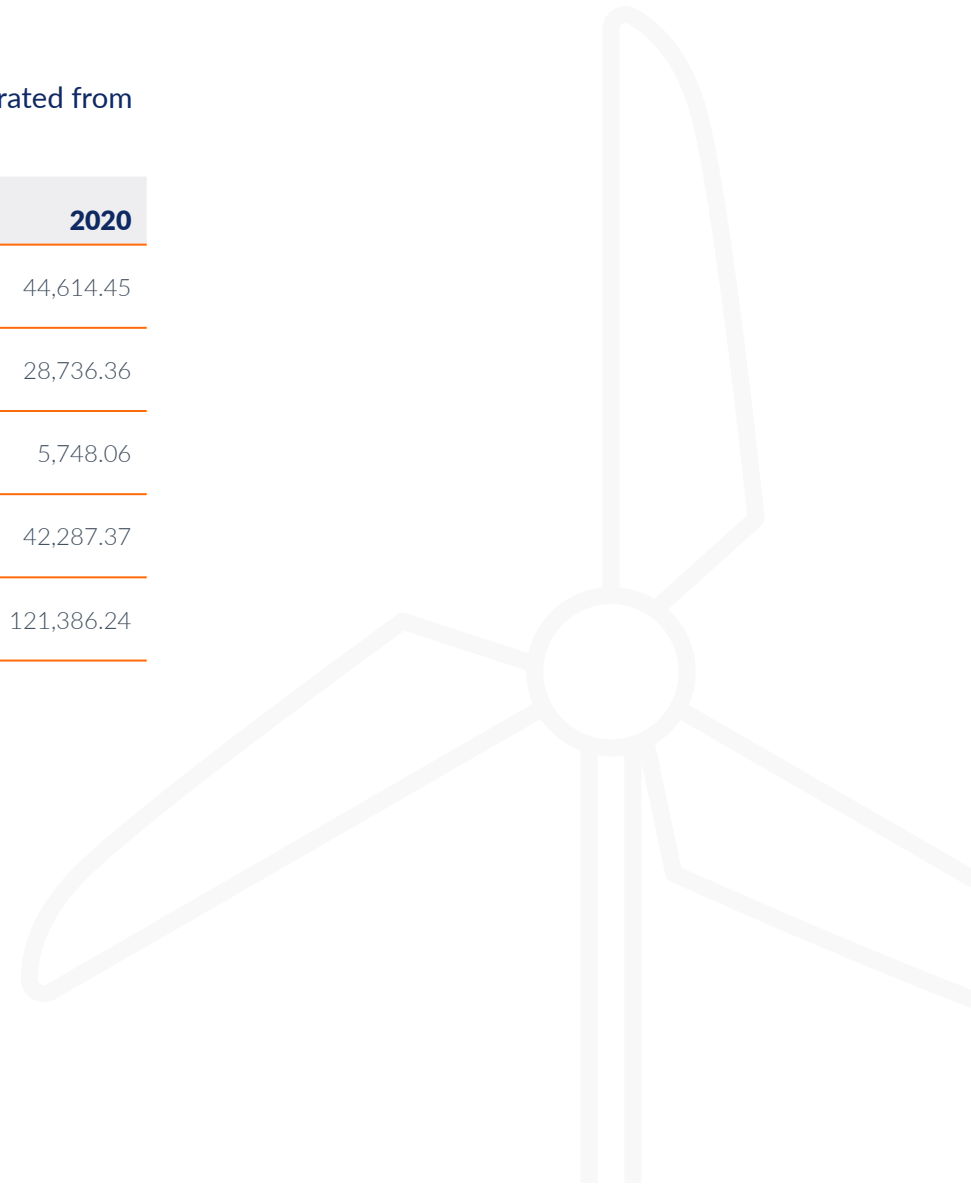
CO ₂ ™	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-1	Direct emissions	52,227.83	43,914.62	37,934.40
	GRI 305-2	Indirect emissions	78,277.93	60,798.05	38,420.00
	GRI 305	TOTAL	130,505.76	104,712.67	76,354.40
North America	GRI 305-1	Direct emissions	20,406.82	27,192.34	25,340.46
	GRI 305-2	Indirect emissions	78,860.08	76,247.68	85,385.01
	GRI 305	TOTAL	99,266.90	103,440.02	110,725.48
Brazil	GRI 305-1	Direct emissions	10,151.10	14,387.16	9,191.82
	GRI 305-2	Indirect emissions	1,706.81	1,436.41	477.10
	GRI 305	TOTAL	11,857.91	15,823.57	9,668.92
Asia (India/China)	GRI 305-1	Direct emissions	10,916.47	10,599.47	18,392.44
	GRI 305-2	Indirect emissions	206,331.15	216,386.94	200,134.86
	GRI 305	TOTAL	217,247.62	226,986.41	218,527.30
TOTAL	GRI 305-1	Direct emissions	93,702.22	96,093.59	90,859.13
	GRI 305-2	Indirect emissions	365,175.97	354,869.08	324,416.97
	GRI 305	TOTAL	458,878.19	450,962.67	415,276.10

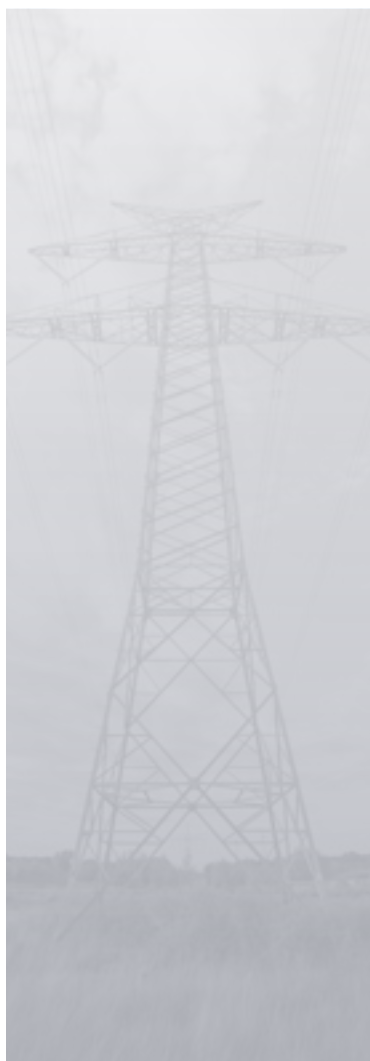
*The Europe region includes the factories located in Morocco and Russia. Consumption volumes were affected by COVID-19 related restrictions in 2020.

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

CO ₂ ™	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-2	Indirect emissions	71,462.56	83,277.57	44,614.45
North America	GRI 305-2	Indirect emissions	17,020.41	17,709.85	28,736.36
Brazil	GRI 305-2	Indirect emissions	10,353.90	11,556.96	5,748.06
Asia (India/China)	GRI 305-2	Indirect emissions	38,936.40	33,508.38	42,287.37
TOTAL	GRI 305-2	Indirect emissions	137,773.27	146,052.76	121,386.24

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.





Energy intensity

Gigajoules/K€	Indicator	Definition	2018	2019	2020
Europe*	GRI 302-3 (D)	Direct energy consumption	0.65	0.53	0.54
	GRI 302-3 (I)	Indirect energy consumption	1.07	1.01	0.97
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.45	0.35	0.34
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.61	0.66	0.64
	GRI 302-3	TOTAL	1.71	1.54	1.51
North America	GRI 302-3 (D)	Direct energy consumption	0.47	0.52	0.58
	GRI 302-3 (I)	Indirect energy consumption	0.96	0.79	0.94
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.78	0.63	0.72
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.18	0.15	0.21
	GRI 302-3	TOTAL	1.43	1.31	1.51
Brazil	GRI 302-3 (D)	Direct energy consumption	0.54	0.75	0.83
	GRI 302-3 (I)	Indirect energy consumption	1.97	2.11	2.89
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	0.28	0.23	0.22
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	1.69	1.88	2.67
	GRI 302-3	TOTAL	2.52	2.86	3.72
Asia (India/China)	GRI 302-3 (D)	Direct energy consumption	0.32	0.22	0.40
	GRI 302-3 (I)	Indirect energy consumption	1.95	1.41	1.25
	GRI 302-3 (I)	Indirect energy consumption from non-renewable sources	1.65	1.23	1.05
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.30	0.19	0.20
	GRI 302-3	TOTAL	2.27	1.64	1.65
TOTAL	GRI 302-3 (D)	Direct energy consumption	0.53	0.48	0.53
	GRI 302-3 (I)	Indirect energy consumption	1.30	1.14	1.16
	GRI 302-3 (I)	Indirect energy consumption	0.73	0.60	0.62
	GRI 302-3 (I)	Indirect energy consumption from renewable sources	0.57	0.54	0.54
	GRI 302-3	TOTAL	1.83	1.62	1.69

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.


**Emissions
intensity**

CO ₂ TM /k€	Indicator	Definition	2018	2019	2020
Europe*	GRI 305-4 (D)	Direct emissions	0.04	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.05	0.04	0.03
	GRI 305-4	TOTAL	0.09	0.07	0.06
North America	GRI 305-4 (D)	Direct emissions	0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.10	0.08	0.12
	GRI 305-4	TOTAL	0.13	0.11	0.15
Brazil	GRI 305-4 (D)	Direct emissions	0.03	0.04	0.05
	GRI 305-4 (I)	Indirect emissions	0.01	0.01	0.00
	GRI 305-4	TOTAL	0.04	0.05	0.05
Asia (India/China)	GRI 305-4 (D)	Direct emissions	0.02	0.01	0.03
	GRI 305-4 (I)	Indirect emissions	0.38	0.29	0.26
	GRI 305-4	TOTAL	0.40	0.30	0.29
TOTAL	GRI 305-4 (D)	Direct emissions	0.03	0.03	0.03
	GRI 305-4 (I)	Indirect emissions	0.12	0.10	0.11
	GRI 305-4	TOTAL	0.15	0.13	0.14

*The Europe region includes the factories located in Morocco and Russia.
Consumption volumes were affected by COVID-19 related restrictions in 2020.

GLOSSARY

- **EBITDA:** earnings before interest, tax, depreciation and amortisation.
- **Adjusted EBITDA:** Last 12 months EBITDA annualised for companies added to the consolidation scope during the reporting period. Includes 50% of the EBITDA of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method
- **EBIT:** Earnings before interest and tax.
- **Net profit:** Recurring profit attributable to owners of the parent.
- **Net debt:** Borrowings from banks and other financial institutions less Cash and cash equivalents less Other financial assets.
- **Adjusted net debt:** Net debt including 50% of the net debt of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.
- **Fixed assets:** Property, plant and equipment, intangible assets, including goodwill but excluding rights of use over leased assets (IFRS 16).
- **Maintenance capex:** Capex designed to update the facilities with a view to handling anticipated organic market growth.
- **Operating cash flow:** EBITDA less Interest expense paid less Tax paid less Maintenance capex less IFRS 16 leases.

NON-FINANCIAL STATEMENT

TRACING COMPLIANCE WITH THE LAW ON NON-FINANCIAL INFORMATION AND DIVERSITY REPORTING

Contents of Law 11/2018 on non-financial and diversity reporting	GRI standards - version 2016 (*)	Section of the Annual Report	Page	Remarks / Direct response / Omissions
<p>Brief description of the undertaking's business model, including disclosures related to:</p> <ol style="list-style-type: none"> 1) their business environment; 2) their organisation and structure; 3) the markets where they operate; 4) their objectives and strategies; 5) the main trends and factors that may affect their future development. 	102-1	Contact details	182	
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Brief description of the undertaking's business model, including disclosures related to: 1) their business environment; 2) their organisation and structure; 3) the markets where they operate; 4) their objectives and strategies; 5) the main trends and factors that may affect their future development.	102-19	ESG policy in action	169		
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<p>A description of the policies pursued by the undertaking in relation to those matters, including:</p> <p>1) The due diligence processes implemented in order to identify, evaluate, prevent and mitigate significant risks and adverse impacts.</p> <p>2) The monitoring and control processes, specifying which measures have been taken.</p>	103	Engagement with shareholders and investors	31	
		Total quality model	39	
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		Management approach to the supply chain	72	
		Approach to the environment	77	
		Community work	96	
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<p>The outcomes of those policies, including the pertinent non-financial key performance indicators that are most useful in:</p> <p>1) monitoring and assessing progress</p> <p>2) supporting comparability across companies and sectors, relying on broadly recognised national, EU-based or international frameworks for each issue.</p>	103	Engagement with shareholders and investors	31	
		Total quality model	39	
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		Management approach to the supply chain	72	
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<p>The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas; and</p> <ul style="list-style-type: none"> - How the undertaking manages those risks; - Explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. - Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks. 	102-15	Risk readiness	148-160	
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<p>Non-financial key performance indicators relevant to the undertaking's particular business that are comparable, useful, relevant and consistent.</p> <p>* In order to facilitate comparability of non-financial disclosures, over time and among undertakings, reporters should rely particularly on non-financial KPIs that are generally applicable and meet the European Commission's guidelines in this respect and specifically the Global Reporting Initiative standard. Reporters should specify which national, EU-based or international reporting framework they rely on in each instance.</p> <p>* Undertakings must provide relevant key performance indicators for each section of their non-financial statements.</p> <p>* These indicators should be useful taking into account their specific circumstances. The KPIs should be consistent with metrics actually used by the group in its internal management and risk assessment processes.</p> <p>* Regardless, the information provided should be accurate, comparable and verifiable.</p> <p>Other information of use about how the document was prepared - Reporting practice.</p>	102-46	Methodology	176-177	
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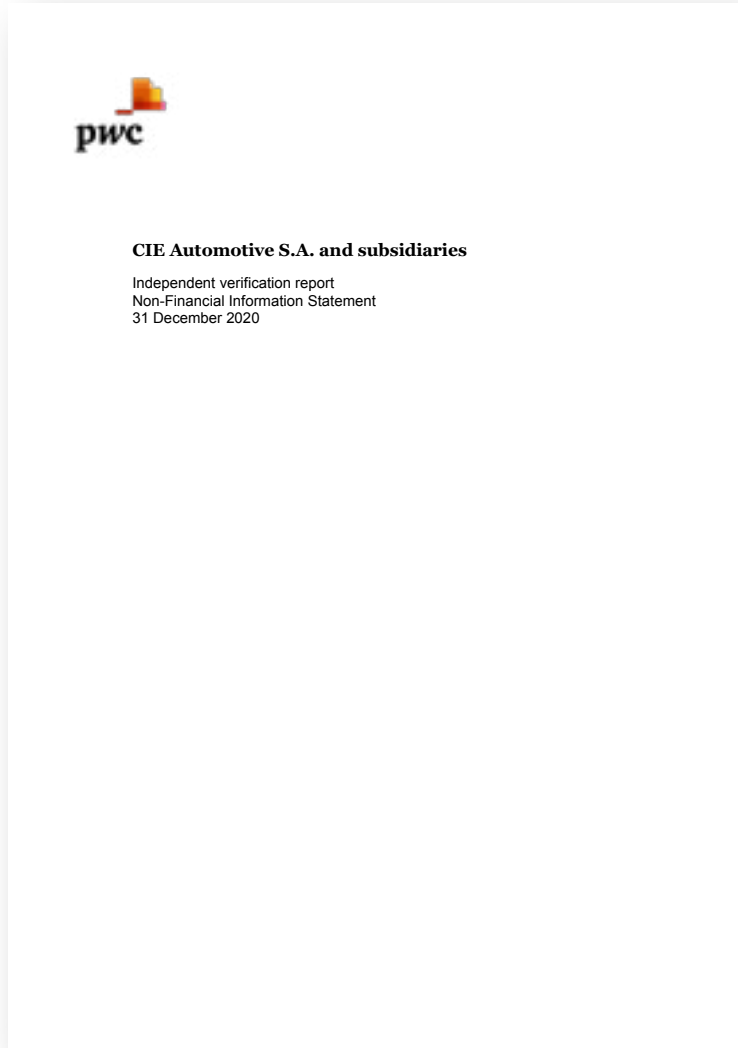
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EXTERNAL assurance





Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in Non-Financial Information reviews and specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance verification report based on the work carried out. Our work has been aligned with the requirements set by the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution and are more restricted than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to management and several CIE Automotive's units that were involved in the preparation of the CNFIS, in the review of the processes for compiling and validating the information presented in the CNFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with CIE Automotive personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the CNFIS for 2020, based on the materiality analysis carried by CIE and described in the aforementioned CNFIS, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in the CNFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the CNFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the CNFIS for 2020 and its adequate compilation using data supplied by the sources of information.
- Obtainment of a management representation letter from the directors and the management of the Parent company.



Conclusions

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention which may lead us to believe that CNFIS of CIE Automotive S.A. and its subsidiaries for the year ended 31 December 2020 has not been prepared, in all of their significant matters, according to the provisions of current commercial legislation and with the GRI Standards selected, described, in line with the details provided for each topic in Appendix "Tracing compliance with the law on non-financial information and diversity reporting" of the aforementioned Annual Report.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Pablo Bascones Ilundain

February 24th, 2021



ANNUAL REPORT
2020

