



CIE Automotive

Remuneration Policy for
members of the
Board of Directors

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The Board of Directors of CIE AUTOMOTIVE, S.A. ("**CIE Automotive**" or the "**Company**" or the "**Group**"), in the exercise of the powers assigned to it, submits this Policy for the remuneration of the Board members (the "**Remuneration Policy**") to the approval of the Company's General Shareholders Meeting, at the proposal of the Appointments and Remuneration Committee.

1. Regulatory framework

Article 529.19.1 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), in the wording established by Spanish Law 31/2014, of 3 December, states that the approval of the Directors' remuneration policy is the responsibility of the General Shareholders Meeting at the proposal of the Board of Directors in accordance with article 249 bis j) of that Law.

In accordance with article 529.19.1 of the Spanish Corporate Enterprises Act, the Directors' remuneration policy will conform to the remuneration system established in the articles of association.

Therefore, the regulatory basis of this policy will be article 24 of the Company's Articles of Association.

2. Basic principles

The Remuneration Policy seeks to ensure that the remuneration of the directors of CIE Automotive is proportional to the dedication and responsibility assumed, and in accordance with what is paid in the market by comparable companies at national and international level, taking into consideration the shareholders' long-term interests.

In this way, the Remuneration Policy must be adapted to the prevailing circumstances at any time, paying special attention to the evolution of regulations, best practices, recommendations and trends –national and international– in terms of remuneration of Directors of listed companies and the existing market conditions.

Hence, the basic principles on which the Remuneration Policy is established for the directors in their capacity as such, are as follows:

- a) Appropriately rewarding the dedication and responsibility assumed by the directors, in accordance with what is paid in the market in companies that are comparable in capitalization, size, ownership structure and international presence.
- b) Ensuring that the remuneration contributes directly to the achievement of CIE Automotive's strategic objectives.
- c) Ensuring the correct attraction, motivation and retention of the best professionals.

Finally, it should be noted that the nature of the relationship of the proprietary directors has been taken into account in the decision not to compensate them (except for the Chairman of the Board

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owing to his special dedication), although this decision is currently under review and could well give rise to a new remuneration policy in future years that takes this specific fact into account.

In addition to the above, in the case of those directors who perform executive functions within the Company, the basic principles that govern their remuneration are as follows:

- a) Compensating directors with a comprehensive offer of monetary elements that recognizes and respects their various needs and expectations related to the professional environment, while at the same time serving as a communication tool for organizational purposes and business objectives.
- b) Ensuring that the compensation, with regard to its structure and overall amount, complies with best practices and is competitive compared to the market.
- c) Including a significant annual variable component linked to performance and the achievement of specific, predetermined, and quantifiable objectives.
- d) Promoting and encouraging the fulfilment of the Company's strategic objectives through the incorporation of long-term incentives, reinforcing the continuity in the competitive development of the Group, of its managers and its management team, fostering a motivating effect and building loyalty, as well as retaining the best professionals.
- e) Fostering a culture of commitment to the Group's objectives, where both personal and team contributions are essential.
- f) Establishing adequate mechanisms so that the Company can obtain reimbursement of the variable components of the compensation when the payment has not been in accordance the terms under which they were granted.

This Remuneration Policy distinguishes between the remuneration system for the performance of the position of directors in their capacity as such and the remuneration system for the performance of executive functions by executive directors.

3. Remuneration policy for directors in their capacity as such

The remuneration policy for directors in their capacity as such is established as a fixed annual allocation, payable exclusively to non-executive directors who have a special dedication to the Company, i.e., (i) the Chairman of the Board and (ii) the independent directors.

The frequency with which the annual allocation will be paid is left to the discretion of the Board of Directors.

Except as provided in this section and under article 24 of the Articles of Association, the freedom of composition reserved by the Law for the Board of Directors is observed.

In addition to the above, the Chairman of the Board will receive remuneration in kind for the use of the company vehicle.

There is no other type of remuneration, such as allowances or payments of contributions to pension funds or healthcare premiums.

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For FY 2018, the Board of Directors has approved the following gross remuneration for the aforementioned directors:

Director	Amount of fixed remuneration (€)
Chairman of the Board	€1,200,000
Chairman of the Audit and Compliance Committee and Coordinating Independent Director	€140,000
Chairman of the Appointments and Remuneration Committee	€100,000

4. Remuneration policy for executive directors

The remuneration policy for Directors performing full-time executive functions will be similar in structure to the remuneration policy of the Company's management staff and will include:

4.1. Fixed remuneration

This part must be in line with what is paid in the market in companies that are comparable in capitalization, size, ownership structure and international presence.

Hence, in FY 2018, the managing director will be entitled to receive a gross annual fixed remuneration of EUR 525,000, and the director responsible for corporate operations and M&A will receive EUR 200,000 gross per year.

The remuneration of the executive directors will vary according to their responsibilities and the specific characteristics their functions and will be reviewed annually by the Board of Directors at the proposal of the Appointments and Remuneration Committee.

For these purposes, this Committee may rely on external consultants to carry out the market studies and analysis it deems appropriate.

4.2. Short-term variable compensation

The objectives that will determine the managing director's variable compensation are reflected in the annual report on directors' remuneration and will be linked to parameters such as the Net Profit and Gross Operating Profit (EBITDA) approved in the annual Budget by the Board of Directors.

The amount of the short-term variable remuneration may not exceed 100% of the fixed remuneration.

The Board of Directors, at the proposal of the Appointments and Remuneration Committee (which will have verified the level of compliance with the established parameters), will determine the degree of fulfilment of the short-term variable remuneration and its corresponding amount.

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4.3. Long-term variable compensation

The managing director will be awarded long-term variable remuneration based on his continued tenure in the CIE Automotive Group for the next ten (10) financial years.

This long-term variable remuneration will be based on the increase in value of the shares of CIE Automotive, S.A. according to the following basic characteristics:

The remuneration will consist in the allocation of 1,450,000 units to the managing director, which include a remuneration based on the increase in the value of the same number of shares of CIE Automotive, S.A. over a period of time, based on their listed value, and that it will be paid in cash, according to the following formula:

Incentive in each Reference Period = 1,450,000 x (Listed value – Initial value)
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In the event that the General Meeting and the Board of Directors decide not to keep him in office for any reason, the managing director will be entitled to receive the entire amount of the remuneration in the same periods as those agreed.

The 2018 Annual General Shareholders Meeting will determine the detailed characteristics of the long-term variable remuneration, which must be subject to approval, by way of a separate vote of the meeting.

4.4. Non-compete commitment

The managing director may not hold positions in the management bodies of companies in the automotive component manufacturing sector or other competing companies or participate, in any other way, in their management or guidance during the period of his appointment and for two (2) financial years after his term of office has ceased. In compensation for this circumstance, the managing director receives a net amount of EUR 650,000 per year.

In the event that the General Meeting and the Board of Directors decide not to keep him in office for any reason, while maintaining the above commitment, the managing director will be entitled to receive the entire amount of that remuneration in the same periods as those agreed.

4.5. Continuance commitment

The managing director will be awarded additional remuneration based on his continued tenure in the CIE Automotive Group for the next ten (10) financial years. Hence, he will receive a net amount of EUR 650,000 per year for each of the next ten years. In the event that the managing director voluntarily resigns from his position during this period, he will not be entitled to receive the unearned amount and will be obliged to reimburse the amount accrued under this heading.

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In the event that the General Meeting and the Board of Directors decide not to keep him in office for any reason, the managing director will be entitled to receive the entire amount of the remuneration in the same periods as those agreed.

4.6. Healthcare and associated benefits

The remuneration system of the executive directors may be complemented with health and life insurance benefits in line with market practice in companies that are comparable in capitalization, size, ownership structure and international presence. Likewise, executive directors may receive remuneration in kind for the use of the company vehicle.

The Company does not currently have any defined commitments to provide benefits or make contributions to the retirement or long-term savings schemes of any director.

4.7. Claw-back clauses

The Board of Directors, based on the proposal made, if applicable, by the Appointments and Remuneration Committee, is entitled to demand the return of the remuneration already paid under the continuance and non-compete commitments (claw-back clauses) in the circumstances mentioned above. In addition, arbitration may be sought for additional claims in special situations such as fraud, serious breach of the law.

4.8. Indemnification clause

The managing director will be entitled to receive all of his variable long-term remuneration and the total amount of his continuance and non-compete compensation in the event that the General Meeting and the Board of Directors decide not to keep him in office for any reason in the period of ten (10) years from 1 January 2018.

In addition to the above, he may be entitled to receive an additional amount (at most, equivalent to two years of his fixed and short-term variable remuneration) to be included, where appropriate, in his contract.

4.9. Remuneration considerations of the director in charge of corporate operations and M&A

The director with executive functions related to corporate operations and M&A will be entitled to receive, in addition to his fixed remuneration, additional compensation consisting of 0.25% of the Enterprise Value of the company actually acquired in the M&A operation, with a maximum amount in each operation of EUR 800,000.

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5. Basic terms of the contract with the Managing Director and executive directors

5.1. Term

The contract is of indefinite term.

The managing director's contract can be freely resolved at any time by the Company, without the need for prior notice and with the indemnification consequences described in sections 4.8 and 4.9 above.

For his part, the managing director may freely resolve the contract and resign from his position at any time, with a minimum notice of three months and with the consequences indicated in sections 4.5 and 4.7.

5.2. Applicable legislation

The legislation applicable to the contracts of executive directors are those established by the legal system in each case.

5.3. Non-compete agreement

Given his knowledge of the design and execution of the Company's business strategies and plan, the managing director's contract must in any case include a non-compete clause regarding companies and activities of a similar nature for the duration of his relationship with the Company and for a subsequent period of two (2) years. In compensation for these commitments, the managing director will be entitled to the remuneration provided for in section 4.4 above.

5.4. Exclusivity and permanence agreement

The managing director assumes a commitment to exclusivity and permanence. In compensation for these commitments, the managing director will be entitled to the remuneration provided for in section 4.5 above.

5.5. Confidentiality and return of documents

A strict duty of confidentiality is established for executive directors, both during the term of the contracts and once the relationship is terminated. In addition, upon cessation of their relationship with the Company, executive directors must return any documents and items related to the Company's activities that are in their possession back to the Company.

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5.6. Ethical duties

Executive directors must behave within the duties of good faith and loyalty, abstaining from participating, directly or indirectly, in situations that could lead to a conflict between their personal interests and the Company's.

6. Other considerations

The Company has taken out and pays a global premium corresponding to a civil liability insurance policy for Directors and Managers of CIE Automotive, S.A. and for most of the companies belonging to its group that, therefore, also covers all the Directors, including executive directors, against the liabilities they may be held accountable for as a result of the performance of the activities of their office.