CIE Automotive

# Policy on Anti-Competitive Practices

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The Board of Directors ("**Board**") of CIE Automotive, S.A. ("**CIE Automotive**" or the "**Company**", and collectively with the companies for which it is the parent company[1] the "**Group**"), has approved this Policy on Anti-Competitive Practices. It is one of the policies on corporate governance and regulatory compliance, and it establishes the principles and guidelines used to support appropriate prevention and management of anti-competitive practices.

# 1. Introduction

## 1.1. Legislation on anti-competitive practices

The purpose of the legislation on anti-competitive practices (also referred to as "anti-trust" legislation) is to prohibit any business-related conduct that is contrary to the principle of free competition and harmful to the public interest. The ultimate aim of that legislation is therefore to protect free and fair competition, so that each company or corporate group will be making its own independent business decisions and creating its own independent strategies, rather than engaging in collaborations or other practices that could eliminate or restrict competition.

The competition authorities are the public-sector bodies responsible for ensuring compliance with the rules in force on the subject of competition, and for this purpose, they have been given broad authorities of inspection and investigation, plus the ability to impose sanctions in cases of unlawful conduct. These authorities exist at the European and national levels, and in the case of Spain, there are also authorities with jurisdiction within the country's various regions.

At the European level, the competent authority is the European Commission's Directorate-General for Competition. In Spain, the highest-level authority is the National Markets and Competition Commission (*Comisión Nacional de los Mercados y la Competencia* or "**CNMC**"), which has authority to act throughout the entire country, and there are also regional authorities within the country. In the case of the Basque Country region, the competent authority is known as the *Autoridad Vasca de la Competencia* in Spanish.

It is essential for everyone at CIE Automotive to be very well aware of the legislation and other rules that prohibit anti-competitive practices. This Policy on Anti-Competitive Practices (the "**Policy**") therefore contains a series of essential guidelines that we all must bear in mind when performing our day-to-day functions and professional activities.

These guidelines are of compulsory compliance, because in addition to being part of our compliance culture and Compliance Management System, they have been designed to prevent the very serious consequences that any potential infringements of the legislation could have. For example:

- ✓ Extremely high fines, which in the case of Spain, could be as much as 10% of the Group's annual turnover.
- ✓ Imposition of prohibitions or restrictions in relation to public-sector tendering. For example, in Spain those restrictions apply to almost all public-sector bodies in the country and can have a duration of up to three years. It is also possible that an investigation of anti-competitive conduct can have repercussions in other Member States of the European Union, even leading to disqualification from public-sector tendering in other countries.
- ✓ An obligation to refund any amounts received as a result of anti-competitive agreements.
- ✓ The need to dedicate significant amounts of financial and human resources to the administrative and judicial proceedings arising from infringements, in addition to significant legal costs for the Company to defend itself in those proceedings.
- ✓ Serious harm to the Company's reputation, as perceived by clients, suppliers, investors, governmental bodies, and financial institutions.

[1] With the subsidiaries being the companies where CIE Automotive, S.A. directly or indirectly owns more than 50% of the share capital and/or has appointed more than half the members of the management body.

- ✓ Legal actions brought by clients or competitors, claiming that they have suffered harm or losses from the infringement. The damages that courts can award in such cases may even exceed the amount of the fines imposed by the competition authorities.
- ✓ Personal liability for anyone involved in the sanctioned acts (which may include not only senior managers, but mid-level managers as well). In Spain, this liability can result in fines of up to €60,000.
- ✓ Under certain circumstances, there may even be criminal liability.

It must also be emphasised that the competition authorities now have a much more extensive range of means available for detecting and prosecuting "cartels" (which is the term used to refer to agreements among companies to reduce or eliminate competition in a market), with increases also being seen in terms of the number of inspections those authorities are performing and number of sanctions imposed. Those means available to them have now come to include, among others:

- ✓ "Leniency programmes", which reward companies and their employees (if requested) for cooperating with the competition authorities, by giving them full exemption from the financial sanctions that would otherwise be imposed upon them, or at least a substantial reduction.
- ✓ Investigations performed by competition authorities involving entire sectors, even if there are no suspicions that any agreements to form a cartel exist. The competition authorities also have external reporting channels, which anyone can use to report any signs of conduct that could be infringing the existing laws the prohibit anti-competitive practices. A channel of this type was the origin of various investigations performed by the CNMC.
- ✓ Competition authorities also have financial intelligence units and teams, which they use to monitor evolution of the markets. This allows them to automatically detect potential anti-competitive practices, without any need for a formal complaint.
- ✓ Creation of specialised and well-equipped cross-border investigation units. Currently, almost all countries have legislation designed to prevent anti-competitive practices, as well as competition authorities to enforce that legislation. In addition, the authorities in the different countries interact with each other, and they exchange information about the investigations taking place in various locations. In the European Union, cooperation and contacts among the competition authorities has been further enhanced by the legislation known as the "ECN+ Directive" (Directive (EU) 2019/1 of the European Parliament and of the Council of 11 December 2018, to empower the competition authorities of the Member States to be more effective enforcers and to ensure the proper functioning of the internal market).

## 1.2. Criminal liability for the company, its Directors and its employees

As mentioned above, in the most serious cases where the legislation on anti-competitive practices is infringed, both natural persons and legal persons may be subject to not only financial sanctions, but also criminal liability, which can lead to criminal prosecution and sentencing. The following list indicates some of the potential criminal offences related to competition:

- ✓ Bid-rigging in public-sector auctions and tendering.
- ✓ Price fixing.
- ✓ Bribery (bribing a public authority or official by offering them something of value in exchange for their performance (or non-performance) of an act under their responsibility).
- ✓ Private-sector corruption, which is analogous to the crime of bribery, but taking place between private parties. Infringements can result in sanctions for the person offering or granting a benefit or advantage in order to receive favourable treatment or procurement of goods or services in exchange, and also for the person receiving, requesting, or accepting that benefit or advantage in exchange for favourable

treatment. This offence has been established to ensure fair and honest competition among competitors in the market.

- ✓ Corruption in international business transactions, which is an offence created with the aim of preventing bribery and other corruption in relation to international trade, and to eliminate the negative impact that these practices can have on fair and honest competition in international markets.

Even if the criminal offences described above are committed by individuals, punishments can also be imposed on the company involved, which can include dissolution of the company, shutting down particular offices, or suspension or prohibition of certain business activities.

In view of the above, it is essential to establish these guidelines and make compliance with them compulsory. The section below lists and describes the practices that are strictly prohibited at CIE Automotive.

## 2. Prohibited anti-competitive practices

### 2.1. Collusive behaviour

a. What is collusive behaviour?

Agreements formed among companies involving decisions, collective recommendations, or coordinated or intentionally parallel practices that produce, or could produce, the effect of hindering, restricting, or biasing the competition existing in an entire national market or any part of it.

b. What types of coordinated practices can exist?

These practices can take place through express agreements or tacit agreements.

c. Is intentionality required?

No, there does not have to be any intention to restrict competition. Although an absence of intentionality may be taken into account for purposes of reducing the administrative sanction imposed, that factor is not considered relevant for purposes of determining whether an infraction occurred, or how much compensation must be paid in relation to any harm and losses caused.

d. What type of evidence is used to demonstrate the existence of collusive behaviour?

Participating in meetings, receiving emails without expressly stating opposition to their contents, taking handwritten notes, or the existence of minutes from meetings (even if unsigned).

Here are some examples of collusive behaviour: directly or indirectly setting prices or other terms of sale, or terms for provision of services; sharing markets, clients, tendering awards, or supply sources; applying unequal terms to equivalent sales transactions or service provisions, in a way that puts some competitors at a disadvantage compared to others.

e. Prohibition of unlawful horizontal agreements

This prohibition applies to agreements between or among competitors to coordinate their offers and/or presence on the market. Some examples of prohibited practices are agreements to set specific prices or other terms of sale, agreements to share markets or reduce or control production, sharing of sensitive commercial information between or among competitors (prices, amounts, discounts, etc.), manipulation of tenders, etc. All of these practices are referred to as “horizontal agreements”.

This prohibition applies not just to written agreements but also verbal ones (for example, phone calls), and it includes emails, non-binding confirmations, "recommendations", or simply sharing of information, regardless of where these acts occur (at trade fairs or similar events, at business association meetings, etc.).

It must also be remembered that in order for an infringement to occur (and for the corresponding sanction to be imposed), it is NOT necessary for restrictive agreements to be successful.

f. Prohibition of sharing strategic or commercially sensitive information

Commercially sensitive information must be understood to include all strategic information that the Group would not normally share with any external parties, and in particular, information that could allow its recipient to be aware of or predict the Group's behaviour in the market. As a general rule, recent information is considered more sensitive than historical information, and disaggregated or detailed data is considered more sensitive than aggregated data.

To give some examples, strategic or commercially sensitive information can include:

- Data on turnover, costs, or profit margins.
- Data on market shares or production capacities.
- Identities of existing or potential clients or suppliers.
- The intention to submit tenders or proposals in relation to a specific contract.
- Information regarding the terms and conditions included in a current or future bid or tender.
- Forecasts regarding future product offers, conditions of supply and demand, or financial indicators.
- Information about business expansion or downsizing plans, or plans to enter new markets or withdraw from current ones.

Sharing of commercially sensitive information between or among competitors is considered in itself to be a serious infringement of the competition legislation, with no need to demonstrate that the companies that shared information actually made use of it.

Under any circumstances where a competitor suggests any sharing of sensitive information, the person receiving that suggestion must expressly and clearly refuse to receive or share that information, and must notify the Compliance Body as soon as possible.

Because of the risk involved, it is always best to apply maximum caution when communicating with competitors. Also, from the perspective of the competition authorities those communications are always suspicious, unless some legitimate purpose can be demonstrated (e.g., meetings of associations or conferences where no strategic or commercially sensitive information is involved). At least in the context of a stable market, or one where few variations occur, the mere existence of regular contacts with competitors could lead to an investigation by the competition authorities.

g. Competition risks related to public-sector procurement

*(i) Agreements that cause bias in public-sector tendering:*

The legislation on competition also applies in the context of public-sector bidding and tendering, and in relation to this, there are a series of unlawful practices that have the purpose of altering and/or manipulating the results of competitive procurement procedures.

Some of those practices include, among others:

- Forming agreements with other bidders or tenderers regarding the terms and conditions of the offers submitted, or sharing of contracts, whether directly or by subcontracting, and whether occurring a one-off basis or in a sustained manner over time.
- Forming agreements with specific competitors where they agree not to submit bids or tenders, or agree to submit artificially high prices or offers that fail to comply with the tendering specifications,

to ensure that they will not be awarded the contract (these are sometimes referred to as "cover bids").

- Agreements to compensate companies that were not awarded a contract by, for example, subcontracting some or all of the contract to them.
- Declining a request for proposals or invitation to tender when this is associated with sharing markets or clients. For this reason, it is recommended that internal documentation should always be maintained regarding the financial or commercial reasons why the Group has decided not to submit a proposal, bid, or tender for a specific contract, especially when it has received an express invitation to participate from the client.

The CNMC has identified the following factors, among others, as potential indicators of agreements like these or cover bids:

- A small number of bidders or tenderers
- Bids from an operator that are inconsistent with its bids in similar tenders
- Suspicious similarities in the offers submitted, especially when there are excessively simple contents and formats, or offers with identical wording and/or formatting
- Non-competitive offers
- Suspicions of boycotting
- Patterns of suspicious behaviour among companies submitting bids or tenders
- Unjustified subcontracting between tendering companies
- Bids submitted by the same individuals

*(ii) Subcontracting*

With regard to the legislation on anti-competitive practices, subcontracting among competitors in the context of bidding or tendering is essentially subject to two restrictions.

First, subcontracting must not be used as a mechanism for compensating competing companies for not participating in a tender, or for submitting an offer that does not reflect a real intention to compete for awarding of the contract.

Second, the information exchanged with the subcontracted competitor must be only the information strictly necessary for performing the subcontracted activities. What this means is that as a general rule, you should never request or receive information from a subcontracted company in relation to its other present or future projects, or any information related to its suppliers, costs, or production capacity.

h. <u>Prohibition of vertical restraints</u>

Purchasing agreements entered into with suppliers and clients are a fundamental aspect of the Group's business, and so of course they are generally permitted.

However, agreements of this type (known as "vertical agreements") may be unlawful if they restrict one party's ability to freely establish its prices (for example, prices for reselling to distributors) or its commercial terms and conditions with third parties, or if they restrict one party's ability to freely select its commercial partners (these are referred to as "vertical restraints").

Whenever we are dealing with an agreement or contract that could contain clauses like these, notifying the Compliance Body is compulsory.

## 2.2. Prohibition of abuse of a dominant position

The legislation on anti-competitive practices imposes special rules of conduct on companies that have a dominant position in their entire market or any part of it.

a. What is a dominant position?

A company is said to have a dominant position when it is able to independently exercise its commercial strategy in the market, without having to consider competing companies, suppliers, or buyers.

In general, it is unlikely that a company will be considered as having a dominant position unless its market share is 40% or higher, although there may be some cases where a dominant position exists even with a lower market share.

It is important to clarify that having a dominant position is not prohibited, only abuse of that position. In other words, the law does not prohibit achieving that type of position in a market, but for companies that do have a dominant position, it imposes a special responsibility as a way of protecting competition.

b. What is meant by conduct that abuses a dominant position?

- Directly or indirectly imposing unfair prices or other terms of sale or service.
- Putting unjustified limitations on production, distribution, or technical development, in a manner that harms other companies or consumers.
- Unjustified refusal to sell requested products or services.
- Application of unequal terms when selling equivalent products or services, in a way that puts some competitors at a disadvantage compared to others.
- Conditioning entry into contracts on acceptance of other products or services that, because of their nature or commercial uses, are unrelated to the subject matter of those contracts.

In view of the above, the following types of conduct are especially prohibited as forms of abuse of a dominant position:

- Abuse that affects competitors: excluding competitors from the market or making their access to it difficult.
- Abuse affecting clients or suppliers: clients or suppliers are exploited in some way by taking advantage of a dominant position.

What this all means is that in relation to any services where the Company has no competition, or where the competition is not very significant, it is essential for us to avoid any conduct of the types described, which could all be considered as abuse of our market position.

## 2.3. Unfair conduct that can distort competition

a. When is conduct considered to be unfair?

Unfair conduct is understood to mean any behaviour performed in a competitive market that is objectively contrary to the requirements on good faith. This behaviour includes, for example: deceptive or misleading acts, aggressive practices, acts of denigration, disclosure of industrial trade secrets, acts that breach the terms of contracts with clients or workers, or exploitation of a situation of financial dependence.

b. When does behaviour have a negative impact on the public interest?

When it has (or could have) a negative effect on the creation or maintenance of free competition in a particular market, by generating a significant bias in that market.

Any behaviour that distorts competition through unfair acts is prohibited, and is subject to investigation and sanctioning by the competition authorities whenever it has a negative impact on the public interest.

### 2.4. Infringements related to merger control

Merger control is a mechanism contained in the legislation on anti-competitive practices, and its purpose is to determine whether a merger, full or partial acquisition, or any other form of business combination could affect the competition existing in a particular market. If an effect on competition is considered to exist, this mechanism helps determine how the necessary conditions can be imposed to ensure that an effective level of competition is preserved.

When certain thresholds established at the European and/or national level are exceeded, the competent authority must be notified regarding the transaction involved, and completion of that transaction must be delayed until the required authorisation has been received from the pertinent competition authority.

In this context, failure to comply with the obligation to provide that notification, or providing that notification but completing the transaction before receiving authorisation from the competition authority, represents a serious infringement of the legislation, which can give rise to fines of up to 5% of the infringing company's total worldwide turnover figure.

## 3. Basic instructions for activities

### 3.1. Rules on preparing and storing documents

It is important for all of us to be aware that as part of their investigations, and in order to gather evidence, the competition authorities may perform unannounced inspections at the company's offices and facilities, and those inspections may also extend to the employees and their workstations.

During those inspections, the authorities must be given access to physical documents (for example, binders, meeting minutes, memos, notebooks, ledgers, filing cabinets, etc.), as well as to digital documents stored on computers, IT systems, mobile devices, smartphones, and servers. Those digital documents can include, among others, email messages, chats on WhatsApp or other messaging apps, files produced by all types of software, etc.

In other words, the competition authorities can gain access to an enormous variety of documents and information of all types. It is also important to understand that all of those documents and communications, even if they are only "drafts", "memos", or "working documents", can be used as evidence against the company during legal proceedings, and also against the people working there (as senior managers).

What this means is that not only do we have to be impeccable during all our activities, but we also need to be especially careful to avoid producing any evidence that could be misinterpreted by the competition authorities.

For this reason, everyone involved in our professional activities and/or who uses the means and tools we provide, must comply with the following rules:

(a) General rules: We must always remember that the competition authority could end up seeing and reading all of our official and unofficial documents, and all of our communications of any kind. In other words, people from outside the company, who were not the intended recipients, could end up reading and/or using those documents and communications (and they might be

doing that at some later time, removed from their original context). What this specifically means is that for the purposes of this Policy:

- All correspondence (by postal mail, email, or other means) and all messages sent (whether on paper or electronically), especially those exchanged with competitors, must be written very carefully: prices and other sensitive information must never be disclosed, ambiguous wording must be avoided, and the purpose of the communication, which of course must always be lawful, must be clearly stated.
- If for any reason we receive any internal documents that contain information about a competitor's prices, business strategies, etc., we must ensure that this information has come from a lawful source, and that any response we give is clearly written, avoiding the use of any wording that could raise any suspicions of anti-competitive conduct (or any type of fraud or unlawful activities).

(b) Whenever we are creating draft versions or preliminary versions of contractual documents, or documents associated with meetings, we must always clearly indicate that they are drafts subject to review, and where applicable, subject to negotiation and approval.

(c) With regard to any professional communications with external lawyers working outside of the Group, or whenever we reproduce any of their legal advice, this must be clearly stated at the beginning of the document or communication. In the specific case of emails, the following wording must appear on the subject line: "Confidential and subject to legal professional privilege" or "Confidential – lawyer-client communication". It is important to understand that this strict form of confidentiality (legal professional privilege) only applies to relations with lawyers (not, for example, with auditors) and generally only with external lawyers (not with internal lawyers). Nevertheless, communications with internal lawyers must also be identified using those same expressions.

Very important: We might occasionally receive messages or emails that are proposing or suggesting unlawful practices. If this occurs, we must always respond with a full, unambiguous, explicit rejection of those proposals or suggestions, and the Compliance Body must be notified about them as soon as possible.

## 3.2. Prevention of unlawful horizontal agreements

In ensure special protection against unlawful horizontal agreements, we must always follow these basic recommendations and instructions:

(a) The Golden Rule: treat all meetings and conversations with competitors as if they were taking place in public. This is the same recommendation and instruction as established above with regard to written communications and documents.

(b) During all relations with competitors, we must avoid providing, receiving and/or sharing information, whether verbally or in writing, about sensitive subjects related to competition. This especially includes, for example, information about prices, costs, profit margins, production capacities, public-sector or private-sector tendering strategies or guidelines, etc.

Obviously not all contacts or relations with competitors are prohibited by the legislation, only those that have the purpose or effect of directly or indirectly altering or restricting competition. The following types of conduct are specifically permitted, provided they do not have those types of purposes or effects:

(a) Sharing information about subjects not related to competition, or information about lawful collaboration in the context of commercial and industrial associations.

(b) Cooperation (R&D, joint marketing of services) when that collaboration will provide benefits for consumers (better prices or quality, etc.). However, in order to remain lawful, agreements of that type must meet certain strict requirements. For this reason, it is essential that before any such cooperation or collaboration is agreed, the Compliance Body is consulted in order to clarify whether it is compatible with the legislation on anti-competitive practices.

### 3.3. Communication and transparency

In any situation where you have any uncertainties, always use the Ethics Channel to consult with the Compliance Body in advance.

(a) This is especially important when relations with competitors are involved.

(b) This must be done whenever you have any uncertainties about whether information you are planning to communicate, or information that has been disclosed, is considered sensitive from a competition law perspective.

(c) If you receive any communication from a competitor that seems problematic, never ignore it: contact the Compliance Body so that it can assess the situation, and so that evidence can be recorded regarding how the company managed the issue.

### 3.4. Leniency programme

Any companies that notify the competition authority about their participation in a cartel situation can benefit from full exemption from administrative sanctioning (if the company was the first to notify the authority about the cartel), or else a reduction of the fine imposed of up to 50%, provided the company's contribution is valuable for the authority's investigative work.

In addition, the leniency programme may provide the option of being exempted from disqualification in relation to public-sector contracting. Finally, by participating in the leniency programme, companies may benefit from limits on their liability if claims for damages are brought against them.

In order to obtain the benefits described above, any company that wants to benefit from the Leniency Programme must provide detailed information about the cartel, stop participating in it, and fully cooperate with the competition authority during its investigation.

However, there can also be other consequences derived from anti-competitive practices, which use of the leniency programme cannot prevent, such as legal claims for damages (although with a limited degree of liability), voiding of agreements and/or contracts, and reputational harm. It is therefore essential to avoid allowing the Group to become involved in any anti-competitive practices, and if you have any questions or uncertainties, or notice any signs of an infringement, you must always contact the Compliance Body as soon as possible.

## 4. Terms and definitions

For purposes of this document, the following terms and definitions will apply:

- Employees: Members of the Board and all of CIE Automotive's personnel and collaborators, regardless of the type of relationship or contract they have.
- Compliance Body: persons from the Compliance Department with responsibility and authority for operation of the Compliance Management System.
- Compliance Management System: an organisation's set of interrelated or interacting elements used to establish policies and objectives, along with the processes used to achieve those objectives.

- Compliance objectives: development of the legal compliance culture and commitments relating to criminal law, including but not limited to those related to prevention of criminal offences and bribery, environmental protection, and taxation.
- Compliance culture: the values, ethics, beliefs, and conduct that exist at an organisation, and which interact with the organisation's structures and control systems to produce standards of conduct that result in compliance.
- CIE Automotive has established an Ethical Channel, which is available via an online platform accessed through the corporate website (Ethical Channel - CIE Automotive) or the corporate intranet. Its purpose is to serve as a means of communicating information about potential legal infringements (including infringements of European Union law, criminal offences, administrative infractions, occupational health and safety violations, and possible non-compliances with the Code of Professional Conduct and all other internal rules that are part of CIE Automotive's Compliance Management System (CMS)).
- Senior Management: a person or group of persons who manage and control an organisation at the highest level.

## 5. Approval and entry into force

This Policy and the guidelines and rules it establishes have been approved by the Board and are now fully in force. They must now be communicated to Senior Management, the Audit and Compliance Committee, and the Compliance Body, so that within their respective scopes of activity, each of them can perform oversight regarding their distribution, awareness-raising, and compliance.