

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

IDENTIFICATION DATA OF ENTITY

|  |            |
|--|------------|
| <b>CLOSING DATE PERIOD OF REFERENCE:</b> | 12/31/2013 |
|--|------------|

|               |            |
|---------------|------------|
| <b>C.I.F.</b> | A-20014452 |
|---------------|------------|

|                      |
|----------------------|
| <b>BUSINESS NAME</b> |
| CIE AUTOMOTIVE, S.A. |

|  |
|--|
| <b>REGISTERED OFFICE</b>                             |
| CL Alameda Mazarredo N° 69, 8º Piso BILBAO (BIZKAIA) |

## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

### A. - STRUCTURE OF OWNERSHIP

A.1 Complete the following table on the company's capital:

| Date of latest modification | Share capital (€) | Number of shares | Number of voting rights |
|-----------------------------|-------------------|------------------|-------------------------|
| 10/04/2013                  | 29,705,011.50     | 118,820,046      | 118,820,046             |

State whether there are different classes of shares with different associated rights:

YES  NO

A.2 Give details on the direct and indirect holders of significant interest in your company at the year-end, excluding Directors:

| Name of shareholder                                     | Number of direct voting rights | Number of indirect voting rights | % total voting rights |
|---|--------------------------------|----------------------------------|-----------------------|
| MR. JOSE IGNACIO COMENGE SANCHEZ-REAL                   | 0                              | 5,950,000                        | 5.01%                 |
| QMC II IBERIAN CAPITAL FUND, FIL                        | 4,518,659                      | 0                                | 3.80%                 |
| MAHINDRA MAHINDRA                                       | 0                              | 16,040,706                       | 13.50%                |
| INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L. | 9,734,650                      | 0                                | 8.19%                 |
| NMAS1 ASSET MANAGEMENT, SGIIC, S.A.                     | 0                              | 8,339,208                        | 7.02%                 |
| RISTEEL CORPORATION, B.V.                               | 16,900,002                     | 0                                | 14.22%                |

| Name of the indirect holder of the interest | Through: Name of the direct holder of the interest    | Number of direct voting rights |
|---|---|--------------------------------|
| MR. JOSE IGNACIO COMENGE SANCHEZ-REAL       | LA FUENTE SALADA, S.L.                                | 5,950,000                      |
| MAHINDRA MAHINDRA                           | MAHINDRA OVERSEAS INVESTMENT COMPANY (MAURITIUS) LTD. | 16,040,706                     |
| NMAS1 ASSET MANAGEMENT, SGIIC, S.A.         | OTHER SHAREHOLDERS                                    | 8,339,208                      |

List the most significant changes in the shareholder structure during the year:

| Name of shareholder                   | Date of the transaction | Description of the transaction |
|---------------------------------------|-------------------------|--------------------------------|
| MAHINDRA MAHINDRA                     | 10/04/2013              | Exceed 10% of share capital    |
| MR. JOSE IGNACIO COMENGE SANCHEZ-REAL | 10/18/2013              | Exceed 5% of share capital     |
| AUSTRAL, B.V.                         | 08/02/2013              | Decrease a 5% of share capital |
| NMAS1 ASSET MANAGEMENT, SGIIC, S.A.   | 08/02/2013              | Exceed 5% of share capital     |

A.3 Complete the following tables on members of the Board Directors' voting rights at the company:

| Name of the Director                | Number of direct voting rights | Number of indirect voting rights | % total voting rights |
|-------------------------------------|--------------------------------|----------------------------------|-----------------------|
| MR. FERMIN DEL RIO SANZ DE ACEDO    | 25,000                         | 0                                | 0.02%                 |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | 5,700,009                      | 9,734,650                        | 12.98%                |
| MR. HEMANT LUTHRA                   | 5                              | 0                                | 0.00%                 |
| ADDVALIA CAPITAL, S.A.              | 5,942,009                      | 0                                | 5.00%                 |
| CORPORACION GESTAMP, S.L.           | 12,652,182                     | 16,900,021                       | 24.87%                |
| ELIDOZA PROMOCION DE EMPRESAS, S.L. | 12,386,138                     | 0                                | 10.42%                |
| AUSTRAL, B.V.                       | 5,951,003                      | 0                                | 5.00%                 |
| MR. VANKIPURAM PARTHASARATHY        | 5                              | 0                                | 0.00%                 |
| MR. JESUS MARIA HERRERA BARANDIARAN | 450,000                        | 0                                | 0.37%                 |

| Name of the indirect holder of the interest | Through: Name of the direct holder of the interest      | Number of voting rights |
|---|---|-------------------------|
| MR ANTONIO MARIA PRADERA JAUREGUI           | INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L. | 9,734,650               |
| CORPORACION GESTAMP, S.L.                   | RISTEEL CORPORATION, B.V.                               | 16,900,021              |

|  |                |
|--|----------------|
| <b>% total of voting rights held by the Board of Directors</b> | <b>58.66 %</b> |
|--|----------------|

Complete the following tables on members of the Board of Directors who hold rights about shares in the Company.

- A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:
- A.5 Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:
- A.6 Indicate any shareholders' agreements of which the Company has been notified in pursuance of Articles 530 and 531 of the Spanish Companies Law. Describe briefly, if any, indicating the shareholders bound by the agreement:

YES  NO

Indicate any concerted actions among Company shareholders of which the Company is aware. Describe briefly, if any:

YES  NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that have taken place during the year:

- A.7 Indicate any individuals or entities that exercise or may exercise control over the Company in pursuance of Article 4 of the Stock Market Act. Identify any that exist:

YES  NO

OBSERVATIONS

**A.8 Complete the following tables on the Company's treasury stock:**

At the close of the financial year:

| Number of direct shares | Number of indirect shares (*) | % total of share capital |
|-------------------------|-------------------------------|--------------------------|
| 0                       | 0                             | 0.00%                    |

(\*) Through:

Give details on any significant variations during the year, according to the established in Royal Decree 1362/2007:

**A.9 Indicate the terms and conditions of the authorization granted by the General Meeting to the Board of Directors to issue, repurchase or sell treasury shares.**

It is valid until April 30, 2018, inclusive, the mandate given by the General Meeting of Shareholders held on April 30, 2013, whereby the Board of Directors of the Company is authorized to acquire, at any time and as often as deemed fit, shares of CIE Automotiva, SA, by any lawful means, including from benefits of exercise and / or unrestricted reserves, as well as that they can subsequently sell or redeem thereof, all in accordance with Article 146 and related provisions of the Spanish Companies Law.

**A.10 Indicate whether there are any restrictions on the transfer of securities and / or any restrictions on voting rights. In particular, the existence of any restrictions that may impede the acquisition of control of the company through the purchase of shares in the market will be communicated.**

YES  NO

**A.11 Indicate whether the General Shareholders' Meeting has resulted in measures to neutralize a takeover bid under Law 6/2007.**

YES  NO

If so, explain the measures approved and the terms under which the restrictions would become ineffective.

At the General Shareholders' Meeting of CIE Automotiva, S.A. held on 23 April 2008, the following arrangement was adopted as a result of point three of the agenda:

SIX.- Approval of the exclusion of limitations on the action to be taken by the Company's governing and management bodies, and those within its group, in the terms established by Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July.

In accordance with the provisions of Article 60.bis.2 of Law 24/1988, of 28 July, on the Stock Market and Article 28.5 of Royal Decree 1066/2007, of 27 July, on the public bidding system to acquire shares, stipulate that the limitations referred to by Article 60.bis.2 and Article 28.5 of Royal Decree 1066/2007, of 27 July, will not be applicable to the governing bodies at the Company and the Group in the event that the Company is the target of a public share offering presented by a Company that is not domiciled in Spain and is not subject to these regulations or their equivalent, including those referring to the rules necessary for the General Meeting to adopt resolutions or, by an entity directly or indirectly controlled by such a company, in accordance with the provisions of Article 4 of Law 24/1988, of 28 July, on the Stock Market.

**A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.**

YES  NO

If so, indicate the different classes of shares and, for each one, the rights and obligations conferred.

**B. - SHAREHOLDERS' MEETING**

B.1 Indicate whether there are any differences between the quorums for General Meetings and the minimums stipulated in the Spanish Companies Law and, if appropriate, explain.

YES  NO

|                              | <b>% quorum different than that established under Article 193 SCL for general cases</b> | <b>% quorum different than that established under Article 194 SCL for special cases defined by Article 194 SCL</b> |
|------------------------------|---|--|
| Quorum required for 1st call | 50.00%  | 0.00%  |
| Quorum required for 2nd call | 0.00%   | 0.00%  |

| <b>Description of the differences</b>  |
|--|
| <p>Article 13 of the Articles of Association establishes that an ordinary or extraordinary General Meeting will be validly called to order on first call when the shareholders present or represented own at least 50% of voting share capital. At second call the Meeting shall be validly convened regardless of the percentage of capital in attendance. However, when an ordinary or extraordinary General Meeting is to adopt any of the resolutions referred to by Article 194 of the Spanish Companies Law, at least 25% of voting share capital must be present or represented on second call.</p> <p>As a result, a reinforced quorum is established with respect to Article 193 of the Spanish Companies Law to hold a meeting on first call (not the case with Article 194 of the Spanish Companies Law).</p> |

B.2 Indicate and explain, if appropriate, if there are any differences between the system used for adopting corporate resolutions in the system stipulated in the Spanish Companies Law (SCL):

YES  NO

Describe how it differs from the system contemplated in the Spanish Companies Law.

B.3 State the rules applicable to the amendment of the Articles of Association. In particular, the majorities provided for amending the Articles to will be communicated and, where appropriate, the rules laid down for the protection of the rights of the partners in the amendment of the Articles.

Regulations applicable to the amendment of the articles of association is captured by the Spanish Companies Law not existing in the Articles of Association different majorities of applicable law or rules laid down for the protection of members others than those set out in the rules of general nature.

B.4 Detail the figures of attendance at the Shareholders Meetings held during the reporting year and the previous year::

| <b>Attendance figures</b>          |                             |                               |                          |              |              |
|------------------------------------|-----------------------------|-------------------------------|--------------------------|--------------|--------------|
| <b>Date of the General Meeting</b> | <b>% physically present</b> | <b>% represented by proxy</b> | <b>% distance voters</b> |              | <b>Total</b> |
|                                    |                             |                               | <b>Electronic voting</b> | <b>Other</b> |              |
| 04/30/2013                         | 75.38%                      | 2.43%                         | 0.00%                    | 0.00%        | 77.81%       |

B.5 State whether any restrictions are established in the Articles of Association requiring a minimum number of shares to attend General Meetings:

YES  NO

B.6 Indicate if it is agreed that certain decisions involving a structural change in the company ("affiliation", sale of key operating assets, equivalent operations to the liquidation of the company ...) must be submitted to the approval of the General Shareholder's Meeting, although not expressly required under company law.

YES  NO

B.7 Indicate the address and means of access to the company website to information on corporate governance and other information on General Meetings to be made available to shareholders via the website of the Company.

The items that must be published in accordance with Law 26/2003, of 17 July, on the transparency of listed public limited liability companies, enabling Order ECO/3722/2003, of 26 December, and those required by CNMV Circular 1/2004, of 17 March, on the Annual Corporate Governance Reports for listed public companies are directly accessible at [www.cieautomotive.com/inversores/index.php?lang=\\_esp](http://www.cieautomotive.com/inversores/index.php?lang=_esp).

## **C. - STRUCTURE OF GOVERNANCE AT THE COMPANY**

### C.1 Board of Directors

C.1.1 State the maximum and minimum number of Directors stipulated in the Articles of Association:

|                                    |    |
|------------------------------------|----|
| <b>Maximum number of Directors</b> | 15 |
| <b>Minimum number of Directors</b> | 6  |

C.1.2. Complete the following table with the names of the Board members:

| Name of the Director                | Representative | Position on the Board | Date of first appointment | Date of last appointment | Election procedure                      |
|-------------------------------------|----------------|-----------------------|---------------------------|--------------------------|---|
| MR. ANTONIO MARIA PRADERAJAUREGUI   |                | CHAIRMAN              | 06/24/2002                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| ELIDOZA PROMOCION DE EMPRESAS, S.L. |                | 1st VICE CHAIR        | 06/24/2002                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| AUSTRAL, B.V.                       |                | BOARD MEMBER          | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR JUAN MARIA RIBERAS MERA          |                | BOARD MEMBER          | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR. FERMIN DEL RIO SANZ DE ACEDO    |                | BOARD MEMBER          | 12/21/2005                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR. CARLOS SOLCHAGA CATALÁN         |                | BOARD MEMBER          | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |

| Name of the Director                | Representative                   | Position on the Board   | Date of first appointment | Date of last appointment | Election procedure                      |
|-------------------------------------|----------------------------------|-------------------------|---------------------------|--------------------------|---|
| MR ÁNGEL MANUEL OCHOA CRESPO        |                                  | BOARD MEMBER            | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR. FRANCISCO JOSE RIBERAS MERA     |                                  | BOARD MEMBER            | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| ADDVALIA CAPITAL, S.A.              | MRS. MARIA TERESA SALEGUI ARBIZU | BOARD MEMBER            | 04/26/2007                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| CORPORACION GESTAMP, S.L.           | MR. FRANCISCO LOPEZ PEÑA         | BOARD MEMBER            | 10/27/2010                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| QMC DIRECTORSHIPS, S.L.             |                                  | BOARD MEMBER            | 05/12/2005                | 10/27/2010               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR. JESUS MARIA HERRERA BARANDIARAN |                                  | CHIEF EXECUTIVE OFFICER | 01/21/2013                | 04/30/2013               | GENERAL SHAREHOLDERS' MEETING AGREEMENT |
| MR. HEMANT LUTHRA                   |                                  | BOARD MEMBER            | 10/04/2013                | 10/04/2013               | CO-OPTATION                             |
| MR. VANKIPURAM PARTHASARATHY        |                                  | BOARD MEMBER            | 10/04/2013                | 10/04/2013               | CO-OPTATION                             |

|                                  |    |
|----------------------------------|----|
| <b>Total number of Directors</b> | 14 |
|----------------------------------|----|

Indicate the ceases that have occurred in the Board of Directors during the year:

| Name of the Director                            | Status of the Director at the time of exit | Exit date  |
|---|--|------------|
| COMPañIA ANDALUZA DE RENTAS E INVERSIONES, S.A. | Institutional Outside Director             | 07/23/2013 |
| MS. SUSANA MOLINUEVO APELLANIZ                  | Executive Director                         | 10/04/2013 |

C.1.3. Complete the following tables about Board members and their classification:

### EXECUTIVE DIRECTORS

| Name of the Director                | Nominating Committee                   | Position in Company's organization |
|-------------------------------------|--|------------------------------------|
| MR. ANTONIO MARIA PRADERA JAUREGUI  | NOMINATIONS AND COMPENSATION COMMITTEE | CHAIR                              |
| MR. JESUS MARIA HERRERA BARANDIARAN | NOMINATIONS AND COMPENSATION COMMITTEE | CHIEF EXECUTIVE OFFICER            |

|  |        |
|--|--------|
| <b>Total number of executive Directors</b> | 2      |
| <b>Total percent of the Board</b>          | 14.29% |

## INSTITUTIONAL OUTSIDE DIRECTORS

| Name of the Director                | Nominating Committee                   | Name of the significant shareholder represented or that proposed the appointment |
|-------------------------------------|--|--|
| ELIDOZA PROMOCION DE EMPRESAS, S.L. | NOMINATIONS AND COMPENSATION COMMITTEE | ELIDOZA PROMOCION DE EMPRESAS, S.L.  |
| MR. JUAN MARIA RIBERAS MERA         | NOMINATIONS AND COMPENSATION COMMITTEE | CORPORACION GESTAMP, S.L.  |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | NOMINATIONS AND COMPENSATION COMMITTEE | INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L.                          |
| MR. FRANCISCO JOSE RIBERAS MERA     | NOMINATIONS AND COMPENSATION COMMITTEE | CORPORACION GESTAMP, S.L.  |
| ADDVALIA CAPITAL, S.A.              | NOMINATIONS AND COMPENSATION COMMITTEE | ADDVALIA CAPITAL, S.A.   |
| CORPORACION GESTAMP, S.L.           | NOMINATIONS AND COMPENSATION COMMITTEE | CORPORACION GESTAMP, S.L.  |
| QMC DIRECTORSHIPS, S.L.             | NOMINATIONS AND COMPENSATION COMMITTEE | NMAS1 ASSET MANAGEMENT, SGIIC, S.A.  |
| AUSTRAL, B.V.                       | NOMINATIONS AND COMPENSATION COMMITTEE | AUSTRAL, B.V.  |
| MR. HEMANT LUTHRA                   | NOMINATIONS AND COMPENSATION COMMITTEE | MAHINDRA MAHINDRA  |
| MR. VANKIPURAM PARTHASARATHY        | NOMINATIONS AND COMPENSATION COMMITTEE | MAHINDRA MAHINDRA  |

|  |        |
|--|--------|
| <b>Total number of Institutional Directors</b> | 10     |
| <b>Total percent of the Board</b>              | 71.43% |

## INDEPENDENT OUTSIDE DIRECTORS

### Name of the Director

MR. CARLOS SOLCHAGA CATALÁN

#### Profile

Degree in Economics and Business from Universidad Complutense de Madrid. Post-graduate studies at Alfred P. Sloan School at the Massachusetts Institute of Technology (M.I.T.). In 1980 he was elected Member of Parliament as a representative of the PSOE and successively re-elected in 1982, 1986, 1989 and 1993 and was the Chair of the Socialist Group in 1993-1994. Member of the Basque Government prior to the approval of the Euskadi Autonomy Statute (1979-80), Chair of the Interim Committee at the International Monetary Fund (1991-1993) and Minister of Industry and Energy in Spain (1982-85) and Minister of Finance (1985-1993). He is currently an International Consultant and Partner-Director of Solchaga Recio Asociados (Consultancy). Chair of Fundacion Euroamerica, Vice-Chair of Real Patronato del Museo Nacional Centro de Arte Reina Sofia, Chair of Fundacion Arquitectura y Sociedad, Chair of the Advisory Council of the Law Firm Roca Junyent, Member of the Scientific Council of Real Instituto Elcano and Member of other Advisory Boards and Boards of Directors.



## Name of the Director

MR ÁNGEL MANUEL OCHOA CRESPO

### Profile

Degree in Economics and Business from Universidad del Pais Vasco and Master of International Business Administration (M.I.B.A.) from United States International University (U.S.I.U.) San Diego, Ca. USA, currently EAFI (Empresa de Asesoramiento Financiero) and a Director of Islopan, S.A.. With more than 16 years' experience in the financial field, he has held, among others, the post of Director for the Basque Country and Cantabria at Banco Sabadell Atlantico; Senior Vice-President of Banque Privee Edmond de Rothschild Europe, Sucursal en Espana, and participated in the implementation and development of the bank since it opened in Spain and formed part of its Management Committee; Account Manager and Deputy Director of Corporate Banking at Lloyds Bank; and an Account Executive and Manager in the Multinational Department at Barclays Bank. He has also been a member of the Board of Directors of several SICAV funds.

|  |        |
|--|--------|
| <b>Total number of independent Directors</b> | 2      |
| <b>Total percent of the Board</b>            | 14.29% |

Indicate whether any Board member qualified as an independent perceives from the company or its group, any amount or benefit for a concept other than of remuneration, or maintains or has maintained during the last year, a business relationship with the society or any group company, either on their own behalf or as a significant shareholder, director or senior manager of a company that has or had such a relationship.

Not applicable

If so, a reasoned statement of the board on the reasons why it considers that the Director can perform its functions as an independent Director should be included.

## OTHER OUTSIDE DIRECTORS

State the reasons why they cannot be considered institutional or independent directors and their association with either the Company, executives or shareholders.

Indicate any variations during the year in the type of each Director:

C.1.4 Complete the following table with information on the number of female Directors for the past 4 years, and the nature of such female Directors:

|                        | Number of female directors |                    |                    |                    | % over each kind of directors |                    |                    |                    |
|------------------------|----------------------------|--------------------|--------------------|--------------------|-------------------------------|--------------------|--------------------|--------------------|
|                        | Year ended<br>2013         | Year ended<br>2012 | Year ended<br>2011 | Year ended<br>2010 | Year ended<br>2013            | Year ended<br>2012 | Year ended<br>2011 | Year ended<br>2010 |
| <b>Executive</b>       | 0                          | 0                  | 0                  | 0                  | 0.00%                         | 0.00%              | 0.00%              | 0.00%              |
| <b>Institutional</b>   | 2                          | 2                  | 2                  | 2                  | 20.00%                        | 22.22%             | 22.22%             | 22.22%             |
| <b>Independent</b>     | 0                          | 0                  | 0                  | 0                  | 0.00%                         | 0.00%              | 0.00%              | 0.00%              |
| <b>Other Outsiders</b> | 0                          | 0                  | 0                  | 0                  | 0.00%                         | 0.00%              | 0.00%              | 0.00%              |
| <b>Total:</b>          | 2                          | 2                  | 2                  | 2                  | 14.29%                        | 16.66%             | 15.38%             | 15.38%             |

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men:

Explanation of the measures

In the exercise of its functions, the Nominations and Compensation Committee must submit their proposals to ensure that is taken into consideration people who possess the qualifications and skills required for the position, and that the process of selection of candidates does not suffer from implicit biases that hinder the selection of persons of either sex.

C.1.6 Explain the measures, if any, had agreed the Nominations Committee for that selection procedures do not suffer from implicit biases that hinder the selection of female directors and the company deliberately search and include among the potential candidates, women who meet the professional profile searched for:

Explanation of the measures

Nominations and Compensation Committee must ensure that people of both sexes who possess the qualifications and ability required for the position are taken into consideration.

When, despite the measures, if any, have been taken, the number of female directors are few or no, explain the reasons justifying:

Explanation of the measures

The nomination of new directors depends in large measure on the appearance of vacancies within the Board, which does not happen often. At this time the people who are part of the Board meet the required conditions, ensuring so that in future appointments, there are no bias whatsoever in the selection of directors.

C.1.7 Explain how is the representation on the board of the controlling shareholders:

Controlling shareholders (see heading A.2 of this Report) have appointed institutional outside directors on the Board of Directors. Detail of institutional outside directors is provided in the preceding heading C.1.3.

C.1.8 Explain why institutional directors have been appointed at the instance of shareholders with less than 5% interest in the Company, if appropriate:

Indicate whether any formal requests for a presence on the Board have not been met from shareholders with an interest equal to or greater than that of others at whose request institutional directors have been appointed. If appropriate, explain why such requests were denied.

YES  NO

C.1.9 State whether or not any Director has left the position before the end of the term, if the Director provided an explanation, and how, to the Board and, in the event this was done in writing to the entire Board, explained at least the reasons provided:

**Name of the Director**

MS. SUSANA MOLINUEVO APELLANIZ

**Reason for exit**

The outgoing Director has assumed other executive duties in the Company.

**Name of the Director**

COMPAÑÍA ANDALUZA DE RENTAS E INVERSIONES, S.A.

**Reason for exit**

The Director has disposed its share.

**C.1.10 State the powers, if any, delegated to the managing director(s):****Name of the Director**

MR. JESUS MARIA HERRERA BARANDIARAN

**Brief description**

The Chief Executive Officer has all the functions of the Board except those that cannot be delegated.

**C.1.11 Name the Board members, if any, who are also directors or executives of other companies in the same group as the listed company:**

| <b>Name of the Director</b>         | <b>Name of the Group company</b>     | <b>Position</b> |
|-------------------------------------|--------------------------------------|-----------------|
| MR. ANTONIO MARIA PRADERA JAUREGUI  | GLOBAL DOMINION ACCESS, S.A.         | CHAIR           |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | AUTOMETAL, S.A.                      | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | CIE BERRIZ, S.L.                     | CHAIR           |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | CIE AUTOMETAL, S.A.                  | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | CIE AVTOCOM, LLC                     | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | CIE AVTOCOM KALUGA, LLC              | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | MAHINDRA CIE AUTOMOTIVE, LTD         | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | MAHINDRA COMPOSITES, LTD             | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | MAHINDRA FORGINGS EUROPE, AG         | BOARD MEMBER    |
| MR. ANTONIO MARIA PRADERA JAUREGUI  | MAHINDRA HINODAY INDUSTRIES, LTD     | BOARD MEMBER    |
| MR. HEMANT LUTHRA                   | MAHINDRA CIE AUTOMOTIVE, LTD         | CHAIR           |
| MR. HEMANT LUTHRA                   | MAHINDRA COMPOSITES, LTD             | CHAIR           |
| MR. HEMANT LUTHRA                   | MAHINDRA HINODAY INDUSTRIES, LTD     | CHAIR           |
| MR. HEMANT LUTHRA                   | MAHINDRA FORGINGS EUROPE, AG         | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | AUTOMETAL, S.A.                      | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | MAHINDRA CIE AUTOMOTIVE, LTD         | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | MAHINDRA COMPOSITES, LTD             | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | MAHINDRA FORGINGS EUROPE, AG         | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | MAHINDRA HINODAY INDUSTRIES, LTD     | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE AUTOMOTIVE NUEVOS MERCADOS, S.L. | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | ALCASTING LEGUTIANO, S.L.U.          | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | ALFA DECO, S.A.U.                    | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | ALURECY, S.A.U.                      | BOARD MEMBER    |

| <b>Name of the Director</b>         | <b>Name of the Group company</b>                                     | <b>Position</b> |
|-------------------------------------|--|-----------------|
| MR. JESUS MARIA HERRERA BARANDIARAN | BIODIESEL MEDITERRANEO, S.L.U.                                       | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | BIONOR BERANTEVILLA, S.L.U.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | BIOSUR TRANSFORMACION, S.L.U.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | RECICLADO DE RESIDUOS GRASOS, S.L.U.                                 | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | RECICLADOS ECOLOGICOS DE RESIDUOS, S.L.U.                            | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | VIA OPERADOR PETROLIFERO, S.L.U.                                     | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE MECAUTO, S.A.U.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | GAMEKO FABRICACION DE COMPONENTES, S.A.                              | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | GRUPO COMPONENTES VILANOVA, S.L.                                     | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | INYECTAMETAL, S.A.   | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | LEAZ VALORIZACIÓN, S.L.U.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE UDALBIDE, S.A.U.   | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | COMPONENTES DE AUTOMOCION RECYTEC, S.L.U.                            | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | COMPONENTES DE DIRECCION RECYLAN, S.L.U.                             | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | EGAÑA 2, S.L.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | MECANIZACIONES DEL SUR, MECASUR, S.A.                                | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | NOVA RECYD, S.A.U.   | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | ORBELAN PLASTICOS, S.A.  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | PLASFIL PLASTICOS DA FIGUEIRA, S.A.                                  | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | RECYDE, S.A.U.   | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | TRANSFORMACIONES METALURGICAS NORMA, S.A.                            | BOARD MEMBER    |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE AUTOMETAL DE MEXICO, S.A.P.I. DE C.V.                            | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE BERRIZ MEXICO SERVICIOS ADMINISTRATIVOS S.A. DE C.V.             | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE CELAYA S.A.P.I. DE C.V.  | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | INMOBILIARIA EL PUENTE S.A. DE C.V.                                  | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | FORJAS DE CELAYA S.A. DE C.V.  | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | MAQUINADOS AUTOMOTRICES Y TALLERES INDUSTRIALES CELAYA S.A. DE C.V.  | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | PERCASER DE MEXICO S.A. DE C.V.                                      | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | PINTURA ESTAMPADO Y MONTAJE S.A.P.I. DE C.V.                         | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | PINTURA Y ENSAMBLES DE MEXICO, S.A. DE C.V.                          | CHAIR           |
| MR. JESUS MARIA HERRERA BARANDIARAN | SERVICAT SERVICIOS CONTABLES ADMINISTRATIVOS Y TECNICOS S.A. DE C.V. | CHAIR           |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | GESCRAP AUTOMETAL MEXICO, S.A. DE C.V.                               | BOARD MEMBER    |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | GESCRAP AUTOMETAL MEXICO SERVICIOS, S.A. DE C.V.                     | BOARD MEMBER    |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | GESCRAP-AUTOMETAL COMERCIO DE SUCATAS, S.A.                          | BOARD MEMBER    |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | AUTOMETAL, S.A.  | CHAIR           |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | CIE AUTOMETAL, S.A.  | BOARD MEMBER    |

C.1.12 Name company directors, if any, on the Boards of non-group companies listed on stock exchanges, insofar as the company has been notified:

| Name of the Director        | Name of the listed company                  | Position     |
|-----------------------------|---|--------------|
| MR. CARLOS SOLCHAGA CATALÁN | DURO FELGUERA. S.A.                         | BOARD MEMBER |
| MR. CARLOS SOLCHAGA CATALÁN | ZELTIA, S.A.                                | BOARD MEMBER |
| ADDVALIA CAPITAL, S.A.      | VIDRALA, S.A.                               | BOARD MEMBER |
| QMC DIRECTORSHIPS, S.L.     | UNIPAPEL. S.A.                              | BOARD MEMBER |
| QMC DIRECTORSHIPS, S.L.     | AZKOYEN, S.A.                               | BOARD MEMBER |
| QMC DIRECTORSHIPS, S.L.     | ADVEO GROUP INTERNATIONAL, S.A.             | BOARD MEMBER |
| AUSTRAL, B.V.               | COMPAÑIA VINICOLA DEL NORTE DE ESPAÑA, S.A. | BOARD MEMBER |

C.1.13 Indicate and, if appropriate, explain whether the company has established rules on the number of boards on which its Directors may sit:

YES  NO

C.1.14 Indicate the general policies and strategies at the Company which must be approved by the full Board:

|  | YES | NOT |
|--|-----|-----|
| Investment and financing policy  | X   |     |
| Definition of the structure of the group of companies  | X   |     |
| Corporate governance policy  | X   |     |
| Corporate social responsibility policy   | X   |     |
| The strategic or business plan, management targets and annual budgets                            | X   |     |
| Compensation and evaluation of senior management   | X   |     |
| Risk control and management, and periodic monitoring of internal information and control systems | X   |     |
| The policy for dividends, as well as treasury stock and, in particular, their limits.            | X   |     |

C.1.15 Indicate the total remuneration of the Board of Directors:

|   |       |
|---|-------|
| Remuneration of the Board of Directors (thousand euros)   | 1,094 |
| Amount of the global remuneration corresponding to the benefits accrued by the directors on pensions (thousand euros) | 0     |
| Global remuneration of the Board of Directors (thousand euros)  | 1,094 |

C.1.16 List the members of senior management who are not executive directors and show the total compensation earned by them during the year:

| Name   | Position  |
|--|---|
| MR. MIKEL FELIX BARANDIARAN LANDIN                           | GENERAL DIRECTOR OF TECHNOLOGICAL SERVICES AND SOLUTIONS & EPCs |
| <b>Total senior management compensation (thousand euros)</b> | <b>296</b>  |

C.1.17 Name any Board Members who are also directors of companies holding significant interest in the company and/or companies pertaining to its Group:

| Name of the Director               | Name of the significant shareholder                     | Position     |
|------------------------------------|---|--------------|
| MR. ANTONIO MARIA PRADERA JAUREGUI | INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L. | CHAIR        |
| MR. FRANCISCO JOSÉ RIBERAS MERA    | INVERSIONES, ESTRATEGIA Y CONOCIMIENTO GLOBAL CYP, S.L. | BOARD MEMBER |

Describe any significant relationships other than those contemplated in the previous section between Board of Directors' Members and significant shareholders and/or companies pertaining to their Group:

C.1.18 Indicate whether any modifications have been made during the year to the Board of Directors' Regulations:

YES  NO

C.1.19 Indicate the procedures for selecting, appointing, re-electing, evaluating and removing Directors. Describe the competent bodies, procedures to be followed and the criteria applied in each of the procedures.

The appointment of the members of the Board of Directors is the responsibility of the General Shareholders' Meeting, without prejudice to the power of the Board to designate members by co-optation in the event of vacancies.

To this effect, Article 23 of the Articles of Association lays down that:

'2. In order to be appointed a member of the administrative body, it is not required to be a shareholder.

3. The members of the administrative body shall hold office for five years and may be re-elected once or more times for equivalent periods.

4. The members of the administrative body designated by co-optation shall hold their position until the first General Shareholders' Meeting.

5. The members of the administrative body shall cease to hold office when so decided by the General Shareholders' Meeting, when they report their resignation to the Company and when the period of their appointment elapses. In this latter case, their resignation shall be take effect on the day on which the following General Shareholders' Meeting is held or once the legal term for holding the Meeting to approve the previous year's annual accounts elapses."

Similarly, Article 18 of the regulations of the Board of Directors lays down the following:

Article 18. Appointment of Directors.

1.- The Directors shall be designated by the General Shareholders' Meeting or by the Board of Directors in accordance with the Spanish Companies Law.

2.- The proposal for the appointment of Directors submitted by the Board of Directors to the General Shareholders' Meeting for consideration and the resolutions concerning appointments adopted by that body by virtue of the powers of co-optation legally attributed to it shall be preceded by the relevant report from the Nominations and Compensation Committee. When the Board disagrees with said report, it shall set out the reasons for its decision and place them on record.

C.1.20 Indicate whether the Board of Directors has proceeded during the year to make an assessment of their activities.

YES  NO

If so, explain to what extent the self assessment has led to major changes in its internal organization and the procedures applicable to its activities

|                              |
|------------------------------|
| Description of modifications |
|------------------------------|

Not applicable

**C.1.21 Indicate cases in which Directors are obliged to resign.**

Article 22 of the Regulations of the Board of Directors CIE AUTOMOTIVE, S.A indicates that:

Article 22. Removal of Directors

- 1.- The resignation of one or more of the Directors shall take place in the terms of applicable legislation.
- 2.- Directors hold their positions at the pleasure of the Board of Directors and, if deemed appropriate, must present their resignations in the following cases:
  - a) in the case of Institutional Outside Directors, when he or the shareholder that he represents transfers his shareholding in the company.
  - b) In the case of executive directors, provided that the Board considers it appropriate and in any event, when he no longer holds his executive position in the company and/ or companies of the group.
  - c) When they are involved in a legal conflict of interest.
  - d) When they are tried for an alleged offence or are subject to disciplinary proceedings owing to a serious or very serious infringement of legislation, instigated by the supervisory authorities.
  - e) In the case of CEOs, they shall resign at 65 but may continue as Directors without prejudice to the provisions of paragraph b) above.
  - f) When they are seriously reprimanded by the Board of Directors prior a report from the Audit and Compliance Committee owing to the breach of their obligations as Directors.

**C.1.22 Indicate whether the CEO is also Chair of the Board of Directors. If so, state what measures have been adopted to limit the risks of one single person accumulating powers:**

YES  NO

Indicate and, if appropriate, explain whether rules have been established to enable one of the independent directors to request the calling of the Board for the inclusion of new items on the agenda, to coordinate and echo the concerns of outside Directors and to direct evaluation by the Board of Directors.

YES  NO

**C.1.23. Is a reinforced majority, other than those legally stipulated, required for any kind of decision?:**

YES  NO

If so, explain differences

**C.1.24 State whether there are specific requirements, other than those relating to directors, for appointment as Chair.**

YES  NO

**C.1.25 State whether the Chair has a casting vote:**

YES  NO

**C.1.26 State whether the Articles of Association or the Board Regulations set any age limit for Directors:**

YES  NO

Age limit for CEO: 65 years old.

C.1.27 State whether the Articles of Association or the Board Regulations set a limited term of office for independent directors other than defined in the normative

YES  NO

C.1.28. Indicate whether the Articles of Association or rules of the Board of Directors establish specific rules for delegate voting at the board, how to do it and, in particular, the maximum number of delegations that may have a director, and if it has established mandatory delegate to a director of the same type. If applicable, briefly detail these rules

Heading 2 of Article 17 of the Board Regulations of CIE Automotiva, S.A. reads as follows:

'2.- Directors will make every effort to attend meetings of the board and, if they cannot do it personally, may delegate their proxy to another Director, not limited the number of representations held by each member to the assistance to the Board. Without prejudice to the foregoing, the Directors shall seek to confer representation to a fellow board member of the same group to which it belongs and where possible include appropriate instructions. Representation may be conferred by any written means.

C.1.29 Indicate the number of meetings held by the Board of Directors over the year. Also indicate any meetings that were held in the absence of the Chair. In computing, the representations made with specific instructions will be considered assistances.

|   |   |
|---|---|
| <b>Number of Board meetings</b>                   | 9 |
| <b>Number of Board meetings without the Chair</b> | 0 |

Indicate the number of meetings held during the year by the various Board Committees:

|   |   |
|---|---|
| <b>Delegate Committee</b>                     | 9 |
| <b>Audit Committee</b>                        | 5 |
| <b>Nominations and Compensation Committee</b> | 5 |

C.1.30 State the number of meetings held by the Board of Directors during the year with all members being in attendance. In computing, the representations made with specific instructions will be considered assistances.

|   |        |
|---|--------|
| <b>Number of Director assistances during the year</b>                             | 112    |
| <b>% Number of assistances compared with the total votes cast during the year</b> | 91.80% |

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval were previously certified:

YES  NO

If appropriate, name the person(s) who certify the Company's individual or consolidated annual accounts before they are approved by the Board:



**C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified audit report on the individual and consolidated annual accounts from being presented to shareholders at a General Meeting.**

Article 3 of the Audit and Compliance Committee Regulations stipulates the following, among other things:

- (ii) Propose the appointment of the external auditors referred to by Article 204 of the Spanish Companies Law to the Board of Directors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.
- (iii) Supervise the internal audit services.
- (iv) Receive information regarding the financial information process and internal control systems at the Company and the group of companies.
- (v) Maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.
- (vi) Review the annual accounts before presentation to the Board of Directors, as well as any 6-month and quarterly financial statements that must be filed with regulatory bodies or market supervisors.

**C.1.33 Is the Secretary of the Board a Director?:**

YES  NO

**C.1.34 Explain the procedures for appointing and removing the Secretary of the Board, indicating whether or not the appointment and removal have been reported by the Nominations Committee and approved by the full Board of Directors.**

**Procedure for appointment and removal**

Article 25.2 of the Articles of Association stipulate that the Board of Directors will appoint a Secretary and, if appropriate, a Vice Secretary, and the appointment may involve persons that are not Directors, in which case they will have the right to be heard but not to vote. The Vice Secretary will substitute the Secretary in the event of any absence, illness, disability or vacancy.

Similarly, Article 10 of the regulations of the Board of Directors lays down the following:

- 1.- The Secretary of the Board of Directors may or may not be a Director, as determined at any given moment by the Board.
- 2.- The Secretary assists the Board with its duties and must ensure the proper operation of the Board, especially providing the advisory services requested, duly reflecting the meetings in the minutes and certifying the Resolutions adopted.
- 3.- The Secretary will handle the material and formal legalities concerning Board action and compliance with its procedures and rules of governance.
- 4.- The Secretary will perform the office of Expert Legal Adviser of the Board, provided that holds the condition of attorney.

|  | YES | NOT |
|--|-----|-----|
| <b>Does the Nominations Committee report the nomination?</b> | X   |     |
| <b>Does the Nominations Committee report removals?</b>       | X   |     |
| <b>Does the full Board approve the nomination?</b>           | X   |     |
| <b>Does the full Board approve the removal?</b>              | X   |     |

Does the Secretary of the Board have the responsibility of specifically monitoring Good Governance recommendations?

YES  NO

C.1.35 Describe the mechanisms, if any, established by the company to safeguard the independence of external auditors, financial analysts, investment banks and rating agencies:

Article 41 of the Regulations of the Board of Directors governs the relationships with external auditors:

“Article 41. Relations with the Auditors”

1.- The relationships between the Board of Directors and the Company's external auditors will be channelled through the Audit and Compliance Committee, in the terms established by the Articles of Association and the Audit and Compliance Committee Regulations.

2.- The Board of Directors will report in the notes to the annual accounts the fees that have been paid by the Company each year for the audit firm for services other than audit.

3.- Also, the Board of Directors shall endeavour to prepare the financial statements in such a way as not to give rise to qualifications by the auditors. However, if the Board considers that it should stand by its judgment, it must publicly explain the content and scope of the discrepancy.

By virtue of this mandate, the Audit and Compliance Committee will maintain relations with external auditors to receive information regarding issues that may put their independence into question in any other issues relating to the audit of the accounts, as well as any other communications established under audit legislation and technical regulations.

C.1.36 Indicate whether or not the Company has changed its external auditor during the year. If so, name the outgoing and incoming auditor:

YES  NO

If the Company had any disagreements with the outgoing auditor, indicate their content:

C.1.37 State whether or not the audit firm does any work for the Company and/or its Group other than standard audit work and, if so, indicate the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the Company and/or its group:

YES  NO

|   | Company | Group  | Total  |
|---|---------|--------|--------|
| <b>Sum of services other than auditing (thousand euro)</b>  | 169     | 317    | 486    |
| <b>Amount of work other than standard audit work/Total amount invoiced by the audit firm (in %)</b> | 34.00%  | 14.00% | 18.00% |

C.1.38 State whether the audit report for the financial statements for the preceding year contain any reservations or qualifications. If so, indicate the reasons given by the Chair of the Audit Committee to explain the content and scope of those qualifications or reservations.

YES  NO

C.1.39 State the number of periods that the current audit firm has performed the audit of the company's and/or its group's financial statements without interruption. Indicate the number of periods audited by the current auditing firm as a percentage of the periods in which the annual accounts have been audited:

|   | <b>Company</b> | <b>Group</b> |
|---|----------------|--------------|
| <b>Number of consecutive years</b>  | 12             | 12           |
| <b>Number of years audited by the present audit firm /<br/>Number of years the company has been audited (%)</b> | 40.00%         | 40.00%       |

C.1.40 Indicate, and provide details, if there is an established procedure for Directors to receive external advice:

YES  NO

| Procedure details   |
|---|
| <p>Article 25 of the Regulations of the Board of Directors expressly establishes the procedure applicable to obtaining expert advice:</p> <p>Article 25. Expert advice.</p> <p>1.- In order to obtain assistance when carrying out their duties, outside Directors may request the hiring, at the Company's request, of legal, accounting, financial or other experts if considered necessary to adequately perform their duties. The request must necessarily involve specific issues of particular complexity.</p> <p>2.- The request must be made through the Chair of the Board of Directors and may be vetoed by the Board of Directors if it is considered that: a) such assistance is not required for the adequate performance of the duties with which Directors are charged; b) the related cost is not reasonable in light of the importance of the issue concerned and the Company's assets and revenues; c) the assistance being requested may be adequately provided by experts and technicians already employed by the Company or others that are already working for the Company; or d) may give rise to a risk to the confidentiality of the information that must be disclosed.</p> |

C.1.41 Indicate, providing details as necessary, if there is an established procedure for Directors to obtain any information they may need to prepare for the Meetings of the governing bodies sufficiently in advance:

YES  NO

| Procedure details   |
|---|
| <p>Article 24 of the Regulations of the Board of Directors governs the procedure for Members of the Board of Directors to obtain information regarding the issues to be deliberated:</p> <p>Article 24. Disclosure procedure.</p> <p>1.- A Director may request the information reasonably needed regarding the Company, provided that it is required by the duties being fulfilled. The right to information extends to domestic and foreign subsidiaries.</p> <p>2 - In order to not disturb the ordinary management of the Company, information requests will be made through the Chair, who will attend to Directors' requests by either providing the information directly, identifying the appropriate contacts within the Company, or providing the measures so that the requested information may be examined and inspected.</p> <p>3 - The Board of Directors may deny the request for information if, in its judgment, the request might harm corporate interests, notwithstanding any provisions of the Spanish Companies Law.</p> |

C.1.42 Indicate, providing details if appropriate, if the Company has established rules requiring Directors to report and, if necessary, resigned in any cases that could be detrimental to the Company's reputation:

YES  NO

| Explain the rules  |
|--|
| In accordance with the established in Article 22.2 of the Regulations of the Board of Directors, Directors serve at the pleasure of the Board of Directors and must present, if deemed advisable, their resignation when subject to any criminal proceedings or disciplinary proceedings due to any serious or very serious matter being investigated by regulatory authorities. |

C.1.43 Indicate whether the Company has been notified by any Board Member that he/she has been charged with, or is being tried for, any of the crimes contemplated under Article 213 of the Spanish Companies Law:

YES  NO

Indicate whether or not the Board of Directors has analysed the case. If the answer is affirmative, provide a reasoned explanation of the decision taken as to whether or not the Director should continue in the post or, if so, indicate the actions taken by the Board until the date of this report or it intends to make.

C.1.44 Detail significant agreements entered into by the company and which come into force, are amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

Not applicable.

C.1.45 Identify in aggregate and specify, in detail, the agreements between the company and its directors and executives or employees providing for compensation, indemnity or shield, when they resign or are made redundant without valid reason or if the contractual relationship is to an end during a takeover bid or other operations.

**Number of beneficiaries:** 0

**Type of beneficiary**

Not applicable

**Description of the arrangement**

Not applicable

Indicate whether these contracts must be reported and / or approved by the bodies of the company or its group:

|  | Board of Directors | General Shareholders Meeting |
|--|--------------------|------------------------------|
| <b>Board authorizing clauses</b>                   | YES                | NO                           |
|  | YES                | NO                           |
| Is the General Meeting reported about the clauses? |                    | X                            |

## C.2 Committees of the Board of Directors

### C.2.1 List all the Board of Directors' Committees, its members and the ratio of Institutional and independent Outside Directors that form it:

#### NOMINATIONS AND COMPENSATION COMMITTEE

| Name                             | Position     | Type          |
|----------------------------------|--------------|---------------|
| MR. CARLOS SOLCHAGA CATALÁN      | CHAIRMAN     | INDEPENDENT   |
| MR. FRANCISCO JOSE RIBERAS MERA  | BOARD MEMBER | INSTITUTIONAL |
| MR. FERMIN DEL RIO SANZ DE ACEDO | BOARD MEMBER | INSTITUTIONAL |

|                            |        |
|----------------------------|--------|
| % of executive members     | 0.00%  |
| % of institutional members | 66.66% |
| % of independent members   | 33.33% |
| % of other outsiders       | 0.00%  |

#### AUDIT AND COMPLIANCE COMMITTEE

| Name                          | Position     | Type          |
|-------------------------------|--------------|---------------|
| MR. ÁNGEL MANUEL OCHOA CRESPO | CHAIRMAN     | INDEPENDENT   |
| ADDVALIA CAPITAL, S.A.        | BOARD MEMBER | INSTITUTIONAL |
| AUSTRAL, B.V.                 | BOARD MEMBER | INSTITUTIONAL |

|                            |        |
|----------------------------|--------|
| % of executive members     | 0.00%  |
| % of institutional members | 66.66% |
| % of independent members   | 33.33% |
| % of other outsiders       | 0.00%  |

#### DELEGATED EXECUTIVE COMMITTEE

| Name                                | Position     | Type          |
|-------------------------------------|--------------|---------------|
| MR ANTONIO MARIA PRADERA JAUREGUI   | CHAIRMAN     | EXECUTIVE     |
| MR. FRANCISCO JOSE RIBERAS MERA     | BOARD MEMBER | INSTITUTIONAL |
| ELIDOZA PROMOCION DE EMPRESAS, S.L. | BOARD MEMBER | INSTITUTIONAL |
| MR. FERMIN DEL RIO SANZ DE ACEDO    | BOARD MEMBER | INSTITUTIONAL |
| MR. HEMANT LUTHRA                   | BOARD MEMBER | INSTITUTIONAL |
| MR. JESUS MARIA HERRERA BARANDIARAN | BOARD MEMBER | EXECUTIVE     |

|                            |        |
|----------------------------|--------|
| % of executive members     | 33.33% |
| % of institutional members | 66.66% |
| % of independent members   | 0.00%  |
| % of other outsiders       | 0.00%  |

C.2.2 Complete the following table with information on the number of female directors comprising the committees of the Board of Directors during the last four years.

|  | Number of female directors |        |                 |        |                 |        |                 |        |
|--|----------------------------|--------|-----------------|--------|-----------------|--------|-----------------|--------|
|  | Year ended 2013            |        | Year ended 2012 |        | Year ended 2011 |        | Year ended 2010 |        |
|  | Number                     | %      | Number          | %      | Number          | %      | Number          | %      |
| NOMINATIONS AND COMPENSATION COMMITTEE | 0                          | 0.00%  | 0               | 0.00%  | 0               | 0.00%  | 0               | 0.00%  |
| AUDIT AND COMPLIANCE COMMITTEE         | 1                          | 33.33% | 1               | 33.33% | 1               | 33.33% | 1               | 33.33% |
| DELEGATED EXECUTIVE COMMITTEE          | 1                          | 16.66% | 1               | 20.00% | 1               | 25.00% | 1               | 25.00% |

C.2.3 State whether or not the following duties fall to the Audit Committee.

|   | YES | NOT |
|---|-----|-----|
| <b>Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.</b>  | X   |     |
| <b>Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed.</b>  | X   |     |
| <b>Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.</b> | X   |     |
| <b>Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.</b>  | X   |     |
| <b>Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of the engagement.</b>   | X   |     |
| <b>Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.</b>   | X   |     |
| <b>Ensure the independence of the external auditors</b>   | X   |     |

C.2.4. Describe the rules of organization and operation and the responsibilities of each of the Board committees.

#### **NOMINATIONS AND COMPENSATION COMMITTEE**

The Nominations and Compensation Committee is governed by Article 15 of the Regulations of the Board of Directors and is formed by a minimum of three (3) Directors. Executive Directors or Members of the Audit and Compliance Committee cannot be Members of this Committee. Notwithstanding other duties assigned by the Board of Directors, the Nominations and Compensation Committee will have the following basic duties:

- i) Prepare and review the criteria that must be followed when appointing the Board of Directors and the selection of candidates;
- ii) Inform about Director nomination proposals as well as examine or organize, in the manner it deems appropriate, the succession of the Chairman and the Chief Executive so that the handover takes place in an orderly and well-planned form.
- iii) Propose the members of each Committee to the Board.
- iv) Propose the annual compensation system and amount for Directors and, in particular, for the Chair of the Audit and Compliance Committee due to the special dedication, to the Board of Directors.
- v) Propose the compensation system and amount for senior management.

- vi) Review regularly the compensation programmes, weighting their adequacy and performance.
- vii) Ensure the transparency of the compensation process.
- viii) Report on the appointment of the persons that will represent the Company at Board of Directors' Meetings at the most relevant subsidiaries and investee companies, as determined by the Board of Directors.
- ix) Report on the appointment or removal of executives that report directly to the Board, the Chair, the Delegated Committee or the CEO.

The Nomination and Remuneration Committee will meet whenever it is convenient for the performance of their duties and will appoint among its members a Chairman and a Secretary who will not have to be a director. Regarding specific performance standards, will apply with the necessary modifications established for the Board of Directors.

#### **AUDIT COMMITTEE**

The Audit Committee Regulations (by remission to Article 14 of the Regulations of the Board of Directors) establishes the duties and rules for organising and operating of the Audit and Compliance Committee.

The Audit and Compliance Committee will consist of a minimum of three members and a maximum of five, which will be designated by the Company's Board of Directors. The Members of the Committee will be all of them external directors and will be appointed for terms of four years, notwithstanding possible re-election. The renewal, re-election and removal of Members will fall to the Board of Directors.

The Audit Committee will also designate a Chair from among its members. The Chair must be replaced every four years and may be re-elected again after one year elapses after leaving the position. In addition, the Audit and Compliance Committee will designate the Secretary to the Committee, which should not be a Director.

The duties of the Audit and Compliance Committee are:

- i) Inform the General Meeting of issues raised by shareholders with respect to matters within the Committee's sphere of competence.
- ii) Propose to the Board of Directors the appointment of the external auditors for submission to the General Shareholders' Meeting, as well as the compensation, term and other terms of the agreement with the auditors.
- iii) Supervise internal audit services.
- iv) Be aware of the financial information process and internal control systems.
- v) Maintain relations with external auditors to receive information regarding issues that may put their independence into question and any other issues relating to the audit of the accounts.
- vi) Review the annual, biannual and quarterly financial accounts before presentation to the Board of Directors.
- vii) Supervise compliance with the Internal Conduct Regulations with respect to the Stock Market and the Internal Code of Professional Conduct of Group executives and employees.
- viii) Report about transactions that mean or could mean there is a conflict of interest.
- ix) Prepare an annual report on the Committee's activities.
- x) Any other duties that may be assigned by the Company's Board of Directors.

#### **DELEGATED EXECUTIVE COMMITTEE**

According to Article 13 of the Regulations of the Board of Directors, as representation of Board of Directors, and with a nature of standing body, the Delegated Executive Committee will have - unless the Board of Directors determines otherwise - all the powers inherent to the Board of Directors, except for those that cannot be delegated by law and statutorily and those specifically reserved to the Board.

The Delegated Executive Committee will meet at least once (1) per month and few others deemed appropriate by the Chair, who may also suspend one or more of the ordinary meetings when deemed appropriate in its sole judgment. It will also meet when requested by two (2) of the Directors of the Committee. The Delegated Executive Committee will deal with all matters concerning to the Board, which in the opinion of the Committee itself, should be resolved without further delay, with the only exceptions of accountability, presentation of financial statements to the General Meeting, the powers which are given to the Board without authorizing its delegation and the powers of the Board of Directors that are not delegable by law and statutorily.

C.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

The Regulation of the Audit and Compliance Committee is available for consultation on the website of CIE AUTOMOTIVE. This Committee prepares an annual report of its activities. The operation of other committees is regulated by the rules of the Board of Directors

C.2.6 State whether the composition of the Executive Committee reflects the participation in the Board of Directors of the various directors depending on their category:

YES  NO

## **D. - RELATED PARTY AND INTRAGROUP TRANSACTIONS**

D.1 Identify the competent body and explain, where appropriate, the procedure for approval of transactions with related parties and intragroup.

**Competent body**

Board of Directors

**Procedure for approval of transactions with related parties**

Operations that the company or its subsidiaries conducted with directors, significant shareholders or shareholders represented on the board or persons related to them must be submitted, prior to the approval of the Board of Directors. In any case, these operations are performed under market conditions.

Explain whether the approval of transactions with related parties has been delegated, indicating, where appropriate, the body or persons to whom the authority has been delegated.

Not applicable

D.2 Provide a breakdown of the relevant transactions made during the year because of their nature or the sums involved between companies or entities of the Group and the Company's significant shareholders.:

| Name of Significant Shareholder | Group Company               | Nature of the Relationship | Type of Transaction | Amount (thousand €) |
|---------------------------------|-----------------------------|----------------------------|---------------------|---------------------|
| MAHINDRA MAHINDRA               | MAHINDRA CIE AUTOMOTIVE LTD | Comercial                  | Sale of goods       | 8,500               |
| MAHINDRA MAHINDRA               | MAHINDRA HINODAY LTD        | Comercial                  | Sale of goods       | 4,000               |

D.3 Provide a breakdown of the relevant transactions because of their nature or the sums involved between the Company or entities of its Group, and the Directors or Senior Managers of the Company:

| Name of Directors                   | Name of Related Party                                  | Link        | Type of transaction         | Amount (thousand €) |
|-------------------------------------|--|-------------|-----------------------------|---------------------|
| MR. FERMIN DEL RIO SANZ DE ACEDO    | CIE AUTOMOTIVE AND SUBSIDIARIES (CIE AUTOMOTIVE GROUP) | Contractual | Services                    | 872                 |
| MR. JESUS MARIA HERRERA BARANDIARAN | CIE AUTOMOTIVE, S.A.                                   | Contractual | Financing agreements: loans | 1,165               |



D.4 Provide a breakdown of the relevant transactions made by the Company with other companies belonging to its same Group provided they are not eliminated in the process of consolidation and are not part of the Company's routine business.

In any case, any group transaction carried out with entities established in countries or territories considered tax haven will be informed.

D.5 Provide the amount of transactions with other related parties.

€65,154 Thousand

D.6 List the mechanisms established to identify, determine and settle possible conflicts of interests between the Company and/or its Group and its Directors, Executive Managers or significant shareholders.

Article 30 of the Regulations of the Board of Directors lays down the following:

Article 30.- Conflicts of Interest.

1.- A conflict of interest is deemed to exist in those cases in which there is a direct or indirect collision between the Company's interests and the Director's personal interests. The Director has a personal interest when the matter affects him/her or a related person.

For the purposes of these Regulations, persons related to a Director are considered to be:

- 1.- The Director's spouse or persons with a similar relationship.
- 2.- Ascendants, descendants and siblings of the Director or his/her spouse.
- 3.- The spouses of the Director's ascendants, descendants and siblings.
- 4.- Companies in which the Director, either personally or through an intermediary, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.

Related persons are considered to be the following with respect to a legal person Director.

- 1.- Shareholders who, with respect to the legal person Director, is in one of the situations defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market.
- 2.- De facto or actual Directors, liquidators and legal representatives holding general powers-of-attorney granted by the legal person Director.
- 3.- The companies that form part of the same group, as defined by Article 4 of Law 24/1988, of 28 July, on the Stock Market, and their shareholders.
- 4.- Persons who, with respect to the legal person Director, are considered to be related to the Directors in accordance with this section.

2.- The following rules will be applicable to conflict of interest situations:

- a) Communication: the Director must report to the Board of Directors and the Audit and Compliance Committee, through the Chair or the Secretary, any conflict of interest that arises.
- b) Abstention: the Director must abstain from attending and intervening in the deliberations and votes that relate to those matters concerning the conflict of interest. Institutional Outside Directors must abstain from participating in votes regarding matters that may represent a conflict of interest between shareholders that proposed their appointment and the Company.
- c) Transparency: the Company will include in the Annual Corporate Governance Report information regarding any conflict of interest involving Directors that has been reported by the affected party or by any other means.

D.7 Are more than one of the Group's companies listed in Spain?

YES  NO

Identify the subsidiaries listed in Spain:

## **E. - RISK CONTROL AND MANAGING SYSTEMS**

### **E.1 Explain the scope of the Risk Management System of the Company.**

CIE AUTOMOTIVE is subject to several risks inherent to the various countries, markets and businesses in which it operates and the activities carried out in each one. Aware of the importance of the adequate management of those risks, the Board of Directors, through management, has developed and implemented a general policy of identifying and managing risks supervised by the Audit and Compliance Committee. The overall process for managing corporate risks at CIE Automotive is based on the COSO II method, the best practice in this area. The risk management process is based on a continuous cycle, broken down into five phases:

- I. Identify the key risks that may affect attaining the Organisation's objectives, including all financial information control objectives;
- II. Evaluate them based on probability of occurrence and their impact on the organisation as well as based on the existence of controls;
- III. Establish a response to each one;
- IV. Monitor the action taken; and
- V. Report the results of the analysis performed.

### **E.2 Identify the bodies within the Company responsible for the development and implementation of the Risk Management System:**

Audit and Compliance Committee

### **E.3 Describe the main risks that may affect the achievement of business objectives.**

The main risks to which CIE Automotive is exposed to are as follows:

- a) Market risk
  - i) Foreign exchange risk
  - ii) Price Risk
  - iii) Interest Rates
- b) Liquidity Risk
- c) Credit Risk
- d) Market risk and commodities price risk

### **E.4 Identify whether the entity has a level of risk tolerance.**

See heading E.3. about the different levels of analysis of business risks and tolerance

### **E.5 Indicate quo risks have materialized during the year. Indicate whether any of the different types of risks has been materialized during the year.**

During the year 2013 and despite having maintained the situation of global crisis in the financial markets, thanks to this policy detection and risk management there has not been a substantive realization of the above hazards, which have been successfully monitored by different group companies, having the control systems worked adequately and not having produced significant impacts on the consolidated financial statements 2013.

### **E.6 Explain the response and supervision plans held for the company's major risks.**

See heading E.3. about every risk identified.

## **F. - DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS FOR THE REPORTING OF FINANCIAL INFORMATION.**

Describe mechanisms that make control systems and risk management in relation to the process of financial reporting (ICFR) in your company

### F.1 Company control environment.

Report, noting the main features of at least:

#### F.1.1 The bodies and/or functions which are responsible for: (i) the existence and maintaining of an adequate and effective SICFR; (ii) its implementation; and (iii) its supervision.

The Board of Directors of CIE Automotive, S.A., is the body responsible, among other matters, for the updating and on-going improvement of the Company's Corporate Governance System - in accordance with currently-applicable legislation and generally-recognised corporate governance recommendations -, through the resolutions it considers necessary or advisable for this purpose, which are either passed by the Board itself, when they fall within the scope of its competence, or proposed to the General Meeting. These functions are understood to include its responsibility as regards the existence and maintaining of the SICFR.

On the other hand, the Management of CIE is responsible for defining and implementing the SICFR and, in general, for the entire Internal Control System of the Group, overseeing the definition and design of the internal control procedures which need to be implemented in the Group's operations, as well as compliance with legal rules, internal policies, and established procedures.

The CIE Audit and Compliance Committee (hereinafter the ACC) is the body responsible for the supervision of the efficacy of the Company's internal control system, the internal audit function, and the corporate risks management process, and for discussing with the accounting auditors or audit firms any significant weaknesses in the internal control system which have been detected during the course of the audit. In relation to financial information, this Committee must be familiar with the process for its preparation, and with the controls in place for its approval. The supervision of the SICFR is therefore the responsibility of the ACC.

#### F.1.2 Whether there exist – particularly in relation to the process for the preparation of financial information – the following:

- Departments and/or mechanisms entrusted with:
  - (i) the design and review of the organisational structure. The Board of Directors is the body ultimately responsible for defining and periodically reviewing the organisational structure of CIE. The Board delegates to the Company's Management the task of ensuring that subordinate structures are equipped with adequate human and material resources.

With regard to the process for the preparation of financial information, there exists an interrelated global financial department which reports to the CIE Corporate Finance Management team.

- (ii) clearly defining lines of responsibility and authority, and a suitable distribution of tasks and functions. The responsibilities and functions of all persons directly involved in the preparation and review of financial information are defined and adequately communicated within the framework of CIE's internal policies and procedures.

- (iii) ensuring that there are sufficient procedures in place for this information - particularly that relating to the process for the preparation of financial information – to be correctly disseminated within the Company. There are internal protocols which guarantee that information on any change taking place in relation to the preparation of financial information is distributed to the appropriate personnel in good time and in the correct form. There are also controls in place for the identification of any irregularity in this connection.

- A code of conduct, including the body responsible for its approval, level of dissemination and instruction, principles and values included (indicate whether any specific mentions are made of the recording of operations and preparation of financial information), and the body responsible for analysing breaches of such code and proposing corrective action and penalties.

CIE currently has an “Internal Code of Conduct” and “Internal Regulations on Conduct in relation to Securities Markets”. Both these documents are published on the CIE web site and are distributed to all personnel affected through the communication channels established for this purpose.

In either case, the body responsible for their definition and approval is the CIE Board of Directors.

The Code lays down basic rules and principles whose purpose is to ensure that there is commitment and transparency in relations and operations with customers, suppliers and employees, that the shareholders’ investments are protected and optimised, and that there is adequate surveillance of health, safety and environmental issues. The Code also establishes the need for controls over payment operations and over any situation of conflict of interests involving employees.

It contains a specific section on the reliability of financial information, which lays down a series of specific rules applicable to all persons involved in the process for the preparation of financial information.

The functions of the ACC include the monitoring of compliance with the aforementioned codes/regulations.

- A whistle-blowing channel for communication to the audit committee of any financial and accounting irregularities, plus possible breaches of the code of conduct and irregular activities taking place within the organisation, indicating, where appropriate, the confidential nature of such information.

CIE has a whistle-blowing channel for the receipt of notifications/reports relating to irregular conduct or activities implying any breach of the principles and ethical rules regarding the reliability of financial information laid down in the “Internal Code of Conduct” or in the “Internal Regulations on Conduct in relation to Securities Markets”.

There are Regulations setting out the process for the functioning of the whistle-blowing channel, which guarantees that reports can be submitted by either named staff members or anonymously, the wishes of the whistle-blower with respect to confidentiality being respected at all times.

The Regulations governing the CIE whistle-blowing channel appoint a Management Committee and establish a protocol indicating the steps to be taken for the analysis of reports received, and for their communication to the ACC for supervision purposes.

- Training and periodic refresher programs aimed at the personnel involved in the preparation and review of financial information and assessment of the SICFR which cover, as a minimum, accounting standards, auditing, internal control and risks management.

As well as a variety of staff training programmes, CIE has the following additional resources of which use is made for the training and support of personnel involved in the preparation and review of financial information:

- There is a CIE Accounting Policies Manual, which is updated on an on-going basis.
- There is an Accounting Policies Function, whose tasks is to resolve any doubts regarding the interpretation of the Accounting Policies Manual, and provide advice regarding the treatment of complex transactions.
- There are divisional/regional controllers who are involved in the support provided to all persons forming part of the financial function at all the Group’s plants and companies, through on-going internal assessment and training.
- When a new company joins the Group, support strategies are developed to train its employees in accordance with the Group’s standards and criteria.
- Advice is received from external advisors in relation to changes in accounting, legal and tax rules which may affect the Company.

## F.2 Risk assessment of financial information.

### Report at least:

#### F.2.1 What are the main characteristics of the process of identifying risks, including risks of error or fraud, as to:

- Whether there exists such a process and whether it is documented.

The process of identification and assessment of financial information risks forms part of CIE’s global Corporate Risks Management process. It is based on the COSO II methodology, which constitutes best practice in this area, and takes the form of a procedure with which all personnel involved are familiar.

The risk management process is based on a continuous cycle comprising five phases:

- I.- the identification of key risks which may affect the fulfilment of the Organisation's objectives, including all financial information control objectives;
- II.-the evaluation of such risks based on the probability of occurrence and their impact on the organisation, and based on the existence of controls;
- III.-determination of the required response for each such risk;
- IV.-monitoring of the agreed courses of action; and
- V.-reporting of the results of the analysis made.

The process of identification and assessment of risks are tasks for which the Management and the heads of the various divisions and of other business areas are all responsible. They self-assess the risks identified, with Internal Audit acting as coordinator in this process.

The result obtained is a Risks Map, and a list of steps to be taken for the proper management of risks.

The above is complemented by activities for the monitoring of the management of certain risks, which are carried out by the Internal Audit department.

- Whether the process covers all financial reporting objectives, (existence and occurrence; integrity; measurement; presentation, breakdown and comparability; and rights and obligations), whether it is updated, and how frequently.

As is indicated in the procedure, the identification and analysis of risks cover all aspects of financial information which may have a material impact on its reliability. The Risks Map is required to be updated annually as a minimum. However, in the event of circumstances arising during the year which require specific steps to be taken for the management of a potential risk, the appropriate measures are adopted.

- The existence of a process for the identification of the consolidation scope taking into account, among other aspects, the possible existence of complex corporate structures, and instrumental or special-purpose companies.

The process for the identification and assessment of risks takes into consideration all processes, group companies and their various structures, and specific characteristics of each country and business line, with particular attention being paid to risks deriving from transactions which, owing to their foreseen level of complexity or significance, require specialised management.

- Whether the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, and so on) insofar as these affect the financial statements.

As has been mentioned above, the model is based on the COSO II methodology and therefore, taking as its starting point the Organisation's objectives, it seeks to identify and manage all risks which may have an impact on the achievement of results.

Risks are classed specifically as Strategic Risks, Operational Risks, Reporting Risks and Compliance Risks.

The main risks to which CIE is exposed and the measures implemented for their correct management are detailed in section D, entitled Risk Control Systems, in the Annual Corporate Governance Report of CIE Automotive, S.A. for the year ended 31 December 2013.

- The governing body which supervises the process.

This entire process is reviewed and approved by the ACC, which is the body which ultimately determines whether the process of identification, assessment and monitoring of the Company's risks and, specifically, the measures aimed at identifying material risks in relation to financial information, are appropriate and sufficient..

### F.3 Control activity.

Report, noting their main features, if you have at least:

#### F.3.1 Documentation describing the flows of activities and controls (including those related to the risk of fraud) for the different types of transactions which may have a material impact on the financial statements, including the closure-of-accounts procedure and the specific review of significant judgements, estimates, measurements and projections.

In addition to the actual closure-of-accounts procedure, and prior to the process for the preparation and review of financial information, CIE has control procedures and activities taking place in other key areas of the company (purchases, inventory management, sales, and so on), the purpose of which is to ensure that transactions are properly recorded, measured, presented and broken down, and to prevent and detect fraud.

For this purpose CIE has, at process level (including the closure-of-accounts process), descriptions (in the form of narratives), and risk and control matrices.

For the review of judgements, estimates, measurements and projections, the Accounting Policies Manual defines the application criteria prevailing in CIE, and specific controls in the aforementioned risk and control matrices.

The aforementioned significant transactions are reviewed by the CIE Board of Directors through various processes (review, approval and monitoring of the Strategic Plan and Budget, and the review of the most significant accounting estimates and judgements used in the preparation of financial information), once the ACC has confirmed that the information is adequate.

#### F.3.2 Internal control policies and procedures relating to information systems (including, among others, access security, control over changes, operation of such systems, operating continuity and segregation of duties) which support the entity's significant processes in relation to the preparation and publication of financial information.

CIE has internal control policies and procedures in place in respect of information systems which support its significant processes, including the process for the preparation and review of financial information.

CIE uses information systems for the correct recording and control of its operations; it is therefore highly dependent on their correct functioning.

As part of the process for the identification of risks of misstatement in financial information, CIE identifies the systems and applications which are relevant in each of the areas or processes considered significant. The systems and applications identified include both those which are used directly in the preparation of financial information, and those which are relevant to the efficacy of controls which reduce the risk of misstatement in such information.

CIE has "Systems Security Policies", defined at corporate level, which are designed to meet its defined general security objectives.

The objective is to adopt the pertinent measures of an organisational, technical and documentary nature necessary to guarantee the desired level of security. The work performed in this connection relates to the following areas:

- Access control and user administration.
- Management of changes
- Back-up and recovery
- Physical security
- Control of subcontractors
- Allocation of means, elimination of risks and Maintenance of Business.

#### F.3.3 Internal control policies and procedures for supervising the management of activities outsourced to third parties, as well as aspects of assessment, calculation or measurement entrusted to independent experts which may have a material impact on the financial statements.

CIE has a management procedure in place in respect of activities outsourced to third parties, the purpose of which is to define the controls to be applied to activities outsourced to third parties which have a significant impact on the financial information prepared by CIE.

Based on the analysis undertaken, the view has been formed that during 2013 the only area outsourced with a possible material impact on the financial information of CIE is the Information Systems area. In this respect, CIE has verified that the supplier company has the obtained appropriate certifications as to the adequacy of its control environment, and that such certifications are periodically validated by an independent party.

In addition, there are control activities taking place periodically in CIE (included in the aforementioned risk and control matrices) which also play a part in validating the control environment in this area.

Responsibility with respect to other activities in relation to significant transactions which are entrusted to independent experts (e.g. tax advisory services) remains within the Company, specific monitoring work being required to guarantee their reliability.

#### F.4 Communication and information.

Report, noting their main features, if you have at least:

##### F.4.1 A specific function responsible for defining and updating accounting policies (area or department of accounting policies) and resolve questions or disputes regarding its interpretation, maintaining fluid communication with those responsible for transactions at the organization, as well as an updated accounting policies guide communicated to the units through which the entity operates.

The Role of CIE Accounting Policies is assumed by the Corporate Controlling department, which depends directly from the Finance Department of CIE.

In performing this function, the Corporate Controlling department assumes the following responsibilities:

- Maintenance the CIE Accounting Policy Manual (Continuous Update) and dissemination to other companies group.
- Update any changes in accounting rules applicable to all members of the finance function of CIE.
- Resolution of disputes that may arise (individual or consolidated level) in the interpretation of the rules to be applied.

##### F.4.2 Mechanisms for financial information gathering and preparation in standard format, application and use by all units of the entity or the group, supporting key financial statements and notes, as well as information concerning ICFR.

CIE has a specific system for financial reporting and consolidation, which is used in all units group, allowing the capture of financial information evenly.

This system is used, in turn, to the development of aggregation and consolidation of the data reported.

Additionally, for the preparation of the financial statements and notes that require a detailed breakdown, CIE has defined reporting format, which allows the units to disclosure financial data reported through the reporting system. These forms are requested twice a year, and are reported to Corporate Controlling department for analysis, being as well validated by financial auditor.

#### F.5 System performance monitoring.

Report, noting its main features, at least:

##### F.5.1 Monitoring activities conducted by the ICFR audit committee and whether the entity has an internal audit function whose competencies include the support to the committee in its oversight of the internal control system, including ICFR. Also informing of the scope of the assessment of ICFR in the exercise and the process by which the responsible for implementing the evaluation reports its results, if the entity has an action plan detailing any corrective measures, and whether it has considered its impact on financial reporting.

CIE has a Corporate Internal Audit Department, which reports to the CAC, and coordinates the Internal Auditing teams in Europe, Mexico and Brazil. The members of the internal audit department are exclusively dedicated to these functions.

Among the functions of Internal Audit, aspects concerning identification and risk assessment are included, as well as the review of controls oriented to reliability of financial reporting and actions related to fraud risk management.

F.5.2 If you have a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts can communicate to senior management and the audit committee or board of the entity significant internal control weaknesses identified during the review process of the annual accounts or those that have been entrusted to them. It should also report on whether an action plan to correct or mitigate the weaknesses observed exists.

The auditor participates actively in the meetings of the ACC. Furthermore, the auditor issues annually a report of internal control weaknesses, which is submitted to the ACC for the adoption of measures deemed appropriate.

Additionally, CIE has a procedure allowing any outside advisors, in the exercise of its activity, to detect the existence of internal control weaknesses, and communicate through Internal Audit department to the ACC's detected issues for discussion, analysis and evaluation.

## F.6 Other relevant information.

CIE relies on the ACC, as indicated above, as responsible for oversight of ICFR.

In this sense, during the year the ACC has been responsible for overseeing the activities carried out in CIE for adequacy to ICFR. In particular, there have been two meetings for monitoring the overall internal control model of CIE and the measures implemented specifically related to the reliability of financial information.

In these special sessions, in addition to the CAC, Financial Management, Internal Audit and external auditors have been involved, approving and planning measures to implement regarding ICFR, as well as monitoring the implementation of previously agreed measures. These include the review of CIE Risk Map results, the process of identification and assessment of risks (including risks of financial information), the review and approval of key processes and risks to be audited as well as the review and approval of the definition of Risk and Control Matrices deemed relevant to the processes.

Besides, the ACC has developed, within its ordinary activity, sessions aimed at continuous review of the Group's control environment. In this regard,

- Audit plans have been approved for 2013 and 2014.
- The results of Internal Audit work and suggestions for improvements made during 2013 have been analysed.

## F.7 External auditor report.

Report of:

F.7.1 If ICFR information supplied to markets has been reviewed by the external auditor, in which case the entity should include the report as an attachment. Otherwise, it should report its reasons.

CIE Automotive has submitted for review by the external auditor the Company's ICFR operating description, where no significant impact has been detected. Audit opinion report and PricewaterhouseCoopers report are included as appendix.

## **G. - COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of conformance of the company to the recommendations of the Unified Code of Good Governance.

In the event that any recommendation is not followed or partially followed, include a detailed explanation of its reasons so that shareholders, investors and the market in general, have sufficient information to evaluate the behaviour of the Company. General explanation won't be acceptable.

1. The Articles of Association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See headings: A.10, B.1, B.2, C.1.23 and C.1.24.

Comply  Explain



2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:
- a) The type of activity they engage in and any business dealings between them, as well as between the subsidiary and other group companies;
  - b) The mechanisms in place to resolve possible conflicts of interest.

See headings: D.4 and D.7

Comply  Partially comply  Explain  Not applicable

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:
- a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e., reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;;
  - b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
  - c) Operations that effectively add up to the company's liquidation.

See headings: B.6

Comply  Partially comply  Explain

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 2, should be made available at the same time as the publication of the Meeting notice.

Comply  Explain

The documents relating to the General Shareholders' Meeting, including the detailed proposals for resolutions to be adopted are made available to shareholders at the time the relevant General Meeting is called and on the website maintained by CIE Automotive, S.A. and in the Shareholder forum for the time between the call and the date of the General Meeting.

As to the content of information on the directors referred to in Recommendation 27, we understand that the information contained in this report (which is accessible at all times via Web Page) is more than sufficient for the purposes that proposed and in connection with the profiles of the members of the Board of Directors.

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:
- a) The appointment or ratification of directors, with separate voting on each candidate;
  - b) Amendments to the Articles of Association, with votes taken on all articles or groups of articles that are materially different.

Comply  Partially comply  Explain

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Comply  Explain

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Comply  Partially comply  Explain

8. The Board should see, as core components of its mission, to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full should reserve the right to approve:

**a) The Company's general policies and strategies and, in particular:**

- i) The strategic or business plan, management targets and annual budgets
- ii) Investment and financing policy
- iii) Design of the structure of the corporate group;
- iv) Corporate governance policy
- v) Corporate social responsibility policy;
- vi) Compensation and evaluation of senior officers;
- vii) Risk control and management, and periodic monitoring of internal information and control systems
- viii) The policy for dividends, as well as treasury stock and, in particular, their limits.

See headings: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- i) Upon recommendation by the CEO, the appointment and possible removal of senior management and any indemnity clauses.
- ii) Directors' compensation and, in the case of Executive Directors, additional compensation for their management duties and other contractual conditions.
- iii) The financial information listed companies must periodically disclose.
- iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;
- v) The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

**c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions").**

However, Board authorization is not required for related-party transactions that simultaneously meet the following three conditions:

- 1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;
- 2. They go through at market rates, generally set by the person supplying the goods or services;
- 3. Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favourable report from the Audit Committee or committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the Board deliberates and votes.

Ideally, the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Delegate Committee in urgent cases and later ratified by the full Board.

See headings: D.1 and D.6

Comply  Partially comply  Explain

9. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members.

See heading: C.1.2

Comply  Explain

10. External directors, institutional and independent, should occupy an ample majority of Board places, while the number of executive directors should be the minimum practical, bearing in mind the complexity of the corporate group and the ownership interests they control.

See headings: A.3 and C.1.3.

Comply  Partially comply  Explain

11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by institutional directors and the remainder of the company's capital.

**This proportional criterion can be relaxed so the weight of institutional directors is greater than would strictly correspond to the total percentage of the capital they represent:**

- 1. In large-cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.**
- 2. In companies with a plurality of shareholders represented on the Board but not otherwise related.**

See headings: A.2 and A.3 and C.1.3

Comply  Explain

12. The number of independent directors should represent at least one third of all Board members.

See heading: C.1.3

Comply  Explain

CIE Automotive considers that the number of independent Directors correctly reflects the company's shareholder composition and, in particular, the proportion of the free float capital that currently exists. The Board has the intention of making a proposal at the General Meeting for the appointment of new independent Directors in the event that these proportions vary significantly.

13. Such determination should subsequently be explained by the Board to the General Meeting and be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of institutional directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a Board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for an institutional directorship.

See headings: C.1.3 and C.1.8

Comply  Partially comply  Explain

14. When female directors are few or non-existent, the Nomination Committee should take steps to ensure that:

- a) **The process of filling Board vacancies has no implicit bias against female candidates;**  
b) **The company makes a conscious effort to include women with the target profile among the candidates for Board places.**

See headings: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4

Comply  Partially comply  Explain  Not applicable

15. The Chair, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of Board meetings, and work to procure a good level of debate and active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive, along with the chairmen of the relevant Board committees.

See heading: C.1.19 and C.1.41

Comply  Partially comply  Explain

16. When a company's Chair is also its chief executive, an independent director should be empowered to request the calling of Board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the Board's evaluation of the Chair.

See heading: C.1.22

Comply  Partially comply  Explain  Not applicable

17. The Secretary should take care to ensure that the Board's actions:

- a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**  
b) **Comply with the company Articles of Association and the regulations of the General Shareholders' Meeting, the Board of Directors and others;**  
c) **Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting, the relevant appointment and removal procedures being spelled out in the Board's regulations.

See heading: C.1.34

Comply  Partially comply  Explain

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See heading: C.1.29

Comply  Partially comply  Explain

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See headings: C.1.28, C.1.29 and C.1.30

Comply  Partially comply  Explain

20. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board, at the request of the person who is expressing them, they should be recorded on the minutes.

Comply  Partially comply  Explain  Not applicable

21. The Board in full should evaluate the following points on a yearly basis:

- a) **The quality and efficiency of the Board's operation;**
- b) **Starting from a report submitted by the Nomination Committee, how well the Chair and chief executive have carried out their duties;**
- c) **The performance of its committees on the basis of the reports furnished by the same.**

See heading: C.1.19 and C.1.20

Comply  Partially comply  Explain

22. All directors should be able to exercise their right to receive any additional information they require on matters within the Board's competence. Unless the Articles of Association or Board regulations indicate otherwise, such requests should be addressed to the Chair or Secretary.

See heading: C.1.41

Comply  Explain

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See heading: C.1.40

Comply  Explain

24. Companies should organize induction programmes for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programmes when circumstances so advise.

Comply  Partially comply  Explain

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

- a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;
- b) Companies should lay down rules about the number of directorships their Board members can hold.

See headings: C.1.12, C.1.13 and C.1.17

Comply  Partially comply  Explain

As a result of the composition of the Company's Board of Directors, which is a direct reflection of the make-up of its shareholders, the aforementioned obligations for its Members are not necessary.

26. The proposal for the appointment or renewal of directors that the Board submits to the General Shareholders' Meeting, as well as provisional appointments by the method of co-optation, should be approved by the Board:

- a) On the proposal of the Nomination Committee, in the case of independent directors.
- b) Subject to a report from the Nomination Committee in all other cases.

See heading: C.1.3

Comply  Partially comply  Explain

27. Companies should post the following directorship particulars on their websites and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as appropriate, stating, in the case of institutional directors, the shareholder they represent or are associated with.
- d) The date of their first and subsequent appointments as a company director, and;
- e) Shares held in the company and any options on the same.

Comply  Partially comply  Explain

Our understanding is that the information set out in this report (which is accessible at all times through the website) already maintains up-to-date the necessary information regarding Directors, in line with the items requested in Recommendation 27.

28. Institutional directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to institutional directors, the latter's number should be reduced accordingly.

See headings: A.2, A.3 and C.1.2

Comply  Partially comply  Explain

29. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Articles of Association, except where just cause is found by the Board, based on a proposal from the Nomination Committee. In particular, it is understood that there is just cause when the director has breached the duties inherent in his position or comes under any of the circumstances making it lose its independent status in accordance with the provisions of the Order ECC/461/2013.

**The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.**

See headings: C.1.2, C.1.9, C.1.19 and C.1.27

Comply  Explain

30. Companies should establish rules obliging directors to inform the Board of any circumstance that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

**The moment a Director is indicted or tried for any of the crimes stated in article 213 of the Spanish Companies Law, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.**

See headings: C.1.42 and C.1.43

Comply  Partially comply  Explain

31. All directors should express clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

**When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.**

**The terms of this Recommendation should also apply to the Secretary to the Board, whether a Director or not.**

Comply  Partially comply  Explain  Not applicable

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See heading: C.1.9

Comply  Partially comply  Explain  Not applicable

33. Compensation comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

**The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.**

Comply  Partially comply  Explain  Not applicable

34. External directors' compensation should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Comply  Explain  Not applicable

35. In the case of compensation linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Comply  Explain  Not applicable

36. In the case of variable awards, compensation policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Comply  Explain  Not applicable

37. When the company has a Delegate Committee, the breakdown of its members by director category should be similar to that of the Board itself. The Secretary of the Board should also act as secretary to the Delegate Committee.

See headings: C.2.1 and C.2.6

Comply  Partially comply  Explain  Not applicable

38. The Board should be kept fully informed of the business transacted and decisions made by the Delegate Committee. To this end, all Board members should receive a copy of the Committee's minutes.

Comply  Explain  Not applicable



39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Compensation.

**The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Compensation should be set forth in the Board regulations, and include the following:**

- a) **The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first Board plenary following each meeting;**
- b) **These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**
- c) **Committees should be chaired by an independent director.**
- d) **They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- e) **Meeting proceedings should be minuted and a copy sent to all Board members.**

See headings: C.2.1 and C.2.4

Comply  Partially comply  Explain

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See headings: C.2.3 and C.2.4

Comply  Explain

41. All members of the Audit Committee, particularly its Chair, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Comply  Explain

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See headings: C.2.3

Comply  Explain

43. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Comply  Partially comply  Explain

44. Control and risk management policy should specify at least:

- a) **The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;**

- b) **The establishment of the risk level that the Company considers acceptable;**
- c) **Measures in place to mitigate the impact of risk events should they occur;**
- d) **The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.**

See headings: E

Comply  Partially comply  Explain

45. **The Audit Committee's role should be:**

**1. With respect to internal control and reporting systems:**

- a) That the main risks identified as a result of monitoring the effectiveness of internal control of the company and the internal audit function, if any, are managed and properly disclosed.
- b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- c) Establish and supervise a mechanism whereby staff can report confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

**2. With respect to the external auditor:**

- a) Regularly receive information from the external auditors on the audit plan and results of their work, and check that senior management takes their recommendations into account.
- b) Monitor the independence of the external auditor, to which end:
  - i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
  - ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See headings: C.1.36, C.2.3, C.2.4 and E.2

Comply  Partially comply  Explain

46. **The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

Comply  Explain

47. **The Audit Committee should prepare information on the following points from Recommendation 8 for input to Board decision-making:**

- a) **The financial information listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.**
- b) **The creation or acquisition of shares in special purpose entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.**

**c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.**

See headings: C.2.3 and C.2.4

Comply  Partially comply  Explain

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chair of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See heading: C.1.38

Comply  Partially comply  Explain

49. The majority of Nomination Committee members – or Nominations and Compensation Committee members as the case may be – should be independent directors.

See heading: C.2.1

Comply  Explain  Not applicable

Due to the composition and type of the Board of Directors, which reflects the composition of the Company's shareholders, the understanding is that it is not necessary to comply with the content of Recommendation 49.

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

- a) Evaluate the balance of skills, knowledge and experience on the Board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
- b) Examine or organize, in appropriate form, the succession of the Chair and the chief executive, making recommendations to the Board so the handover proceeds in a planned and orderly manner.
- c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.
- d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See heading: C.2.4

Comply  Partially comply  Explain  Not applicable

51. The Nomination Committee should consult with the company's Chair and chief executive, especially on matters relating to executive directors.

**Any Board member may suggest directorship candidates to the Nomination Committee for its consideration.**

Comply  Partially comply  Explain  Not applicable

52. The Compensation Committee should have the following functions in addition to those stated in earlier recommendations:

**a) Make proposals to the Board of Directors regarding:**

- i) The compensation policy for Directors and senior management;
- ii) The individual compensation and other contractual conditions of executive directors.
- iii) The standard conditions for senior management employment contracts.

**b) Oversee compliance with the compensation policy set by the company.**

See headings: C.2.4

Comply  Partially comply  Explain  Not applicable

53. The Compensation Committee should consult with the Chair and chief executive, especially on matters relating to executive directors and senior officers.

Comply  Partially comply  Explain

**H. - OTHER INFORMATION OF INTEREST**

1. If there is a relevant aspect of corporate governance in the society or group entities that have not been picked up in other sections of this report, but it is necessary to include collecting more complete and reasoned information on the structure and governance practices in the company or its group, describe briefly.
2. This section may as well include any other information, clarification or related to previous sections of the report to the extent that they are relevant and not repetitive.

Specifically, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the Company may be required to provide when different from the information included in this report.

3. The company may also indicate whether voluntarily acceded to other ethical principles or codes of good practice, international, sectorial or other clauses. In your case, the code in question and the date of accession will be identified.

**D.5 OTHER RELATED PARTY TRANSACTIONS**

The Company and certain of its subsidiaries maintain contractual relationships with INSTITUTO SECTORIALDE PROMOCIÓN Y GESTIÓN DE EMPRESAS DOS, S.A. (INSSEC 2) and various subsidiaries of this company, with which significant shareholders common shares, being the amounts and the following concepts:

Company of CIE Automotive Group/Related Party/Nature/Operation/Thousand Euro

- CIE AUTOMOTIVE SA - INSSEC 2 - Contractual – Change in fair value of assets: 16,369 €
- CIE AUTOMOTIVE and Subsidiaries- INSSEC 2 and Subsidiaries – Financing Agreements – Trade Receivables (Non-Current): 8,400 €
- CIE AUTOMOTIVE and Subsidiaries - INSSEC 2 and Subsidiaries - Financing Agreements - Trade Receivables (Current): 29,218 €
- GLOBAL DOMINION ACCESS –BEROA GROUP– Financing Agreements: 11,157 €

Also, at December 20, 2013 ACCESS GLOBAL DOMINION, SA signed an option agreement for the purchase of 50% the share capital of Group BEROA to INSSEC 2. Finally, certain subsidiaries of Mahindra Forging Europe had made supplies to Gestamp group companies amounting €2.000 thousand.

This annual corporate governance report was approved by the Board of Directors of the Company at its meeting held on 02/28/2014

Indicate whether any Directors have voted against or abstained in connection with the approval of this Report.

YES  NO



**(Free translation of the auditor's report originally issued in Spanish relating to the internal financial reporting control system. In the event of a discrepancy, the Spanish language version prevails)**

**REPORT OF THE AUDITOR RELATING TO THE  
INTERNAL FINANCIAL REPORTING CONTROL SYSTEM (IFRCS)**

To the Directors of CIE Automotiva, S.A.

At the request of the Board of Directors of CIE Automotiva, S.A. ("the Entity") and pursuant to our letter of proposal dated 14 November 2013, we have applied certain procedures to the accompanying information concerning the IFRCS included in the "Appendix to the Annual Corporate Governance Report" of CIE Automotiva, S.A. for 2013, which summarises the Entity's internal control procedures with respect to its annual financial information.

The Board of Directors is responsible for taking the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the IFRCS.

In this connection, it must be borne in mind that, irrespective of the design quality and efficiency of the internal financial reporting control system used by the Entity, it can only allow a reasonable, but not absolute, degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures performed on the Entity's annual accounts. Accordingly, the internal control evaluation carried out for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal control on the regulated annual financial information.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Reporting Internal Control System for listed entities published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial reporting for 2013 described in the accompanying IFRCS information. Therefore, had we applied procedures in addition to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated financial information, other matters could have come to light of which you would have been informed.

As this special work does not constitute an audit and is not subject to the revised Audit Law enacted by Royal Decree 1/2011 of 1 July, we do not express an audit opinion in the terms envisaged in said Law.



The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the IFRCS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F, regarding the IFRCS description of the model of Annual Corporate Governance Report, according to the National Securities Market Commission Circular 5/2013 dated 12 June 2013.
2. Making enquiries with personnel in charge of preparing the information mentioned in 1. above in order to: (i) obtain an understanding of the process followed in its preparation; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Entity.
3. Review of supporting documentation explaining the information described in 1. above which will mainly comprise the information made directly available to the persons responsible for preparing the information on the IFRCS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties for the audit committee.
4. Comparison of the information described in 1. above with the Entity's knowledge of the IFRCS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.
5. Reading of the minutes of meetings of the Board of Directors, Audit Committee and other committees of the Entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the IFRCS and the information described in 1. above.
6. Obtainment of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in 1. above.

As a result of the procedures applied to the Information concerning the IFRCS included in the Appendix to the Annual Corporate Governance Report of CIE Automotive, S.A. for FY 2013, no inconsistencies or incidents have come to light by which it could be affected.

This report has been drawn up exclusively within the framework of the requirements laid down by Law 24/2003 of 28 July on the Securities Market, amended by Law 2/2011 of 4 March on the Sustainable Economy and the Circular 5/2013 issued by the National Securities Market Commission dated 12 June 2013 for the purposes of the IFRCS description in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Francisco Javier Domingo  
Audit Partner

28 February 2014