CIE Automotive, S.A. and subsidiaries

Auditor's report,
Consolidated annual accounts at 31 December 2021
and Consolidated management report

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This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent auditor´s report on the consolidated annual accounts

To the shareholders of CIE Automotive, S.A.:

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of CIE Automotive, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2021, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Recovery of goodwill	
The Group's goodwill represents a substantial part of its assets, amounting to € 1,830,247 thousand at year-end. As indicated in notes 4.1.a) and 7 to the accompanying consolidated annual accounts, the Group carries out tests on the recoverability of the amounts recorded under this consolidated balance sheet heading on an annual basis. Such impairment testing is based mainly on estimated cash flows of the cash generating units (value in use) to which the assets analyzed relate and therefore require that Group management makes judgements and significant estimates. These estimates include, among others, expectations regarding sales and future margins, growth rate projections, estimates of discount rates to calculate the present value of cash flows (WACC - Weighted average cost of capital), etc. The most important assumptions used by the Group in its analysis are summarized in note 7 to the accompanying consolidated annual accounts. Deviations in these rates and estimates trigger significant variations in the calculations performed and therefore in the analysis of the recoverability of goodwill.	First, we gained an understanding of the internal process used by Group management to test goodwill for impairment, verifying the calculation criteria applied for consistency and the methodology of value in use established in the applicable regulations. For cash flows, we verified not only the calculations made but we also compared the projected annual cash flows, based on the plans and budgets approved by Group management, against those actually obtained, and we analyzed the key assumptions used to determine the growth rates and forecast future margins, verifying them against available comparables and analyzing, if appropriate, their reasonableness using available third-party contracts or agreements. The discount rates applied (WACC) were assessed with the collaboration of our firm's expert team. For the sensitivity analyses disclosed in the notes to the accompanying consolidated annual accounts, we verified the reasonableness of the calculations made and the coherence of the variations and assumptions taken into account with respect to possible changes. As a result of our analyses and tests performed, we consider that Group management's conclusion concerning the absence of impairment of goodwill, the estimates made and the information disclosed in the accompanying consolidated annual accounts are adequately supported and are consistent with the information currently available.

Key audit matters	How our audit addressed the key audit matter
Recoverability of deferred tax assets	
The Group recognizes deferred tax assets amounting to € 192,866 thousand as non-current assets at year-end (notes 3.20.b), 4.1.c) and 21 to the accompanying consolidated annual accounts), recovery of which depends on the generation of taxable income in future years. Recovery of these deferred tax assets is analyzed annually by the Group by estimating the tax bases for the next years. The estimation of future tax bases is based on the business plans of the different Group companies and the planning possibilities permitted under applicable tax legislation, considering in each case, the different consolidated tax groups in which the Group companies are taxed (note 3.20.a) to the accompanying consolidated annual accounts). Therefore, the conclusion concerning the recovery of the deferred tax assets recognized on the consolidated balance sheet is subject to judgments and significant estimates by Group management with respect to both future tax results and applicable tax legislation in the different jurisdictions in which it operates.	On the basis of the business plans, which are based on the plans and budgets approved by Group management, we compared annual projected flows with real flows obtained and analyzed the key assumptions used to determine growth rates and forecast future margins, comparing them against available comparables and analyzing if appropriate, their reasonableness using available third-party contracts or agreements. On the other hand, we gained an understanding and assessed the criteria used by the Group's tax management to estimate the possibility of using and recovering deferred tax assets in subsequent years, in light of the business plans. As part of these analyses, with the collaboration of our tax experts, we reviewed the tax adjustments taken into account to estimate taxable income, applicable tax legislation and the decisions concerning the possibilities of using applicable tax benefits with respect to the Group companies. The analyses performed permitted us to verify that the calculations and estimates made by the Group and the conclusions reached in relation to the recognition and recovery of deferred tax assets are consistent with the current situation, with expectations of the future results of the Group and its individual companies and with the tax planning possibilities available under current legislation.

Other information: Consolidated Management Report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the consolidated statement of non-financial information and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit committee for the consolidated annual accounts

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the aforementioned directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent company´s audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company´s directors.

- Conclude on the appropriateness of the Parent company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company´s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent company´s audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company´s audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of CIE Automotive, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of CIE Automotive, S.A. are responsible for presenting the annual financial report for the 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been included by reference in the consolidated management report.

Our responsibility is to examine the digital file prepared by the Parent company´s directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 24, 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on May 5, 2021 appointed PricewaterhouseCoopers Auditores, S.L. as auditors for a period of 1 year for the year ended December 31, 2021.

Previously, we were appointed by resolution of the General Shareholders' Meeting for an initial period of three years, and we have been auditing the accounts uninterruptedly since the year ended December 31, 2002.

Services provided

Services provided to the Group for services other than the audit of the accounts are detailed in note 33 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Jon Toledano Irigoyen (20518)

February 25, 2022

CIE Automotive

MANAGING HIGH VALUE ADDED PROCESSES

Consolidated Annual Accounts and Management Report for the year ended 2021

This 2021 Annual Report is a translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails.

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CONSOLIDATED BALANCE SHEET AT 31st DECEMBER 2021

Thousand euro	Note	31.12.2021	31.12.2020
Property, plant and equipment	6/7	1,575,325	1,475,982
Intangible assets		1,865,831	1,771,764
Goodwill	6/7	1,830,247	1,738,622
Other intangible assets	6	35,584	33,142
Non-current financial assets	8	23,270	44,365
Investments in joint ventures and associates	8	48,399	45,404
Deferred tax assets	21	192,866	180,331
Other non-current assets	-	47,801	23,992
Non-current assets		**3,753,492**	**3,541,838**
Inventories	10	482,868	370,632
Trade debtors and other accounts receivable		396,441	441,860
Trade and other receivables	9	284,155	344,831
Other current assets	-	51,819	38,290
Current tax assets	-	60,467	58,739
Other current financial assets	8	102,865	60,811
Cash and cash equivalents	11	658,788	565,561
Current assets		**1,640,962**	**1,438,864**
Disposal group assets classified as held for sale	**12**	**3,661**	**2,869**
TOTAL ASSETS		**5,398,115**	**4,983,571**

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED BALANCE SHEET AT 31st DECEMBER 2021

Thousand euro	**Note**	**31.12.2021**	**31.12.2020**
Equity attributable to the Parent company´s shareholders		987,253	646,803
Share capital	13	30,637	30,637
Treasury shares	13	(401)	-
Share premium	13	152,171	152,171
Retained earnings	14	1,085,617	874,853
Interim dividend	14	(44,113)	(30,638)
Translation differences	14/15	(236,658)	(380,220)
Non-controlling interests	17	380,369	348,171
TOTAL EQUITY		**1,367,622**	**994,974**
Deferred income		**15,653**	**12,647**
Non-current provisions	23	196,534	208,881
Non-current borrowings	18	1,654,078	1,661,337
Other non-current financial liabilities	8	-	17,600
Deferred tax liabilities	21	161,834	141,653
Other non-current liabilities	20	153,417	162,442
Non-current liabilities		**2,165,863**	**2,191,913**
Current borrowings	18	525,775	586,694
Trade creditors and other payables		1,016,880	912,547
Trade and other payables	19	934,873	851,328
Current tax liabilities	20	82,007	61,219
Other current financial liabilities	8	-	30
Current provisions	23	135,084	116,108
Other current liabilities	20	168,346	165,855
Current liabilities		**1,846,085**	**1,781,234**
Disposal group liabilities classified as held-for-sale	**12**	**2,892**	**2,803**
TOTAL LIABILITIES		**4,014,840**	**3,975,950**
TOTAL EQUITY AND LIABILITIES		**5,398,115**	**4,983,571**

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

CIE Automotive

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2021

Thousand euro	Note	2021	2020
OPERATING REVENUE		**3,501,248**	**2,942,680**
Revenue	24	3,269,111	2,882,494
Other operating income	24	200,060	90,021
Change in inventories of finished goods and work in progress	10/24	32,077	(29,835)
OPERATING EXPENSES		**(3,097,756)**	**(2,659,260)**
Consumption of raw materials and secondary materials	10	(2,021,796)	(1,673,383)
Employee benefit expense	26	(599,566)	(561,193)
Depreciation, amortisation and impairment	5/6/7	(171,167)	(147,814)
Other operating expenses	25	(305,227)	(276,870)
OPERATING PROFIT		**403,492**	**283,420**
Finance income	27	24,479	9,210
Finance costs	27	(53,169)	(52,237)
Net exchange differences	27	(1,462)	4,358
Result of financial instruments at fair value	8	(20)	2,260
Share in profit/(loss) of joint ventures and associates	8	6,971	5,755
PROFIT BEFORE TAX		**380,291**	**252,766**
Income tax	28	(88,242)	(57,786)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**292,049**	**194,980**
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	**12**	**1,426**	**266**
PROFIT FOR THE YEAR		**293,475**	**195,246**
PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	**17**	**(25,931)**	**(10,021)**
PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY		**267,544**	**185,225**
Basic and diluted earnings per share from continuing operations (euro)	29	2.17	1.48
Basic and diluted earnings per share from discontinued operations (euro)	29	0.01	0.00

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2021

Thousand euro	Note	2021	2020
PROFIT FOR THE YEAR		**293.475**	**195,246**
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences	15/17	169,515	(232,035)
Net investment coverage	3.12	(9,605)	-
Cash flow hedges	8	627	349
Other comprehensive income for the year		(10,338)	-
Tax impact	21	2,433	(86)
Total entries that may be reclassified to profit or loss		**152,632**	**(231,772)**
Cash flow hedges	8	10,944	-
Tax impact	21	(2,627)	-
Total items reclassified to profit or loss in the year		**8,317**	
Actuarial gains and losses	22/23	7,167	(1,174)
Tax impact	21	(420)	108
Total items that may not be reclassified to profit or loss		**6,747**	**(1,066)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**461,171**	**(37,592)**
Attributable to Parent company owners	**14**	**418,868**	**(24,777)**
Continuing operations		417,586	(25,069)
Discontinued operations		1,282	292
Attributable to non-controlling interests	**17**	**42,303**	**(12,815)**

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31st DECEMBER 2021

Thousand euro	Share Capital (Note 13)	Treasury shares (Note 13)	Share premium (Note 13)	First time conversion reserve and other revaluation reserves	Translation differences	Retained earnings	Interim dividend (Note 14)	Non-controlling interests	Total Equity
Balance at 31st December 2020	**30,637**	**-**	**152,171**	**(59,888)**	**(380,220)**	**934,741**	**(30,638)**	**348,171**	**994,974**
Total comprehensive income for 2021	**-**	**-**	**-**	**7,444**	**143,880**	**267,544**	**-**	**42,303**	**461,171**
Distribution of 2020 profit	-	-	-	-	-	(61,262)	30,638	-	(30,624)
Interim dividend 2021	-	-	-	-	-	-	(44,113)	-	(44,113)
Acquisition of treasury shares (Note 13)	-	(50,563)	-	-	-	-	-	-	(50,563)
Sale of own shares (Note 13)	-	50,162	-	-	-	479	-	-	50,641
Business combinations (Note 1)	-	-	-	-	(318)	314	-	(4,788)	(4,792)
Other movements	-	-	-	-	-	(3,755)	-	(5,317)	(9,072)
Balance at 31st December 2021	**30,637**	**(401)**	**152,171**	**(52,444)**	**(236,658)**	**1,138,061**	**(44,113)**	**380,369**	**1,367,622**

Thousand euro	Share Capital (Note 13)	Treasury shares (Note 13)	Share premium (Note 13)	First time conversion reserve and other revaluation reserves	Translation differences	Retained earnings	Interim dividend (Note 14)	Non-controlling interests	Total Equity
Balance at 31st December 2019	**32,250**	**-**	**152,171**	**(58,965)**	**(169,529)**	**933,371**	**(47,730)**	**393,406**	**1,234,974**
Total comprehensive income for 2020	**-**	**-**	**-**	**(923)**	**(209,079)**	**185,225**	**-**	**(12,815)**	**(37,592)**
Distribution of 2019 profit	-	-	-	-	-	(93,936)	47,730	-	(46,206)
Interim dividend 2020	-	-	-	-	-	-	(30,638)	-	(30,638)
Acquisition of treasury shares (Note 13)	-	(95,391)	-	-	-	-	-	-	(95,391)
Share capital decrease (Note 13)	(1,613)	95,391	-	-	-	(93,778)	-	-	-
Business combinations	-	-	-	-	(1,612)	11,432	-	(32,437)	(22,617)
Other movements	-	-	-	-	-	(7,573)	-	17	(7,556)
Balance at 31st December 2020	**30,637**	**-**	**152,171**	**(59,888)**	**(380,220)**	**934,741**	**(30,638)**	**348,171**	**994,974**

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

CIE Automotive

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st DECEMBER 2021

		Year ended 31st December	
Thousand euro	**Note**	**2021**	**2020**
PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED OPERATIONS		**382,099**	**253,065**
Adjustments to year´s profit		**190,277**	**175,306**
Depreciation, amortization and impairment charges	5/6/7	171,167	147,814
Finance profit/(loss) and exchange rate differences	5/27	30,172	36,409
Profit/(loss) from joint ventures and associates	8	(6,971)	(5,755)
Other adjustments to year's profit		(4,091)	(3,162)
Changes in working capital		**(26,277)**	**42,480**
Net variation of provisions	23	5,479	16,662
Other changes in net working capital		(31,756)	25,818
Other cash flows from operating activities		**(80,650)**	**(79,436)**
Interest paid and collected		(27,031)	(34,189)
Taxes paid		(54,255)	(43,333)
Cash generated from operating activities from discontinued operations		636	(1,914)
CASH FLOWS FROM OPERATING ACTIVITIES		**465,449**	**391,415**
Acquisition of subsidiaries, net of cash acquired	34.2	(6,622)	(65,352)
Acquisition of property, plant and equipment	6	(192,024)	(158,577)
Acquisition of intangible assets	6	(8,633)	(4,846)
Acquisitions to non-controlling interests	1	(4,792)	(22,617)
Proceeds from the sale of property, plant and equipment and intangible assets		6,774	5,746
Proceeds from dividends distributed by joint ventures and associates	8	4,880	5,403
Disbursements for investment in joint and associated businesses	8	(1,730)	-
Acquisition/Withdrawals of financial assets	8	(13,178)	(11,866)
Cash generated from investing activities from discontinued operations		-	925
CASH FLOWS FROM INVESTING ACTIVITIES		**(215,325)**	**(251,184)**
Transactions with treasury shares	13	78	(95,391)
Proceeds from borrowings	18	582,226	600,545
Loan repayments	18	(740,534)	(357,499)
Income (net of reimbursements) from high-rotation borrowings	18	(24,476)	(98,905)
Income (net of reimbursements) from commercial paper program	18	82,650	(21,100)
Cancellation of hedging instruments	8	(10,944)	-
Grants received (net)		5,332	3,792
Variation of other debts (net)	20	(7,015)	34,917
Lease payments	6	(24,477)	(25,970)
Dividends paid to shareholders of the Parent company	14	(61,262)	(93,936)
Other payments/proceeds to/from non-controlling interests	17	(2,649)	(33)
CASH FLOWS FROM FINANCING ACTIVITIES		**(201,071)**	**(53,580)**
Exchange gains/(losses) on cash and cash equivalents		**44,756**	**(36,803)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**93,809**	**49,848**
Cash and equivalents at beginning of the period		565,774	515,926
Cash and equivalents at end of the period	**11**	**658,788**	**565,561**
Cash and equivalents at end of the period classified as discontinued operations	**12**	**795**	**213**

The accompanying Notes to the annual accounts set out on pages 7 to 84 form an integral part of these Consolidated Annual Accounts.

1. General information

1.1 CIE Automotive Group and activity

The CIE Automotive Group carries out its activities in the Automotive business. This business is carried out through an industrial group formed by several companies that are mainly engaged in the design, manufacture and sale of automotive components and sub-assemblies, on the global automotive market, using complementary technologies – aluminium, forging, metals and plastics - and several associated processes: machining, welding, painting and assembly, as well as roof system design and production.

Its main facilities are in the following territories: Spain (Biscay, Álava/Araba, Gipuzkoa, Navarre, Barcelona, Cádiz, Orense and Pontevedra), Germany, France, Portugal, Czechia, Romania, Italy, Morocco, Lithuania, Slovakia, North America (Mexico and the United States of America), South America (Brazil), India, the People's Republic of China and Russia.

CIE Automotive, S.A.'s (the Parent Company) registered office is in Spain at "Alameda Mazarredo 69, 8º piso, Bilbao".

During 2021, the has been no change in the Parent company's company name.

Group structure

At present, CIE Automotive, S.A. (publicly listed company) has a 100% direct stake in the following companies: CIE Berriz, S.L., Advanced Comfort Systems Ibérica, S.L.U., Advanced Comfort Systems France, S.A.S., Autokomp Ingeniería, S.A.U., CIE Automotive Boroa, S.L.U, CIE Roof Systems, S.L.U and CIE Automotive Roof Systems Korea, Ltd.; mainly, holding companies to which the CIE Automotive Group's productive companies report to.

The list of subsidiaries and associates at 31st December 2021, together with the information concerning them, is disclosed in the Appendix I to these Consolidated Annual Accounts.

All subsidiaries under the control of the CIE Automotive Group have been consolidated using the full consolidation method.

The subsidiaries consolidated under the equity method are disclosed in Note 8.

Impacts of the Covid-19 pandemic

During the first semester of 2020, and following the declaration of the pandemic, almost all countries, including those where the global automobile manufacturers are based, carried out restrictive measures that resulted in a global industrial stoppage that was directly affected car production and sales.

The drop in vehicle productions worldwide was close to 35% in the first half of 2020, compared to production levels in the same period of 2019 (30 million vehicles produced worldwide in the first half of 2020 versus 45 million in the same period of 2019). Considering the weight of the different geographical areas in the sales of the CIE Group, the drop in production in the CIE market was more than 40% in the first half of the year, exceeding 60% in the second quarter.

This unprecedented market situation led to a considerable decrease in sales and, therefore, in the Group's results, especially in the second quarter of the year. The Group's efficient and flexible business model allowed that, even with restrictions in some countries and productions were below normal levels, the Group achieved a positive net result, with the accumulated profit for the first semester of €56.9 million. Moreover, as of May / June, industrial activity related to the Automotive sector gradually began to recover, and the world vehicle production recovered significantly, reaching in the last quarter of 2020, production levels 2.5% higher than the same period of 2019 (prior to the pandemic). At the end of the previous year, the Group obtained a positive net profit of €185.2 million, obtaining positive gross operating results in all its segments, as well as a positive generation of cash from continuing operations.

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached in 2021 a global production of 77.1 million vehicles, compared to 74.6 million vehicles produced in 2020 and significantly below 89 million vehicles produced of 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

As of 31st December 2021, the Group has a liquidity reserve amounting to 1,510 million euros (Note 34), which will allow it to continue with the payments necessary for the continuity of its business during the year 2021 and 2022. Similarly, in 2020, the contractual clauses of all structural financing contracts were modified, avoiding a hypothetical breach of the "covenants" of said financing. Following the new updates to the structural financing contracts, updated "covenants" have been defined, common in the market, applying from 1st July 2021 (Note 18). In this way, the Group has complied throughout the year 2021 with the "covenants" established in its structural financing contracts.

At the end of 2021 and at the date of formulation of these Consolidated Annual Accounts, the Directors of CIE Automotive, S.A., with the available information, estimate that the continuity of the business is not at risk given the excellent solvency and liquidity position of the Group.

Changes in the scope of consolidation

2021

During the first semester of the year, the Group acquired 2,200,441 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €4,792 thousand, resulting in a decrease of the consolidated equity schedule for the cost of the acquisition. The Group's interest increased, with this last acquisition, from 60.18% to 60.75% being the share percentage in Mahindra CIE Automotive, Ltd. held by the Group as of 31st December 2021.

Additionally, in 2021, the following corporate operations have been carried out without any of them having had significant impacts on the Consolidated Financial Statements:

- On the accounting date of 1st January 2021, the merger between PIA Forging Products, S.L.U. (absorbed company) and Participaciones Internacionales de Autometal Dos, S.L.U. (absorbing company) were carried out.
- On 6th August 2021, the Indian company CIE Hosur, Ltd. was incorporated.
- On the accounting date of 12th August 2021, the German company Aurangabad Deutschland, Gmbh was liquidated.
- On 29th September 2021, the Indian company Golde Pune Automotive India Pvt. Ltd. was incorporated.
- On 9th October 2021, the Korean company CIE Automotive Roof Systems Korea, Ltd. was incorporated.
- On 31st October 2021, the mergers by absorption of Percaser de México, S.A. de C.V. and Servicat Servicios Administrativos, Contables y Técnicos, S.A. de C.V. (absorbed companies) with Nugar, S.A. de C.V., and Pintura y Ensambles de México, S.A. de C.V. (absorbing companies), respectively, were carried out.
- On 1st December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated.

2020

On 25th September 2019, the Group announced the signature of a contract for the acquisition of 100% of the share capital of the Italian company Somaschini S.p.A. whose enterprise value amounts €77.1 million. On 9th January 2020 the Group, through its subsidiary CIE Berriz, S.L., and once the conditions precedent were met, proceeded to acquire the entire capital stock of the companies of the Italian Group Somaschini S.p.A, Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL. This group has 3 production plants, two in Bergamo (Italy) and one in Indiana (USA). The acquisition cost, once adjusted the debt, amounted to €52.6 million (Note 2).

On 4th June 2020, the Group acquired a 49% of the share capital of the held for sale company Recogida de Aceites y Grasas Maresme, S.L. for one euro, reaching the 100% share of its share capital, reaching 100% of the shares held. This acquisition had no significant impact on the consolidated financial statements of the Group.

During the 2020, in several operations carried out between March and September, the Group acquired 14,887,962 shares of its subsidiary Mahindra CIE Automotive, Ltd. for a total amount of €22,617 thousand, resulting in a decrease in the consolidated equity of the Group's financial statements for such amount. The Group's interest increased from 56.32% to 60.18%.

Likewise, the following corporate operations were carried out, none of them having significant impacts on the Group's consolidated financial statements:

- On the accounting date of 1st January 2020, the merger between the Mexican companies Maquinados de Precisión de México S. de R.L. de C.V. (absorbing company) and Cortes de Precisión de México S. de R.L. de C.V. (absorbed company) was carried out.
- On 18th February 2020, the Czech company Praga Service, s.r.o. was liquidated.
- On 1st April 2020, the merger of the Brazilian companies Autometal SBC Injeção, Pintura e Cromação de Plásticos, Ltda. (absorbing company) with its subsidiary company Autocromo Cromaçao de Plásticos Ltda (absorbed company) was carried out.
- On 30thJuly 2020 and 1st August 2020 the British companies Stokes Forging Dudley Ltd. And Stokes Forging Ltd. were liquidated.
- On 1st August 2020, the merger of the Italian companies CIE Immobiliare Italia, SRL and Immobiliare Somaschini, SRL (absorbed companies) with Somaschini, S.p.A. (absorbing company).

Preparation of the Consolidated Annual Accounts

These Consolidated Annual Accounts had been authorised for issue by the Board of Directors on 25th February 2022 and are pending to be ratified by the Group Parent company's shareholders. However, management expects them to be approved without modification.

2. Business combinations

2020

a) Somaschini

On 9th January 2020, the Group, through its subsidiary CIE Berriz, S.L., carried out the acquisition of 100% of the share capital of the Italian companies Somaschini S.p.A., Immobiliare Somaschini S.p.A. and CIE Immobiliare Italia SRL (merged on 1st August 2020, being the absorbing company Somaschini, S.p.a) with an acquisition cost of €52.6 million. Somaschini S.p.a. is the shareholder of 100% of the share capital of the Italian company Somaschini Automotive, SRL, and of the US companies Somaschini International Inc, Somaschini North America LLC and Somaschini Realty, LLC. The Somaschini group has 3 production plants, two in Bergamo (Italy) and one in Indiana (United States of America) (Note 1).

The business combination for taking control of the companies that includes this operation, referring to 100% of their corresponding holdings, as well as the detail of assets and liabilities arising from the acquisition; and the movement of cash funds from the operation is summarized below:

Fair value in thousand euro	Note	SOMASCHINI
Fixed assets	6	43,961
Deferred tax assets	-	3,325
Non-current financial assets	8	57
Inventories	-	9,492
Accounts receivables	-	5,961
Cash and cash equivalents	-	4,420
Assets acquired		**67,216**
Borrowings and other financial liabilities	-	25,613
Deferred tax liabilities	-	2,109
Accounts payables	-	12,376
Provisions	-	12,088
Other non-current liabilities	-	1,552
Liabilities acquired		**53,738**
Net assets acquired		**13,478**

Purchase Price	-	52,560
Fair value of the net assets acquired	-	(13,478)
Goodwill	**-**	**39,082**

The cash flow of the transactions was:

Purchase Price	52,560
Cash and cash equivalents at the subsidiary acquired	(4,420)
Outflow of cash on the acquisition	**48,140**

This goodwill resulting from the acquisition was attributed to the acquired technological know-how that Somaschini provides in the manufacture of gear systems, as well as to the future profitability of the acquired business and the synergies expected to be obtained after the acquisition and its adaption by the Group.

The fair value of most representative fixed assets was set according to appraisals carried out by independent third-party experts, and took place between October 2019 and February 2020, in different geographical locations. When determining the fair value of the assets acquired within the scope of the appraisal, valuation methods based on the cost approach have been applied, estimating the cost of replacing the assets; the market approach, making comparisons with market comparable prices; and the income approach, estimating the expected cash flows of the company's projects on the acquisition date.

For remaining balances, as well as for the valuation assessment of the working capital, the Group was carried out internal valuations, applying valuation methods considered in recent acquisitions and well as market prices and other sectorial references.

Accounts receivables incorporated in the business combination were assessed for impairment. The conclusion of such assessment resulted in the incorporation of an allowance for doubtful accounts amounting to €361 thousand (Note 9).

The analysis of the business combination, as well as the process of assigning the purchase price to the fair value of the acquired assets and liabilities was finalized in 2020.

The results contributed by this business combination does not differ significantly from the one that would have resulted considering as the acquisition date 1st January 2020. The total revenue, the operating income and the net loss contributed by this business combination amounted to €41 million, €0.2 million positive and €0.2 million negative, respectively.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Consolidated Annual Accounts are set out below, which have been consistently applied to all the years presented.

3.1 Basis of presentation

These Consolidated Annual Accounts for the year ended 31st December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the recommendations issued by the Interpretation Committee for IFRS (IFRIC) adopted for utilisation in the European Union (IFRS-EU) and approved under European Commission Regulations in force at 31st December 2021.

The Consolidated Annual Accounts have been prepared under the historical cost approach, except for financial investments held for sale and financial assets and liabilities (including derivative instruments) at fair value through profit or loss, assets held for sale (fair value less disposal costs) and retirement benefit plans - pensions (assets of the plans).

The preparation of Consolidated Annual Accounts in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts are disclosed in Note 4.

The consolidated income statement for the years 2021 and 2020 does not include unusual items that require a detail or a conciliation of balances.

Certain International Financial Reporting Standards are effective from 1st January 2021, prompting the Group to adapt its Consolidated Annual Accounts. The standards which have entered into force are disclosed in Note 3.2.

The Consolidated Annual Accounts are not affected by any aspect that may contravene applicable presentation basis.

3.2 Summary of standards, amendments to standards and interpretations published to date

a) Standards, amendments, and mandatory interpretations for all year beginning 1st January 2021

IFRS 9 (Amendment), IAS 39 (Amendment), IFRS 7 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) "Reform of benchmark interest rates: Phase 2"

The IASB has undertaken a two-phase project to consider which exemptions, if any, to provide for the purposes of the benchmark interest rate reform ("the IBORs"). Phase 1 amendments, issued in September 2019, provided temporary exemptions from the application of specific hedge accounting requirements to relationships affected by uncertainties arising because of the IBOR reform ("the Phase 1 exemptions one"). Phase 2 amendments address issues arising from the implementation of the reforms, including the replacement of a benchmark rate with an alternative one.

These amendments did not have any effect on the Group's Consolidated Annual Accounts.

IFRS 4 (Amendment) "Extension of the temporary exemption from the application of IFRS 9"

In accordance with the postponement of the effective date of IFRS 17 "Insurance contracts", the modification changes the expiration date for the temporary exemption in IFRS 4 "Insurance contracts" regarding the application of IFRS 9 " Financial instruments ", requiring entities to apply IFRS 9 for annual periods beginning on or after 1st January 2023, rather than on or after 1st January 2021.

This amendment did not have any effect on the Group's Consolidated Annual Accounts.

IFRS 16 (Amendment) " Lease agreement reductions related to Covid-19 after 30th June 2021"

The IASB has extended the period of application of the IFRS 16 practical option "Leases" by one year to help tenants account for Covid-19-related rental concessions.
Accordingly, this practical option applies to rental concessions that occur as a direct result of the Covid-19 pandemic and only if all the following conditions are met:

- the change in lease payments results in a revised consideration for the lease that is substantially equal to, or less, than the consideration immediately preceding the change.
- any reduction in lease payments affects only payments due until 30th June 2022; and
- there is no substantial change to other terms and conditions of the lease.

The amendment takes effect for periods beginning on or after 1st April 2021, although early application is permitted, including in financial statements that are not yet authorized for issuance as of 31st March 2021, to allow for the application of the practice option provided as soon as possible. This amendment is awaiting approval by the European Union.

As indicated in the Consolidated Annual Accounts for the year 2020, the impacts of the Covid-19 pandemic on leases have not been significant for the Group.

b) Standards, amendments and interpretations that have not yet entered into force, but can be adopted in advance

IAS 16 (Amendment) "Property, plant and equipment - Income obtained before the intended use"

It is prohibited to deduct from the cost of an item of property, plant, and equipment any income obtained from the sale of articles produced while the entity is preparing the asset for its intended use. Revenue from the sale of such samples, along with production costs, is now recognized in the income statement. The amendment also clarifies that an entity is testing whether the asset is functioning properly when evaluating the technical and physical performance of the asset. The financial performance of the asset is not relevant to this evaluation. Therefore, an asset might be able to operate as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. The effective date of these modifications is 1st January 2022. The amendment is awaiting approval by the European Union.

This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.

IAS 37 (Amendment) "Onerous contracts – Cost of fulfilling a contract"

The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to the performance of the contracts. It also clarifies that before making a separate provision for an onerous contract, the entity will recognize any impairment loss that has occurred on the assets used to perform the contract, rather than on the assets dedicated to that contract. The effective date of these amendments is 1st January 2022.

This change is not expected to have significant impacts on the Group's Consolidated Annual Accounts.

IFRS 3 (Amendment) "Reference to the Conceptual Framework"

IFRS 3 has been updated to refer to the 2018 Conceptual Framework to determine what constitutes an asset or a liability in a business combination (previously referred to the 2001 CF). In addition, a new exception has been added in IFRS 3 for liabilities and contingent liabilities. The effective date of these amendments is 1st January 2022.

This amendment is not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

Annual Improvements to IFRS. Cycle 2018 – 2020

The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41 and apply to annual periods beginning on or after 1st January 2022. The main amendments refer to:

- IFRS 1 "First-time adoption of IFRS": IFRS 1 allows an exemption if a subsidiary adopts IFRS later than its parent. This amendment allows entities that have taken this exemption to also measure accumulated translation differences using the amounts accounted for by the parent, based on the latter's transition date to IFRS.
- IFRS 9 "Financial Instruments": The amendment addresses what costs must be included in the 10% test for derecognition of financial liability accounts. The costs or fees could be paid to third parties or to the lender. Depending on the modification, costs or fees paid to third parties will not be included in the 10% test.
- IAS 41 "Agriculture": This amendment eliminates the requirement to exclude cash flows for taxes when measuring fair value under IAS 41.

These amendments are not expected to have any effect on the Group's Consolidated Annual Accoounts in the future.

IFRS 17 "Insurance contracts"

IFRS 17 replaces IFRS 4 "Insurance Contracts", which allowed for a wide variety of accounting practices. The new standard fundamentally changes the accounting for all entities that issue insurance contracts and investment contracts with discretionary participation components. In June 2020, the IASB modified the standard, developing specific amendments and clarifications aimed at facilitating the implementation of the new standard, although they did not change its fundamental principles.

The standard is applicable for annual periods beginning on or after 1st January 2023, allowing early application if IFRS 9, "Financial Instruments" is applied on or before the date of initial application of IFRS 17.

Given the Group's activity, there are no contracts that could be affected by this rule.

c) Standards, amendments and interpretations to existing standards which cannot be adopted in advance or which have not been adopted by the European Union

At the date of preparation of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee have published the standards, amendments and interpretations detailed below that are pending adoption by the European Union.

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint arrangements"

These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint arrangements that will depend on whether the non-monetary assets sold or contributed to an associate or joint arrangement constitute a "business". The investor will recognize the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet the business definition, the investor recognizes the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint arrangement.

Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1st January 2016. However, at the end of 2015, the IASB made the decision to postpone the date of their validity (without setting a new specific date), since they are planning a broader review that may result in the simplification of accounting for these transactions and other aspects of the accounting of associates and joint arrangements.

These amendments are not expected to have any effect on the Group's Consolidated Annual Accounts in the future.

IAS 1 (Amendment) "Classification of liabilities as current or non-current"

These amendments clarify that the liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting year. The classification is not affected by the entity's expectations or events after the closing date of the fiscal year (for example, the receipt of a waiver or a breach of the agreement). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability. The effective date of these amendments is 1st January 2022, although early adoption is allowed.

However, in July 2020 there was an update to the effective date of the amendment to 1st January 2023. These amendments are awaiting approval by the European Union.

This amendment is not expected to have a significant effect on the Group's Consolidated Annual Accounts in the future.

IAS 1 (Amendment) "Accounting policies "

IAS 1 has been amended to improve the breakdowns of accounting policies to provide more useful information to investors and other primary users of the financial statements. The effective date of these modifications is 1st January 2023. The amendment is awaiting approval by the European Union.

These modifications are not expected to have significant impacts on the Group's Consolidated Annual Accounts.

IAS 8 (Amendment) " Definition of accounting estimates"

IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. The effective date of these modifications is 1st January 2023. The amendment is awaiting approval by the European Union.

These modifications are not expected to have significant impacts on the Group's Consolidated Annual Accounts.

IAS 12 (Amendment) "Deferred taxes related to assets and liabilities originated in one sole transaction"

In certain circumstances under IAS 12, companies are exempt from recognizing deferred taxes when they recognize assets or liabilities for the first time ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, transactions for which both an asset and a liability are recognised at the time of their initial recognition. The amendment clarifies that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

The amendment takes effect for fiscal years beginning on or after 1st January 2023, although early application is permitted. This amendment is awaiting approval by the European Union.

This modification is not expected to impact significantly on the Group's consolidated equity. For presentation purposes in the consolidated balance sheet, the Group estimates with the current information available that the impacts of this amendment will entail a recognition of deferred tax assets and liabilities of approximately €20 million respectively, once the amendment enters into force.

IFRS 17 (Amendment) "Initial application of IFRS 17 and IFRS 9 — Comparative information":

The IASB has published an amendment to IFRS 17 that introduces limited scope amendments to the transition requirements of IFRS 17, "Insurance Contracts", and does not affect any other requirement of IFRS 17. IFRS 17 and IFRS 9 "Financial Instruments" have different transition requirements. For some insurers, these differences can cause specific accounting mismatches between financial assets and liabilities under contracts in the comparative information they present in their financial statements when they first apply IFRS 17 and IFRS 9. The amendment will help insurers avoid these asymmetries and thus improve the usefulness of comparative information for investors.

This modification, which is pending adoption by the European Union, is effective for annual periods beginning on or after 1st January, 2023.

This modification is not expected to have any impact on the Consolidated Annual Accounts of the Group.

3.3 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed, or has right, to obtain a few variable performances for his implication in the informed one and has aptitude to use his power on her to influence these performances.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The amount paid for the acquisition of a subsidiary consists of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, also including the fair value of any asset or liability that originates from a contingent consideration agreement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is performed in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent compensation to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that termed as financial liability are recognised in profit. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, in case of an investment in favourable conditions, the difference is recognised directly in profit and loss account.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. The accounting policies followed by subsidiaries have been modified where necessary to ensure consistency with policies adopted by the Group.

The non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated balance statement, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity.

Annual accounts/financial statements used in the consolidation accounts are, in all cases, dates of 31st December of each year.

The accompanying Appendix sets out the identification particulars of subsidiaries.

b) Changes in ownership interests in subsidiaries without change of control

The Group recognises transactions involving non-controlling interests that do not result in loss of control as transactions with the owners of the Group's equity in their capacity as owners. In acquisitions of non-controlling interests, the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of non-controlling interests are also recognised in equity.

c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

d) Joint agreements

The Group applies IFRS 11 to all the joint agreements. The investments in joint agreements under IFRS 11 qualify as joint operations or as joint business, depending on the rights and commitments of every investor. The Group has evaluated the nature of his joint agreements and has determined that are joint business. The joint business is assessed using the participation method.

Under the participation method, the interests in joint business are recognised initially to its cost and it adjusts from then to recognize the participation of the Group in the benefits and losses later to the acquisition and movements in another global result. When the participation of the Group in the losses in a joint business equalizes or overcomes his interests in joint business (what includes any long-term interest that, in substance, forms a part of the clear investment of the Group in the joint business), the Group does not recognize additional losses, as long as it has not incurred in any obligation or done payments on behalf of the joint business.

The earnings not realized in transactions between the Group and its joint business is eliminated in the measure of the participation of the Group in the joint business. The losses not realized also are eliminated until the transaction provides evidence of a loss for deterioration of the value of the transferred assets. The countable policies of the joint business have been modified when it is necessary to assure the uniformity with the policies adopted as the Group.

e) Associates

Associates (Note 8.c)) are all entities over which the Group has significant influence but not control, generally accompanying a shareholding lower than 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share in the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes any goodwill (net of impairment) identified on acquisition (Note 3.8.a)). Note 3.9 outlines the impairment policy in respect of non-financial assets, including goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share in the amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share in post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share in losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred in implicit or legal obligations or made payments on behalf of the associate.

At each reporting date, the Group determines if there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount adjacent to "share in profit/(loss) of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Dilution gains or losses arising in associates are recognised in the income statement.

3.4 Operating segments' financial information

Operating segments are reported consistently with the internal reporting provided to the chief operating decision-maker. The highest decision-making body is responsible for allocating resources to and assessing the performance of the operating segments. The maximum decision-making body is the Executive Steering Committee.

Financial information related to operating segments is disclosed in Note 5.

3.5 Foreign currency translation

a) Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). All Group companies use the currency of their country of origin as their functional currency, except, mainly, for the Mexican companies (Appendix), whose functional currency was defined on 1st January 2009 as the US dollar.

The Consolidated Annual Accounts are presented in euro, which is the Group's functional currency and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exchange gains and losses are presented in the income statement under "Net exchange differences".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates on the dates the fair value was determined. Translation differences in assets and liabilities recorded at fair value are presented as part of the gain or loss in fair value. For example, translation differences in non-monetary assets and liabilities such as equity interests held at fair value through profit or loss are recognized in profit or loss as part of the gain or loss in fair value and differences in equity. Translation into non-monetary assets such as equity investments classified as at fair value with changes in other comprehensive income are recognized in other comprehensive income.

c) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;

(ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the other comprehensive income.

On consolidation, any exchange differences arising from the translation of net investments in foreign operations and loans and other instruments in foreign currency and designated as hedges of such investments are taken to equity. When realised, or when the investment ceases to be classified as a net investment in a foreign operation, these differences are recognised in the income statement as part of the gain or loss on the sale. As of 31st December 2021, the Group maintains loans denominated in US dollars that it uses to perform net investment coverage on its investments with this same functional currency. As of 31st December 2020, the Group did not provide net investment coverage on its investments.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

3.6 Property, plant and equipment

Items of property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses, except for land, which is presented net of impairment losses.

Historic cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment transferred from equity.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	10 – 50
Vehicles	3 – 15
Furniture, fittings and equipment	3 – 15

The depreciation policy historically applied by the Group to productive assets (plant, machinery and tools) is to systematically apply depreciation based on the useful lives of the assets concerned. These useful lives are estimated in accordance with the actual production levels attained by the assets (i.e. in accordance with the units of production method based on the understanding that this best reflects the expected pattern of consumption of the future economic benefits embodied by the assets) and their residual value, as well as a maximum useful life for each asset.

By using the units of production method, annual depreciation charges adapt to significant changes in production levels. Production levels are considered lower than normal when the components produced are lower than a number set by the Technical Management at each Group company. In cases where production levels vary significantly, the Group companies depreciate each asset based on the number of components produced. Regardless of the number of years of useful life of each asset based on normal production circumstances, in the event of significant declines in production levels there is a maximum useful life that each of the assets cannot exceed, due to both physical wear and tear and the passage of time.

The useful lives and annual depreciation rates for assets under normal production circumstances are as follows:

	Useful life (*)	Annual rate %
Machinery	10 - 20 years	5 - 10%
Plant	10 - 20 years	5 - 10%
Toolling	3 - 6.7 years	15% - 33.33%

(*) Years of useful life in accordance with estimated normalised units of production.

The residual value and useful lives of the assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.9).

Covid-19 impact on the fixed assets useful life

The depreciation criterion by production levels has impacted productive assets with a net book value at 31st December 2021 amounted to approximately €862.2 million (31st December 2020, at €823.6 million).

The depreciation expense related to these assets in 2021 amounted to €108.1 million, while in 2020, such expense amounted to €90.8 million. After a financial year 2020 in which production levels were particularly affected in the second and, to a lesser extent, the third quarter, the Group has recovered levels close to normalized production, assuming an increase in the depreciation expense related to its productive assets.

The annual depreciation of all these assets not only includes an estimate of useful life based on estimated production, but also includes a minimum amount to be depreciated.

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received,
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. During the fiscal year 2021 and 2020, there have been no significant contractual modifications derived from the Covid-19 pandemic.

3.7 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. All other borrowing costs are recognised in profit or loss.

3.8 Intangible assets

a) Goodwill

Goodwill represents the excess of acquisition cost over the Group's interest in the acquisition-date fair value of the net identifiable assets, liabilities and contingent liabilities of the subsidiary acquired. Goodwill arising on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and is carried at cost less cumulative impairment losses; goodwill impairment cannot be reversed in the future. Gains and losses on the sale of an entity include the carrying amount of goodwill allocated to the entity sold.

For impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of each CGU group containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense.

b) Research and development expenses

Research expenditure is recognised as an expense as incurred. The costs incurred in development projects (associated with the design and testing of new products or product upgrades) are recognised as an intangible asset when the success of the development is deemed probable taking into account its technical and commercial feasibility, Group Management intends to complete the project and has the technical and financial resources to do so, has the ability to use or sell the asset and generate potential economic benefits and the costs involved may be reliably estimated. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the start of commercial production of the product on a straight-line basis over the period in which it is expected to generate economic benefits, which does not exceed five years.

Any intangible assets so recognised are subject to impairment testing under IAS 36.

c) Licences

The licenses acquired from third parties are presented at historical cost. Those acquired through business combinations are recognized at their fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of the licenses during their estimated useful life.

After the acquisition of CIE Golde, the Group recorded an intangible asset related to licenses that said business had in force at the acquisition date for its fair value, which amounted to €11,784 thousand. Its useful life was estimated according to the period in which said licenses / patents will report economic benefits to the Group, which was estimated in 13 years.

d) Computer software

Acquired computer software licenses are capitalised based on the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are deemed likely to generate economic benefits more than costs beyond one year, are recognised as intangible assets. Directly attributable costs include software developer costs and an appropriate portion of relevant overheads.

Computer programs acquired from third parties or developed in-house that are capitalised are amortised over their estimated useful lives, which do not exceed 5 years and the period after which begin to be amortized once activated, is not greater than one year.

e) Client contracts

The Group records the value associated with clients contracts acquired in the context of 2019 business combinations related to CIE Golde and AEL for an amount of €6.6 million.

The clients contracts are initially valued at fair value in accordance with the valuation methodology "EMMI- Excess Method of Multi-period Income", which is based on the current value of the cash flows of the business, deducted the amount for contributive assets. Upon recognition, the Group amortizes these assets linearly in the estimated period in which the cash flows will occur, which is generally between 5 and 10 years.

3.9 Impairment of non-financial asset

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.10 Non-current assets (disposal groups) held for sale and discontinued operations

The Group classifies a non-current asset (or disposal group) as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Non-current assets (or disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell, if the carrying amount will be recovered primarily through the sale rather than through continuing use.

A discontinued operation is a component of the Group that is disposed of or classified as for sale and represents a line of business or geographical area separated from the rest. The results of discontinued operations are presented separately in the income statement.

3.11 Financial assets

Investments and financial assets

The Group classifies its financial assets in the following valuation categories:

a) those that are valued subsequently at fair value (whether with changes in other comprehensive income or results), and

b) those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, losses and gains will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for investments in equity at fair value with changes in other comprehensive income (FVOCI).

The Group reclassifies investments in financial assets when and only when its business model to manage those assets changes.

Conventional purchases or sales of financial assets will be recognized and written off, as appropriate, using the accounting for the trading date or the settlement date. Financial assets are derecognised when contractual rights over cash flows have expired or been transferred and the Group has transferred substantially all of its risks and rewards of ownership of the asset.

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the costs of the transaction that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are recorded with a charge to the income statement.

Debt instruments

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. There are three valuation categories in which the Group classifies its debt instruments:

- Amortized cost: The assets held for the collection of contractual cash flows, when applicable, when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. A gain or loss arising from the de-recognition of accounts is recognized directly in income and is presented in other gains / (losses), together with gains and losses from exchange differences, when applicable. Impairment losses are presented in a separate line in the income statement.
- Fair value with changes in other comprehensive income (FVOCI): The assets held for the collection of contractual cash flows and for selling the financial assets, when the cash flows of the assets represent only payments of principal and interest, they value at fair value with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are recognized in profit or loss. When the financial asset is written off, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other gains / (losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains / (losses) and the impairment expense is presented in a separate line item in the income statement.
- Fair value with changes in results (FVPL): Assets that do not meet the criteria for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net within other gains / (losses) in the year in which it arises.

Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's management chose to present the gains and losses on the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of the gains and losses in fair value to results, following the decrease in the investment. Dividends from such investments continue to be recognized in income for the year as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in 'Other gains / (losses)' in the income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

Impairment

The Group evaluates on a prospective basis the expected credit losses associated with its debt instruments recorded at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

The value correction for losses of financial assets is based on the hypothesis of compliance risk and expected loss rates. The Group uses the judgment in making these assumptions and selecting the variables for the calculation of the impairment of value based on historical impairment losses, the existing market conditions as well as the forward-looking estimates at the end of each year on which it is informed.

For trade accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses be recognized from the initial recognition of accounts receivable. The impairment provision to be recorded for the expected losses is carried out considering a single market, since most of the customers the Group provides are represented in the different geographies where it operates. For its calculation, a coefficient based on the historical defaults of the last years is applied, referenced to a multiplier in function of the macroeconomic conditions that affect the global automobile market.

3.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

a) Hedges of the fair value of recognised liabilities (fair value hedge);

b) Hedges of a particular risk associated with a recognised asset/liability or a highly probable forecast transaction (cash flow hedge); or

c) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 8. Movements on the hedging reserve in equity are shown in Note 14. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the residual maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Derivatives and hedging activities

The effective part of the changes in the fair value of the derivatives that are designated and qualified as cash flow hedges is recognized in the cash flow hedge reserve in equity. The gain or loss related to the ineffective part is recognized immediately in results, within other income/(expenses).

The gain or loss corresponding to the effective part of the interest rate swaps generated by the floating rate loans is recognized in profit or loss under the heading "Financial expenses" at the same time that the interest expense is accrued by the covered loans.

When the option contracts are used to hedge forecasted transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the forward element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the costs of the hedge reserve within equity. In some cases, the entity may designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In these cases, the gains or losses corresponding to the effective portion of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

When a hedging instrument expires, is sold or terminated, or when a hedge fails to meet the criteria for hedge accounting, any cumulative deferred gain or loss and the deferred costs of the hedge at that time remain in equity until that the anticipated transaction occurs, resulting in the recognition of a non-financial asset such as inventories. When the anticipated transaction is no longer expected, the cumulative gain or loss and deferred hedging costs that were presented in equity are immediately reclassified to profit or loss for the year.

a) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement in the heading corresponding to the hedged underlying.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is sold.

As of 31st December 2021, the Group held investments whose net assets were exposed to the risk of conversion into foreign currency and third-party resources denominated in dollars formalized through the company CIE Bérriz, S.L. The external resources denominated in dollars, the main purpose of which is to support the Group's sustainable growth in North America. In fiscal year 2021, the negative exchange difference generated by this financing, which amounted to €9,605 thousand, has been recognized under the heading "Net investment coverage" in the Consolidated Statement of Comprehensive Income; heading under "foreign currency conversion differences".

b) Derivatives that do not qualify for hedge accounting

Certain derivatives do not qualify for hedge accounting and are recognised at fair value through profit or loss. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

3.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is basically determined as follows:

- Commercial: at acquisition cost, including certain direct costs incurred on the purchase.
- Raw materials and other supplies: at the acquisition price calculated by the methods of average price/FIFO. This acquisition price includes the purchase invoices as well as additional costs until their availability in the storehouse.

- Finished products and in process of manufacture: to pre-established costs, which do not present significant diversions with regard to the royal incurred costs. These costs include the raw materials, labour cost of direct work and direct and indirect expenses of manufacture (based on an operative normal capacity), but it does not include costs for interests.

Obsolete or slow-moving items are written down to their realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

3.14 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Given that this collection is expected in one year or less, they are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the original effective interest method, less provision for impairment. For commercial accounts receivable, the Group applies the simplified approach permitted by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable. For the calculation, the Group considers the historical experience of the percentage of defaults in relation to its volumes of accounts receivable and another series of variables.

Financing through the discounting of bills of exchange is not written off from trade receivables until they are collected and is reflected as bank financing.

Financing through non-recourse factoring, or the sale of customer accounts, allows the account receivable to be cancelled for having transferred the risks associated with it to the financial institution

3.15 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

3.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When a Group company acquires shares of the Parent company (treasury shares), the amount paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributable to the parent's equity owners until the shares are cancelled, reissued or sold. When these shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the parent's equity owners.

3.17 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred income as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets. Tax credits in respect of R&D investment, deemed equivalent to grants under IAS 20, are recognised as operating grants in the income statement to the extent they relate to R&D expenditure that has not been capitalised (Note 3.20.b)).

The gain on a loan granted by a Government Body at below market interest rates is measured as the difference between the instrument's carrying amount and the amount received; a grant is recognised in the amount of this difference and is recorded in the income statement or in liabilities as a deferred government grant depending on whether the loan finances current expenses or investments in property, plant and equipment.

3.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer their settlement for at least 12 months after the end of the reporting period.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facilities will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

3.20 Current and deferred income taxes

a) Corporate Income tax

Corporate income tax expense for the year comprises current and deferred tax and is calculated on the basis of profit before tax, adjusted for any permanent and/or temporary differences envisaged in the tax laws enacted or substantively enacted at the balance sheet date regarding the calculation of taxable income in the countries where the company and its subsidiaries operate. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Tax credits and deductions and the tax effect of applying unused tax losses that have not been capitalised are treated as a reduction in income tax expense for the year in which they are applied or offset.

The Parent company is taxed under the tax consolidation system in the regional territory of Bizkaia together with the subsidiaries listed below:

- CIE Berriz, S.L.
- Autokomp Ingeniería, S.A.U.
- CIE Mecauto, S.A.U.
- CIE Udalbide, S.A.U.
- Egaña 2, S.L.
- Gameko Fabricación de Componentes, S.A.
- Inyectametal, S.A.
- Leaz Valorización, S.L.U.
- Orbelan Plásticos, S.A.
- Transformaciones Metalúrgicas Norma, S.A.
- Alurecy, S.A.U.
- Componentes de Automoción Recytec, S.L.U.

- Nova Recyd, S.A.U.
- Recyde, S.A.U.
- Alcasting Legutiano, S.L.U.
- Gestión de Aceites Vegetales, S.L.
- Reciclado de Residuos Grasos, S.L.U.
- Participaciones Internacionales Autometal Dos, S.L.U. (merged in 2021 with PIA Forging Products, S.L.U.)
- Industrias Amaya Tellería, S.A.U.
- Mecanizaciones del Sur - Mecasur, S.A.
- CIE Automotive Goiain, S.L.U.
- CIE Automotive Boroa, S.L.U.
- CIE Roof Systems, S.L.U.
- Reciclados Ecológicos de Residuos, S.L.U., dissolved the 1ST December, 2021.
- Biodiesel Mediterraneo, S.L.U, dissolved the 1ST December, 2021.
- Recogida de Aceites y Grasas Maresme, S.L.U. (incorporated in fiscal year 2021).

In addition, the following companies tax under the regulation of Spanish Territory Regime:

- Grupo Componentes Vilanova, S.L. (representative of the Tax Group)
- Biosur Transformación, S.L.U.
- Advanced Comfort Systems Ibérica, S.L.U.
- Denat 2007, S.L.U.

Outside Spain it exists the following tax groups:

- In Germany: led by the company Mahindra Forgings Europe AG and in which also participate the followings: Gesenkschmiede Schneider GmbH, Jeco Jellinghaus GmbH and Falkenroth Umformtechnik GmbH.
- In the United States:
    - led by the company CIE Automotive USA Inc and in which also participate Century Plastics LLC, Newcor, Inc, Owosso Realty, LLC, Corunna Realty, Corp, Clifford Realty Corp, Machine, Tool and Gears, Inc, Rochester Gears, Inc, CIE Investments USA, Inc, Golde Auburn Hills, LLC and Golde South Africa, LLC.
    - led by the company Somaschini International Inc. and in which also participate Somaschini North America, LLC. and Somaschini Realty, LLC.
- In Italy: led by the company Somaschini, S.p.a. and in which also participates Somaschini Automotive SRL.

The other CIE Automotive Group companies file individual returns.

b) Deferred tax

Deferred income taxes are calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Annual Accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except when the Group can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets deriving from the carryforward of unused tax credits and unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. In the case of tax allowances in respect of investments, the tax credit is accrued as a decrease in expense over the period during which the items of property, plant and equipment that generated the tax credit are depreciated (Note 3.6); this right is recognised with a credit to deferred income. Tax deductions in respect of R&D investment are classified as operating subsidies provided that the R&D expenses that entitle those deductions are taken to expense, that is, they have not been activated (Note 3.17).

Moreover, deferred tax assets corresponding to utilised or recognised tax credits relating to R&D activities are recognised in profit or loss on a systematic basis over the periods during which the Group companies expense the costs associated with these activities, based on management's assessment that treatment as a grant best reflects the economic substance of the tax credit. Accordingly, in keeping with IAS 20, the Group treats the tax credit recognised or used as "Other operating income".

Deferred tax assets and liabilities are not recognized for temporary differences between the carrying amount and the tax base of investments in foreign operations, when the Group is able to control the date on which the temporary differences will be reversed or it is probable that these will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts recognised under these headings and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.21 Employee benefits

a) Pension obligations

The Group's plans are funded through payments to insurance companies or externally managed funds, determined by periodic actuarial calculations. The Group has defined benefit plans and defined contribution of non-significant amounts. A defined benefit plan defines the amount of benefits that an employee will receive, normally on the basis of one or more factors such as age, years of service and compensation.

A defined benefit plan is a plan under which the Group pays fixed contributions to a fund and is required to pay additional contributions if the fund does not have sufficient assets to pay all employees the benefits related to the services provided in the current year and prior years.

The liability recognised in the balance sheet in connection with defined benefit plans is the present value of defined benefit commitments at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the obligation is calculated by discounting the estimated future cash outflows using the interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity (in other comprehensive income) in the period in which they arise in the case of post-employment benefits and in the income statement in the case of long-term employee benefits.

Past-service costs are recognised immediately in the income statement.

b) Termination benefits

Termination benefits are paid to employees as a result of the Company's decision to terminate employment contracts before the retirement age or when employees voluntarily agree to resign in return for benefits offered by the Company. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or as a result of an offer of termination benefits made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

c) Profit-sharing and bonus plans

The Group, when applicable for a subsidiary or as a consequence of past practices, when a implicit obligation has been generated, recognised a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to each subsidiaries' shareholders after certain adjustments.

3.22 Share-based payments

At 31st December 2021 CIE Automotive Group maintains several share-based payment plans settled in equity instruments of the following subsidiaries: Mahindra CIE Automotive, Ltd, listed on the Indian stock market (Appendix), whose fair value amounts to €1,692 thousand at 31st December 2021 (€1,751 thousand at 31st December 2020).

Under these plans, the CIE Automotive Group receives services from the plan beneficiaries in exchange for equity instruments (options) in the aforementioned subsidiary.

The fair value of the employee services received in exchange for the grant of such shares/options is recognised as employee benefit expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions.
- Excluding the impact of any service vesting conditions (for example, remaining an employee of the entity over a specified time period).

Non-market performance and service conditions are included in the assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period during which all the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The total cost of the services rendered by the beneficiaries is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied (continued service at the company).

The balancing entry for the staff cost recognised is dividend income from the subsidiaries whose shares underlie the options granted and are deliverable at the end of the term of the plan. Delivery of the aforementioned equity instrument gives arise to the corresponding change against the Group´s equity.

Likewise, at the General Meeting of shareholders held on 24th April 2018, a long-term incentive concession for the CEO was approved based on the evolution of the share price of CIE Automotive, S.A. This agreement was modified at the General Shareholders' Meeting on 5th May 2021 and has been executed during the year (Note 32).

The total estimated cost of this incentive is recognised as personnel expenses in the period when the conditions must be fulfilled.

3.23 Provisions

Provisions for specific liabilities and charges are recognised when:

(i) The Group has a present legal or constructive obligation as a result of past events;

(ii) It is probable that an outflow of resources will be required to settle the obligation; and

(iii) The amount has been reliably estimated.

Restructuring provisions include employee termination payments. Provisions are not recognised for future operating losses.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the probability of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

3.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable on the sale of goods in the ordinary course of the Group's business activities, stated net of discounts, returns and value added taxes and after the elimination of intragroup sales. The Group recognises revenue when it satisfies an obligation of execution by transferring a good committed to a customer. An asset is transferred when (or as) the customer gains control of that asset.

Revenue is recognised as follows:

a) Sales of goods

Revenue is recognized when control of the assets is transferred to customers. At that time, income is recorded for the amount of the consideration that is expected to be entitled in exchange for the transfer of promised goods and services derived from contracts with customers, as well as other income not derived from contracts with customers that constitute ordinary activity. of the group. Accumulated experience is used to estimate and provide for returns at the time of sale.

In relation to the estimation and provision of discounts, the expected value method is used, and ordinary income is only recognized to the extent that it is highly probable that a significant reversal will not occur. If necessary, a reimbursement liability is recognized for volume discounts expected to be paid to customers in relation to sales made up to the end of the reporting period.

b) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues updating the receivable as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

c) Royalty revenue

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreements.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

3.25 Leases

Contracts may contain lease and non-lease components. The Group assigns the consideration in the contract to the lease and non-lease components based on their independent prices. However, for real estate leases in which the Group is a lessee, it has decided not to separate the lease and non-lease components, counting them as a single lease component.

The terms of the lease are negotiated on an individual basis and contain a wide variety of terms and conditions. The lease agreements do not impose any other "covenant" other than the real guarantees on the leased assets that are maintained by the lessor. Leased assets cannot be used as collateral for the purpose of financial debt.

Leases are recognized as a right-of-use asset and the corresponding liability on the date the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially valued on a current value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including fixed payments in essence), less any lease incentive to collect,
- Variable lease payments that depend on an index or rate, initially valued according to the index or rate on the start date,
- Amounts that the Group is expected to pay for residual value guarantees,
- The price of a purchase option if the Group is reasonably certain that it will exercise that option, and
- Penalty payments for termination of the lease, if the term of the lease reflects the exercise by the Group of that option.

Lease payments to be made under reasonably certain extension options are also included in the valuation of the liability.

Lease payments are discounted using the implicit interest rate in the lease. If that rate cannot be easily determined, which is generally the case for leases in the Group, the lessee's incremental rate of indebtedness is used, being the rate that the lessee would have to pay to borrow the funds needed to obtain an asset of similar value to the asset for right of use in a similar economic environment with similar terms, guarantees and conditions.

To determine the incremental rate of indebtedness, the Group:

- When possible, uses recent third-party financing received by the individual tenant as a starting point, adjusted by the changes in financing conditions since third party financing was received,
- Uses an approach that begins with a risk-free interest rate adjusted by the credit risk for leases held by the Group, which do not have recent third-party financing, and
- Makes specific adjustments for the lease, such us term, country, currency and guarantee.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and financial cost. The financial cost is charged to income during the lease period so that they produce a constant periodic interest rate on the remaining balance of the liability for each period.

Rights of use assets are valued at cost including the following:

- The impact of the initial valuation of the lease liability,
- any lease payment made on or before the beginning date, less any lease incentive received,
- any initial direct costs, and
- any restoration costs.

Rights of use assets are generally amortized on a straight-line basis during the lower period between the useful life of the asset and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset. Although the Group revalued its land and buildings that are presented in fixed assets, the Group has decided not to do so for the buildings.

Payments associated with short-term leases of machinery and vehicles and all leases of low-value assets are recognized on a linear basis as an expense in results. Short-term leases are leases with a lease term of 12 months or less. Reduced value assets include computer equipment and small items of office furniture.

3.26 Dividend distribution

Dividend distribution to the Parent company's shareholders is recognised as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Parent company's shareholders.

3.27 Environment

Costs incurred by the Group as part of its business activities that are intended to protect the environment and/or improve its environmental record are expensed currently. These costs are capitalised when the expenses represent additions to items of property, plant and equipment intended to make them more environmentally-friendly and minimise their impact on the environment.

3.28 Current and non-current balances

Those amounts with longer maturity to 12 months from the closing date of the period are considered as non-current balances, assets and liabilities.

4. Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a) Goodwill impairment

The Group assesses annually goodwill for impairment, in accordance with the accounting policy stated in Note 3.8.a). The recoverable amounts of cash-generating units, or where appropriate, cash-generating unit groups, have been determined based on value-in-use calculations. These calculations require the use of estimates. The results of this analysis and quantification of the resulting sensitivities are detailed in the Note 7.

As of 31st December 2021, within the current macroeconomic and sectoral context, updated market projections have been taken into consideration and that they have not modified the conclusions regarding the recovery of goodwill and that include the possible effects derived from climate change (Note 34). In this sense, the projections made by the Management already include different considerations about potential future events that may affect the projected cash flows of each of its businesses.

b) Estimated fair value of assets, liabilities and contingent liabilities associated with a business combination

In business combinations, the Group classifies or designates, at the acquisition date, the identifiable assets acquired and liabilities assumed as necessary, based on contractual agreements, financial conditions, accounting policies and operating conditions or other pertinent circumstances that exist at the acquisition date in order to subsequently measure the identifiable assets acquired and liabilities assumed, including contingent liabilities, at their acquisition date fair value.

The measurement of the assets acquired and liabilities assumed at fair value requires the use of estimates that depend on the nature of those assets and liabilities in accordance with their prior classification and which, in general, are based on generally accepted measurement methods that take into consideration discounted cash flows associated with those assets and liabilities, comparable quoted prices on active markets and other procedures, as disclosed in the relevant notes to the annual financial statements, broken down by nature. In the case of the fair value of property, plant and equipment, fundamentally consisting of buildings used in operations, the Group uses appraisals prepared by independent experts.

c) Income tax

The Group is subject to income taxes in numerous tax territories. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises deferred taxes which, in accordance with prevailing legislation in different tax jurisdictions, result from multiple temporary differences in respect of assets and liabilities. Nonetheless, there are certain transactions and calculations with respect to which the ultimate calculation of the tax is uncertain in the ordinary course of business. In prior years, the Group had recognised liabilities for possible tax contingencies based on estimates of potential additional taxes due.

The calculation of income tax expense did not demand significant estimates except with respect to the amount of tax credits recognised in the year.

If the final outcome (on judgment areas) differs unfavourably by 10% from Management estimates, deferred assets would decrease and income tax expense would increase by approximately 7.4 million (2020: €15.0 million) and if these changes evolved favourably, these deferred tax assets would increase and the income tax expense would decrease by approximately 14.7 million (2020: €13.3 million). These estimates include possible changes to the consolidated taxable income of the Basque tax group, as well as the remaining significant tax credits and losses carried forward, which are deemed recoverable within this assumptions.

As of 31st December 2021, within the current macroeconomic and sectoral context, updated market projections have been taken into account, as well as the latest internal information available on the near future of each of the businesses owned by the Group. In this sense, the projections made by the Management already include different considerations about potential future events that may affect the projected tax results in each of its jurisdictions.

d) Fair value of derivatives or other financial instruments.

The fair value of financial instruments that are not quoted in an active market (e.g. OTC derivatives) is determined by using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions which are based primarily on prevailing market conditions at the reporting date.

Note 34.1.a).iii) provides a sensitivity analysis for changes to the main assumptions with regard to the measurement of interest rate derivatives.

In relation to valuation of the derivative associated with the quoted price in the market share in CIE Automotive, S.A. (Note 8) a variation of 10% in the share price would affect the result for increasing / decreasing by €5,472 thousand (2020: €4,412 thousand).

e) Pension benefits

The present value of the Group's pension obligations depends on a series of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for employee benefits are based in part on current market conditions. Note 22 contains further information about pension obligations of the Group.

f) Product warranties

Product warranty risks are recognized when there is a firm claim not covered by the relevant insurance policy. In some specific technologies, such as the roof systems business, the Group records warranty reserves based on expected claims based related to the sale of goods.

4.2 Significant judgements in applying accounting policies

The most significant judgements and estimates made in applying the accounting policies described in Note 3 relate to:

- The assumptions and calculations used to test goodwill for impairment, as detailed in Notes 3.8.a), 4.1.a) and 7.
- Estimates in respect of the recognition and utilisation of tax credits, as outlined in Notes 3.20.b), 4.1.c), 21 and 28.
- Estimation of the useful lives of property, plant and equipment (Note 3.6).

- In order to value financial derivatives and other assets, the Group uses valuation techniques that are widely used in the financial markets. In general, the valuation of any financial derivative is based on discounted cash flow analysis, based on the interest rate curve, from which the zero coupon curve is derived together with the discount factors and the implicit forward rates. To value instruments that include options, the Group uses the implied volatility priced in by the markets and option pricing models, such as Black-Scholes for Plain Vanilla options or Vanna-Volga for barrier options. The Group uses professional market applications to this end and engages an independent external advisor when necessary.
- Estimation of the services provided by employees that are remunerated by means of share-based payments (Note 3.22).

5. Operating segments information

The Group produces parts and components for the automotive industry, operating as a TIER 2 supplier in most cases. Although the Group supplies certain automobile manufacturers (OEMs) directly, on these occasions the Group usually acts as a TIER 2 supplier, with the OEMs assuming the role of the TIER 1 supplier.

The Group's business model is based on two strategic focal points: multi-technology and the global market, implying the ability to supply technology worldwide.

- Multi-technology: command of different technologies and processes enables the Group to offer complex high value-added products. The Group has the capacity to design and manufacture products using alternative or complementary technologies.
- Global market: worldwide industrialisation and supply capacity. The Group's customers are global and it has the ability to supply them from difference geographic areas.

The Strategy and Operations Committee, consisting of five members of the Board of Directors, is the Group's chief operating decision-making body. The Executive Steering Committee reviews the Group's internal financial information for the purposes of evaluating performance and assigning resources to operating segments.

Management has determined the operating segments based on the structure of the reports reviewed by the Strategy and Operations Committee, which analyses the business of the CIE Automotive Group from a geographical markets perspective in which it operates.

In this sense, the Group divides its area of activity into three geographic markets: America, Asia and Europe. In turn, the geographic markets of America and Europe are divided, respectively, into two different segments each, being North America and Brazil for the American market, and Mahindra CIE Europe and the rest of Europe for the European market.

Thus, the Group's financial information is presented according to the following segments:

- North America: it includes, basically Group companies located in Mexico and United States.
- Brazil: it includes basically Group companies located in Brazil.
- Asia: it includes the Indian companies of the Mahindra CIE group, as well as the companies located in the People's Republic of China.
- Mahindra CIE Europe: it includes the business for the manufacture of European forges, dependent on the Mahindra CIE group (subsidiary).
- Rest of Europe: it includes all non-dependent of Mahindra CIE subgroup manufacturing businesses basically located in Europe.

The Group manages the operating segments corresponding to continuing activities based, mainly, on the evolution of the main financial figures of each segment, such as the revenue, EBITDA, EBIT and investments in fixed assets. Meanwhile, financial income and expenses, as well as income tax expense and the allocation of results to minority shareholders are jointly analysed at the Group level, since they are managed centrally.

a) Operating segments information for continuing operations

Results per operating segments are as follows:

Thousand euro	31st December 2021 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL	31st December 2020 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Revenue	872,591	215,927	903,756	439,708	837,129	**3,269,111**	741,710	185,623	760,320	354,546	840,295	**2,882,494**
Other operating expenses and income (excluding depreciation and amortisation)	(677,940)	(170,584)	(759,619)	(383,731)	(702,578)	**(2,694,452)**	(589,603)	(156,476)	(649,323)	(327,038)	(728,820)	**(2,451,260)**
Depreciation, amortisation and impairment	(40,724)	(16,083)	(35,366)	(18,846)	(60,148)	**(171,167)**	(35,263)	(9,368)	(33,093)	(16,834)	(53,256)	**(147,814)**
Operating profit	**153,927**	**29,260**	**108,771**	**37,131**	**74,403**	**403,492**	**116,844**	**19,779**	**77,904**	**10,674**	**58,219**	**283,420**
EBITDA	**194,651**	**45,343**	**144,137**	**55,977**	**134,551**	**574,659**	**152,107**	**29,147**	**110,997**	**27,508**	**111,475**	**431,234**

Transactions between Group companies are performed under market conditions.

Other segments items included in the income statement are as follows:

Thousand euro	31st December 2021 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL	31st December 2020 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Depreciation and amortisation:	**(40,724)**	**(16,083)**	**(35,367)**	**(18,846)**	**(60,147)**	**(171,167)**	**(35,263)**	**(9,368)**	**(33,093)**	**(16,834)**	**(53,256)**	**(147,814)**
Property, plant and equipment	(40,161)	(8,923)	(33,487)	(18,585)	(53,079)	(154,235)	(34,328)	(8,801)	(31,245)	(16,674)	(48,612)	(139,660)
Intangible assets	(563)	(484)	(1,415)	(261)	(4,344)	(7,067)	(935)	(567)	(1,848)	(160)	(4,467)	(7,977)
Impairment	-	(6,676)	(465)	-	(2,724)	(9,865)	-	-	-	-	(177)	(177)

The reconciliation of the Operating profit and the Profit attributable to owners of the Parent company is as follows:

Thousand euro	Note	2021	2020
Operating profit		**403,492**	**283,420**
Financial income (expense)	27	(30,152)	(38,669)
Share in profits of joint ventures and associates	8	6,971	5,755
Gains /(losses) on the fair value of derivative financial instruments	8/27	(20)	2,260
Corporate income tax	28	(88,242)	(57,786)
Discontinued operations	12	1,426	266
Attributed to non-controlling interests	17	(25,931)	(10,021)
Profit attributable to the Parent company		**267,544**	**185,225**

Segments' assets, liabilities and capital expenditure of the year are as follows:

Thousand euro	31st December 2021 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Investments in joint ventures and associates	5,697	4,060	38,610	-	32	48,399
Rest of assets	1,278,248	386,546	1,845,219	634,087	1,205,616	5,349,716
Total assets	**1,283,945**	**390,606**	**1,883,829**	**634,087**	**1,205,648**	**5,398,115**
Total liabilities	**612,446**	**137,646**	**553,243**	**319,620**	**2,391,885**	**4,014,840**
Fixed asset additions (*)	49,959	11,564	56,379	15,209	67,546	200,657
Disposal of assets net of depreciation and amortisation (*)	(519)	(4,330)	(1,875)	(468)	(527)	(7,719)
Net investments for the year	**49,440**	**7,234**	**54,504**	**14,741**	**67,019**	**192,938**

Thousand euro	31st December 2020 NORTH AMERICA	BRAZIL	ASIA	MAHINDRA CIE EUROPE	REST OF EUROPE	TOTAL
Investments in joint ventures and associates	4,392	2,302	38,677	-	33	45,404
Rest of assets	1,177,458	333,071	1,585,399	610,727	1,231,512	4,938,167
Total assets	**1,181,850**	**335,373**	**1,624,076**	**610,727**	**1,231,545**	**4,983,571**
Total liabilities	**607,883**	**134,228**	**468,174**	**323,866**	**2,441,799**	**3,975,950**
Fixed asset additions (*)	49,997	17,053	27,805	13,917	54,651	163,423
Disposal of assets net of depreciation and amortisation (*)	(106)	(178)	(1,929)	(23)	(3,247)	(5,483)
Net investments for the year	**49,891**	**16,875**	**25,876**	**13,894**	**51,404**	**157,940**

(*) Fixed assets additions and disposals do not include IFRS 16 effects

Assets mainly include property, plant and equipment, intangible assets (including goodwill), deferred tax assets, inventories, accounts receivable and cash. Investments in subsidiaries included in the consolidation scope are shown separately.

Liabilities include, mainly, operating liabilities and long and short-term financing, excluding intragroup liabilities eliminated on consolidation.

Investments in non-current assets include additions to property, plant and equipment (Note 6.1) and intangible assets (Note 6.2).

The figures corresponding to the net amount of the revenue and non-current assets, excluding deferred tax assets and non-current financial assets and investments in joint ventures and associates, by geographical areas are the following:

	Revenue		Non-current assets	
Thousand euro	**2021**	**2020**	**31.12.2021**	**31.12.2020**
Spain	144,794	149,414	437,361	423,077
Rest of Europe	1,132,043	1,045,427	979,106	974,802
Brazil	215,927	185,623	196,750	184,662
North America	872,591	741,710	775,107	700,446
China	440,134	430,890	587,027	529,386
India	463,622	329,430	513,606	459,365
TOTAL	**3,269,111**	**2,882,494**	**3,488,957**	**3,271,738**

6. Property, plant and equipment and intangible assets

6.1 Property, plant and equipment

Set out below is a breakdown of property, plant and equipment showing movements:

Thousand euro	01.01.2021	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS (*)	31.12.2021
Land and buildings	603,672	10,513	(716)	40,308	653,777
Plant and machinery	2,231,585	37,840	(82,102)	104,802	2,292,125
Other fixed assets	313,184	37,538	(33,252)	76,490	393,960
Down-payments and assets under construction	121,615	106,133	(6,295)	(108,128)	113,325
Right of use of Assets - IFRS 16 (Note 6.1.e)	113,499	17,266	(18,140)	8,208	120,833
TOTAL COST	**3,383,555**	**209,290**	**(140,505)**	**121,680**	**3,574,020**
Land and buildings	(220,667)	(13,391)	799	(7,739)	(240,998)
Plant and machinery	(1,394,410)	(93,380)	76,363	(313)	(1,411,740)
Other fixed assets	(244,763)	(26,321)	32,469	(42,780)	(281,395)
Right of use of Assets - IFRS 16 (Note 6.1.e)	(34,173)	(21,143)	14,122	(5,212)	(46,406)
TOTAL DEPRECIATION	**(1,894,013)**	**(154,235)**	**123,753**	**(56,044)**	**(1,980,539)**
Plant and machinery	(13,560)	(9,817)	5,676	(455)	(18,156)
TOTAL IMPAIRMENT	**(13,560)**	**(9,817)**	**5,676**	**(455)**	**(18,156)**
CARRYING AMOUNT	**1,475,982**				**1,575,325**

Thousand euro	01.01.2020	ADDITIONS/ (VARIATIONS) IN CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER MOVEMENTS (*)	31.12.2020
Land and buildings	601,492	25,227	5,873	(1,679)	(27,241)	603,672
Plant and machinery	2,228,503	69,958	44,725	(41,057)	(70,544)	2,231,585
Other fixed assets	302,788	7,464	23,569	(11,401)	(9,236)	313,184
Down-payments and assets under construction	142,506	-	84,410	(964)	(104,337)	121,615
Right of use of Assets - IFRS 16 (Note 6.1.e)	114,677	-	14,176	(8,508)	(6,846)	113,499
TOTAL COST	**3,389,966**	**102,649**	**172,753**	**(63,609)**	**(218,204)**	**3,383,555**
Land and buildings	(211,842)	(4,228)	(16,520)	553	11,370	(220,667)
Plant and machinery	(1,371,770)	(47,813)	(90,836)	38,882	77,127	(1,394,410)
Other fixed assets	(247,452)	(5,864)	(10,491)	9,903	9,141	(244,763)
Right of use of Assets - IFRS 16 (Note 6.1.e)	(23,114)	-	(21,813)	8,478	2,276	(34,173)
TOTAL DEPRECIATION	**(1,854,178)**	**(57,905)**	**(139,660)**	**57,816**	**99,914**	**(1,894,013)**
Plant and machinery	(12,305)	(2,080)	(177)	601	401	(13,560)
TOTAL IMPAIRMENT	**(12,305)**	**(2,080)**	**(177)**	**601**	**401**	**(13,560)**
CARRYING AMOUNT	**1,523,483**					**1,475,982**

(*) It basically includes the effect of exchange rate fluctuations of PPE currency of foreign subsidiaries and transfers from assets under construction to finished assets.

a) Property, plant and equipment by geographical area

Set out below is a breakdown of property, plant and equipment by geographical location at 31st December 2021 and 2020:

	31st December 2021			31st December 2020		
Million euros	**COST**	**ACCUMULATED DEPRECIATION/ IMPAIRMENT**	**CARRYING AMOUNT**	**COST**	**ACCUMULATED DEPRECIATION/ IMPAIRMENT**	**CARRYING AMOUNT**
AMERICA	1,126	(514)	612	1,025	(459)	566
EUROPE	1,863	(1,204)	659	1,852	(1,210)	642
ASIA	585	(281)	304	507	(239)	268
TOTAL	**3,574**	**(1,999)**	**1,575**	**3,384**	**(1,908)**	**1,476**

b) Assets not used in operations

At 31st December 2021 and 2020 no significant items of property, plant and equipment are not used in operations.

c) Property, plant and equipment subject to guarantees

As of 31st December 2021, net book value of property, plant and equipment subject to guarantees related to debts with financial institutions was not significant (2021: €0.2 million, 2020: €1.6 million).

d) Insurance

The Group has taken out a number of insurance policies to cover risks relating to property, plant and equipment. The scope coverage of these policies is considered to be sufficient.

e) Right of use of assets and lease liabilities

Plant and equipment include the following amounts in respect of finance leases under which the Group is the lessee:

	RIGHT OF USE OF ASSETS				LEASE LIABILITIES		
Thousand euro	**LAND AND BUILDINGS**	**OTHER FIXED ASSETS**	**ACCUMULATED AMORTIZATION**	**TOTAL ASSETS**	**LONG TERM**	**SHORT TERM**	**TOTAL LIABILIIES**
31st December 2020	**93,380**	**20,119**	**(34,173)**	**79,326**	**61,681**	**21,731**	**83,412**
Additions	9,564	7,702	-	**17,266**	10,582	6,684	**17,266**
Disposals	(10,297)	(7,843)	14,122	**(4,018)**	(2,729)	(1,289)	**(4,018)**
Depreciation expense / Payments made	-	-	(21,143)	**(21,143)**	-	(24,477)	**(24,477)**
Debt update expenses	-	-	-	**-**	2,262	-	**2,262**
Long term/Short term transfers	-	-	-	**-**	(14,303)	14,303	**-**
Tranfers and other (*)	7,853	355	(5,212)	**2,996**	320	2,654	**2,974**
31st December 2021	**100,500**	**20,333**	**(46,406)**	**74,427**	**57,813**	**19,606**	**77,419**

	RIGHT OF USE OF ASSETS				LEASE LIABILITIES		
Thousand euro	**LAND AND BUILDINGS**	**OTHER FIXED ASSETS**	**ACCUMULATED AMORTIZATION**	**TOTAL ASSETS**	**LONG TERM**	**SHORT TERM**	**TOTAL LIABILIIES**
31st December 2019	**93,307**	**21,370**	**(23,114)**	**91,563**	**73,831**	**23,425**	**97,256**
Additions to consolidation scope (Note 2)	-	-	-	**-**	-	-	**-**
Additions	9,454	4,722	-	**14,176**	7,365	6,811	**14,176**
Disposals	(4,591)	(3,917)	8,478	**(30)**	(30)	-	**(30)**
Depreciation expense / Payments made	-	-	(21,813)	**(21,813)**	-	(25,970)	**(25,970)**
Debt update expenses	-	-	-	**-**	2,564	-	**2,564**
Long term/Short term transfers	-	-	-	**-**	(19,032)	19,032	**-**
Tranfers and other (*)	(4,790)	(2,056)	2,276	**(4,570)**	(3,017)	(1,567)	**(4,584)**
31st December 2020	**93,380**	**20,119**	**(34,173)**	**79,326**	**61,681**	**21,731**	**83,412**

(*) It mainly includes the effect of the exchange rate fluctuations derived from foreign subsidiaries' property, plant and equipment.

The current leases have not undergone substantial modifications in their conditions derived from the Covid-19 pandemic in fiscal years 2021 and 2020.

The discount rates, estimated based on the cost of financing each of the Cash Generating Unit (CGU) groups operated by the Group, have been as follows:

	2021	**2020**
Brazil	7.50%	9.00%
North America	3.00%	4.25%
Asia	5.00% - 8.50%	5.00% - 8.50%
Mahindra CIE Europe	1.25%	1.25%
Rest of Europe	1.25%	1.25%

f) Capitalisation of borrowing costs

The Group did not capitalise any borrowing cost in 2021 or 2020 involving significant amounts.

6.2 Goodwill and other intangible assets of defined useful life

Set out below is an analysis of the main intangible asset classes showing movements in assets:

Thousand euro	31.12.2020	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	31.12.2021
Goodwill on consolidation	1,738,622	-	-	91,625	1,830,247
R&D (development)	39,863	5,589	(546)	(4,768)	40,138
Computer applications	46,115	1,921	(2,300)	494	46,230
Patents, licenses, trademarks and similar	12,784	-	-	-	12,784
Prepayments and other	12,118	1,123	(48)	523	12,670
TOTAL COST	**1,849,502**	**8,633**	**(2,894)**	**86,828**	**1,942,069**
TOTAL ACCUMULATED AMORTISATION	**(77,738)**	**(7,067)**	**2,233**	**6,382**	**(76,190)**
TOTAL IMPAIRMENT	**-**	**(48)**	**-**	**-**	**(48)**
CARRYING AMOUNT	**1,771,764**				**1,865,831**

Thousand euro	31.12.2019	ADDITIONS/ (CHANGES) IN THE SCOPE OF CONSOLIDATION (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	31.12.2020
Goodwill on consolidation	1,765,521	73,662	-	-	(100,561)	1,738,622
R&D (development)	42,253	-	2,113	(2,342)	(2,161)	39,863
Computer applications	46,177	432	1,125	(480)	(1,139)	46,115
Patents, licenses, trademarks and similar	11,784	-	-	-	1,000	12,784
Prepayments and other	11,618	1,332	1,608	(130)	(2,310)	12,118
TOTAL COST	**1,877,353**	**75,426**	**4,846**	**(2,952)**	**(105,171)**	**1,849,502**
TOTAL ACCUMULATED AMORTISATION	**(74,668)**	**(467)**	**(7,977)**	**2,631**	**2,743**	**(77,738)**
CARRYING AMOUNT	**1,802,685**					**1,771,764**

(*) Basically includes the effect of exchange rate fluctuations of intangible assets and goodwill currency of foreign subsidiaries.

Goodwill is assigned to the Group's cash-generating units (CGUs) groups on the basis of the criterion of grouping together under each CGU group all the Group's assets and liabilities that jointly and indivisibly generate cash flows in an area of the business from a technology and/or geographical and/or customer viewpoint, on the basis of the synergies and risks shared.

The breakdown of goodwill as of 31st December 2021 and 2020, assigned to each CGU group level, detailed by operating segment is set out below:

Thousand euro	31.12.2021	31.12.2020
North America	274,281	253,106
Brazil	62,737	62,351
Asia	765,899	695,956
Mahindra CIE Europe	332,106	332,106
Rest of Europe	395,224	395,103
TOTAL	**1,830,247**	**1,738,622**

7. Goodwill and fixed assets impairment

a) Methodology in the analysis of signs of impairment of fixed assets

The Group carries out, at least once each year, a recovery analysis on its tangible and intangible assets, including goodwill. This analysis is carried out on two levels:

- Productive and intangibles assets with a defined useful life
- Goodwill

Productive and intangibles assets

The property, plant and equipment is subject to continuous assessments by the technicians of each production plant together with the management control team of each of them, keeping a control on the profitability of the projects according to the projections available continuously, and considering evidences of impairment of assets associated with projects with deficient returns.

Regardless of the continuous evaluation of these projects, the Group annually carries out an assessment to update the financial projections for each cash-generating unit which consists ofa period of five years and which is used to formalize an analysis of the recovery of the net value accounted for all fixed and intangible assets of each production plant. Based on this annual assessment, as well as through the continuous evolution of each project, all possible impairment of the assets are recorded by the Group.

In the case of intangible assets with a defined useful life recognized by the Group in a business combinations, which basically correspond to licenses and contracts related to customers, the Group verifies the evolution of cash flows considered for their initial calculation has not significantly, evidencing an impairment loss.

In 2021, the Group carried out impairments of fixed assets of €9.8 million; and that correspond mainly to productive assets (machinery) very specific and dedicated to certain projects, which have ended anticipately due to client's decisions or have significantly modified the forecasted units to be produced in the remaining life of the machinery.

Goodwill

The recoverable amount of the goodwill assigned to each CGU or group of CGUs is determined based on value in use calculations. These calculations use cash flow projections based on the financial budget approved by Management, which generally covers a period of five years. Cash flows beyond the five-year period are forecasted assuming a market hypothesis regarding growth rates, in any case lower than the long-term average growth rate for the country in which each the CGU or group of CGUs has its businesses.

To calculate the value in use, assumptions of future cash flows are used in accordance with the global situation of the markets in which the Group operates, as well as with their expected future evolution.

b) Assumptions used in the calculation of value in use of the Group's businesses

The assumptions used by the Group are the sales and margins generated by each cash-generating unit for the period for which the projections are forecasted, in addition to the annual growth rate and discount rate applied to calculate the value in use of each one of the CGUs or group of CGUs, and detailed by segment.

Sales and margins projection

Sales estimates are made at the level of each CGU and below it, at the level of each project, taking into account the confirmed purchase orders at the time of the budget, the portfolio of the different customers for each project, the estimated production units for ongoing projects in the forecasted period and future projects for which the Group has already been nominated.

The gross operating margin (EBITDA) applied to forecasted sales are estimated based on the current profitability of the contracts in production corrected, if applicable, for adjustments, positive or negative, in future profitability already known at the time of preparation of the forecast; as well as expected future returns from each of the projects which production has not started.

The average(*) of the margins projected by segment for the period of the projections has been as follows:

Segments	2021	2020
North America	22.37%	22.97%
Brazil	19.27%	19.30%
Asia	16.81%	17.02%
Mahindra CIE Europe	12.70%	13.69%
Rest of Europe	19.51%	18.99%

(*) The average of the detailed margins is the result of dividing the sum of the gross operating profits (EBITDA) by the sum of the sales of the years that make up the projection period for each CGU and groups of CGU detailed by segment.

Calculation of residual value

The residual value is calculated by applying the "normalized annual cash flow", which is made up of the EBITDA of the last year of the budget, minus the maintenance investments necessary to keep the activity at each plant (in the case of the Group it amounts between 2% and 4% of revenue depending on the region and technology); discounted by the normalized payment of taxes in the face of a future recurrence according to the tax situation of each of the tax territories.

Annual growth rate

The growth rates (g) used for the period beyond the projections used in 2021 and 2020 in the CGUs and groups of CGUs, which are reported by segment, have been as follows.

Segments	2021	2020
North America	2.0%-2.3%	2.0%
Brazil	4.5%	4.5%
Asia	4.4%-7.5%	4.4% - 7.0%
Mahindra CIE Europe	1.5%	1.5%
Rest of Europe	1.5%-3.9%	1.5% - 3.0%

The Group estimates the growth rate for each of the cash-generating units based on macroeconomic data related to inflation and growth in the economies of each of the countries where it operates, considering these as the main measurement factors for estimating the growth rate in current valuation models, due to the direct relationship between macroeconomic growth and the sale of vehicles.

Discount rate

The pre-tax discount rate was determined on the basis of the weighted average cost of capital (WACC) plus a premium to reflect the tax effect. The WACC was determined using the Capital Asset Pricing Model (CAPM), which is widely used for discount rate calculation purposes.

The methodology for calculating the discount rate used by the Group consists of adding to the risk-free rate of each market the specific risks of the assets assigned to each of the cash generating units.

The risk-free rate corresponds to the 10-year Treasury in the market in question. In the case of countries with economies or currencies with doubtful solvency levels, the Group carries out an estimate of its own risk applicable to each country.

The specific risk premium assigned to the Group's assets corresponds to the specific risks of the Automotive business itself, for which an estimated beta is used, based on the betas assigned to comparable companies or groups of companies.

The discount rates applied to cash flow projections in 2021 and 2020 were as follows:

Segments	2021	2020
North America	5.78%-10.09%	6.66% - 10.45%
Brazil	12.28%	12.01%
Asia	6.65%-10.58%	7.31% - 11.57%
Mahindra CIE Europe	4.65%-5.63%	4.66% - 6.30%
Rest of Europe	4.62%-11.70%	4.66% - 11.95%

c) Results of the impairment test

The value in use resulting from the impairment assessment are, to their lowest recoverable level, higher than the net book value of the total non-financial assets recognized by the Group, thus no impairment has been recorded in 2021 and 2020.

d) Impairment test sensitivity

The Group has carried out the following sensitiveness simulations, without detecting evidences of impairment of goodwill:

- Penalty of the discount rate by 10%.
- Consideration of the perpetual cash flow equal to the last year of budgeted cash flow, that is, applying a growth rate (g) between 0% and 2%.

Additionally, a joint penalty of assumptions has been carried out considering:

- Decrease of the forecasted EBITDA by 10 percentage points,
- Reduction of the growth rate (g) to 50% for each CGU (between 0.75% and 3.75%, depending on the geography).

The outcome of the sensitivity assessment has determined that there is sufficient margin in the recovery of the goodwill recognized by the Group.

The growth and discount rates are assumptions based on external factors on which the Group does not have the capacity to act; in this sense, a more conservative assessment of such factors is carried out to verify that any significant variation would not result at risk the recovery of assets subject to evaluation. The assumptions used to estimate the discount rate and the perpetual growth rate have not historically shown significant deviations, which is why it is considered that 10% of the discount rate and the reductions made to the growth rate are sufficiently conservative considerations for the purpose of sufficiently stressing the impairment assessment performed.

The Group's track record in the Automotive business has shown that its annual budgets and strategic plans (from which projections for impairment analyses are taken) are modest and have been comfortably met, and even improved always. Therefore, the Group considers that a 10 percentage points cut in its gross operating margins is more than sufficient for sensitivity analyses.

With the external and internal information currently available, and with enough margin existing in the recovery of goodwill, it is not considered that possible future impacts derived from the Covid-19 pandemic, additional to those already considered in the budget, could substantially modify the conclusion of the impairment assessment carried out. Additionally, the projections made by each business unit include the effects that the measures adopted by the Group on energy transition, the actions carried out related to eco-efficiency and the impacts derived from the policies will have on their generation of cash flows. of public administrations to combat climate change.

8. Financial assets and derivatives

Movements in the Group's financial assets are as follows:

	31st December 2021							
					FAIR VALUE ADJUSTMENT			
	31.12.2020	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	PROFIT OR LOSS	EQUITY	RESULTS IN JOINT VENTURES AND ASSOCIATES	31.12.2021
Valued at their amortized cost								
Deposits	47,640	24,644	(1,335)	2,725	-	-	-	73,674
Current credits	25,474	790	(6,837)	191	-	-	-	19,618
Non-Current credits	15	-	-	-	-	-	-	15
Down-payments (Note 32.b)	9,100	-	(1,300)	-	-	-	-	7,800
Total loans and receivables at amortized cost	**82,229**	**25,434**	**(9,472)**	**2,916**	**-**	-	**-**	**101,107**
Valued at fair value								
Non-Current credits (Note 26)	22,947	-	-	(22,947)	-	-	-	-
Current credits (Note 26)	-	-	(2,784)	22,947	302	-	-	20,465
Asset derivatives – Exchange rates	-	-	-	-	22	-	-	22
Asset derivatives – Equity Swap	-	-	-	-	4,541	-	-	4,541
Liability derivatives – Equity Swap	(6,059)	-	-	-	6,059	-	-	-
Liability derivatives – interest rate swaps	(11,571)	-	10,944	-	(10,944)	11,571	-	-
Non-Current credits and derivatives	**5,317**	**-**	**8,160**	**-**	**(20)**	**11,571**	**-**	**25,028**
Investment in joint ventures and associates	**45,404**	**1,730**	-	**(5,369)**	**-**	**(337)**	**6,971**	**48,399**
TOTAL	**132,950**	**27,164**	**(1,312)**	**(2,453)**	**(20)**	**11,234**	**6,971**	**174,534**

(*) It mostly includes the effect of currency exchange change on the financial assets of foreign affiliates and transfers. "Investments in Joint and Associated Businesses" include, in addition, dividends distributed by Shanghai Golde Automotive Parts Co., Ltd. for approximately €9 million, of which €5 million has not been disbursed as of 31st December 2021.

	31st December 2020								
						FAIR VALUE ADJUSTMENT			
	31.12.2019	ADDITIONS/(VARIATIONS) IN CONSOLIDATION SCOPE (Note 2)	ADDITIONS	DISPOSALS	TRANSFERS AND OTHER (*)	PROFIT OR LOSS	EQUITY	RESULTS IN JOINT VENTURES AND ASSOCIATES	31.12.2020
Valued at their amortized cost									
Deposits	41,831	57	16,530	(7,356)	(3,729)	307	-	-	47,640
Current credits	26,945	-	7,004	(637)	(8,015)	177	-	-	25,474
Non-Current credits	15	-	-	-	-	-	-	-	15
Down-payments (Note 32.b)	10,400	-	-	(1,300)	-	-	-	-	9,100
Total loans and receivables at amortized cost	**79,191**	**57**	**23,534**	**(9,293)**	**(11,744)**	**484**	**-**	**-**	**82,229**
Valued at fair value									
Non-Current credits (Note 26)	25,022	-	-	(2,375)	-	300	-	-	22,947
Asset derivatives – interest rate swaps	10	-	-	-	-	-	(10)	-	-
Liability derivatives –Equity Swap	(8,019)	-	-	-	-	1,960	-	-	(6,059)
Liability derivatives –interest rate swaps	(11,895)	(39)	-	-	4	-	359	-	(11,571)
Non-Current credits and derivatives	**5,118**	**(39)**	**-**	**(2,375)**	**4**	**2,260**	**349**	**-**	**5,317**
Investment in joint ventures and associates	**66,195**	**(19,347)**	**-**	**-**	**(7,199)**	**-**	**-**	**5,755**	**45,404**
TOTAL	**150,504**	**(19,329)**	**23,534**	**(11,668)**	**(18,939)**	**2,744**	**349**	**5,755**	**132,950**

(*) It basically includes the effect of exchange fluctuations in the currencies in which the financial assets of foreign subsidiaries are denominated and transfers. The "Investments in joint ventures and associates" include dividends distributed by Shanghai Golde Automotive Parts Co., Ltd. for and amount of €5,025 thousand.

a) Debt instruments

Term deposits and loans accrue interests at a market interest rate of the country where the financial asset is held.

The maximum exposure to credit risk at the date of presentation of consolidated interim information is the carrying amount of the assets.

Debt instruments valued at amortized cost do not differ from their fair value.

b) Financial derivatives instruments

- Swaps (interest rate and other)

  As of 31st December 2020, the amounts of the notional principal of outstanding interest rate swap contracts (from variable to fixed) amounted to €373 million, which were classified as hedging instruments. As of 31st December 2021, there are no interest rate swap contracts signed by the Group, after being settled in advance in the first half of the year.

- Equity swap

  On 6th August 2018 the Parent company arranged a new derivative associated with the listed share price of CIE Automotive, S.A. The underlying asset of the operation amounts to 2 million shares with an initial value of €25.09 per share. This underlying's valuation amounts to €4,541 thousand positive at 31st December 2021 (€6,059 thousand negative at 31st December 2020), and is due in 2023.

c) Investments in joint ventures and associates

The companies of the Group, both associates and joint ventures, consolidated under the equity method, are as follows:

	Effective interest %	
	31.12.2021	**31.12.2020**
Belgium Forge, N.V. (1)	100%	100%
Galfor Eólica, S.L.	15%	15%
Gescrap - Autometal Comercio de Sucatas, Ltda.	30%	30%
Gescrap Autometal de México, S.A. de C.V. and its subsidiaries	30%	30%
Gescrap India PvT, Ltd.	18%	18%
Clear Max Deneb Power, LLP(2)	16%	-
Sunbarn Renewables PvT. ,Ltd. (2)	17%	-
Shanghai Golde Automotive Parts Co., Ltd.	50%	50%
Golde Automotive Parts (Ningde) Co., Ltd.	50%	50%

(1) In liquidation/dormant.
(2) Associates of Mahindra CIE Automotive, Ltd. consolidated by the equity method as of fiscal year 2021.

	2021			2020		
	Investment cost	**Share in profit/(loss)**	**Dividends received**	**Investment cost**	**Share in profit/(loss)**	**Dividends received**
Shanghai Golde Automotive Parts Co., Ltd. (*)	35,808	3,284	3,896	38,677	4,233	5,025
Gescrap Autometal de México, S.A. de C.V. and its subsidiaries	5,697	1,364	466	4,392	590	-
Gescrap - Autometal Comercio de Sucatas, Ltda.	4,060	2,239	518	2,302	955	378
Other	2,834	84	-	33	(23)	-
Total	**48,399**	**6,971**	**4,880**	**45,404**	**5,755**	**5,403**

(*) As of 31st December 2021, an additional dividend amounting to approximately 5 million euros was pending collection.

There are no significant restrictions on the ability to access to those assets. There are no contingent liabilities related to these investments in associates. None of these companies is listed on a stock exchange.

The complete detail, at 100%, of the assets and liabilities of the joint business Shanghai Golde Automotive Parts, Co. Ltd. as of 31st December 2021 and 2020, as well as the results generated after joining the Group, is as follows:

Thousand euro	31.12.2021	31.12.2020	Thousand euros	31.12.2021	31.12.2020
Non-current assets	21,268	20,449	Equity	8,568	20,793
Current assets	69,360	71,713	Non-current liabilities	6,310	11,015
			Current liabilities	75,750	60,354
TOTAL ASSETS	**90,628**	**92,162**	**TOTAL LIABILITIES**	**90,628**	**92,162**

INCOME STATEMENT (Thousand euro)	2021	2020
Revenue	117,730	135,589
Operating profit	7,338	10,049
Profit before tax	7,343	10,055
Profit from continuing operations	**6,567**	**8,466**
Other comprehensive income	**6,567**	**8,466**

9. Trade and other receivables

Thousand euro	31.12.2021	31.12.2020
Trade receivables	262,886	316,233
Other receivables	37,192	41,622
Less: Provision for impairment of receivables	(15,923)	(13,024)
Total	**284,155**	**344,831**

The fair values of trade and other receivables arrived at by discounting the related cash flows at market rates do not differ from their carrying amounts.

At 31st December 2021 trade and other receivables discounted and advanced by financial institutions amount to €4.6 million (2020: €28.1 million). These balances have been accounted for as a bank loan (Note 18).

The amounts covered by non-recourse factoring or account receivable sales agreements at year-end have been derecognised as the risks of ownership have been transferred to the financial institutions and the Group has no continuing involvement. At 31st December 2021 this balance amounts to €296.8 million (2020: €242.2 million).

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers (Note 3.14).

Given the characteristics of the Group's customers, balances receivable due in less than 60 days have historically entailed no expected loss as they fall within the normal collection period in the sector. The Group considers that the credit quality of these outstanding balances, which it deems neither impaired nor non-performing, is high. They mostly relate to payments associated with business disagreements that are set to be resolved in the short term.

The breakdown by ageing of accounts receivable due more than 60 days is as follows:

Thousand euro	2021	2020
Between 2 and 4 months	2,597	2,894
Between 4 and 12 months	2,932	2,839
More than 12 months	4,695	4,744
Total	**10,224**	**10,477**

Since the entry into force of IFRS 9 for Financial Instruments, the Group has estimated the expected loss in its trading accounts receivable (Note 3.11).

The credit quality of trade receivables not due or impaired is considered high and free of credit risk.

Movements on the Group provision for impairment of trade receivable in 2021 and 2020 are as follows:

Thousand euro	Note	2021	2020
Opening balance		**13,024**	**11,545**
Changes in consolidation scope	2	-	361
Additions	25	3,622	2,499
Recoveries	25	(566)	(681)
Receivables written-off		(157)	(700)
Closing balance		**15,923**	**13,024**

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. In this sense, and until the date of issuance of these Consolidated Annual Accounts, it can be concluded that neither the Covid-19 pandemic nor its subsequent economic impacts have had any significant effect on the collectability of balances with customers.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

Thousand euro	31.12.2021	31.12.2020
Euro	64,831	83,825
US dollar	34,750	49,206
Brazilian real	22,422	24,287
Indian rupee	54,163	55,064
Chinese yuan	79,431	98,983
Other	7,289	4,868
TOTAL	**262,886**	**316,233**

10. Inventories

Thousand euro	31.12.2021	31.12.2020
Goods held for resale	5,381	6,406
Raw materials and supplies	239,188	166,079
Work in progress and semi-finished goods	96,674	74,952
Finished goods	129,300	106,045
Prepayments to suppliers	12,325	17,150
TOTAL	**482,868**	**370,632**

The Group has insurance policies to cover the risks affecting its inventories and considers the coverage provided sufficient.

The cost of inventories recognised as an expense and included in the cost of goods sold breaks down as follows:

2021

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance 1st January 2021	172,485	180,997	353,482
Purchases /Changes in provisions	2,085,551	6,226	2,091,777
Other movements (*)	8,329	6,674	15,003
Closing balance 31st December 2021	(244,569)	(225,974)	(470,543)
COST OF SALES	**2,021,796**	**(32,077)**	**1,989,719**

2020

Thousand euro	Goods held for resale, raw materials and supplies	Work in progress and finished goods	Total
Opening balance 1st January 2020	190,917	216,064	406,981
Changes in consolidation scope	3,261	6,159	9,420
Purchases /Changes in provisions	1,665,582	394	1,665,976
Other movements (*)	(13,892)	(11,785)	(25,677)
Closing balance 31st December 2020	(172,485)	(180,997)	(353,482)
COST OF SALES	**1,673,383**	**29,835**	**1,703,218**

(*) Corresponds mainly to the effect of exchange rate fluctuations on the companies located abroad.

The carrying amount of work in progress and finished goods includes the following provisions for obsolescence, the movement in which is presented below:

Thousand euro	Note	2020	2019
Opening balance		**28,045**	**25,278**
Changes in consolidation scope	2	-	389
Additions	25	20,199	9,922
Cancellation of balances/Transfers		(7,700)	(7,544)
Closing balance		**40,544**	**28,045**

11. Cash and cash equivalents

Cash and other cash equivalents at 31st December 2021 and 2020 break down as follows:

Thousand euro	31.12.2021	31.12.2020
Cash and banks	463,383	365,140
Current bank deposits	195,405	200,421
TOTAL	**658,788**	**565,561**

Current bank deposits relate to investments of cash surpluses maturing in less than three months or available immediately. These deposits earn interest at a market rate depending on the currency.

The Group does not have significant current accounts of cash and equivalents restricted as of 31st December 2021 and 2020.

The carrying amount of cash at Group companies is denominated in the following currencies:

Thousand euro	31.12.2021	31.12.2020
Euro	75,474	106,127
US dollar	134,107	137,624
Chinese yuan	329,803	223,570
Brazilian real	77,488	45,121
Indian rupee	10,802	12,730
Russian ruble	3,094	2,490
Mexican peso	5,509	16,360
South African rand	16,217	12,328
Other	6,294	9,211
TOTAL	**658,788**	**565,561**

12. Disposal groups classified as held-for-sale and discontinued operations

a) Business of biofuels

In September 2018, the Board of Directors of CIE Automotive, S.A. after receiving various offers to buy the companies of biofuels made the decision to discontinue this entire business. On 28th March 2019, it was formalized the sale of the company Bionor Berantevilla, S.L.U. and the assets of Biosur Transformación, S.L.U. After that sale, the consolidated net assets assignable to the biofuel business are not significant. Additionally, on the 1st December 2021, the companies Biodiesel del Mediterráneo, S.L.U. and Reciclados Ecológicos de Residuos, S.L.U. were liquidated (Note 1).

As of 31st December 2021 and 2020, the Group maintains the assets and liabilities associated with said business as a group of assets and liabilities held for sale, the value of which has not changed significantly.

b) British Forging business - Stokes

In September 2018, the Board of Directors of Mahindra CIE Automotive, Ltd. made the decision to sell its British forging business, corresponding to the company Stokes Group Limited. After this decision, the Group carried out the discontinuation of the assets and liabilities of said company, classifying them as a group of assets and liabilities available for sale, reclassifying the profit and loss account of said company within discontinued operations. At the time of the discontinuation, the Group proceeded to value the assets and liabilities of the company as required by IFRS 5 “Non-current assets held for sale and discontinued operations”.

At 31st December 2021 and 2020, for the specific situation of these businesses held for sale, the Group performed an updated assessment based on the net assets recovery value, which have not suffered significant changes.

The following is the discontinued income statement for the years ended on 31st December 2021 and 2020:

Thousand euro	2021	2020
OPERATING REVENUE	**5,044**	**2,937**
Revenue	4,949	2,969
Other operating income	95	(32)
OPERATING EXPENSES	**(3,188)**	**(2,603)**
Consumption of raw materials and secondary materials	(1,197)	(825)
Employee benefit expenses	(1,051)	(912)
Depreciation, amortisation and impairment	(60)	(52)
Other operating income/(expenses)	(880)	(814)
OPERATING PROFIT	**1,856**	**334**
Financial costs	(39)	-
Net exchange differences	(9)	(35)
PROFIT BEFORE TAX	**1,808**	**299**
Corporate income tax (Note 28)	(382)	(33)
PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AFTER TAX	**1,426**	**266**

As of 31st December 2021, and 2020, the net amount of turnover from discontinued activities corresponds to sales made in Spain.

The information of the assets and liabilities of the disposable groups classified as held for sale related to discontinued operations described above is summarized in the following table on 31st December 2021 and 2020:

ASSETS (Thousand euro)	31.12.2021	31.12.2020	LIABILITIES (Thousand euro)	31.12.2021	31.12.2020
Non-current assets	**2,093**	**2,025**	**Deferred income**	**1,442**	**1,373**
Property, plant and equipment	1,332	1,272			
Other intangible assets	5	7	**LIABILITIES**	**1,450**	**1,430**
Non-current financial assets	33	33	**Non-current liabilities**	**352**	**352**
Deferred tax assets	383	394	Deferred tax liabilities	352	352
Other non-current assets	340	319			
Current assets	**1,568**	**844**			
Inventory	222	131	**Current liabilities**	**1,098**	**1,078**
Trade and other receivables	65	47	Trade and other payables	386	189
Other current assets	-	24	Current tax liabilities	66	62
Current tax assets	486	429	Current provisions	597	815
Cash and cash equivalents	795	213	Other current liabilities	49	12
TOTAL ASSETS	**3,661**	**2,869**	**TOTAL LIABILITIES**	**2,892**	**2,803**

13. Share capital and share premium

	31st December 2021				
Movements in thousands of euro	**No. shares (thousands)**	**Share capital**	**Treasury shares**	**Share premium**	**Total**
At 31st December 2020	122,550	30,637	-	152,171	**182,808**
Treasury shares (acquisition)	-	-	(50,563)	-	(50,563)
Sale of own shares	-	-	50,162	-	50,162
At 31st December 2021	**122,550**	**30,637**	**(401)**	**152,171**	**182,407**

	31st December 2020				
Movements in thousands of euro	**No. shares (thousands)**	**Share capital**	**Treasury shares**	**Share premium**	**Total**
At 31st December 2019	129,000	32,250	-	152,171	**184,421**
Treasury shares (acquisition)	-	-	(95,391)	-	(95,391)
Increase /(decrease) of share capital	(6,450)	(1,613)	95,391	-	93,778
At 31st December 2020	**122,550**	**30,637**	**-**	**152,171**	**182,808**

a) Share capital

The share capital of CIE Automotive, S.A. at 31st December 2021 and 2020 was represented by 122.550.00 fully paid ordinary bearer shares, represented through accounting entries, with a par value of €0.25 each, listed on the Madrid stock market.

On 25th November 2020, there is a decrease of the share capital of €1,612,500 through the amortization of 6,450,000 treasury shares, acquired during the year 2020.

The companies that hold a direct or indirect interest of more than 10% are as follows:

% interest	**31.12.2021**	**31.12.2020**
Acek Desarrollo y Gestión Industrial, S.L.	(*)15.690%	(*)15.690%
Corporación Financiera Alba, S.A.	12.730%	12.730%
Elidoza Promoción de Empresas, S.L.	10.890%	10.890%

(*) 5.790% direct and indirectly, through Risteel Corporation, B.V, as of 31st December 2021 and 2020.

The stock price of the Parent company CIE Automotive, S.A. listed in the Madrid Stock Exchange was €27.36 at 30th December 2021 (last listed session of the period).

b) Share premium

This reserve is freely available for distribution.

c) Treasury shares

The movement of treasury shares during the periods ended 31st December 2021 and 31st December 2020 is broken down in the following table:

	31st December 2021		31st December 2020	
	Number of shares	**Amount (Thousand euro)**	**Number of shares**	**Amount (Thousand euro)**
Opening balance	-	-	-	-
Acquisitions	2,067,455	50,563	6,450,000	95,391
Sales for the year	(2,052,211)	(50,162)	-	-
Decrease of share capital	-	-	(6,450,000)	(95,391)
Ending balance	**15,224**	**401**	**-**	**-**

The balance of own shares in the existing portfolio in CIE Automotive, S.A. as of 31st December 2020 amounted to 0 shares. During 2021, the Company acquired a net amount of 15,224 own shares directly (0.001% of the total voting rights issued by the Company), which are in addition to the indirect participation resulting from the equity swap agreement signed in 2018 with Banco Santander, S.A. for the acquisition of 2,000,000 shares (equivalent to 1.63% of the total voting rights).

Likewise, the mandate conferred by the General Shareholders' Meeting held on 5th May 2021, by virtue of which the Board of Directors of the Company is empowered to acquire, at any time, and as many times as it deems appropriate, shares of CIE Automotive, is in force until 5th May 2026, inclusive, S.A., by any of the means admitted in Law, including from the benefits of the exercise and / or reserves of free disposal, as well as that they can be subsequently disposed of or amortized, all in accordance with article 146 and concordant of the Capital Companies Law.

14. Retained earnings

Movements in retained earnings are as follows:

Thousand euro	Legal reserve	Reserve in consolidated companies and effect of first time conversion (Note 16)	Profit and loss	SUBTOTAL	Translation differences (Note 15)	TOTAL
At 1st January 2020	**6,450**	**580,481**	**287,475**	**874,406**	**(169,529)**	**704,877**
Distribution of 2019 profit	-	193,539	(287,475)	(93,936)	-	**(93,936)**
Income/(expense) recognised directly in equity, net	-	(923)	185,225	184,302	(209,079)	**(24,777)**
Business combinations (Note 1)	-	11,432	-	11,432	(1,612)	**9,820**
Decrease of share capital (Note 13)	-	(93,778)	-	(93,778)	-	**(93,778)**
Other changes	-	(7,573)	-	(7,573)	-	**(7,573)**
At 31st December 2020	**6,450**	**683,178**	**185,225**	**874,853**	**(380,220)**	**494,633**
Distribution of 2020 profit	-	123,963	(185,225)	**(61,262)**	-	**(61,262)**
Income/(expense) recognised directly in equity, net	-	7,444	267,544	**274,988**	143,880	**418,868**
Business combinations (Note 1)	-	314	-	**314**	(318)	**(4)**
Sale of own shares (Note 13)	-	479	-	**479**	-	**479**
Other changes	-	(3,755)	-	**(3,755)**	-	**(3,755)**
At 31st December 2021	**6,450**	**811,623**	**267,544**	**1,085,617**	**(236,658)**	**848,959**

a) Legal reserve

In accordance with Article 274 of the Spanish Companies Act, 10% of profits must be transferred to the legal reserve each year until it represents at least 20% of share capital. Both in the fiscal years ended 31st December 2021 and 2020, the legal reserve is fully allocated.

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase.

Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

b) Dividends paid

On 15th December, 2021, the Board of Directors approved the payment of an interim dividend charged to the profit of the year 2021 of the Parent Company for an amount of €0.36 per share, which has meant a total of €44,113 thousand. Payment has been effective on 5th January 2022.

The amount to distribute did not exceed the profit of the Parent company obtained since the last financial year, deducting the tax estimation, according to Article 277 of Spain Corporate Enterprise Act.

The provisional accounting statement of the Parent company at 30th November 2021, which has been formulated according to legal requirements and shows the existence of enough cash-flow to distribute the dividend mentioned above, is as follows (thousand euro):

Provisional cash-flow statement	Thousand euros
Profit forecast:	
- Available net profit for 2021	94,771
To deduct:	-
- Legal reserve	**94,771**
Maximum amount to distribute	**88,236**
Amount distribution proposal	**142,746**
Treasury forecast for one year	**(44,118)**
Interim dividend	

On 5th May 2021, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the result of the Parent company 2020 fiscal year, approving the distribution of a complementary dividend of €0.25 gross per share entitled to a dividend, which amounted to a total of €30,624 thousand. The payment has been effective on 6th July 2021.

On 16th December 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. Payment has been effective on 7th January 2021.

On 29th April 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which amounted to a total of €46,206 thousand. The payment was effective on 6th July 2020.

On 4th December 2019, the Board of Directors approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total pay-out of €47,730 thousand. Payment was effective on 3rd January 2020.

In relation to these interim dividends of the Parent company, the amounts to be distributed did not exceed the profits obtained since the last financial year, deducting the tax estimation, in accordance with Article 277 of the Spanish Companies Act. Similarly, the provisional accounting statements were prepared in accordance with legal requirements and evidenced the existence of sufficient liquidity to complete the pay-out of the aforementioned dividends.

c) Proposal for the distribution of results

The proposal for distributing the Parent company's 2021 profit, determined in accordance with accounting principles generally accepted in Spain (legislation applicable to the Parent company), that will be presented to the shareholders at the General Meeting, alongside the shareholder-approved distribution for 2020, is as follows:

Thousand euro under Spanish GAAP	2021	2020
Available for distribution		
Profit/(loss) for the year	**89,929**	**73,907**
Distribution		
To Voluntary reserves	1,693	12,631
To Interim dividend	44,118	30,638
To Final dividend	44,118	30,638
PROFIT AND LOSSES	**89,929**	**73,907**

15. Translation differences

The translation differences at year-end 2021 are negative for an amount of €236,658 thousand (2020: €380,220 thousand negative). The detail by currency is as follows:

Currency	2021	2020	Variation
US dollar	4,428	(38,564)	42,992
Brazilian real	(240,691)	(242,605)	1,914
Chinese yuan	48,644	(30,413)	79,057
Indian rupee	(26,105)	(46,093)	19,988
Other	(22,934)	(22,545)	(389)
Translation differences	**(236,658)**	**(380,220)**	**143,562**

16. Reserves in consolidated companies and effect of first conversion

The amount of the reserve in consolidated companies and the effect of first conversion amounts at €811,623 thousand and €683,178 thousand as of 31st December 2021 and 2020, respectively.

This heading records, in addition to the reserves in consolidated companies, the effects of the adjustments made in conjunction with transition to IFRS on the date of first-time application, 1st January 2005, and the effect of valuing certain financial assets/liabilities at market prices (Note 8).

17. Non-controlling interests

Movements in non-controlling interests are as follows:

Thousand euro	2021	2020
Balance at 1st January of current period	**348,171**	**393,406**
Profit of the year	25,931	10,021
Difference in foreign currency conversion	16,030	(22,956)
Other (gross hedges of cash flows, tax effect, etc.)	342	120
Net income/(expense) recognized directly in equity	**42,303**	**(12,815)**
Dividend paid to non-dominant shares	(5,270)	(33)
Variations in the perimeter and business combinations (Note 1)	(4,788)	(32,437)
Other movements	(47)	50
Balance at 31st December of current period	**380,369**	**348,171**

The breakdown of non-controlling interests by Company/Subgroup is as follows (in thousand euro):

31st December 2021

Thousand euro	% Non-controlling	Non-controlling interests	Income attributable to non-controlling interest
Mahindra CIE Subgroup	39.25%	328,511	17,565
Other minor	-	51,858	8,366
Non-controlling interests		**380,369**	**25,931**

31st December 2020

Thousand euro	% Non-controlling	Non-controlling interests	Income attributable to non-controlling interest
Mahindra CIE Subgroup	39.82%	304,539	4,685
Other minor	-	43,632	5,336
Non-controlling interests		**348,171**	**10,021**

The assets, liabilities and the profit for the year 2021 assigned to the Mahindra CIE subgroup incorporated to the Consolidated Annual Accounts amount to €1,479.6 million, €592.1 million and €44.7 million respectively (2020: €1,351.7 million, €540.2million and €12.2 million respectively).

As of 31st December 2021, the equity value assignable to the Group amounts to €559.7 million (€507.8million at 31st December 2020).

As of 31st December 2021, following the recovery of the share price to Rs 234.2 (last trading day), the quoted value of the Group's investment in the Mahindra CIE subgroup is higher than the carrying value of consolidated net assets. In addition, on the same date, the Group has assessed the possible existence of indications of impairment with respect to the net assets allocated to this subgroup, with no evidence of impairment detected (Note 7).

As of 31st December 2020, the listing price of Mahindra CIE Automotive, Ltd. was 172 rupees per share, which was less than the value of the net assets consolidated by the Group for its investment in the Mahindra CIE sub-group. This situation was due to a specific situation derived from the generalized devaluation of securities in the global stock markets in the context of Covid-19. The Group, as explained in Note 7 of the Consolidated Annual Accounts for the year 2020, assessed the possible existence of indications of impairment with respect to the net assets allocated to the Mahindra CIE subgroup based on expected future flows, without any indication of impairment being detected. There are no significant restrictions on the Group's ability to use assets and settle the Group's liabilities.

18. Borrowings

Thousand euro	**31.12.2021**	**31.12.2020**
Bank borrowings (a)	1,654,078	1,661,337
Non-current borrowings	**1,654,078**	**1,661,337**
Bank borrowings (a)	160,409	280,447
Commercial paper program (b)	360,750	278,100
Discounted bills pending maturity and prepayments on export bills	4,616	28,147
Current borrowings	**525,775**	**586,694**
TOTAL BORROWINGS	**2,179,853**	**2,248,031**

a) Bank borrowings

The Group's policy is to diversify its financing sources. There is no concentration of loan/credit risk in respect of its bank borrowings as the Group works with multiple entities.

The exposure of the Group's bank borrowings to interest rate changes is as follows:

Thousand euro	**Note**	**Balance at 31 December**	**At more than 1 year**	**At more than 5 years**
Total borrowings		1,814,487	1,654,078	178,508
Total borrowings at initial fixed interest rate		(409,286)	(382,826)	(100,776)
Interest rate swaps impact	8	-	-	-
Risk at 31st December 2021		**1,405,201**	**1,271,252**	**77,732**
Total borrowings		1,941,784	1,661,337	196,046
Total borrowings at initial fixed interest rate		(438,242)	(339,234)	(36,000)
Interest rate swaps impact	8	(373,333)	(384,211)	-
Risk at 31st December 2020		**1,130,209**	**937,892**	**160,046**

Non-current borrowings have the following maturities:

Thousand euro	31.12.2021	31.12.2020
Between 1 and 2 years	288,277	353,600
Between 3 and 5 years	1,187,293	1,111,691
Over 5 years	178,508	196,046
TOTAL NON-CURRENT BORROWINGS	**1,654,078**	**1,661,337**

The effective interest rates at the balance sheet dates are the usual market rates (benchmark rate plus a market spread) and there are no significant differences with respect to other companies of a similar size and with similar risk and borrowing levels.

Bank borrowings carry interest at market rates, by currency, plus a spread that ranges between 30 and 600 basis points as of 31st December 2021 and 2020.

The carrying amounts and fair values of current and non-current borrowings do not differ significantly since an important portion thereof has been arranged recently and, in all cases, they accrue interest at market rates; note additionally the effect of the interest-rate hedges described in Notes 34.1 and 8.b).

The carrying amount of the Group's borrowings is denominated in the following currencies:

Thousand euro	31.12.2021	31.12.2020
Euro	1,903,496	1,943,327
US dollar	264,447	289,160
Brazilian real	592	5,858
Other	11,318	9,686
TOTAL BORROWINGS	**2,179,853**	**2,248,031**

At 31st December 2021 the Group had drawn credit lines with financial institutions for an amount of €33 million (31st December 2020: €1 million). The total limit of the aforementioned lines of credit amounts to €758 million (31st December 2020, €807 million), so it has €725 million (31st December 2020: €806 million) of loans and credit lines undrawn at a fixed and floating interest rate.

Thousand euro	31.12.2021	31.12.2020
Expiring within one year	161,666	317,118
Expiring beyond one year	563,101	489,376
TOTAL AVAILABLE LINES OF CREDIT	**724,767**	**806,494**

On 28th July 2014 CIE Automotive, S.A. entered into a new financing arrangement with a syndicate of six financial institutions for €450 million. The amortisation period stood at 5 years, with an average term of 4.7 years. This improved the average term of the Company's financing and also improved the economic terms and conditions of the former syndicated financing agreement. The subsequent amendments related to this financing were the following:

- On 13th April 2015 the syndicated loan was novated and a decrease in the initially negotiated spread was agreed. Similarly, it was agreed to extend the maturity periods, establishing the new final maturity date in April 2020.
- On 14th July 2016, the Parent company signed a second novation with respect to the syndicated financing agreement. According to this novation, the total amount was increased by €150 million, to €600 million, the maturity period was extended for another year, the last payment therefore being due in April 2021 and a change was agreed in the margin initially negotiated and novated in 2015.
- On 6th June 2017, the Parent company signed a third novation with respect to the syndicated financing agreement. According to this novation, the maturity period was extended by one year for most of finance institutions, being the last payment due in April 2022.

- On 27th April 2018, the Parent company signed a fourth novation of this syndicated financing agreement. According to this novation, the maturity period was extended by one year, being the last payment due in April 2023.
- On 12th April 2019, the Parent company has signed a fifth novation with respect to the syndicated agreement. According to this novation, the limit has been increased by €90 million, reaching a total of €690 million; and the maturity has been extended until April 2024.
- On 27th February 2020, the parent company requested the extension of the maturity date until 13th April 2025, being approved by most of the financing entities.
- In June 2020, this finance agreement became a sustainable loan valued by an external agent annually with its subsequent adjustment to the margin based on the improvement of the annual ratios of the Group's Environmental, Social and Governance criteria.
- On 16th June 2021, a longer maturity agreement has been signed due on April 2026, and which has been approved by all financial entities involved.

The drawn amount of this syndicated financing agreement on 31st December 2021 amounted to €300 million (31st December 2020: €345 million), and its interest rate is indexed to Euribor plus a variable margin based on the Net Finance Debt/EBITDA ratio.

On 14th July 2016, the Parent company arranged a new loan with several financial and insurance institutions amounting to €85 million and with final maturity in 10 years. Part of this finance agreement was contracted to a fixed interest rate, and the other part to a floating interest rate indexed to Euribor. In July 2021, a 2-year extension was signed for this financing, bringing the final maturity to 2028 and becoming the same at a fixed market interest. The balance disposed to 31 December 2021 and 2020 amounts to €68 million.

In 2014 and 2018, the Group signed financing agreements with the European Investment Bank (EIB) to finance various research and development projects in the automotive components sector. During the first half year of 2021 the group has pay-out the finance agreement signed in 2014. In addition, in September 2020 the Group signed a finance agreement with this institution amounting to €40 million, due in 2030. The final maturity of these financings is in 2031 and the outstanding balance as of 31st December 2021 amounts to €116 million euros (€139 million as of 31st December 2020).

On 11thMay 2016, the Group, through its US subsidiary CIE Investments USA, Inc., arranged two loans of USD35 million each, with maturity of 3 and 5 years, respectively, at a floating interest rate, linked to LIBOR. In 2020 and 2021, renovations were carried out, renewing one of the loans amounting to USD35 million due in 2024. The balance as of 31st December 2021 amounts to €43 million euros (31st December 2020: €46 million).

In February 2017, the Mexican companies Pintura, Estampado y Montaje, S.A.P.I. de C.V. and Pintura y Ensamblajes de México, S.A. de C.V. arranged three loans amounting to USD60 million, USD40 million and USD40 million, which are due in July 2021, February 2022, and February 2023 respectively. On 21st December 2020, one of the loans for an amount of USD 60 million was renewed in advance, extending its maturity to 2022. In December 2021, the entire outstanding amount of these financings was amortized, leaving its balance fully settled as of 31st December 2021 (31st December 2020: €96 million).

In June 2018, the Group contracted a new loan of USD50 million from an financial institution, through the Mexican subsidiary CIE Automotive de México, S.A.P.I. de C.V., for a five years term and an eleven month grace period, at a floating interest rate linked to the LIBOR, on conditions in line with current market price parameters. The balance of this loan on 31st December 2021 amounts to €17 million (31st December 2020: €25 million).

On 5thJuly 2018 the Group signed a financing contract amounting to USD150 million with International Finance Corporation (World Bank Group) and EDC (Export Development of Canada). This funding has a maturity of 10 years and aims to support sustainable growth of the CIE Automotive Group in Mexico in the coming years. On 31st December 2021 the drawn amount of such funding is €115 million (31st December 2020: €122 million approximately).

All these financing facilities are subject to compliance with different financial ratios usual for these contracts in the market.

During 2020, the Group signed, in all its financing agreements subject to compliance with certain financial obligations ("covenants" or "financial ratios"), the corresponding contractual documents in which the new terms of enforceability of the contractual clauses of such financings were agreed, in relation to compliance with the aforementioned covenants. These documents also set new compliance conditions align with market standards in exceptional situations such as that caused by the Covid-19 pandemic in fiscal year 2020.

It should be noted that, in addition to and after the sign-off of such contractual documents, the Group signed agreements (given their different typology, in the form of deeds of non-extinctive modifying novation, amendment agreements, accession agreements, etc.) that implied a novation of the different agreements that make up its structural financing, establishing, in line with what had already been agreed, that certain covenants would not be enforceable until after 30th June 2021. Likewise, it was agreed that the first certification (with a binding obligation) of compliance of the financial ratios would be made with the audited Consolidated Annual Accounts of the Group as of 31st December 2021. In these new agreements, in addition to these references to compliance with covenants, the new requirements mentioned in the previous paragraph were included, maturities were also modified, the guarantors were modified, and other standard updates for this type of finance agreements were made. The accounting records of assessing the impact of these novations at their amortized cost was not significant.

In this way, and as a consequence of signing the aforementioned documents, the Group complied, as of 31st December 2020, with all the obligations that, according to the financing agreements, were in force and were enforceable by different financial institutions as of that date.

During the first half of 2021, and with effective date 1st July 2021, the Group has updated its structural financial agreements, by negotiating the limit of existing covenants, extending the maturity of certain facilities and modifying some of the financing agents. Accordingly, the Group has improved its financing conditions, as of 31st December 2021, the Group complies with all the ratios required in its financing.

During 2020, a series of financing contracts were signed with various financial entities and guaranteed by the Official Credit Institute (ICO) for a maximum amount of €442 million, and they are within the national program of injection of liquidity to mitigate the economic impacts caused by the Covid-19 pandemic. These financing accrue a market interest rate. As of 31st December 2021, there was no balance pending repayment for these financings as they had been amortized in advance (31st December 2020: €297 million).

The rest of the Group's financing relates mainly to non-structural financing contracted by the parent company under market conditions.

In 2021, the Group has repaid €582 million related to bank credits and loans (2020: €357 million) and loans and additional credit accounts have been arranged for an amount of €741 million included those disclosed above (2020: €601 million).

b) Commercial paper program

On 19th July 2018, the Parent company of the Group made public the formalization of a program of issuance of commercial paper program with a maximum amount of €200 million, which was registered in the Ireland Stock Market and which will serve as diversification of financing of working capital needs of the Group and as an alternative to bank financing for this purpose. On 18th July 2019, the program was renewed increasing the maximum amount to €300 million. On 18th March 2020, the maximum amount was increased to €400 million and on 21st December 2020 the program was renewed. As of 31st December 2021, the drawn balance amounts to €361 million (€278 million as of 31st December 2020).

19. Trade and other payables

Thousand euro	31.12.2021	31.12.2020
Trade payables	840,478	776,144
Other account payables	94,395	75,184
TOTAL	**934,873**	**851,328**

The fair values of these payables do not differ from their carrying amounts.

The breakdown of trade payables settled during 2021 and 2020 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2010 of 5th of July, is as follows:

Days	2021	2020
Paid operations ratio	76	72
Outstanding operations ratio	79	76
Average payment period to suppliers	70	64

Payments in thousand euro	2021	2020
Payments made	423,545	414,711
Outstanding payments	216,897	181,202

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, the Group has launched a series of measures have been launched essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

20. Other liabilities

Thousand euro	31.12.2021	31.12.2020
Capital creditors	10,848	9,580
Long-term payables to tax authorities	15,420	17,617
Other non-current debts	69,336	73,564
Lease liabilities (Note 6.1.e)	57,813	61,681
Non-Current	**153,417**	**162,442**
Current tax liabilities	80,069	59,560
Short-term payables to tax authorities	1,938	1,659
Capital creditors	35,421	32,309
Accrued wages and salaries	90,550	84,982
Other current liabilities	6,781	6,822
Debts for business acquisitions (Note 34.2)	232	6,693
Accruals and deferred income	15,756	13,318
Lease liabilities (Note 6.1.e)	19,606	21,731
Current	**250,353**	**227,074**
TOTAL OTHER LIABILITIES	**403,770**	**389,516**

The fair value of these liabilities does not differ significantly from their carrying amounts.

The balances included under Payables to tax authorities within long and short term include liabilities generated by the deferral of VAT, personal income tax and social security payments as well as several other items (repayment of grants, court bonds and other).

Other current and non-current liabilities

At 31st December 2021 this heading includes loans to finance investment projects received from public financing institutions totalling to €17,025 thousand (2020: €21,061 thousand), being €11,571 thousand (2020: €15,575 thousand) classified as other long term liabilities. Moreover, this heading also includes the granted loan in March 2019 by COFIDES, which at 31st December 2021 amounts to €49,838 thousand, being fully classified in the long term (2020: €49,807 thousand, fully classified in the long term), and accrues an interest at a rate benchmarked to Euribor plus a market spread.

Other non-current liabilities have the following maturities:

Thousand euro	31.12.2021	31.12.2020
Between 1 and 2 years	25,656	23,532
Between 2 and 5 years	47,619	43,624
Over 5 years	80,142	95,286
TOTAL NON-CURRENT OTHER LIABILITIES	**153,417**	**162,442**

21. Deferred taxes

The breakdown of deferred tax assets and deferred tax liabilities is as follows:

Thousand euros	31.12.2021	31.12.2020
Deferred tax assets	192,866	180.331
Deferred tax liabilities	(161,834)	(141.653)
NET	**31,032**	**38.678**

The overall movement in the deferred tax account is as follows:

Thousand euro	Note	2021	2020
Opening balance		**38,678**	**41,419**
Additions/changes in consolidation scope	2	-	(1,022)
(Charged)/credited to the income tax expense	28	(11,427)	(8,244)
(Charged)/credited to other results (*)	28	812	1,732
(Charged)/credited to equity		(614)	22
Transfers and others (**)		3,583	4,771
Closing balance		**31,032**	**38,678**

(*) The item (charged) / credited to other results corresponds to the record of research and development deductions that are collected, in accordance with IAS 20, under the heading of "operating grants".

(**) Includes mainly movements on deferred items due to foreign currency exchange fluctuations.

The movement in deferred income tax assets and liabilities during 2021 and 2020 is as follows:

Deferred tax assets (thousand euros)	2021	2020
Hedge instruments	-	2,872
Non-deductible provisions and other temporary differences	132,691	111,639
Tax losses	24,236	26,697
Tax credits	35,939	39,123
TOTAL	**192,866**	**180,331**

Deferred tax liabilities (thousand euros)	2021	2020
Goodwill	63,807	39,940
Fair value gains (*)	29,735	30,007
Exchange fluctuations	26	106
Accelerated depreciation and others	68,266	71,600
TOTAL	**161,834**	**141,653**

(*) It includes the effects of the fair value of first conversion assets and the allocation of capital gains in the acquisition of subsidiaries and the revaluation of credits.

As of 31st December 2021, and 2020, the detail of non-deductible provisions and other temporary differences corresponds, mainly, to the temporary limitation to the deduction of certain provisions and expenses of various kinds.

In the 2020 financial year, after the annual update of the consolidated taxable income forecasted for the coming years of the Basque tax group, the Group de-recognised tax credits for an approximate amount of €11 million, after having estimated their use through a reasonable period. It should be noted that the decrease in the projected taxable income did not originate in a downward evolution of business results, but in the use of tax incentives to the tax base that were not previously applicable. In 2021, the Group has obtained documented certainty for increasing the use of such tax incentives in the taxable income, which modifies negatively the forecasted taxable income of the Basque tax group, and consequently, an additional allowance of tax credits amounting to €2.6 million.

The main variation in deferred tax liabilities is related to the recording of an exceptional accounting loss amounting to €16.3 million euros in the company Mahindra CIE Automotive, Ltd. due to the tax reform for which it has been eliminated in the year 2021 the right to amortize goodwill generated in company acquisitions for tax purposes. The recognition has occurred based on the difference between the tax value and the book value of the goodwill, and the Group does not estimate any future cash outflow related to this tax liability.

The rest of the variations in deferred tax liabilities correspond to the deductibility of financial goodwill in various territories for an approximate amount of €5 million in fiscal year 2021 (€12 million in 2020), reversion of tax provisions for an amount of approximately €6 million in 2021 and (record of approximately €4 million as of 31st December 2020) (Note 28), accelerated depreciation of certain assets and the tax impact of certain capital gains resulting from the different business combinations carried out by the Group in the past.

The detail of recognised tax losses and credits by tax territories is as follows:

		2021		2020	
Thousand euro	**Segment**	**Tax losses**	**Tax credits**	**Tax losses**	**Tax credits**
Basque tax group	Rest of Europe	8,100	30,009	8,045	32,747
Spanish tax group	Rest of Europe	2,631	861	1,209	1,336
Rest of Europe	Rest of Europe /MCIE Europe	572	4,131	1,734	3,762
Brazil	Brazil	3,897	938	4,823	-
United States	North America	7,175	-	6,546	1,278
Other territories	-	1,861	-	4,340	-
TOTAL		**24,236**	**35,939**	**26,697**	**39,123**

Recovery of losses and tax credits

The Group performs, at least at the end of each year, an impairment assessment for its deferred tax assets based on the projections included in its budget (Note 7) and an estimate of adjustments to the taxable income for each year, based on the applicable tax regulations of each tax territory in force at the end of the evaluation exercise. In the context of this assessment, deferred tax assets evolve based on the results and estimates projected by each plant, together with the existing knowledge about the behaviour of the market in which they operate and the tax specifity of each jurisdiction.

Deferred tax assets are recognized when there is sufficient evidence of their recovery within a reasonable time horizon, and which the Group defines, in general, in a maximum period of 10 years. At 31st December 2021 and 2020, the Group has recognized recoverable tax credits and losses within the estimate carried out.

As of 31st December 2021, and 2020, the Group had not recognized tax losses for €334 million and €332 million, respectively, in different jurisdictions since the necessary conditions for their recognition were not met. In the same way, the Group has not recognized tax credits for €68 million (€60 million as of 31st December 2020), which mainly correspond to the Basque tax group and which have not been recognized since their recovery is not estimated in the set reasonable timeline.

22. Commitments with employees

Set out below is a breakdown of employee benefit provisions classified by country:

Thousand euro	31.12.2021	31.12.2020
Germany	70,875	79,329
India	6,427	5,099
Italy	3,393	3,889
Mexico	128	96
TOTAL PENSIONS	**80,823**	**88,413**

The main commitments of post-employment plans and other long-term benefits to the personnel that several companies in the Group guarantee to certain groups disclosed by country are the following ones:

1) Post-employment benefit plans and other long-term employee benefits in Germany fully covered through in-house provisions, such as, length-of-service awards and supplements under phased retirement arrangements.
2) Post-employment benefit plans in India which are mostly under in-house provisions: lifetime retirement pensions, retirement awards financed externally under insurance contracts and retirement awards in the event of the termination of the employment contracts.
3) Post-employment benefit plans in Italy. The pension model is currently TFR. This was a defined benefit plan that was converted into a defined contribution plan as a result of the Pension Reform which took place in December 2005.

The movement of the defined benefit obligation and the long-term benefits to personnel during 2021 and 2020 has been as follows:

31st December 2021

				CALCULATION OF ASSESSMENTS				
Thousand euro	**31.12.2020**	**CURRENT SERVICES COST**	**EXPENSES/ (INCOME) BY INTEREST**	**(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS**	**(PROFIT) / LOSSES FROM EXPERIENCE**	**PAYMENT OF FEES**	**TRANSLATION DIFFERENCES**	**31.12.2020**
Post-employment benefits [(i)]	86,482	1,728	377	(5,818)	(1,383)	(3,232)	788	78,942
Long-term benefits with staff	1,931	350	6	34	-	(472)	32	1,881
TOTAL PENSIONS	**88,413**	**2,078**	**383**	**(5,784)**	**(1,383)**	**(3,704)**	**820**	**80,823**

31st December 2020

					CALCULATION OF ASSESSMENTS				
Thousand euro	**31.12.2019**	**CHANGES/ADDITIONS TO CONSOLIDATION SCOPE (Note 2)**	**CURRENT SERVICES COST**	**EXPENSES/ (INCOME) BY INTEREST**	**(PROFIT) / LOSSES FROM CHANGES IN FINANCIAL ASSETS**	**(PROFIT) / LOSSES FROM EXPERIENCE**	**PAYMENT OF FEES**	**TRANSLATION DIFFERENCES**	**31.12.2020**
Post-employment benefits [(i)]	87,010	1,961	(56)	1,016	2,471	(1,283)	(4,033)	(604)	86,482
Long-term benefits with staff	2,718	-	677	(192)	(14)	-	(1,161)	(97)	1,931
TOTAL PENSIONS	**89,728**	**1,961**	**621**	**824**	**2,457**	**(1,283)**	**(5,194)**	**(701)**	**88,413**

[(i)] It corresponds to retirement pensions for life in Germany and India, as well as retirement awards in India and post-employment benefit plans in Italy and Mexico.

The financial-actuarial assumptions used in the actuarial valuations are set out below:

	2021			
	Germany	**India**	**Italy**	**Mexico**
Interest rate	1.03% - 1.17%	6.00% - 6.80%	0.22% - 0.85%	7.61%
Expected performance active plan	N/A	6.00% - 6.50%	N/A	N/A
Future growth of wages	2.5%	5% - 8%	0% - 0.5%	4.54%
Future growth of pensions	1% - 1.8%	0% - 8%	2.40%	4.50%
Table of mortality	Dr. K.Heubeck - RT 2018 G	IALM 2006-2008 y 2012-2014	RG48	EMSSAH 2009
Retirement age	65 years	58 years for workers, for the others	59 years - 65 years	65 years
Method of valuation	PUC	PUC	TFR	PUC

	2020			
	Germany	**India**	**Italy**	**Mexico**
Interest rate	0.53% - 0.74%	5.00% - 6.60%	0.00% - 0.34%	5.71%
Expected performance active plan	N/A	5.25% - 7.20%	N/A	N/A
Future growth of wages	0%	5% - 8%	0% - 0.5%	4.54%
Future growth of pensions	1% - 1.8%	0% - 8%	2.40%	4.50%
Table of mortality	Dr. K.Heubeck - RT 2018 G	IALM 2006-2008 y 2012-2014	RG48	EMSSAH 2009
Retirement age	65 years	58 years for workers, 60 years for others	58 years - 63 years	65 years
Method of valuation	PUC	PUC	TFR	PUC

The contributions to these plans in the next financial year 2022 would amount to approximately €3,073 thousand.

23. Provisions

The breakdown of the movements in Group provisions in 2021 and 2020 is as follows:

Thousand euro	**31.12.2021**	**31.12.2020**
Beginning balance	**324,989**	**298,694**
Additions / (variations) in consolidation scope (Note 2)	-	27,805
Additions / (Reversals)	21,417	46,222
Income statement	*28,584*	*45,048*
Equity	*(7,167)*	*1,174*
Application and payments	(23,105)	(28,386)
Transfers and other movements (*)	8,317	(19,346)
Ending balance	**331,618**	**324,989**
NON-CURRENT PROVISIONS	**196,534**	**208,881**
CURRENT PROVISIONS	**135,084**	**116,108**

(*) Mainly relate to exchange rate effects in subsidiaries.

Non-current provisions at 31st December 2021 mainly include the following:

- A €87.6 million provision for other personnel liabilities (2020: €93.5 million), including €76.9million relating to pension plans (2020: €85.1 million).
- A €73.4 million provision (31st December 2020: €78.9 million) to cover the operating risks of the business which is considered to be payable in the long term, corresponding in a significant part to liabilities associated with contracts with clients for a value of €14.5 million (31st December 2020: €24.1 million) and the coverage of guarantees negotiated with clients related to the manufacture of solar roofs worth €10.2 million (31st December 2020: €11.9 million).

- A €33.7 million provision (31st December 2020: €34.7 million) corresponding almost entirely to tax contingencies in Brazil, mainly related to taxes and fiscal charges other than corporate tax, of which €1.5 million are on court deposit pending court rulings as of 31st December 2021 and 2020.
- A €1.8 million provision established to guarantee the sale of assets and closure and winding up of companies as of 31st December 2021 and 2020.

Current provisions as of 31st December 2021 are basically for the following purposes:

- The hedge of operational risks of the business in various Group companies classified as payables in the short term (2021: €125.1 million; 2020: €105.7 million) corresponding in a significant part to both the hedge of guarantees negotiated with customers related to the manufacture of solar roofs worth €60.7 million (31st December 2020: €50.7 million) as well as customer claims, recognized at fair value, and that the Group Management estimates will be resolved throughout 2022.
- The adaptation of productive structures of Group companies as well as short-term liabilities with staff (2021: €6.9 million, of with €3.9 million correspond to pensions; 2020: €7.6 million, of with €3.3 million correspond to pensions).
- They include other tax contingency risks and customer complaints at certain subsidiaries (2021: €3.1 million; 2020: €2.8 million).

24. Operating income

Thousand euro	Note	2021	2020
Revenue			
- Sale of products		3,269,111	2,882,494
Changes in inventories of finished goods and work in progress	10	32,077	(29,835)
Other operating income		200,060	90,021
TOTAL		**3,501,248**	**2,942,680**

Other operating income includes scrap sales of €92.9 million (€46.1 million in 2020), provision of services other than the sale of automotive products, operating subsidies and the transfer to results of capital subsidies, net profit from the sale of fixed assets and other operating income.

In addition, in 2021, this heading includes the recognition of compensation for the termination of a contract with a client amounting to €41 million. This income mainly covers and offsets different expenses and impairments recorded in the consolidated profit and loss account due to the completion of the project. These impacts have been classified, according to their nature, under the headings "Provision for inventory impairment (obsolescence)" (Note 25), consumptions, impairments on the value of the assets dedicated to the contract with this client (Notes 6 and 7), and benefit employee expenses (Note 26).

The breakdown by currency of revenue invoiced in foreign currency (equivalent amounts in thousand euro) is as follows:

Thousand euro	2021	2020
US dollar	860,004	736,560
Chinese yuan	430,108	414,620
Brazilian real	215,928	185,623
Indian rupee	402,676	286,891
Other	98,042	99,731
TOTAL	**2,006,758**	**1,723,425**

25. Other operating expenses

Thousand euro	Note	2021	2020
Utilities		89,161	72,756
Transport		40,981	36,266
Repairs		53,934	42,800
Provision for impairment of accounts receivable	9	3,056	1,818
Provision for inventory impairment (obsolescence)	10	20,199	9,922
Independent professional services		25,448	24,080
Travel and representation expenses		6,292	4,845
Other operating expenses (*)		66,156	84,383
TOTAL		**305,227**	**276,870**

(*) It includes, among others, taxes and insurance expenses as well as the registration of warranties and other operating contingencies.

26. Employee benefit expense

Thousand euro	2021	2020
Wages and salaries	472,694	427,429
Social security cost	86,276	86,183
Other welfare expenses	33,863	31,594
Personnel restructuring costs	6,733	15,987
TOTAL	**599,566**	**561,193**

The average Group headcount by category is as follows:

Category	2021	2020
Executives	969	988
University graduates, specialists and administrative employees	6,858	6,857
Semi-skilled workers	16,993	16,638
Total	**24,820**	**24,483**

Likewise, the average number of people employed in the course of the year with a functional disability greater than or equal to 33% is 266 people (2020: 311 people).

The breakdown of the Group's staff and Board of Directors at 31st December 2021 and 2020 by women and men is as follows:

	2021			2020		
Category	**Women**	**Men**	**Total (*)**	**Women**	**Men**	**Total (*)**
Members of the Board of Directors (*)	5	8	13	3	11	14
Executives	108	866	974	99	877	976
University graduates, specialists and administrative employees	1,194	5,627	6,821	1,200	5,687	6,887
Semi-skilled workers	3,172	13,504	16,676	3,164	14,168	17,332
TOTAL	**4,479**	**20,005**	**24,484**	**4,466**	**20,743**	**25,209**

(*) As of 31st December 2021 and 2020 two of the members of the Board of Directors are also executive officers of the Group.

Long-term incentive

The Board of Directors of CIE Automotive, S.A. agreed in 2018 to implement a plan to allow the participation of certain Group employees in the Company's share capital, granting said employees a loan due at maturity at date of 31st December 2022, with zero interest rate. The objective of the plan is twofold: (i) to motivate, promote loyalty and encourage the most important members of the Group's management to achieve the strategic objectives for the next five years; and (ii) as a result of the commitment to the Group, to allow that the aforementioned employees benefit from any increase in the quoted price of the shares of CIE Automotive, S.A. from 1st January 2018 to 31st December 2022. These loans, which, meet the conditions to be considered as full recourse, are valued at fair value, are classified under non-current financial assets in the consolidated balance sheet and, as of 31st December 2021, amount to €20 million (2020: € 23 million) (Note 8).

27. Finance income and expenses

Thousand euro	2021	2020
Finance costs:		
-Bank borrowings interest	(53,169)	(52,237)
Interest income:		
- Other interest and finance income	24,479	9,210
Net gains/(losses) on foreign currency transactions	(1,462)	4,358
Net gains/(losses) on financial instruments at fair value	(20)	2,260
TOTAL	**(30,172)**	**(36,409)**

28. Income tax

Thousand euro	2021	2020
Current year tax	77,209	49,571
Net variation deferred tax (Note 21) (*)	11,415	8,248
Total income tax expense	**88,624**	**57,819**
Tax expense of discontinued operations (Note 12) (*)	(382)	(33)
Tax expense	**88,242**	**57,786**

(*) It includes €12 thousand of deferred income generated by the discontinued operations in 2021 (€4 thousand of income in 2020).

Below is the reconciliation between the income tax that would result from applying the general tax rate in force in the provincial regulations of Bizkaia to the profit before tax and the expense recorded for said tax that appears in the consolidated income statement corresponding to financial years 2021 and 2020:

Thousand euros	2021	2020
PROFIT BEFORE TAX FROM CONTINUING AND DISCONTINUED ACTIVITIES	**382.099**	**253,065**
Nominal tax rate of the Parent company	*24%*	*24%*
Theoretical expense resulting from applying the nominal rate of the Parent company	91,704	60,736
Tax rates adjustments	8,122	3,218
Tax impact of local GAAP adjustments	(2,254)	(1,698)
Permanent differences due to impairment of discontinued businesses	(3,337)	-
Other permanent differences	(11,638)	(10,193)
Net impact of tax deductions	(2,513)	(1,568)
Other losses and tax credit movements (Note 21)	1,924	9,159
Recognition of temporary differences (Note 21)	(2,275)	(9,377)
Recognition of claims in favour of public administrations	(4,930)	-
Recognition of deferred taxes due to regulatory changes (Note 21)	16,297	-
Tax credits generated from other operating income (Note 21)	812	1,732
Movement of tax provisions (Note 21)	(6,226)	4,189
Withholding taxes and other taxes	3,089	1,926
Other impacts	(151)	(305)
Taxes from discontinued operations (Note 12)	(382)	(33)
Income tax expense	**88,242**	**57,786**

The income related to the rest of the permanent differences in both 2021 and 2020 corresponds to the application of tax incentives on a taxable basis in different jurisdictions, mainly in the Basque regional territory, Brazil and China. In 2021, the loss recorded in relation to the British forging business registered in 2018 (Note 12) has been deducted for tax purposes, and which has meant an income of €3 million.

The detail "Other losses and tax credit movements" mainly includes the derecognition of tax credits in the Basque territory in 2021 and 2020.

The heading “Recognition of deferred taxes due to regulatory changes” fully includes the extraordinary entry of a tax liability after the modification of tax regulations in India (Note 21).

In addition, the Group has registered, in 2021, a corporate tax income amounting to €4.9 million for the recognition of tax credits with Brazilian authorities. This recognition, made in accordance with IAS 12, underlies the ruling of the Brazilian Supreme Court declaring unconstitutional the incorporation into the tax base of Brazilian taxpayers of the income from default interest accrued by companies before the public authorities.

As mentioned in Note 2.21, some companies of the Group are authorised to file consolidated tax returns.

Generally speaking, the Group companies have their tax returns open to inspection for all years for which the statute applying under the various bodies of tax legislation for each company has not lapsed. This statute ranges between 4 and 6 years from when the tax obligation falls due and the deadline for filling tax returns passes.

The corporate income tax legislation applicable to the Parent company of the Group in 2021 is the one relating to Bizkaia Regional Regulation 11/2013 (5th December), modified by the Bizkaia Regional Regulation 2/2018, 12th March.

For the preparation of the Group's Consolidated Annual Accounts, with regard to the estimation of corporation tax, the Directors of the Parent company consider tax regulations of the different jurisdictions / tax groups in which the Group operates. Likewise, this assessment includes the possible risks associated with the divergence between the interpretation of certain tax regulations by the tax authorities and the Group; as well as, where appropriate, the resolutions of completed inspections and communications with tax authorities in tax audits that may be in progress in the different countries. As of 31st December 2021, and 2020, no additional significant impact is expected for the periods opened to tax audits.

29. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the Parent company’s shareholders by the weighted average number of ordinary shares outstanding in the year, excluding treasury shares acquired by the Parent company (Note 13).

	2021	2020
Profit attributable to the Parent company’s shareholders (thousand euro)	267,544	185,225
Profit /(loss) from discontinued operations attributable to the Parent company’s shareholders (thousand euro) (*)	1,282	292
Weighted average number of ordinary shares outstanding (thousand)	122,460	125,276
BASIC EARNINGS	**2.18**	**1.48**
Basic earnings per share from continuing operations (euro per share)	2.17	1.48
Basic earnings per share from discontinued operations (euro per share)	0.01	0.00

(*) The profit / (loss) from discontinued operations of the Group (2021: €1,426 thousand, 2020: €266 thousand) which corresponds to the shareholders of the Parent company is €1,282 thousand in 2021 and €292 thousand in 2020 (Note 12).

30. Dividends per share

On 15th December 2021, the Board of Directors approved the disbursement of an interim dividend charged to 2020 results for an amount of €0.36 gross per share, which has meant a total of €44,113 thousand. The disbursement has been made effective on 5th January, 2022.

On 15th December 2021, the Board of Directors approved the disbursement of an interim dividend charged to 2021 results for an amount of €0.36 gross per share, which represented a total of €44,113 thousand. The disbursement has been made effective on 5th January 2022.

On 5th May 2021, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2020 fiscal year, approving the distribution of a complementary dividend of €0.25 gross per share entitled to a dividend, which amounted to a total of €30,624 thousand. The payment has been effective on 6th July 2021.

On 16th December 2020, the Board of Directors approved the payment of an interim dividend from 2020 profit of €0.25 gross per share, implying a total pay-out of €30,638 thousand. Payment has been effective on 7th January 2021.

On 29th April 2020, the shareholders' Meeting of CIE Automotive, S.A. agreed the distribution of the individual result of the 2019 fiscal year, approving the distribution of a complementary dividend of €0.37 gross per share entitled to a dividend, which amounted to a total of €46,206 thousand. The payment was effective on 6th July 2020.

On 4th December 2019, the Board of Directors approved the payment of an interim dividend from 2019 profit of €0.37 gross per share carrying dividend rights, implying a total pay-out of €47,730 thousand. Payment was effective on 3rd January 2020.

31. Commitments

Capital expenditure agreements committed for at the period end, but not yet incurred is as follows:

Thousand euro	31.12.2021	31.12.2020
Property, plant and equipment	39,147	33,410

These investments are financed mainly through the cash generated by the Group's activities and structured via payment agreements with suppliers and equipment vendors and if necessary, bank borrowings.

32. Related parties transactions

The direct shareholders of the Group (including non-controlling interests), key executive managers, close relatives and those companies consolidated using the equity method are considered as related parties.

The following transactions were carried out with related parties:

a) Compensation and loans to key management personnel

As of 31st December 2021 and 2020, the Group's Senior Management was made up of 4 women and 5 men.

The total compensation accrued by key management personnel in 2021, excluding those included within the compensation paid to the members of the Board of Directors, amounted to €6,152 thousand (2020: €6,073 thousand).

As explained in Note 26, the Board of Directors of CIE Automotive agreed in 2018 to implement a plan to allow the participation of certain employees in the company's share capital. The total nominal amount of loans to members of the key management, pending collection as of 31st December 2021 is €7,149 thousand (2020: €8,330 thousand). Likewise, Senior Management personnel do not have life or civil liability insurance at the Group's expense.

The Group has entered into no commitments related to pensions or other types of complementary post-employment benefits with key management personnel.

b) Parent company Directors compensation

Total compensation paid to the members of the Board of Directors has amounted to €11,268 thousand (2020: €5,535 thousand). The members of the Board of Directors received no compensation in respect of bonuses or profit sharing arrangements. Nor did they receive shares or sell or exercise stock options or other rights related to pension plans or insurance policies of which they are beneficiaries.

At 2021 and 2020-year end, there is no outstanding amount arising from other transactions with these related parties.

The Group has entered into no commitments relating to pensions or other types of complementary retirement remuneration with the Directors.

c) Balances and transactions during the year with Group companies and related parties

Balances in thousand euro	31.12.2021(*)	31.12.2020
Receivables from related parties	40,697	32,405
Payables to related parties	(11,461)	(5,182)
Loans and credits from related parties	6,428	1,949
Advances to related parties	7,800	9,100
Receivable balances with entities with significant influence	16,800	16,800
Payable balances with entities with significant influence	(34,370)	(34,000)
Dividend payable	(44,113)	(30,638)

Transactions in thousand euro	2021(*)	2020
Product sales (**) and scrap sales (***)	214,018	128,513
Purchase (**)	32,340	10,597
Services provided	2,496	2,753
Services received	5,151	4,558
Finance expenses	436	145

(*) The balances and transactions as of 31st December 2021 have been broken down according to the definition of related entities applicable to listed companies included in Law 5/2021, and whose entry into force has been made on 4th July 2021.

(**) Both product sales and purchases correspond mainly to commercial operations of sale of parts with the Mahindra & Mahindra group for an amount of 138 million euros and 19 million euros at 31st December 2021, respectively (€110 million and €10 million respectively as of 31st December 2020).

(***) Scrap sales correspond mainly to sales to companies controlled by the Gescrap group (and CIE's associated companies with Gescrap (Note 8)) amounting to €70 million as of 31st December 2021 (31st December 2020: €14 million), which are recorded under the heading "Other operating income" of the consolidated profit and loss account.

- Article 228 of the Spanish Companies Act

In the duty to avoid situations of conflict of interest of the Parent company, during the year 2021 the administrators who have occupied charges in the Board of Directors have complied with the obligations foreseen in the article 228 of the recasted text of the Law of Capital companies. Likewise, both managing directors and their relatives have abstained from incurring in the suppositions of conflict of interest foreseen in the article 229 of the aforementioned norm. No communication about direct or indirect conflicts of interest has been notified during the current year to the Board of Directors.

- Complementary incentive based on the value of the shares

At the General Shareholders' Meeting held on 24th April 2018, the concession was approved, for the CEO, of a long-term incentive based on the evolution of the share price of CIE Automotive, S.A., and modified by an agreement which was approved by the General Shareholders' Meeting on 5th May 2021.

The incentive consists of the payment of a total extraordinary remuneration resulting from multiplying 1,450,000 rights by the increase in the value of the share price of CIE Automotive, S.A. during a maximum period of time of 9 years (reference periods), being its initial base quotation of €21.30 per share and the closing value the average of the contribution corresponding to a monthly payment within the established reference periods, in the terms approved by the General Shareholders' Meeting. In accordance with the modifications introduced at the aforementioned General Shareholders' Meeting of 5th May 2021, during the year, the CEO has proceeded to partially execute the incentive, so that the amount accrued for said remuneration has amounted to €5,900 thousand. With this partial execution, the base price has been set for possible subsequent years of the incentive at €25.37 per share.

33. Other information

a) Audit fees

The fees charged by PricewaterhouseCoopers Auditores, S.L. and other PwC network firms for audit services performed in 2021 amount to €1,471 thousand (2020: €1,423 thousand). From the total of audit services contracted in 2021, €550 thousand have been rendered in Spain (2020: €555 thousand).

Other services rendered by PricewaterhouseCoopers, S.L. and other firms associated to PricewaterhouseCoopers have amounted to €475 thousand (2020: €468 thousand). Other assessment services different from audit fees rendered by PricewaterhouseCoopers Auditores, S.L. have amounted to €66 thousand in 2021 (2020: €64 thousand),and correspond mainly to reports on agreed upon procedures on ratios linked to financing agreements, review of information related to the Internal Control System on Financial Reporting (SCIIF), as well as verification of non-financial indicators. Likewise, the fees accrued during the year by other companies in the PwC network as a result of tax advisory services, other verification services and other services provided to the Group, amounted to €309 thousand, €51 thousand and €49 thousand, respectively (€352 thousand, €52 thousand, €0 thousand in the previous year).

The fees charged by other firms for financial statements audit services in respect of other investees amount to €793 thousand in 2021 (2020: €866 thousand). This amount includes the services rendered for all the period of the companies in the scope of consolidation in the period.

b) Environmental issues

The Parent company and its subsidiaries have adapted their production facilities to meet the legislative environmental requirements of the countries in which they are located.

Capital expenditure intended to make them more environmentally-friendly and to minimise their impact on the environment are capitalised in property, plant and equipment.

The expenses deriving from environmental action incurred during the year basically relate to waste removal expenses.

The Group's property, plant and equipment include facilities aimed at environmental protection and improvement. This work is carried out by in-house employees and external specialist providers, as part of the strategic environmental plan implemented to minimise the environmental risks associated with its operations and improve the Group's environmental management and record. The combined amounts of investments and expenses accrued in 2021 in relation to environmental protection worked amounted to €5.1 million (2020: €4.5 million, without any expense from discontinued activities) and are recorded under the element headings of "Property, plant and equipment" on the accompanying balance sheet and "Other operating income/expenses" on the accompanying income statement.

34. Financial risk management

34.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Department, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market risk

(i) Foreign exchange risk

CIE Automotive Group's presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, CIE Automotive Group uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialise over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if are expected to be recognised on the balance sheet within a period of no more than 18 months.

Once defined the Management Scope, CIE Automotive Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Current forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The protection against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of CIE Automotive Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31st December 2021, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €268/€220 million (2020: increased/decreased by €228/€187 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €23.2/€19.0 million higher/ lower, respectively (2020: €15.4/€12.6 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of 31st December 2021, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euros)		**Profit after tax (million euros)**	
	Devalued euro 10%	**Revalued euro 10%**	**Devalued euro 10%**	**Revalued euro 10%**
Chinese yuan	91	(74)	5.5	(4.5)
US dollar	69	(56)	9.1	(7.4)
Indian rupee	59	(48)	1.4	(1.1)
Brazilian real	27	(22)	4.1	(3.3)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2021 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,465 thousand lower/higher (2020: €1,227 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31st December 2021, the Group had no interest rate hedging derivatives. As of 31st December 2020, in relation to the valuation of the derivatives, a 10 basis point increase/decrease throughout the interest rate curve taken into consideration when measuring the hedging and non-hedging derivatives would have increased/decreased equity by €798/€802 thousand.

(iv) Covid-19 pandemic

In fiscal year 2020, the measures adopted by governments to contain the pandemic, including limitations on the movement of people, restrictions on flights and other forms of travel, temporary closure of businesses and educational centers and cancellation of events affected economic activity, producing a significant impact on sectors such as tourism, transport, retail and entertainment. Similarly, due to the industrial shutdown in the second quarter of the year, there was a significant impact on the supply and production chains of goods around the world and the decline in economic activity reduced the levels of demand for many goods and services.

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached in 2021 a global production of 77.1 million vehicles, compared to 74.6 million vehicles produced in 2020 and significantly below 89 million vehicles of 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

At the preparation of these Consolidated Annual Statements, the Group does not expect that the crisis in the global supply chain and the rest of the effects derived from the Covid-19 pandemic may have a significant impact. With regard to the demand for vehicles during the period of economic crisis, the Management updates monthly the market estimates in each of the geographical areas in which it operates and carries out, making use of the flexibility of its management model, the necessary measures to adapt to the expected demands.

Additionally, in 2020 the existence of independent external reports was already mentioned that supported the theory that collective transport or the use of shared cars can begin to lose strength, in favour of the recovery of the use of private vehicles, either out of fear or as a precautionary measure for drivers, turning this fact into a market opportunity. Although this trend has not yet been transferred to vehicle production in 2021, collective transport is still far from recovering pre-pandemic quotas; which shows, at least in the short term, that the private vehicle can regain strength against collective transport, and therefore, promote the demand for cars in some of the main markets where the Group operates.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt. The calculation of liquidity and net debt at 31st December 2021 and 2020 as follows:

Thousand euro	**Note**	**31.12.2021**	**31.12.2020**
Cash and cash equivalents	11	658,788	565,561
Other financial assets	8	126,135	105,176
Undrawn lines of credit	18	724,767	806,494
Liquidity buffer		**1,509,690**	**1,477,231**
Bank borrowings	18	2,179,853	2,248,031
Other financial liabilities	8	-	17,630
Cash and cash equivalents	11	(658,788)	(565,561)
Other financial assets	8	(126,135)	(105,176)
Net financial debt		**1,394,930**	**1,594,924**

Additionally, as of 31st December 2021, Shanghai Golde Auto Parts, Co. Ltd., a joint venture in which the Group has a 50% and consolidates using the equity method (Note 8), has a net treasury of €36 million (€39 million in 2020).

The evolution of the Net Financial Debt in 2021 and 2020 is shown in the following table:

Thousand euro	Cash and cash equivalents (Note 11)	Other financial assets (Note 8)	Bank borrowings (Note 18)	Other financial liabilities (Note 8)	TOTAL
Net Financial debt 1st January 2020	**514,691**	**104,223**	**(2,120,967)**	**(19,914)**	**(1,521,967)**
Cash flow	83,253	11,866	(123,041)	-	(27,922)
Exchange rate adjustments	(36,803)	(4,794)	18,715	-	(22,882)
Changes in consolidation scope (Note 2)	4,420	57	(25,574)	(39)	(21,136)
Other non-monetary movements	-	(6,176)	2,836	2,323	(1,017)
Net Financial debt 31st December 2020	**565,561**	**105,176**	**(2,248,031)**	**(17,630)**	**(1,594,924)**
Cash flow	48,471	13,178	100,134	10,944	172,727
Exchange rate adjustments	44,756	4,108	(23,940)	-	24,924
Other non-monetary movements	-	3,673	(8,016)	6,686	2,343
Net Financial debt 31st December 2021	**658,788**	**126,135**	**2,179,853**	**-**	**(1,394,930)**

The Group's treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2022 will allow facing recurrent payments without increasing net financial debt.

The Group's treasury department monitors Group´s liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities (Note 18).

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2021: €4.6 million; 2020: €28 million)(Note 18). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31st December 2021 of €725 million of undrawn credit lines and loans (31st December 2020: €806 million) (Note 18).

The following table shows a breakdown of working capital in the Group's consolidated balance sheet at 31st December 2021 and 2020:

Thousand euro	Note	31.12.2021	31.12.2020
Inventories	10	482,868	370,632
Trade and other receivables	9	284,155	344,831
Other current assets		51,819	38,290
Current tax assets		60,467	58,739
Current operating assets		**879,309**	**812,492**
Other current financial assets	8	102,865	60,811
Cash and other cash equivalents	11	658,788	565,561
Current assets		**1,640,962**	**1,438,864**
Trade and other payables	19	934,873	851,328
Current tax liabilities	20	82,007	61,219
Current provisions	23	135,084	116,108
Other current liabilities	20	168,346	165,855
Current operating liabilities		**1,320,310**	**1,194,510**
Current financial borrowings	18	525,775	586,694
Other current financial liabilities	8	-	30
Current liabilities		**1,846,085**	**1,781,234**
TOTAL WORKING CAPITAL		**(205,123)**	**(342,370)**

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

During the first half of 2021, and as of 1st July 2021, the Group has renewed its structural financing, negotiating the limit of existing covenants, extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group has improved the conditions of its financing and, as of 31st December 2021, the Group complies with all the ratios required in its financing.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

In Notes 18 and 20 borrowings and other non-current liabilities are disclosed by maturity.

There are no significant restrictions to the use of cash/other cash equivalents (Note 11).

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.11.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 9.

According to the entry into force of IFRS 9 of Financial Instruments, the Group has proceeded to estimate the expected loss in its commercial accounts receivable (Note 3.11).

As detailed in Note 9, the Group does not estimate that the pandemic has had or will have an impact on the collectability of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

34.2 Hedge accounting

According to IFRS 9, the effectiveness of the hedge is determined at the beginning of the same and periodically through prospective reviews of its effectiveness to ensure that there is adequate hedge between the hedged risk and the hedging instrument.

The treatment and classification of the Group's hedging transactions are described below:

a) Fair value hedges of a recognised asset or liability or a firm commitment

Changes in the fair value of these derivatives are recognised in the income statement together with any change in the fair values of the assets or liabilities hedged which is attributable to the hedged risk.

b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to the income statement in the period in which the hedged item affects profit or loss (for instance, when the forecast sale that is hedged takes place). However, when a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in equity are removed from equity and included in the initial cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the requirements for hedge accounting, any cumulative gain or loss that remains recognised in equity remains in equity and is reclassified to profit or loss when the forecast transaction occurs.

Occasionally, despite the goal of achieving a perfect hedge of flows, mismatches may arise between the characteristics of the hedges and the debts hedged. Once a mismatch is detected, and provided that this does not entail disproportionate costs, the derivative is fine-tuned in order to adapt it to the new characteristics of the underlying.

This circumstance may arise in the case of a hedge arranged in anticipation of a highly probable underlying which, when confirmed, requires the readjustment of the derivative to adapt it to the underlying to which it is designated. This situation may arise whether or not the derivative is designated as a hedge at inception i.e., if the underlying has been defined as a highly probable transaction.

d) Net investment hedges

As of 31st December 2021, the Group maintained investments whose net assets were exposed to the risk of conversion into foreign currency and foreign resources denominated in dollars formalized through the company CIE Bérriz, S.L. The foreign resources denominated in dollars, which main purpose is to support the group's sustainable growth in North America. In 2021, the negative exchange difference generated by this financing, which amounted to €9,605 thousand, was recognized under the heading "Net Investment Coverage" of the Consolidated Global Income Statement; heading under "foreign currency conversion differences".

e) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

f) Effectiveness testing and estimate of the fair value of hedging derivatives

Effectiveness testing: The valuation method used by the Group relates to its risk management strategy. If the main terms of the hedging instrument and hedged underlying match, the changes in cash flows attributable to the hedged risk may be entirely offset.

The Group uses one of three available methods to measure the effectiveness of its hedges. The most common is the offset method (dollar offset), which is used to measure the effectiveness of cash flow hedges on both a retrospective (prior periods) and prospective basis.

Based on the underlying asset and the type of hedge, the Group also uses the variance reduction method and the linear regression methods. The only condition is that the method applied to each hedge to measure its effectiveness must be maintained throughout the life of the hedge.

Measurement of the hedging derivative: The Group uses several tools to measure and manage derivative-related risk. The measurement of derivative instruments is carried out internally; these measurements are cross-checked against valuations provided by independent advisors not related to any financial institution. Professional market tools provided by platforms licensed from Reuters and Bloomberg and specialised financial analytics libraries are used for this purpose.

34.3 Fair value estimation

IFRS 13, 'Fair value measurements' explains how to estimate fair value when other international accounting standards so require. This standard stipulates the fair value disclosure requirements applicable to non-financial assets and liabilities.

IFRS 13 defines fair value as the value that would be received or paid, in an orderly transaction on the measurement date, for an asset or liability, regardless of whether this value is directly observable or has been estimated using valuation techniques. To this end the data used must be consistent with the assumptions that market participants would use in considering such a transaction.

Although IFRS 13 leaves the principles set down in other standards intact, it does establish the overall framework for measuring assets and liabilities at fair value when doing so is mandatory under other standards and stipulates additional fair value disclosure requirements.

The Group complies with IFRS 13 requirements in measuring its assets and liabilities at fair value when such fair value measurement is required under other IFRS.

On the basis of the contents of IFRS 13 and in accordance with IFRS 7 on financial instruments measured at fair value, the Group reports on how it estimates fair value by level using the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1).
- Inputs other than Level 1 quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2021 and 31st December 2020:

2021 - thousand euro	Note	Level 2	Level 3	TOTAL
Credits at fair value	8/26	-	20,465	20,465
Derivatives		4,563	-	4,563
Total assets at fair value		**4,563**	**20,465**	**25,028**
Derivatives	8	-	-	-
Debts for business acquisitions	-	-	(232)	(232)
Total liabilities at fair value		**-**	**(232)**	**(232)**
2020 - thousand euro	**Note**	**Level 2**	**Level 3**	**TOTAL**
Credits at fair value	8/26	-	22,947	**22,947**
Total assets at fair value		**-**	**22,947**	**22,947**
Derivatives	8	(17,630)	-	**(17,630)**
Debts for business acquisitions	-	-	(6,693)	**(6,693)**
Total liabilities at fair value		**(17,630)**	**(6,693)**	**(24,323)**

There were no transfers between levels during 2021 and 2020.

a) Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods such as estimated discounted cash flows and makes assumptions that are based on market conditions existing at each balance sheet date. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in Level 2.

Specific financial instrument valuation techniques include:

i) Fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

ii) Fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

iii) It is assumed that the carrying amount of trade receivables and payables is similar to their fair value.

iv) The fair value of financial liabilities for financial reporting purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The instruments included in Level 2 relate to financial instruments derivatives (Note 8).

b) Level 3 financial instruments

If one or more of the significant inputs are not based on data observable in the market, the financial instrument is included in Level 3.

As of 31st December 2021, there are loans granted to Group employees valued at fair value and amounting to €20,465 thousand (2020: €22,947 thousand) (Notes 8 and 26). Likewise, in the year an amount of €6,622 thousand has been paid from the contingent liability valued at fair value resulting from the acquisition of AEL, whose amount outstanding as of 31st December 2021 amounts to €232 thousand, 20 million rupees (€6,693 thousand as of 31st December 2020, 600 million rupees).

The Group has not agreements for the offset of financial assets and liabilities.

34.4 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends payable to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital used. Net debt is calculated as total borrowings plus financial liabilities less cash, cash equivalents and financial assets, all of which are shown in the Consolidated Annual Accounts. Total capital employed is calculated as 'equity', as shown in the Consolidated Annual Accounts, plus net debt.

The Group's strategy, as in previous years, has been to maintain a leverage rate close to 0.50. In fiscal year 2020, mainly due to the impact of the currency translation on the Group's equity, and the capital reduction made (Note 13), the leverage ratio amounted to 0.62, not modifying the defined strategy.

The gearing ratios at 31st December 2021 and 2020 are as follows:

Thousand euro	Note	2021	2020
Borrowings	18	2,179,853	2,248,031
Financial liabilities	8	-	17,630
Less: Cash and cash equivalents and financial assets	8/11	(784,923)	(670,737)
Net financial debt	**34.1.b)**	**1,394,930**	**1,594,924**
Equity		1,367,622	994,974
Total capital used		**2,762,552**	**2,589,898**
Gearing ratio		**0.50**	**0.62**

At 31st December 2021 and 2020, the Group has agreements formalised related with credit and bank loans that oblige it to comply with certain covenants (Note 18).

During the first half of 2021, and with an application date of 1st July 2021, the Group has once again novated its structural financing, negotiating the limits of existing "covenants", extending the final maturity of some financing, and modifying some of the financing agents. In this way, the Group has improved the conditions of its financing and, as of 31st December 2021, the Group complies with all the ratios required in its financing.

34.5 Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group has updated its Environment Policy in 2021, where it is recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

The risks arising from the transition to low-carbon economies

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following, and have as main axes the actions on the goods produced and actions on their productive process.

- Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector.

Together with the risks derived from the climate and that directly impact the sale of goods, is the electrification of the automobile, and which is one of the Lines of Work of the Group for the fulfilment of its specific objectives. So far, more than 80% of the products have been able to be used in both electrified and combustion vehicles, but the rise of the electric car means that the Group aims to increase its presence in the electrified powertrain to position itself in the market with new components of high added value, mainly related to the engine and power electronics, the gearboxes and batteries. This objective is naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

a) *Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 33).

   The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe and India.

In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.

c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, we have our own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.

   As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

d) *Waste management*: the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

All of these action plans and expected results have been included for each plant in the projections used for the asset impairment analysis described in Note 7.

<u>The direct physical risk posed by climate change in the production process and operations of a business</u>

As of 31st December 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each risk:

a) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.

b) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.

   Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

c) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

In this sense, for the assumptions used in the analysis of impairment of assets described in Note 7, the Group has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group's cash generating units.

Likewise, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

35. Events after the balance sheet date

As of the date of preparation of these Consolidated Annual Accounts, there have been no significant events subsequent to the end of the year 2021 that could alter or have any effect on the Consolidated Annual Accounts for the period ended on 31st December 2021.

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
CIE Berriz, S.L. (*)	CIE Automotive, S.A.	Holding company	Biscay	100.00%	-
Belgium Forge, N.V. (dormant)	CIE Berriz, S.L.	Manufacture of auto parts	Belgium	-	100.00%
CIE Udalbide, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
CIE Mecauto, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Mecanizaciones del Sur-Mecasur, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Gameko Fabricación de Componentes, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Grupo Componentes Vilanova, S.L.	CIE Berriz, S.L.	Manufacture of auto parts	Barcelona	-	100.00%
Alurecy, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Componentes de Automoción Recytec, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Componentes de Dirección Recylan, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Navarre	-	100.00%
Nova Recyd, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Recyde, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Recyde CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Zdánice, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
Alcasting Legutiano, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Egaña 2, S.L.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Inyectametal, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
Orbelan Plásticos, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Transformaciones Metalúrgicas Norma, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Gipuzkoa	-	100.00%
Plasfil Plásticos da Figueira, S.A. (*)	CIE Berriz, S.L.	Manufacture of auto parts	Portugal	-	100.00%
CIE Stratis-Tratamentos, Ltda.	Plasfil Plásticos da Figueira, S.A.	Manufacture of auto parts	Portugal	-	100.00%
CIE Metal CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Plasty CZ, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Unitools Press, a.s.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Joamar, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Automotive Maroc, s.a.r.l. d'au	CIE Berriz, S.L.	Manufacture of auto parts	Morocco	-	100.00%
CIE Praga Louny, a.s.	CIE Berriz, S.L.	Manufacture of auto parts	Czechia	-	100.00%
CIE Deutschland, GmbH	CIE Berriz, S.L.	Facilities	Germany	-	100.00%
Leaz Valorización, S.L.U. (without activity)	CIE Berriz, S.L.	Waste management and recovery	Biscay	-	100.00%
CIE Compiègne, S.A.S.	CIE Berriz, S.L.	Manufacture of auto parts	France	-	100.00%
Biosur Transformación, S.L.U. (2)	CIE Berriz, S.L.	Biofuels	Huelva	-	100.00%
Comlube s.r.l. (*) (dormant) (2)	CIE Berriz, S.L.	Biofuels	Italy	-	80.00%
Glycoleo s.r.l. (without activity) (2)	Comlube s.r.l.	Biofuels	Italy	-	40.80%
Biocombustibles de Guatemala, S.A. (2)	CIE Berriz, S.L.	Biofuels	Guatemala	-	51.00%
Gestión de Aceites Vegetales, S.L. (*)(2)	CIE Berriz, S.L.	Biofuels	Madrid	-	88.73%
Reciclado de Residuos Grasos, S.L.U. (2)	Gestión de Aceites Vegetales, S.L.	Biofuels	Madrid	-	88.73%
Recogida de Aceites y Grasas Maresme, S.L.U. (2)	CIE Berriz, S.L.	Biofuels	Barcelona	-	100.00%
Denat 2007, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Pontevedra	-	100.00%
Industrias Amaya Tellería, S.A.U.	CIE Berriz, S.L.	Manufacture of auto parts	Biscay	-	100.00%
MAR SK, s.r.o.	CIE Berriz, S.L.	Manufacture of auto parts	Slovakia	-	100.00%
Autocom Componentes Automotivos do Brasil Ltda.	CIE Berriz, S.L.	Manufacture of auto parts	Brazil	-	100.00%
GAT México, S.A. de C.V.	CIE Berriz, S.L.	Manufacture of auto parts	Mexico	-	100.00%
SC CIE Matricon, S.A.	CIE Berriz, S.L.	Manufacture of auto parts	Romania	-	100.00%

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive	
				Direct	Indirect
CIE Automotive Parts (Shanghai) Co., Ltd.	CIE Berriz, S.L.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Automotive Rus, LLC	CIE Berriz, S.L.	Manufacture of auto parts	Russia	-	100.00%
CIE Automotive Goiain, S.L.U.	CIE Berriz, S.L.	Manufacture of auto parts	Álava/Araba	-	100.00%
Somaschini, S.P.A.(5)(*)	CIE Berriz, S.L.	Manufacture of auto parts	Italy	-	100.00%
Somaschini Automotive, SRL(*)	Somaschini, SPA	Manufacture of auto parts	Italy	-	100.00%
Somaschini International, Inc(*)	Somaschini Automotive, SRL	Holding company	USA	-	100.00%
Somaschini North America, LLC	Somaschini International, Inc	Manufacture of auto parts	USA	-	100.00%
Somaschini Realty, LLC	Somaschini International, Inc	Real state	USA	-	100.00%
Autometal, Ltda. (7)(*)	CIE Berriz, S.L.	Manufacture of auto parts	Brazil	-	100.00%
Durametal, S.A.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	84.88%
Autometal SBC Injeção e Pintura de Plásticos Ltda. (3)	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Autometal Investimentos e Imóveis, Ltda. (*)	Autometal, Ltda.	Facilities	Brazil	-	100.00%
Gescrap-Autometal Comércio de Sucatas Ltda	Autometal Investimentos e Imóveis, Ltda.	Scrap	Brazil	-	30.00%
Jardim Sistemas Automotivos e Industriais, S.A.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Metalúrgica Nakayone, Ltda.	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
Autometal Minas Cromação, Pintura e Injeção de Plásticos Ltda	Autometal, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
CIE Automotive de México SAPI de C.V. (*)(6)	CIE Berriz, S.L.	Holding company	Mexico	-	100.00%
Pintura y Ensambles de México, S.A. de C.V. (10)	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Celaya, S.A.P.I. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Gescrap Autometal de Mexico, S.A. de C.V.(*)	CIE Automotive de México SAPI de C.V.	Scrap	Mexico	-	30.00%
Gescrap Autometal Mexico Servicios, S.A. de C.V.	Gescrap Autometal de Mexico, S.A. de C.V.	Facilities	Mexico	-	30.00%
Pintura, Estampado y Montaje, S.A.P.I. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Maquinados Automotrices y Talleres Industriales de Celaya, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Berriz México Servicios Administrativos, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Facilities	Mexico	-	100.00%
Nugar, S.A. de C.V. (9)	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
Maquinados de Precisión de México S. de R.L. de C.V. (4)	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Plásticos México, S.A. de C.V.	CIE Automotive de México SAPI de C.V.	Manufacture of auto parts	Mexico	-	100.00%
CIE Automotive USA, Inc (*)	CIE Automotive de México SAPI de C.V.	Facilities	USA	-	100.00%
CIE Investments USA, Inc	CIE Automotive USA, Inc	Holding Company	USA	-	100.00%
Century Plastics, LLC (*)	CIE Automotive USA, Inc	Manufacture of auto parts	USA	-	100.00%
Century Plastics Real State Holdings, LLC	Century Plastics, LLC	Real state	USA	-	100.00%
Newcor, Inc (*)	CIE Automotive USA, Inc	Holding company	USA	-	100.00%
Owosso Realty, LLC	Newcor, Inc	Real state	USA	-	100.00%
Corunna Realty, Corp.	Newcor, Inc	Real state	USA	-	100.00%
Clifford Realty, Corp.	Newcor, Inc	Real state	USA	-	100.00%
Machine, Tools and Gear, Inc	Newcor, Inc	Manufacture of auto parts	USA	-	100.00%
Rochester Gear, Inc	Newcor, Inc	Manufacture of auto parts	USA	-	100.00%

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Golde South Africa, LLC	CIE Automotive USA, Inc	Distributor company	USA	-	100.00%
Golde Auburn Hills, LLC	CIE Automotive USA, Inc	Manufacture of auto parts	USA	-	100.00%
Participaciones Internacionales Autometal Dos, S.L.U.(*) (8)	CIE Berriz, S.L.	Holding company	Biscay	-	100.00%
Mahindra CIE Automotive Ltd. (*)	Participaciones Internacionales Autometal Dos S.L.U.	Manufacture of auto parts	India	-	60.75%
Stokes Group Ltd. (2)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	United Kingdom	-	60.75%
CIE Galfor, S.A.U. (*)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Orense	-	60.75%
Mahindra Forgings Europe AG (*)	CIE Galfor, S.A.U.	Holding company	Germany	-	60.75%
Gesenkschmiede Schneider GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Jeco Jellinghaus GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Falkenroth Umformtechnik GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
Schoneweiss & Co. GmbH	Mahindra Forgings Europe AG	Manufacture of auto parts	Germany	-	60.75%
CIE Legazpi, S.A.U.	CIE Galfor, S.A.U.	Manufacture of auto parts	Gipuzkoa	-	60.75%
UAB CIE LT Forge	CIE Galfor, S.A.U.	Manufacture of auto parts	Lithuania	-	60.75%
Galfor Eólica, S.L.	CIE Galfor, S.A.U.	Power generation and trade	Orense	-	15.19%
Metalcastello S.p.A.	CIE Galfor, S.A.U.	Manufacture of auto parts	Italy	-	60.73%
BillForge de Mexico S de RL de CV	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	Mexico	-	60.75%
BF Precision Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
Aurangabad Electricals, Ltd. (*)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
CIE Hosur, Ltd. (1)	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	60.75%
Gescrap India Pvt. Ltd.	Mahindra CIE Automotive Ltd.	Manufacture of auto parts	India	-	18.23%
Clear Max Deneb Power, LLP (1)	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	15.80%
Sunbarn Renewables PvT., Ltd. (1)	Mahindra CIE Automotive Ltd.	Power generation and trade	India	-	16.81%
Advanced Comfort Systems Ibérica, S.L.U.	CIE Automotive, S.A.	Manufacture of auto parts	Orense	100.00%	-
Advanced Comfort Systems France, S.A.S. (*)	CIE Automotive, S.A.	Manufacture of auto parts	France	100.00%	-
Advanced Comfort Systems Romania, S.R.L.	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	Romania	-	100.00%
Advanced Comfort Systems México, S.A. de C.V.	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	Mexico	-	100.00%
Advanced Comfort Systems Shanghai Co. Ltd. (*)	Advanced Comfort Systems France, S.A.S.	Manufacture of auto parts	People's Republic of China	-	100.00%
Advanced Comfort Systems Wuhan Co. Ltd.	Advanced Comfort Systems Shanghai Co. Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
Autokomp Ingeniería, S.A.U. (*)	CIE Automotive, S.A.	Facilities	Biscay	100.00%	-
Forjas de Celaya, S.A. de C.V.	Autokomp Ingeniería, S.A.U.	Manufacture of auto parts	México	-	100.00%
Nanjing Automotive Forging Co., Ltd.	Autokomp Ingeniería, S.A.U.	Manufacture of auto parts	People's Republic of China	-	50.00%
Componentes Automotivos Taubaté, Ltda. (*)	Autokomp Ingeniería, S.A.U.	Holding company	Brazil	-	100.00%
Autoforjas, Ltda.	Componentes Automotivos Taubaté, Ltda.	Manufacture of auto parts	Brazil	-	100.00%
CIE Automotive Boroa, S.L.U.	CIE Automotive, S.A.	Financing	Biscay	100.00%	-
CIE Automotive Roof Systems Korea, Ltd. (1)	CIE Automotive, S.A.	Manufacture of auto parts	Korea	100.00%	-
CIE Roof Systems, S.L.U. (*)	CIE Automotive, S.A.	Holding company	Biscay	100.00%	-

Company	Parent company	Activity	Location	% effective Shareholding of CIE Automotive Direct	Indirect
Golde Holding, BV (*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Tianjin Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Wuhan Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Shandong Co., Ltd.	Golde Holding, BV	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde USA, LLC (*)	CIE Roof Systems, S.L.U.	Holding company	USA	-	100.00%
Inteva Products (Barbados), Ltd. (*)	Golde USA, LLC	Holding company	Barbados	-	100.00%
Golde Shanghai Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
Golde Changchun Co., Ltd.	Inteva Products (Barbados), Ltd.	Manufacture of auto parts	People's Republic of China	-	100.00%
CIE Golde Shanghai Innovation Co., Ltd.	Inteva Products (Barbados), Ltd.	Technology center	People's Republic of China	-	100.00%
Golde Netherlands, BV (*)	CIE Roof Systems, S.L.U.	Holding company	The Netherlands	-	100.00%
Golde Bengaluru India PvT Ltd.	Golde Netherlands, BV	Technology center	India	-	100.00%
Roof Systems Germany, Gmbh	Golde Netherlands, BV	Technology center	Germany	-	100.00%
Golde Oradea, SRL	Golde Netherlands, BV	Manufacture of auto parts	Romania	-	100.00%
Golde Lozorno, Spol, s.r.o.	Golde Netherlands, BV	Manufacture of auto parts	Slovakia	-	100.00%
Golde Mexico Holdings, LLC (*)	Golde Netherlands, BV	Holding company	USA	-	100.00%
Automotive Mexico Body Systems, S. de R.L. de C.V.	Golde Mexico Holdings, LLC	Manufacture of auto parts	Mexico	-	100.00%
SIR S.A.S. (*)	Golde Netherlands, BV	Holding company	France	-	100.00%
Shanghai Golde Automotive Parts Co., Ltd. (*)	SIR S.A.S.	Manufacture of auto parts	People's Republic of China	-	50.00%
Golde Automotive Parts (Ningde) Co., Ltd.	Shanghai Golde Automotive Parts Co., Ltd.	Manufacture of auto parts	People's Republic of China	-	50.00%
Golde Pune Automotive India Private, Ltd. (1)	CIE Roof Systems, S.L.U.	Manufacture of auto parts	India	-	100.00%

(1) Companies added to consolidation scope in 2021 together with their subsidiaries.
(2) Discontinued companies at 31st December 2021
(3) Merged in 2020 with Autocromo Cromaçao de Plásticos, Ltda.
(4) Merged in 2020 with Cortes de Precisión de México S. de RL. de C.V.
(5) Merged in 2020 with Immobiliare Somaschini S.p.A and CIE Immobiliare Italia SRL.
(6) Previously CIE Autometal de México, S.A. de C.V.
(7) Previously Autometal, S.A.
(8) Merged in 2021 with PIA Forging Products, S.L.U.
(9) Merged in 2021 with Percaser de México, S.A. de C.V.
(10) Merged in 2021 with Servicat S. Cont., Adm. y Técnicos, S.A. de C.V.
(*) Parent company of all investees listed subsequently in the table.

1. CIE AUTOMOTIVE GROUP

1.1 Profile of the Group

CIE Automotive (from now on, “CIE” or “The Group”, interchangeably) is an industrial group specialist in high value-added processes, which develops its activity in the Automotive components business.

The business of Automotive components, which encompasses the design, production and distribution of integral services, components and sub-assemblies for the global automotive market, is CIE Automotive’s main activity since its foundation.

CIE Automotive is an international industrial group that manages high added value processes. This concept of high value is applied in management, with a comprehensive vision in all phases of the value chain of sectors with good long-term projection.

1.2 Mission, Vision, and Values

Mission

CIE Automotive is a supplier of components, assemblies and sub-assemblies to the global Automotive market, global supplier with presence in 4 continents and multitechnological for its action based on the use of 7 technologies, complementary and various associated processes as well as with an integrated vision of the entire value chain..

We are a team committed to an automotive project that grows steadily and profitably with the aim of positioning ourselves as a benchmark partner by meeting our customers’ needs through innovative, competitive, end-to-end, high value-added solutions.

We seek excellence adding value to our stakeholders through the following commitments:

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

Vision

We aspire to being a benchmark industrial group specialised in managing highly value-added processes supplying the best solutions for the mobility of the future. Moreover, we strive to be the paradigm of a socially-responsible company through our permanent commitment and our responsibility with the consequences and impacts derived from our actions to:

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

We aim to be a reference:

- In the value chain for our Environmental, Social and Governance commitment (ESG).
- In eco-innovation and eco-design.
- In quality and service.

Values

Honesty, fairness and integrity are the basis of all our values

At CIE Automotive we attach importance to people, their families and their environment.

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

At CIE Automotive we give importance to and act in favor of climate change:

- Taking a preventative approach.
- Promoting the circular economy to minimise any adverse impact.
- Promoting the efficient use of natural resources.

At CIE Automotive we attach importance to transparency in management:

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

At CIE Automotive we attach importance to our stakeholders:

- Promoting honest relations through active listening.
- Respecting their rights.

At CIE Automotive we attach importance to compliance by respecting national and international regulations.

Corporate policies

To develop its mission and advance in its vision, CIE Automotive guides its actions in accordance with its corporate values, based on which it has created a series of Corporate Policies that are mandatory for all members of the organization, approved for the first time by the Board of Directors in December 2015 and which have been revised updated and re-approved mostly between 2019 and February 2021.

The ethical framework is developed in these series of corporate policies developed by each of the responsible departments being mandatory for all members of the company that are structured as:

<u>Environmental, Social and Governance Policies (ESG)</u>

- Environmental, Social and Good Governance (ESG)
- Purchasing
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Community work

<u>Governance policies</u>

- Internal control over financial reporting (ICFR)
- Risk control and management
- Corporate governance
- Director remuneration
- Tax policy
- Reporting to and communicating with shareholders and the market

- Shareholder remuneration policy
- Director selection and board diversity policy
- Recruitment and account auditor's relations policy

1.3 Business Units – Automotive components

CIE is a supplier of completeness services, components and sub-assemblies for the Automotive market.

The Group develops all its line of products across seven basic processes or technologies: machining, tube stamping and shaping, forging, plastic, aluminium injection, steel foundry and roof systems. With them, components and sub-assemblies are made for all the parts of a vehicle, such as: engine and transmission, chassis and steering sets, and exterior and interior of the vehicle.

Since 25 years, after its creation in 1996, CIE Automotive's progress as a supplier of components and sub-assemblies for the Automotive industry has been driven by cycles of economic prosperity and hampered by other crises, that the Group has overcome and passed thanks to the features that define its business model: geographical balance, commercial diversification, multitechnology, investments control and de-centralised management and integration of ESG standards.

2. EVOLUTION OF THE BUSINESS

2.1 Financial indicators

CONSOLIDATED GROUP:

(Thousand euro)	2021	2020
Consolidated revenue	3,269,111	2,882,494
Gross operating profit/(loss)-EBITDA	574,658	431,234
Net operating profit/(loss)-EBIT	403,492	283,420
Profit/(loss) before taxes from continuing activities - EBT	380,291	252,766
Profit/(loss) for the year from continuing activities	292,049	194,980
Profit/(loss) on discontinued operations	1,426	266
Profit/(loss) attributable to non-controlling interests	(25,931)	(10,021)
Profit/(loss) attributable to Parent company	267,544	185,225

Business performance:

The year 2021 has been the year of recovery after the Covid-19 pandemic. The 2021 financial year closed with a net profit of €267.5 million, an increase of 44% compared to 2020, which means recovering the profitability levels prior to the start of the pandemic.

This is an extraordinary result considering the context of the automotive market, which still shows weakness due to low volumes and market dysfunctions associated with the semiconductor crisis and tensions in global supply chains.

The improvement in results is based more on the success of management than on the increase in turnover. CIE Automotive sales in 2021 reached €3,289 million, growing 13% compared to 2020, attenuated by the negative effect of the exchange rate and in an automotive market with 11.8 million fewer vehicles built than in 2019.

Thus, supported by a solid business model, in 2021 CIE has increased compared to 2020, its gross operating profit by 33%, its net operating profit by 42% and the profit attributable to its shareholders by 44%, breaking its record of operating margin and optimizing the margins of the businesses acquired in 2019 where there is still room for improvement. EBITDA stands at €574.7 million EBIT (net operating profit) reaches €403.5 million, 42% and the net income has reached €267.5 million.

2.2 Summary of the year

This year 2021, all geographical areas have contributed to the Group's good results, despite the fact that the impact of the pandemic, the semiconductor crisis and the tensions in the supply chain have been different in the different regions.

By geographical areas, the summary of the year 2021 is the following:

Europe:

It is the main market for CIE Automotive with a presence in Spain, France, Germany, Italy, Portugal and the United Kingdom in Western Europe and the Czechia, Lithuania, Romania, Slovakia and Russia in Central and Eastern Europe. It also has a plant in Morocco. In this market, it brings together the production plants of the MCIE group, with strong links to industrial vehicles, and the historical plants of CIE, linked to passenger vehicles.

CIE Automotive's sales in Europe stand at €1,277 million, a figure that represents an increase of 7%, in a context of weakness in the automotive sector, with a decrease in production of 4.4%. Despite the difficulties caused by the various waves of the pandemic, the semiconductor crisis, the rise in energy and raw material prices, and difficulties in transportation, margins remain high both at CIE Automotive's traditional plants, linked to the light vehicle, as in the MCIE Europe plants, linked mainly to the truck. The traditional market plants achieve an EBITDA of 16.1% and an EBIT of 8.9%, while those of Mahindra CIE present an EBITDA margin of 12.7% and an EBIT margin of 8.4%.

North America:

CIE Automotive has production centers in both Mexico and the US, which serve the North American light vehicle market and, to a lesser extent, Brazil, Europe and Asia.

In 2021, the North American plants have reached a turnover of €873 million, 22% more than in 2020 at constant exchange rates. The good evolution of the US automotive sector has had a positive impact on the plants in Mexico and the US. Margins have remained very high, similar to those prior to the pandemic with an EBITDA of 22.3% and an EBIT of 17.6%.

Brazil:

CIE Automotive's Brazilian plants focus on the manufacture of plastic components, stamping, forging, iron casting, aluminum injection and machining, being especially competitive in plastic technology, body-color paint and chrome.

In the same context of the evolution of the pandemic and additional temporary effects that have slowed down the recovery of sales in the sector, CIE Automotive recorded sales of 216 million euros in Brazil, 26% more than in 2020 at a constant exchange rate, compared to 9% of the market, with an EBITDA margin of 21.0% and EBIT of 13.6%.

Asia:

The Group has several plants in Asia, a joint-venture and a technology center. Its presence in India stems from the alliance with the Indian group Mahindra & Mahindra Ltd., while its presence in China was reinforced with the incorporation of Golde's roof business companies. India is one of the engines of development in the region and China is the world's leading car producer.

In India, CIE Automotive achieved a turnover of €463 million (46% more) and maintained its operating margins in a scenario marked by closures due to the pandemic, EBITDA of 14.0% and EBIT of 9.5%.

In China, CIE Automotive sales fell 1%, in a market with more moderate growth than the rest, motivated by the better performance in 2020, maintaining high EBITDA margins of 18.0% and EBIT of 14.7%.

2.3 Predictable evolution of the Group

Market environment

The global economy in 2021 has continued to be marked by the COVID-19 pandemic, with growth of 5.6%, conditioned by successive outbreaks of contagion and factory closures, tensions in supply chains, the semiconductor crisis and the higher transport costs, the rise in the price of energy, raw materials and labor costs, which have negatively affected economic activity and have had a strong impact on the automotive market.

Thus, the annual production of vehicles in 2021 has stood at 77.1 million units, a figure much lower than expected, assuming a timid growth of 3.4% compared to 2020, the year of global closures due to the pandemic.

In parallel, demand has remained stagnant and vehicle sales in the year have been 79.9 million vehicles, 3.5% more than the previous year.

All regions where CIE operates have been directly affected by the 2021 crisis as it has been global; however, the impacts per territory have not been the same.

Thus, in Europe, production (15.5 million units, 4.4% less than in 2020) has been greatly affected by the semiconductor crisis and by the rest of the tensions in the supply chain, producing a slight recovery in the demand for automobiles, driven by exports, although contained by the legislation on the reduction of CO2 emissions, more demanding than in 2020. Additionally, greater demand is also expected in the truck segment due to replacement with the entry of new orders by logistics operators and new environmental regulations.

In North America, production has remained at the same levels as in 2020, with the effects of the boom in demand motivated by government incentives converging with the weakness of supply associated with the semiconductor crisis.

In the case of Brazil, the recovery in production has been more relevant (8.8% more than in 2020 to 2.1 million units) starting from the great collapse produced in 2020 and still being very limited by the tensions in the supply chain and the shortage of semiconductors.

On the other side of the globe, in India, production grew by 27.7%, especially in the second half of the year with the advancement of vaccination and the good monsoon. In this market, the forecasts are optimistic with some uncertainties even regarding fuel prices, the transport situation or energy supply problems, among others.

In China, the effective management of the pandemic has allowed a rebound in demand, 5.3% above 2020, intensified by the extension of government aid for the purchase of automobiles until 2022. Despite this, also in this market the Producers have had to deal with global problems, especially shortages of semiconductors or power cuts.

For the coming years, and supported by the 2025 Strategic Plan, CIE is launching a project to advance sustainable profitability. The objectives and financial commitments of this strategic plan are described below and take into account the evolution of the main trends in the automotive market.

Trends in the Automotive industry

In a context of transformation of the sector, which affects both demand and supply, in a dynamic scenario, the players in the Automotive sector are facing the main trends that will define the evolution of the motor industry in the coming years.

1- *Climate change*

Is the main threat to the planet and has led to the development of regulations that are accelerating and becoming increasingly ambitious and global, translating into the automotive sector in electrification as alternative energy and the reduction of the corporate environmental footprint.

2- *Demographic developments*

The distribution of the world population with greater weight in Asia (60%) and greater growth in Africa defines where the Automotive market should be driven in the coming years. In addition, other demographic factors converge that will promote changes in the automotive sector and its demand, such as the increase in life expectancy and the aging of the population or its growing urbanization, with various mobility options coexisting in large cities, with car sharing as an alternative. Although the number of vehicles could decrease, there would be a shorter useful life, with higher vehicle turnover. Therefore, it is expected that the total number of vehicles produced will maintain a trend similar to the current one.

3- *Technology developments*

We are moving towards a third industrial revolution where the best and most efficient vehicle architectures will prevail, where the use of the correct material will be decisive. The application of various technologies in the automotive sector will be decisive in this new generation.

4- *Geopolitical developments*

Strong growth is expected in the coming years in emerging markets without protectionist strategies having a significant impact on the automotive sector.

5- *Sector changes:*

In addition to the challenge of advancing towards the electrification of the automobile for the decarbonization of the mobility system and curb climate change, the user experience with a commitment to comfort continues to be critical in the mega trends of the sector, mainly represented by the incorporation of roof systems, the safety and protection of passengers and the autonomy and connectivity of automobiles.

6- *Changes in the supply chain:*

The car manufactures are concentrating on their core competencies and expanding production outsourcing to their suppliers. In addition, it is expected that in the coming years the digital company will be increasingly implanted in the automotive industry.

7- *Changes in the ESG context:*

Transverse trend to all sectors of the economy with application of the Sustainable Development Goals (SDG) which, in the case of the automobile industry, focus on the decarbonization of transport, the protection of the environment and the progress of society.

2.4 Business Strategy and Covid-19 Action Plan

In 2021, CIE begins the deployment of its 2025 Strategic Plan, a new comprehensive strategy to respond to market trends and concerns of stakeholders and which sets the objectives to follow and the integration of ESG aspects in the day to day of the business.

With this new Strategic Plan, CIE seeks to guarantee sustainable profitability in a complex context given the economic situation caused by the pandemic and successfully facing the transformation of the sector.

The main lines of this plan are:

- Strategic operational plan. The commitments of the new strategic plan seek to turn CIE into a group with 1,000 million euros in EBITDA and 500 million euros in net income, with an investment of 1,500 million euros in inorganic growth without exceeding twice its net financial debt/EBITDA ratio.

  The operational strategy will revolve around the following lines of work:

  - Electrification
  - Industry 4.0
  - Conmfort
  - Internationalization

- The ESG 2025 Strategic Plan, published in November 2021, represents the successful integration of Environmental, Social and Good Governance aspects into CIE's strategy. Four lines of work are defined across the organization:

  - Culture CIE
  - Ethical commitment

- Eco-efficiency
- Active listening

3. NON-FINANCIAL INFORMATION STATEMENT – ANNUAL REPORT

In accordance with Law 11/2018, 28 December, in terms of non-financial information and diversity, CIE Automotive's Group has prepared "NON-FINANCIAL INFORMATION STATEMENT" for 2021 in the file denominated Annual Report, which is part of the Director's report, as prescribed in at.44 Code of Commerce, and is attached as a separate document.

4. ANNUAL REPORT ON CORPORATE GOVERNANCE AND REPORT ON REMUNERATION TO DIRECTORS

In order to guarantee transparency, both the legal framework defined by the Group as well as the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration are available on the corporate website www.cieautomotive.com, in line with the technical specifications and legal regulations established by the National Securities Market Commission in its Circular 3/2015, of June 23.

Additionally, considered as part of this Management Report, both the Annual Corporate Governance Report and the Annual Directors' Remuneration Report are incorporated by reference and may be consulted on the website of the National Securities Market Commission after being published by the Group:

https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=1&nif=A-20014452
https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-20014452

5. RISK MANAGEMENT

CIE Automotive has a Risk management System, which allows them to identify, evaluate and give response to eventual contingencies in the development of its activity, which, in case of materializing, might hinder the attainment of the corporate objectives.

This policy, whose supervision relapses into the Commission of Audit and Fulfillment, identifies the different types of risks that the company faces -between them, the financials or economics, the contingent liabilities and other risks out of the balance sheet-, fixes the level of risks that are considered acceptable and establishes the opportune measures to mitigate its impact in case it was materialized. To put it into practice, the company possesses informational systems and internal control.

The procedure of global management of CIE Automotive's risks is based on the methodology ISO 31000, a process of constant cycle in nine phases: communication, setting the context, risks identification, risk analysis, risk evaluation, risk treatment, risk supervision, updating and acting against non-compliance.

Annually, a Corporate Map of Risks is drawn, which contemplates and values not only the risks inherent to the countries, markets and businesses where it operates, also internal operation of the company.

Risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and raw material price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

In the broadest sense, the goal of the management of financial risk is to control the incidents generated by fluctuations in exchange and interest rates and the price of raw materials. Management of these risk factors, which is the responsibility of the Group's Finance Management, focuses on the arrangement of financial instruments in order to build, as far as possible, exposure to favourable trends in exchange and interest rates, subject to compatibility with the mitigation, in part or in whole, of the adverse effects of an unfavourable environment.

a) Market risk

(i) Foreign Exchange risk

The Group CIE Automotive presence in international markets obliges it to arrange an exchange rate risk management policy. The overriding objective is to reduce the adverse impact on its activities in general and on the income statement in particular of the variation in exchange rates so that it is possible to hedge against adverse movements and, if appropriate, leverage favourable trends.

In order to arrange such a policy, the Group CIE Automotive uses the Management Scope concept. This concept encompasses all collection / payment flows in a currency other than the euro expected to materialize over a specific time period. The Management Scope includes assets and liabilities denominated in foreign currency and firm or highly probable commitments for purchases or sales in a currency other than the euro. Assets and liabilities denominated in foreign currency are subject to management, irrespective of timing, while firm commitments for purchases or sales that form part of the Management Scope would also apply to management if they are expected to be recognised on the balance sheet within a period of no more than 18 months.

Having defined the Management Scope, the Group uses a series of financial instruments for risk management purposes that in some instances permit a certain degree of flexibility. These instruments are essentially the following:

- Currency forwards: These contracts lock in an exchange rate for a specific date; the timing can be adjusted to match expected cash flows.
- Other instruments: Other hedging derivatives may also be used, the arrangement of which requires specific approval by the relevant management body. This body must be informed beforehand as to whether or not it complies with requirements for consideration as a hedging instrument, therefore qualifying for hedge accounting.

The Group protects against loss of value as a result of movements in the exchange rates other than the euro in which its investments in foreign operations are denominated by similarly denominating, to the extent possible, its borrowings in the currency of the countries of these operations if the market is sufficiently deep or in a strong currency such as the dollar, insofar as dollar correlation to the local currency is significantly higher than that of the euro. Correlation, estimated cost and depth of the debt and derivative markets determine policy in each country.

The Group has several investments in foreign operations whose net assets are denominated in US dollars, exposing it to foreign exchange translation risk. The exchange risk on the net assets of the Group's foreign operations is mainly managed through natural hedges achieved by borrowings (loans) denominated in the corresponding foreign currency.

The exposure on the rest of the assets denominated in other foreign currencies in respect of operations in countries outside the Eurozone is mitigated basically by borrowings denominated in these currencies.

If at 31st December 2021, the euro had been devalued/revalued by 10% with respect to all other functional currencies other than euro, all other variables remaining constant, equity would have increased/decreased by €268/€220 million (2020: increased/decreased by €228/€189 million), due to the impact of the net assets contributed by the subsidiaries operating in a functional currency different from the euro.

If the average exchange rate of the euro had devalued/revalued by 10% in 2021 with respect to all functional currencies other than the euro, all other variables remaining constant, profit after tax for the year would have been €23.2/€19.0 million higher/ lower, respectively (2020: €15.4/€12.6 million higher/lower, mainly as a result of the exchange gains/losses on the translation of accounts receivable denominated in currencies other than the euro.

If as of 31st December 2021, the euro had been devalued/revalued by 10% with respect to the following currencies, keeping the rest of the currencies and variables constant, the net worth and the profit after tax attributable to the parent would have varied according to the following table:

	Equity (million euro)		**Profit after tax (million euro)**	
	Devalued euro 10%	**Revalued euro 10%**	**Devalued euro 10%**	**Revalued euro 10%**
Chinese yuan	91	(74)	5.5	(4.5)
US dollar	69	(56)	9.1	(7.4)
Indian rupee	59	(48)	1.4	(1.1)
Brazilian real	27	(22)	4.1	(3.3)

(ii) Price risk

The Group is exposed to equity securities price risk because of investments that are classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. However, the scant weight of these securities as a percentage of total Group assets and equity means that this risk factor is not material.

(iii) Interest rate risk

Group's borrowings are largely benchmarked to floating rates, exposing it to interest rate risk, with a direct impact on the income statement. The general objective of interest rate risk management strategy is to reduce the adverse impact of increases in interest rates and to leverage as far as possible the positive impact of potential interest rate cuts.

In order to attain this objective, the risk management strategy materialises in the arrangement of financial instruments designed to provide such flexibility. The strategy expressly contemplates the possibility of arranging hedges for identifiable and measurable portions of cash flows, which enables hedge efficiency testing as required to evidence that the hedging instrument reduces the risk of the hedged item in the portion designated and is not incompatible with the established strategy and objectives.

The Management Scope encompasses the borrowings recognised in the balance sheet of the Group and any of its companies. On occasion, hedges are arranged to cover loans committed and in the final stages of arrangement the principal on which needs to be hedged against rate increases.

In order to manage this risk factor, the Group uses financial derivatives that may qualify as hedging instruments and therefore hedge accounting. The corresponding accounting standard (IFRS 9) does not specify the type of derivatives that may be considered hedging instruments except for options issued or sold. It does, however, specify the prerequisites for consideration as hedging instruments. In line with the management of foreign exchange risk, the arrangement of any financial derivative which is suspected not to comply with the prerequisites for consideration as a hedging instrument requires the express approval of the relevant management body. By way of example, the basic hedging instruments are the following:

- Interest-rate swaps: Through these derivatives, the Group converts the benchmarked floating interest rate on a loan to a fixed benchmark with respect to all or part of the loan and affecting all or part of the term of the loan.
- Other instruments: As discussed in the section on foreign exchange risk management, other hedging derivatives may also be used, the arrangement of which requires the specific approval of the relevant management body. The management body must be informed beforehand as to whether the instrument meets the prerequisites for qualifying as a hedging instrument and, by extension, hedge accounting.

If during 2021 the average interest rate on borrowings denominated in euro had been 10 basis points higher/lower, all other variables remaining constant, profit after tax for the year would have been €1,465 thousand lower/higher (2020: €1,227 thousand), largely as a result of an increase/decrease in the interest expense on floating-rate loans.

As of 31st December 2021, the Group had not contracted interest rate hedging derivatives. As of 31st December 2020, in relation to the valuation of the contracted derivatives, a variation of 10 basis points higher/lower in all the sections of the interest rate curve considered in the valuation of both hedging and non-hedging derivatives coverage would affect equity, increasing/decreasing by 798/802 thousand euros.

(iv) Covid-19 pandemic

The measures adopted by governments to contain the pandemic, including limitations on free movement, flight restrictions and other type of commuting, temporary closure of businesses and education centres and cancellation of events have affected the economic activity, resulting in a significant impact in sectors such as tourism, transportation, retail and entertainment. Similarly, due to the industrial stoppage in the second quarter of the year, there was a significant impact on global supply chains and production of goods and the decline in economic activity reduced the levels of demand for many goods and services.

After the 2020 financial year, 2021 has continued to be marked by the Covid-19 pandemic, with successive outbreaks and tensions in the supply chain, which have negatively affected economic activity with a strong impact on the automotive market, which reached a global production of 77.1 million vehicles in 2021, compared to 74.6 million vehicles produced in 2020 and significantly below the 89 million vehicles in 2019.

In this context of market stagnation, the Group has demonstrated, once again, its operational strength and flexibility, which have allowed it to reach pre-covid levels, growing in sales, at constant currency, by 14.9% compared to 2020, and thus increasing its market share by 11.5 percentage points compared to 2020.

When preparing these Consolidated Annual Accounts, the Group does not expect that the crisis in the global supply chain and the rest of the effects derived from the Covid-19 pandemic may have a significant impact. With respect to the demand for vehicles during the period of economic crisis that has occurred, the Management updates monthly the market estimates in each of the geographical areas in which it operates and carries out, making use of the flexibility of its management model, the necessary measures to adapt to the expected demands.

Additionally, in 2020 the existence of independent external reports was already mentioned that supported the theory that collective transport or the use of shared cars may begin to lose strength, in favour of the recovery of the use of private vehicles, either out of fear or as a precautionary measure for drivers, turning this fact into a market opportunity. Although this trend has not yet been transferred to vehicle production in 2021, collective transport is still far from recovering pre-pandemic quotas; which shows, at least in the short term, that the private vehicle can regain strength compared to collective transport, and therefore, promote the demand for automobiles in some of the main markets where the Group operates.

b) Liquidity risk

The prudent management of liquidity risk entails maintaining enough cash and available financing through sufficient credit facilities. In this respect, the Group's strategy, articulated by its Treasury Department, is to maintain the necessary financing flexibility by maintaining sufficient headroom on its undrawn committed borrowing facilities. Additionally, and on the basis of its liquidity needs, the Group uses liquidity facilities (non-recourse factoring and the sale of receivables, transferring the related risks and rewards), which as a matter of policy do not exceed roughly one-third of trade receivable balances and other receivables, in order to preserve the level of liquidity and working capital structure required under its business plans.

Management monitors the Group's forecast liquidity requirements together with the trend in net debt.

Group´s treasury department estimates that actions in progress will allow avoiding lack of liquidity situations. In that sense, is considered that cash generation in 2022 will allow facing all year recurrent payments without increasing net financial debt.

Group´s treasury department monitors Group´s liquidity needs forecasts in order to ensure that there is enough cash to meet operative needs at the same time that maintains undrawn credit facilities at any time to ensure Group that doesn't fail limits and rates ("covenants") established by financial entities.

The Group is strategically diversifying the financial markets and financing sources, it taps as a tool for eliminating liquidity risk and retaining financing flexibility in light of the situation prevailing in the European financial markets; this strategy has opened up access to internationalize the banking pool.

Amounts payable to credit institutions in the short term include recurring loans originating from the recurring discounting of commercial paper issued by Group customers (2021: €4.6 million; 2019: €28 million). Although this component of the bank debt is presented as a current liability for accounting purposes, it is stable as evidenced by the usual operation of the business, and therefore provides financing that is equivalent to long-term debt.

Noteworthy is the existence at 31st December 2021 of €725 million of undrawn credit lines and loans (31st December 2020: €806 million) (Note 34).

Although the standalone figure for working capital is not a key parameter for the understanding of the financial statements, the Group actively manages working capital through net operating working capital and short-and long-term net borrowings, on the basis of the solidity, quality and stability of relations with customers and suppliers, and comprehensive monitoring of the situation with respect to financial institutions with whom in many cases automatically renews its credit lines.

One of the Group's strategies is to ensure the optimisation and maximum saturation of the resources assigned to the business. The Group therefore pays special attention to the net operating working capital invested in the business. In this regard, as in previous years, considerable work is being performed to control and reduce collection periods for trade and other receivables, as well as to optimise accounts payable with the support of banking arrangements to mobilise funds and minimise inventories through excellent logistic and industrial management, allowing JIT (just in time) supplies to our customers.

Likewise, the Group Management effectively controls the periods of payment of expenses and the period of performance of the current assets, conducting a comprehensive monitoring of cash projections, in order to ensure that it has sufficient cash to meet the operational needs while maintaining adequate availability of credit facilities not used at all times so that the Group does not breach the limits and indexes ("covenants") established by the funding. Therefore, it is estimated that the cash generation in 2021 will meet the needs enough to meet the commitments in the short term, avoiding any actions ongoing tense situation in the cash position.

In the context of the current macroeconomic and sectoral risks arising from the Covid-19 pandemic the Group has estimated that the existing liquidity reserve as of 31st December 2021 is more than sufficient to meet any future payment.

As a result of the above, it may be confirmed that there is no liquidity risk at the Group.

c) Credit risk

Credit risk is managed by customer groups. Credit risk arising from cash and cash equivalents, derivative financial instruments and bank deposits is considered immaterial in view of the creditworthiness of the banks the Group works with. If management detects liquidity risk in respect of its banks under certain specific circumstances, it recognises the corresponding impairment provisions if necessary (Note 8).

In addition, each management unit has specific policies for managing customer credit risk; these policies factor in the customers' financial position, past experience and other customer specific factors.

With respect to customer credit limits, it should be noted that Group policy is not to concentrate more than 10% of business volumes with individual customers or manufacturing platforms.

Given the characteristics of the Group's customers, management historically deemed that receivables due within 60 days presented no credit risk. The Group continues to consider the credit quality of these outstanding balances to be strong, although it is determined the expected loss in accordance with what is described in Note 3.11.

An analysis of the maturity of receivables that are overdue by 60 days which are not impaired is provided in Note 9.

Since the entry into force of IFRS 9 of Financial Instruments, the Group makes an estimate about the expected loss in its commercial accounts receivable (Note 3.11).

The Group does not estimate that the pandemic has had or will have an impact on the collectibility of its accounts receivable, derived from their high credit quality.

d) Raw material price risk

The Group has not a significant risk in raw price variations. In these companies were the risk could exist in market specific situations (plants which use raw materials with market price), the risk is controlled thanks to price financing repercussion agreements to customers.

e) Climate risk factors

Recent years have highlighted the risks underlying climate change, and the potential impact they may have on financial statements.

The Corporate Department of Environment is responsible for establishing the guidelines and coordinating the actions of the Environmental Plan for plants, gradually integrating environmental criteria in the management of all processes, in its attempt to reduce their impacts on the environment.

In this sense, the Group has updated its Environment Policy in 2021, where it is recognized as aligned with the Sustainable Development Goals. Thus, the Group develops products and processes under eco-design concepts, oriented to efficiency, providing necessary resources in continuous improvement through prevention and preservation, the minimization of risks, the reduction of the environmental footprint, the efficient use of natural resources, the minimization of waste, the circularity of materials and the collaboration of the people involved in the processes. Moreover, the Group is aligned with the United Nations 2030 Agenda by establishing environmental objectives to be met by each of the plants and regions where it operates, based on the *Global Reporting Initiative* standards.

Below are the action plans established to address each of the climate-related risks that have an impact on the Group's Consolidated Annual Accounts.

<u>The risks arising from the transition to low-carbon economies</u>

The authorities and governments of different countries have implemented policies to fight against climate change that have affected differently in the different countries where the Group operates. Some of these policies have consisted of promoting sustainable energy consumption in industrial production through fiscal and operational incentives, while in other cases, the use of energies that have a direct impact on the climate has been penalized or stopped.

Regarding the automotive industry, it has been possible to reduce polluting emissions from vehicles, although the latest regulations to fight climate change – the most restrictive in Europe and China – are forcing manufacturers and their suppliers to implement additional solutions to reduce their environmental footprint. In recent years, the Group has been adapting its production process as well as the goods produced to a changing environment, demonstrating its ability to be prepared for the challenges offered by climate change risk.

The Group aims to anticipate the aforementioned measures, having launched certain action plans that allow mitigating in advance the impact of new policies, regulations and trends that climate change has entailed. The lines of work established for this have been the following and have as main axes the actions on the goods produced and actions on their productive process.

- Goods

In the context of a changing environment and increasingly aware of the effects of global climate change, the Group has been adapting the sale of its assets to new challenges in the climate and environmental field, and they are directly related to the latest trends in the automotive sector.

Together with the risks derived from the climate and that directly impact the sale of goods, is the electrification of the automobile, and which is one of the Lines of Work of the Group for the fulfillment of its specific objectives. So far, more than 80% of the products have been able to be used in both electrified and combustion vehicles, but the rise of the electric car means that the Group aims to increase its presence in the electrified powertrain to position itself in the market with new components of high added value, mainly related to the engine and power electronics, the gearboxes and batteries. This objective is naturally linked to the reduction of environmental impact and mitigation of climate change. For those products that do not yet have a clear substitute in zero-emission vehicles, the Group has defined a strategy with different action plans.

Thus, the Group's spirit of adaptation and flexibility in the products it markets, together with the ability to always be aligned with new market trends, are the Group's main measure to address any market risks to its goods, as well as those that may arise from the transition to low-carbon economies.

- Actions on the productive process

The environmental actions on the production process for the realization of the goods sold to the market have been the following:

a) *Investments*: the Group adapts its production facilities to the conditions required by the environmental legislation of the countries where it is located. Consequently, the Group makes investments aimed at minimizing environmental impact, protecting and improving the environment; and incurs expenses derived from environmental actions, which basically correspond to the ordinary expenses for the removal of waste, consulting, measurements and environmental certifications (Note 33).

   The adaptation and incorporation of investments that meet the most current environmental requirements implies a direct mitigation of the risk derived from the transition to low-carbon economies in the recovery of the value of their productive assets.

b) *Energetic efficiency*: the improvement of energy efficiency is a priority objective for the Group, since it contributes to reducing its environmental impact, in addition to implying a direct improvement in competitiveness. The main lines of action consist of energy saving, emission control. In this line, the Group contracts clean energy for the operation of its facilities wherever this option is available; and with the same philosophy of reducing their emissions and their energy bill, photovoltaic panels have been installed in different facilities in Europe and India.

   In this sense, it is expected that the action plans carried out by the Group in terms of efficiency will mean, in the medium and long term, an improvement in the margin on the goods it produces.

c) *Water and material consumption*: in the Group's production process, an intensive use of water is carried out. In order to reduce discharges as much as possible, we have our own systems and facilities for water treatment, recirculation and recovery. With regard to raw materials, the Group constantly reviews all processes to make responsible use of raw materials. An example of these practices is the reduction of the gross weight of the products it manufactures, and that implies the reduction of the consumption of energy and other products necessary for the production process.

   As in the case of energy efficiency action plans, it is estimated that these actions will also improve the margins of the goods produced.

d) *Waste management*: the Group's recycling system allows the reincorporation of recycled raw materials into its production process. Those materials that cannot be recycled are collected by specialized managers who prioritize their recycling over their landfill.

All of these action plans and expected results have been included for each plant in the projections used for the asset impairment analysis described in Note 7.

<u>The direct physical risk posed by climate change in the production process and operations of a business</u>

As of 31st December 2021, the Group's production facilities, as well as the customers to which it provides, were not located in areas or geographical areas where an imminent climate risk is foreseen.

However, the Group is aware of the unpredictability of the effects of climate change and monitors the impacts that any adverse circumstance may generate in the valuation of the Group's assets, and therefore, in its Consolidated Financial Statements. In this sense, the Group is exposed to physical risks whose possible impacts it manages depending on the typology of each risk:

a) *Acute physical risks*: are the risks arising from the occurrence of acute climatic phenomena. These accidental risks are covered by the global Civil Liability policy. To strengthen the management of environmental and safety risks, the Group has initiated a collaboration project with the technical departments of its insurance companies, where risks are evaluated and monetized and an elimination plan is established, or where appropriate, mitigation.

b) *Chronic physical risks*: they are risks that cause gradual changes with more lasting impact, such as rising average temperatures, rising sea levels or prolonged periods of heat.

Although the Group's production facilities are not directly threatened by the effect of these chronic physical risks, there are environmental objectives established to be met in all the plants and regions where it operates.

c) *Protection of biodiversity*: due to the location of its production facilities, mostly in industrial estates, the impact of its activities on biodiversity is not considered significant.

In this sense, for the assumptions used in the analysis of impairment of assets described in Note 7, the Group has considered macroeconomic variables that already take into account, implicitly, the impacts that climate change may have in each of the geographies where it operates. These rates do not show significant differences with those used in previous years. Due to the very nature of the activity, it is considered that there is no material impact of the risk of climate change that implies an indication of deterioration, for any of the Group's cash generating units.

Likewise, based on the foregoing, it is not expected that there will be substantial changes in the Group's future estimates (provisions, changes in useful lives, etc.) nor significant impacts on the recovery analysis of non-financial assets taking into account that they have already been incorporated into the Group's business plans.

6. R&D ACTIVITIES

CIE Automotive is proactive in technological transformation and decarbonization to reduce its product and corporate footprint, in accordance with market trends. With this purpose, it works in different lines to materialize the opportunities generated by the current scenario and mitigate or eliminate the risks that arise.

Especially relevant are the new technologies in the plants that provide the flexibility, agility and reaction capacity necessary to face all the challenges with changing volumes and scenarios.

2021 work lines

The Group has continued to develop initiatives in the short, medium and long term, so that some of them are already reaching the market and others will gradually leave. Work in the technology area is entrusted to the 2025 Strategic Plan and develops five of the eight lines of action set

- Electrification: technological progress in this area positions CIE Automotive as a key agent in mitigating environmental impact and is part of the way forward to help minimize climate change.
- Comfort: the line of innovation for the incorporation of circularity criteria through the use of new materials based on natural fibers and with a higher percentage of recycled material has an important market in the area of comfort and is linked, in turn, to the eco-efficiency.
- Industry 4.0: Sensorization, capture, analysis and visualization of the parameters of the critical process variables.
- Eco-efficiency: the efficient use of materials, which has been the basis of the Group's sustainability and competitiveness for years.
- CIE culture: attraction, identification and retention of talent through the collaboration of different training bodies.

In addition, the Group maintains its presence in regional, national and international forums (Presidency of the Automotive cluster of the Basque Country ACICAE, members of the board of directors of the National Association of component manufacturers SERNAUTO, members of the executive committee of the TECNALIA technology center, we continue to participate in the CLEPA, EGVIA, etc. R&D&i Industrial forums).

7. TRADING WITH TREASURT SHARES

The balance of existing treasury shares in the Parent Company at the end of 2021 amounted to 15,244 shares. As of 31st December 2020, there were no own shares in portfolio, once the capital reduction carried out by the Parent Company with a charge to own shares acquired during the 2020 financial year was materialized.

The movement of treasury shares in 2021 was as follows::

	31st December 2021	
	Number of shares	Amount (Thousands of euros)
Initial Balance	-	-
Acquisitions of the year	2,067,455	50,563
Sales for the year	(2,052,211)	(50,162)
Capital stock reduction	-	-
Ending Balance	**15,244**	**401**

Likewise, the mandate conferred by the General Shareholders' Meeting held on 5th May, 2021 is in force until 5th May 2026, inclusive, by virtue of which the Company's Board of Directors is empowered to acquire, in at any time, and as many times as it deems appropriate, shares of CIE Automotive, SA, by any of the means permitted by law, even charged to profits for the year and/or unrestricted reserves, as well as those that may be disposed of or redeemed subsequently the same, all in accordance with article 146 and concordant of the Law of Capital Companies.

8. AVERAGE PAYMENT PERIOD TO SUPPLIERS

The breakdown of trade payables settled during 2021 and 2020 those pending of payment at the year-end in relation to the legally-permitted payment terms stipulated in Spanish Law 15/2,010 of 5th July, is as follows:

Days	2021	2020
Paid operations ratio	76	72
Outstanding operations ratio	79	76
Average payment period to suppliers	70	64

Payments in thousand euro	2021	2020
Payments made	423.545	414.711
Outstanding payments	216.897	181.202

While some companies have exceeded the time limit to domestic suppliers established in Law 15/2010, a series of measures have been launched by the Group essentially intended to the identification of the deviations through the monitoring and periodic analysis of the accounts payable to suppliers, of the review and improvement of internal management procedures of suppliers as well as the compliance and, in its case update, of the conditions laid down in the commercial operations subject to the applicable regulations.

9. STOCK EXCHANGE INFORMATION

Stock

In 2021, CIE Automotive shares have continued to be weighed down by their belonging to a sector penalized at the stock market level without reflecting the excellent results obtained in the year or the strategic commitments reached and set for the future or the maintenance of their remuneration commitment to shareholders.

The share, which had a better performance than the average of IBEX 35 companies, closed at €27.36 /share, 25.85% more than its value at the end of 2020, still maintaining a significant difference between the listing and the price set by the consensus of analysts that follows the company.

Shareholder remuneration

CIE Automotive has remained faithful to its shareholder remuneration commitment, consisting of distributing a third of the estimated net profit despite the economic context, and for this reason the Board of Directors approved the distribution of €61.2 million euros charged to 2020, paid in two payments in January and July.

Remuneration is expected to recover historical levels once the results have recovered from the effects of the pandemic and in this line, the Board of Directors approved in December 2021 the distribution of an interim dividend out of the results of the 2021 financial year of €0.36 gross per share, effective in January.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

As of the date of preparation of these Consolidated Annual Accounts, there have been no significant events subsequent to the end of the year 2021 that could alter or have any effect on the Consolidated Annual Accounts for the period ended on 31st December 2021.

CIE Automotive

Anual Report 2021

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Antón Pradera
Chairman

Jesús Mª Herrera
Chief Executive Officer

"25 years building the dream"

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Chairman and CEO's statement

Dear friends of CIE Automotive:

In 2021 we marked 25 years building the dream that began in 1996, when a group of investors came up with the idea of creating a Spanish industrial conglomerate in the automotive service industry. A dream we have been forging over the years with the integration or more than 100 companies and the construction of new factories to yield what is today a global and multi-technology group with close to 25,000 employees across 18 countries and a market cap of €3.5 billion. As we look back on the road taken, we feel tremendous pride, but also fresh ambition. Our minds and efforts remain fixed on the road ahead. Throughout the pages of this year's Annual Report we want to tell you about CIE Automotive's new dreams and how we worked in 2021 to achieve them.

CIE Automotive turned a new page in 2021 with the publication of its new 2025 Strategic Plan. That plan is our response to the profound and dizzying transformation taking hold in society and the automotive industry, change that has also shifted our paradigm as a company, nudging us to reformulate our Mission, Vision and Values, among other things.

By executing our 2025 Strategic Plan, which we unveiled in June during our first Capital Markets Day, we strive to become a group that generates €1 billion of EBITDA and €500 million of net profit from 2025. To achieve our ambitions, we plan to work on matters such as vehicle electrification and comfort, on the implementation of Industry 4.0 and on international expansion, without ever losing sight of the importance of cash generation that permits organic and M&A-led growth.

However, our aspirations go far beyond earnings metrics: we want to continue to zero in on excellence by definitively integrating environmental, social and governance (ESG) criteria into our management. Rest assured that these are not empty words or

*We managed to unlock net profit growth of **44%** to **€267.5** million*

a list of good intentions. Our ESG Strategic Plan 2025, published last November, establishes close to 80 KPIs that will clearly and tangibly monitor the progress we make along the four key lines of initiative we have set for ourselves: CIE culture, ethical commitment, eco-efficiency and active listening.

Already in 2021 we took our first steps towards achieving all these milestones, in spite of the complexity of the prevailing environment.

Just when we thought we had seen it all with the onset of the pandemic in 2020, the sharp rebound in demand following the lockdowns sparked severe friction across global supply chains, raw material scarcity and inflation, a collapse in shipping and an escalation in energy prices in 2021. In the automotive industry, that situation was exacerbated by the shortage of chips, vital to making cars. As a result of all those malfunctions, vehicle production amounted to 77 million, up 3.4% from 2020 but way below the mark set in 2019, when the world made 89 million vehicles.

But nothing knocks CIE Automotive of course. Despite the weak sector growth, our (constant-currency) revenue growth was 12 points above that of the market, at €3.27 billion, and our net profit increased 44% to €267.5 million. That healthy performance was unlocked by a job well done by our teams in all our regions and drove our EBITDA and EBIT margins to 17.6% and 12.3%, respectively. Our most sincere thanks to all of the people who participated in this feat.

CIE Automotive's outstanding results in the midst of the health and economic crisis evidence not only how hard we have worked but also highlight the merit of the strategy deployed, thanks to which cash from operations topped 65% of EBITDA and we deleveraged by €200 million. Above all, however, they confirm the solvency of a business model that has once again demonstrated its ability to tackle crises and come out the other end all the stronger.

Our customer diversification, across a broad range of original equipment makers (OEMs) and Tier-1 suppliers, enabled us to make up for the drop in demand from some customers with orders placed by others. Our mastery of different technologies made it possible to offer a range of solutions for a given part and to work in markets at different stages of vehicle electrification. Thanks to our global presence and local approach, we were able to offset the lethargy encountered in some markets by tapping into the greater dynamism observed in others, while at the same time benefitting from our proximity to local suppliers to overcome the global logistics issues, control costs, purchase high-quality services and side step the supply chain disruption. Our decentralised management enabled us to fine-tune our strategy for each region's specific circumstances. And the integration of ESG standards has not only turned us into a more responsible company, it has left us better prepared to tackle the risks associated with consumers' new sensitivities and made us more attractive to customers and investors.

Allow me, then, to name a few of our achievements on the ESG front, as signatories of the Global Compact and an organisation committed to the United Nations Sustainable Development Goals. We set up a Diversity, Equality and Inclusion Committee, with which we aim to create a stronger sense of belonging and inclusion on the part of everyone working at the group, no matter where in the world. We measured our corporate environmental footprint in Europe, Mexico and Brazil. We formulated the group's first environmental risk map. We lifted the sustainability of our purchasing footprint, with 92.3% of our suppliers qualifying as local. We held our first ever Capital Markets

On the ESG front, it is worth highlighting the newly-created Diversity, Equality and Inclusion Committee; measurement of our environmental footprint in Europe, Mexico and Brazil; formulation of the first dedicated climate risk map; sustainability initiatives in the supply chain (92.3% of suppliers local); our first ever Capital Markets Day; and our tax contribution to society of €391 million.

Day, marking a fresh milestone in our thrust to make our strategy and management more transparent. And we contributed to society and its development by paying €391 million of tax contribution.

We would like to take advantage of this introduction to acknowledge the commitment of our entire team, of all the people whose daily efforts are making CIE a better place to work, who with their small gestures are helping to protect and improve our surroundings. We would also like to thank our customers for the trust they continue to place in us at this time of tremendous uncertainty, and our suppliers for their collaborative spirit and their readiness to align with our goal of making vehicles that are safer and more comfortable and efficient. Lastly, we would like to express our gratitude to our shareholders and investors, who were rewarded with a 24% share price gain this year. We believe, however, that the market has yet to price in our fantastic results and bright expectations.

We couldn't possibly end this letter without a heartfelt mention of two people who left us in 2021: Goizalde Egaña, who was Vice-Chairwoman of our Board of Directors, and Amable Martínez-Conde, founder and honorary chairman of Autometal. Their legacy and example will remain an inspiration for us.

Thanks to everything we have learned from them, and from each and every one of the people who have participated in building the CIE Automotive dream in the last 25 years, we are feeling strong and ready to conquer the future. 2021 marked the start of CIE Automotive's tomorrow. Come share it with us.

Antón Pradera
Chairman

Jesús Mª Herrera
Chief Executive Officer

The start of CIE Automotive's tomorrow

At CIE Automotive we have turned 25 as a supplier of parts, assemblies and subassemblies for the automotive market. We are proud of our past but our focus is on the future. Because we want to continue our journey towards excellence and unlock our full potential, we have devised a new roadmap, the 2025 Strategic Plan, which in one way or another asks questions of everyone comprising our team. Thanks to their team work and commitment to a job well done that has always defined us, in 2021 we managed to recover from the pandemic, tackle the drastic contraction in global vehicle production and close out the year with magnificent results, all the while making progress on our ESG commitments. On the following pages you will discover the coordinates of this new and exciting phase.

The start of CIE Automotive's tomorrow

102-7

2021 in figures

+14.9%
Revenue
+11.5 pp. market outperformance at constant exchange rate

17.6%
EBITDA margin over sales
+2,6 pp. in 2020

€267.5M
Net profit
+44% vs. 2020

2.37x
Net financial debt/EBITDA*
3,59x in 2020

€367.0M
Operating Cash Generation
67% of EBITDA

€1,394.9M
Net financial debt
-12,5% vs 2020

VS

MARKET

Global production increased by 2.5 million vehicles compared to 2020 despite:

- Factory closures
- Semiconductor crisis
- Raw material and energy price inflation
- Shipping disruption and inflation
- Rising labour costs

Margins on the rise, deleveraging, market share gains in a concentrating market… CIE Automotive delivers outstanding results in an 'annus horribilis' for the automotive industry.

**Adjusted net financial debt and adjusted EBITDA include 50% of the Chinese JV, SAMAP.*

The start of CIE Automotive's tomorrow

2021 in figures

SHAREHOLDERS

- **24.0%** SHARE PRICE GAIN
- **€61.3 million** paid out in DIVIDENDS
- **1st** CAPITAL MARKETS DAY
- **10 AWARDS** received by the IR Department
- **25** conferences and roadshows

CUSTOMERS

- **Over 80** customers, between OEMs and Tier-1 suppliers
- **85** FACTORIES with triple certification
- **≈2%** of revenue earmarked to R&D
- **+7,000** SKUs

SOCIETY

- **€54.3** million paid in CORPORATE INCOME TAX
- **Over €1** million to COMMUNITY SUPPORT PROGRAMMES (+25% vs. 2020)
- **More than 42,500** beneficiaries

SUPPLIERS

- **Over €2.3 billion** spent on PURCHASES
- **92.3%** of SUPPLIERS are LOCAL
- **420** QUALITY AUDITS

EMPLOYEES

- **24,472** employees in **18** countries
- **696,806** hours of TRAINING (+18% vs. 2020)
- **New** Diversity, Equality and Inclusion Committee
- International exchange programme: **Ulysses**
- **Personnel** expenditure (€599.6 million)
- Employee **support** (>€18 million)

Shareholders, customers, employees, suppliers and society have benefitted from the recovery at CIE Automotive, a diverse industrial group capable of reconciling different interests and sensitivities to generate shared value.

The start of CIE Automotive's tomorrow

2021 in figures

Progress on environmental commitments

Environmental footprint calculated in 2021 encompassing 17 impacts

504,237.95
Tonnes of CO_2

1,598,876.18
m^3 of WATER

369,072.25
Tonnes of WASTE

Progress on corporate governance front

79 ESG INDICATORS
embedded into 2025 Strategic Plan

GLOBAL TRAINING
600 people trained on criminal liability, anti-corruption and Code of Conduct

NEW
Compliance Policy

Without measurement there can be no improvement. CIE Automotive sets itself ESG targets that are tangible and quantifiable, guided by its broader commitment to excellence.

The start of CIE Automotive's tomorrow

2021 in figures

2021 Milestones

January

- **Rollout** of the ESG dashboard
- **Payment** of an interim dividend from 2020 profits of €30.6 million

April

- **Passing** of Goizalde Egaña, Vice-Chairwoman of the Board of Directors
- **Start** of the liquidity agreement, which will benefit the company's shareholders

May

- **Annual** General Meeting
- **Metalcastello** enters electric vehicle segment
- **Farewell** to Amable Martínez-Conde Elustondo, founder of CIE Autometal

June

- **Presentation** of the 2025 Strategic Plan during the company's first ever Capital Markets Day
- **Publication** of the company's first Tax Contribution Report
- **Arrangement/renewal in 1H21** of a number of financing facilities/rollovers framed by ESG criteria totalling €168 million

July

- **Payment** of a 2020 supplementary dividend of €30.6 million

September

- **Consolidation** of the engineering and environmental areas to make inroads in eco-design

October

- 2020 Annual Report **placed third** on Informe Reporta's reporting quality ranking

November

- **Publication** of the ESG Strategic Plan 2025
- **Arrangement/renewal** in 2H21 of €216 million of additional financing facilities linked to ESG criteria

The start of CIE Automotive's tomorrow

Where we are coming from

CIE Automotive's dream began 25 years ago: to become a benchmark Spanish player in the global automotive parts industry. Today that dream is a reality, following over 100 acquisitions and multiple new factories built from scratch across the world's main automotive markets.

Timeline

1996
- INSSEC investor group set up to create a Spanish business group in the automotive services sector and an agreement to make an equity investment in Egaña SA to set up Corporación Industrial Egaña.

1997
- Corporación Industrial Egaña embarked on national expansion with the acquisition of Basque SMEs from the sector which brought the group know-how in a range of technologies.

1998
- Start of international expansion in Europe with the acquisition of Unitools Press, in the Czech Republic.

1999
- Creation of Autokomp Ingeniería, the embryo for the current technology centre, to provide the group companies with R&D support.

2000
- Entry into the Brazilian market with the acquisition of 50% of Autometal.

2002
- Corporación Industrial Egaña merges with Grupo Aforasa to create CIE Automotive.
- Inauguration of the first greenfield in Mexico in the town of Celaya.

2006
- Entry into the Chinese market, CIE's first Asian stop, with a greenfield project, CIE Automotive Parts Shanghai.
- Creation of the CIE Desc joint venture in Mexico, marking a quantitative leap in the ability to service North American customers.

2009
- Entry into the roof systems segment with the acquisition of Advanced Comfort Systems (ACS).

2011
- Merger of the technology company Dominion through Inssec.
- CIE Autometal listed on the Sao Paulo stock exchange.

2012
- Initial foray into the US market with the acquisition of Century Plastics.
- First forging plant in Asia following the creation of the Nanjing Automotive Forging (NFJ) joint venture.

2013
- Entry into the Indian market via the strategic alliance with India's Mahindra & Mahindra Group, giving rise to MCIE, a listed company.

2014
- Delisting of CIE Automotive's Brazilian subsidiary, Autometal.

2015
- Endorsement of the United Nations Global Compact, approval of the group's CSR & Sustainability Policy and creation of the Cross-Group CSR Committee (currently, the ESG Committee).

2016
- CIE Automotive lists its technology subsidiary, Dominion.

2017
- Publication of the Global Supply Chain Manual.
- Celebration of the first CSR Day (currently called ESG Days).

2018
- CIE Automotive's remaining shares in Dominion distributed to the company's shareholders.
- Suppliers Portal created as a management tool focused on overseeing ESG risks.

2019
- Acquisition of Inteva's roofing division, positioning CIE in the global top 3 in the design and manufacture of glass panoramic roofs.

2020
- CIE Automotive ties its €690 million syndicated loan to green finance criteria.
- Membership of the Sernauto Responsible Business Committee.

2021
- CIE Automotive turns 25 and unveils its 2025 Strategic Plan.

An M&A build and globalisation story. Map

UNITED STATES
- CIE USA
- CIE Newcor RGI Clifford
- CIE Newcor MTG Corunna
- CIE Newcor MTG Owosso
- CIE Somaschini North America
- Golde Auburn Hills

MEXICO
- CIE Amaya Mex
- CIE Celaya
- CIE Matic
- CIE Nugar
- CIE Nugar Puebla
- CIE PEMSA Celaya
- CIE Plásticos México
- CIE PEMSA Saltillo
- CIE Forjas de Celaya
- Bill Forge de México
- Golde Puebla
- CIE Mapremex

BRAZIL
- CIE Autoforjas
- CIE Autometal SBC
- CIE Dias D'Ávila
- CIE Autocom
- CIE Jardim Sistemas
- CIE Nakayone
- CIE Durametal
- CIE Taubaté
- CIE Autometal Diadema
- CIE Autometal Pernambuco
- CIE Autometal Minas

SPAIN
- CIE Alcasting
- CIE Alurecy
- CIE Amaya
- CIE Denat
- CIE Egaña
- CIE Galfor
- CIE Gameko
- CIE Inyectametal
- CIE Legazpi
- CIE Mecasur
- CIE Mecauto
- CIE Norma
- CIE Nova Recyd
- CIE Orbelan
- CIE Recyde
- CIE Recylan
- CIE Recytec
- CIE Udalbide
- CIE Vilanova
- ACS Ibérica

PORTUGAL
- CIE Stratis
- CIE Plasfil

MOROCCO
- CIE Maroc

FRANCE
- CIE Compiègne
- ACS France

ITALY
- Metalcastello Spa
- CIE Somaschini
- CIE Somaschini Automotive

GERMANY
- Falkenroth Umformtechnik GmbH
- GSA Gesenkschmiede Schneider GmbH
- Schöneweiss & Co. GmbH

LITHUANIA
- CIE LT Forge

CZECH REPUBLIC
- CIE Zdanice
- CIE Metal CZ
- CIE Plasty
- CIE Unitools Press
- CIE Praga Louny

SLOVAKIA
- CIE Mar Sk
- Golde Lozorno

ROMANIA
- CIE Matricon
- ACS Romania
- Golde Oradea

RUSSIA
- CIE RUS

CHINA
- CIE Automotive Parts Shanghai
- Nanjing Automotive Forging
- ACS Shanghai
- ACS Wuhan
- Golde Changchun
- Golde Shanghai
- Golde Tianjin
- Golde Wuhan
- Golde Shandong
- SAMAP Ningde
- SAMAP Shanghai

INDIA
- MCIE Forgings Pune
- MCIE Gears Pune
- MCIE Gears Rajkot
- MCIE Stampings Rudrapur
- MCIE Stampings Nashik
- MCIE Stampings Kanhe
- MCIE Stampings Kanhe II
- MCIE Stampings Zaheerabaad
- MCIE Stampings Pantnagar
- MCIE Composites Division
- MCIE Foundry Division
- MCIE Magnetic Products Division
- MCIE Stampings Nagpur
- Bill Forge Bommasandra
- Bill Forge Jigani (Plant 2)
- Bill Forge Attibele
- Bill Forge Coimbatore
- Bill Forge Haridwar
- Bill Forge Jigani (Plant 6)
- AEL Aluminum Aurangabad
- AEL Aluminum Pantnagar
- AEL Aluminum Pune
- CIE Hosur

Legend:
GREENFIELD ACQUISITION JOINT VENTURE

The start of CIE Automotive's tomorrow

Where we are headed

CIE Automotive continues to build its future, as set down in its 2025 Strategic Plan, an ambitious project designed to move the company further along the sustainable profitability track. The business and M&A commitments underlying the plan will build CIE Automotive into a €1-billion-EBITDA and €500-million-net-profit company from 2025. The 79 non-financial KPIs defined by the various implicated areas will facilitate oversight of delivery of the group's ESG strategy.

Financial commitments assumed in the 2025 Strategic Plan (organic growth)

1

Revenue growth
≈ +20pp
above the market over 5 years

2

EBITDA margin
>19%
in 2025

3

Capex of
€1
billion over 5 years

4

Payment of corporate taxes
≈ 2%
of annual revenue

5

≈ 65%
of EBITDA converted into **operating cash flow**

ESG commitments embedded into 2025 Strategic Plan (I)

In order to oversee delivery of the ESG Strategic Plan 2025 and of the associated targets, the various areas of the group have defined a series of specific KPIs. Below are some examples.

COMPLIANCE AREA

KPI	Target	Deadline
Employees trained on Code of Conduct	**>95%**	✓ 2021
Organisation of ESG workshops	**100%**	2025
Global rollout of Criminal Risk Prevention Model	**100%**	2025

ENVIRONMENTAL AREA

KPI	Target	Deadline
Reduced energy consumption (KWh/value added)	**2%** average per year	2025
Reduced direct (Scope 1) GHG emissions (MT CO_2e)	**2%** average per year	2025
Reduced indirect (Scope 2) GHG emissions produced via the generation of energy (MT CO_2e)	**5%** average per year	2025
Reduced emissions intensity (MT CO_2e/value added)	**3%** average per year	2025

SUPPLY CHAIN AREA

KPI	Target	Deadline
Nº of countries to have embedded ESG criteria into their purchasing processes/ Total number of markets in which the group operates	**100%**	✓ 2021
Nº of suppliers with annual purchasing volumes of >€1m that have been audited and/or self-assessed along ESG criteria during the ESG Strategic Plan 2025 horizon	**25%**	2022
% Local suppliers / Total suppliers over total expenditure during the period	**>70%**	✓ 2023

✓ *Targets met in 2021*

ESG commitments embedded into 2025 Strategic Plan (II)

HUMAN RESOURCES AREA

KPI	Target	Deadline
Nº of factories to have completed diversity assessment / Total group factories	**100%**	2025
Nº of factories with ISO 45001 certification / Total group factories	**100%**	2025
Nº of people trained / Total no. of people to be trained on ESG matters	**100%**	2025

ENGINEERING AREA

KPI	Target	Deadline
Nº of production lines to have implemented Industry 4.0 technology initiatives by division or technology	Europe: **3** Asia: **1** America: **1**	2024
Introduction of circular economy projects to enhance energy consumption (Nº)	**Development** of a circular economy project in Europe for extension to another region	2024
% improvement in the gross to net weight ratio	**Europe:** 3% improvement in 2 significant products across 3 technologies **Rest of the world:** 3% improvement in 3 significant products across 3 technologies	2025

SALES AREA

KPI	Target	Deadline
Nº of factories self-assessed in NQC with a score of over 80%	**75%** ✓	2021
Fact-finding mission to determine which platforms each factory uses with its customers for ESG self-assessment purposes	**100%** ✓	2021
Nº of salespeople to have received training / Total number of salespeople	**80%** ✓	2021

✓ *Targets met in 2021*

ESG commitments embedded into 2025 Strategic Plan (III)

M&A AREA

KPI	Target		Deadline
New acquirees to have implemented the ESG Manual / Total new acquirees	100%	✓	2021

FINANCE AREA

KPI	Target		Deadline
Compliance with the requirements stipulated in the first sustainable finance issue until repayment (%)	100%	✓	2021
ESG financing agreements published (%)	100%	✓	2023
Gross sustainable borrowings/ Gross group borrowings	>50%		2025

INVESTOR RELATIONS AREA

KPI	Target		Deadline
Publication of the ESG Plan on the corporate website and intranet	100%	✓	2021
Nº of key ESG analysts answered / Total key ESG analysts to have contacted CIE Automotive	100%	✓	2021

✓ *Targets met in 2021*

We are drawing our roadmap over a proven model

After 25 years in existence, in 2021 we decided to step back to reconsider who we are and who we want to be. In a context of tremendous economic uncertainty and profound sector transformation, we responded with our 2025 Strategic Plan, in which, for the first time, we married ambitious business targets with significant advances along the environmental, social and governance dimensions. In that manner we demonstrated our confidence in our abilities and the solidity of our business model, which has allowed us to surmount all obstacles in our path and will pave the way for achieving all of the targets we have set our sights on.

We are drawing our roadmap over a proven model

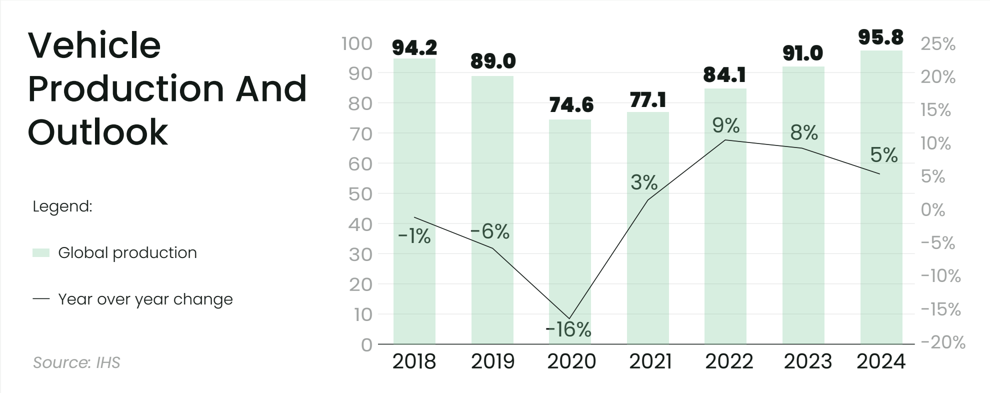
CONTEXT AND TRENDS in the automotive sector

Global activity continued to be conditioned by the pandemic in 2021. Although the global economy grew by 5.6% in 2021, the pace of recovery after the harshest recession in 80 years, successive waves of transmission and supply chain friction - chip crisis and escalating shipping, energy and commodity prices - eroded economic activity and had a sharp impact on the automotive market, which made 11.8 million fewer vehicles than in 2019, before the onset of COVID-19.

Global automotive sector performance in 2021

Vehicle production amounted to 77.1 million units in 2021, far below expectations and only 3.4% growth compared to 2020, the year of global shutdowns on account of the pandemic.

The reason for the contraction lies with the production stoppages and adjustments decreed by some countries to curb the successive waves of transmission and interruption of the supply of semiconductors, essential to car-making nowadays. Those difficulties were exacerbated by other issues related with supply chain friction, such as the increase in shipping, commodity, energy and labour costs.



Demand for vehicles, meanwhile, remained flat, pending dispersion of the production bottlenecks. Proof of the imbalance between supply and demand can be found in the continued destocking observed, with inventories at record lows, and the growth in the prices of second-hand cars, which users have been forced to buy as they wait for new models, whose prices have also risen, to arrive. Against that backdrop, vehicle sales totalled 79.9 million, up 3.5% from 2020.

Looking forward, low inventory levels, coupled with each market's specific growth factors, are expected to drive an increase in production.

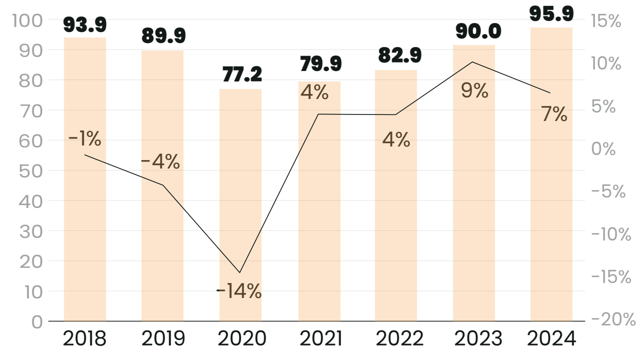
Below we provide additional insight into some of the factors that shaped the sector's performance in 2021 and that could trigger a shift in paradigm in the OEMs' model, from traditional just-in-time production, which entails buying and producing the bare minimum, to a just-in-case approach, which implies setting aside a buffer of inputs to cover all eventualities.

Trend in vehicle sales

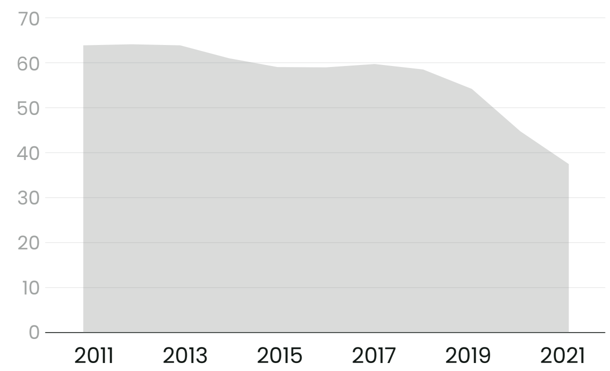
Legend:

Global sales

Year over year change

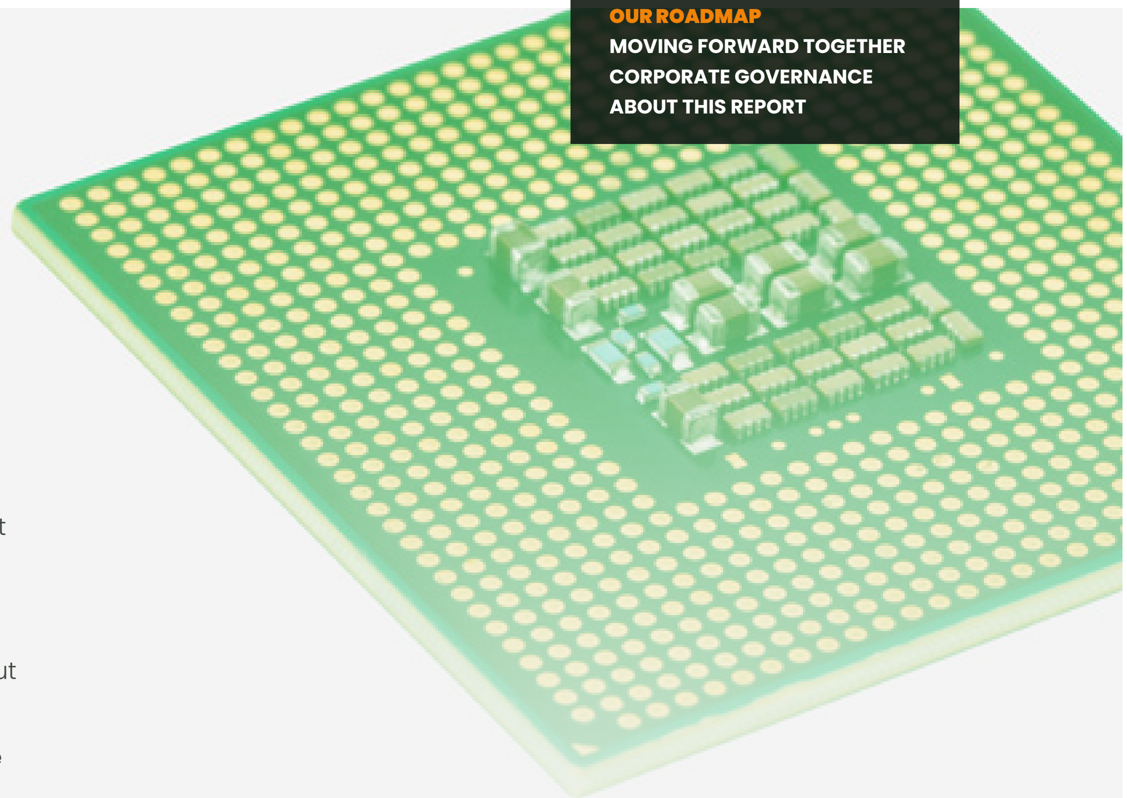


Inventory levels



* Note on methodology: Days of production on hand are based on the relative change in sales and production levels against a static base of 56 days of stock; this does not vary by year or by region and is an indicative measure only.

Source: IHS



Semiconductor crisis

The unprecedented growth in demand for electronic devices in order to work and study from home (computers, smartphones, tablets, etc.) created a global shortage of microchips, which came as a blow to the automotive industry and forced the global OEMs to slow their production, even idling some of their factories.

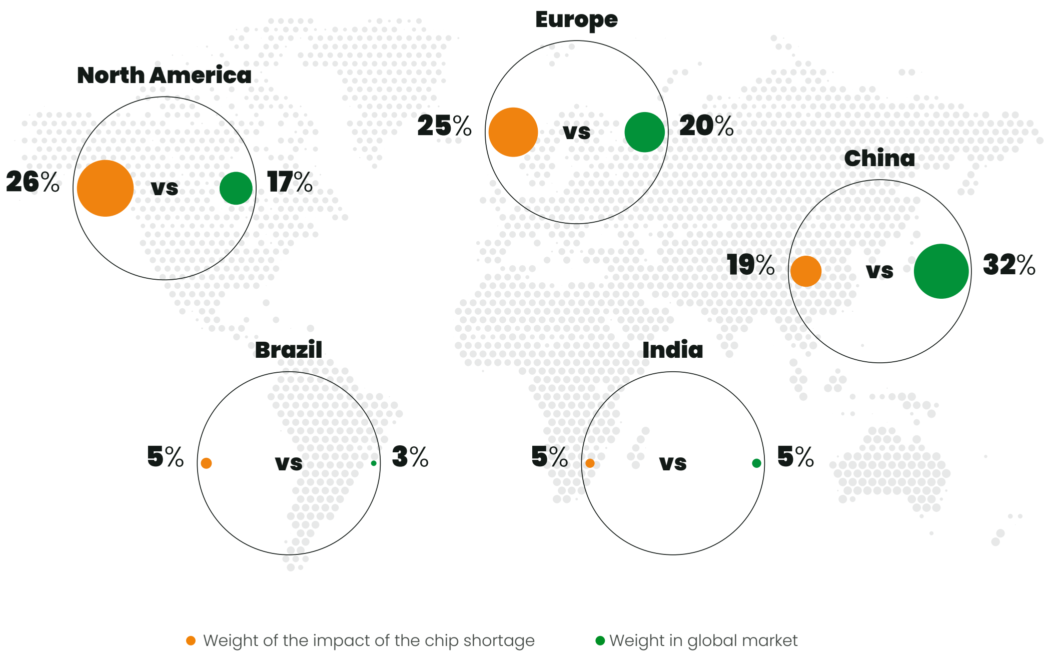
Semiconductor chips are essential to making today's cars and to their performance. According to the European association of automotive suppliers, CLEPA, a modern car can contain 100 electronic control units (ECUs) and between 20 and 40 microcontrollers, which control essential functions (like engine and power steering control), comfort features (power windows, seats and climate control) and security and access controls (locks and keyless entry).

After the first lockdowns of 2020, the semiconductor factories, in the hands of a small number of companies in Taiwan and South Korea, renewed their production, concentrating on responding to growing demand from electronics companies that had maintained their orders throughout the pandemic, to the detriment of the automotive industry, which had cut off its orders while its factories were closed. The OEMs were also hurt by a fire at a big factory in Japan, Renesas Electronics, the snow storm in Texas, which forced Samsung to shut its factory down, and the severe drought in Taiwan, which put TSMC out of action. The scarcity became even more pronounced during the second half of 2021 when Malaysia, one of the countries that tests and packages semiconductors for use in vehicles, imposed mobility restrictions to curb transmission.

The industry is estimated to have produced 9.5 million fewer vehicles on account of those chip issues in 2021. However, not all markets were equally affected. The North American and European markets were the hardest hit, accounting for 51% of the orders lost. China, meanwhile, which made 32% of all vehicles, only represented 19% of the orders lost. The chip crisis has highlighted the industry's reliance on Asian companies for the supply of semiconductors and the need to bring production of those chips closer to the car factories in Europe and the US. Work began on a host of investment plans in Asia, the US and Europe during the year with the aim of stabilising supply. The experts expect the situation to improve significantly in 2022, with things returning to normal - meaning supply matching demand - in 2023. For that to happen, the chip makers have announced $400 billion of investments, spread between China, Korea, the US, Germany and Singapore. The European Union, meanwhile, has formed an industrial alliance with a view to making at least 20% of the region's chip requirement on European soil.

Not all markets were equally affected by the chip crisis. The US and European markets were the hardest hit, accounting for 51% of the orders lost. China, meanwhile, which made 32% of all vehicles, only represented 19% of the orders lost.

Weight of the impact of the chip shortage / total versus market weight in global market



Production stoppages and adjustments

The pandemic and the restrictions imposed to contain it also had a direct impact on the OEMs' activities in 2021.

In India, Europe, North America and China, there were considerable production stoppages and cuts to contain the pandemic in May, when daily infections were running at 400,000.

And in Brazil, one of the countries hit the hardest by the pandemic, lack of coordination across the various levels of government triggered downward revisions to the annual vehicle production estimate.

Shipping disruption and inflation

From 2020, as the health situation began to improve, online demand for non-essential goods began to take off. Although China responded to the growth in demand by increasing production, the shipping companies, whose staff was diminished, were not able to handle the higher volumes, unleashing long waits at ports and week-long delivery delays. Charters became scarce and shipping costs ended up multiplying by five.

In general, the shipping disruption affected CIE Automotive less than other players thanks to its 'local production for local supply' philosophy (92.3% of its suppliers are local) and the exworks management of a large part of sales.

Raw material price inflation

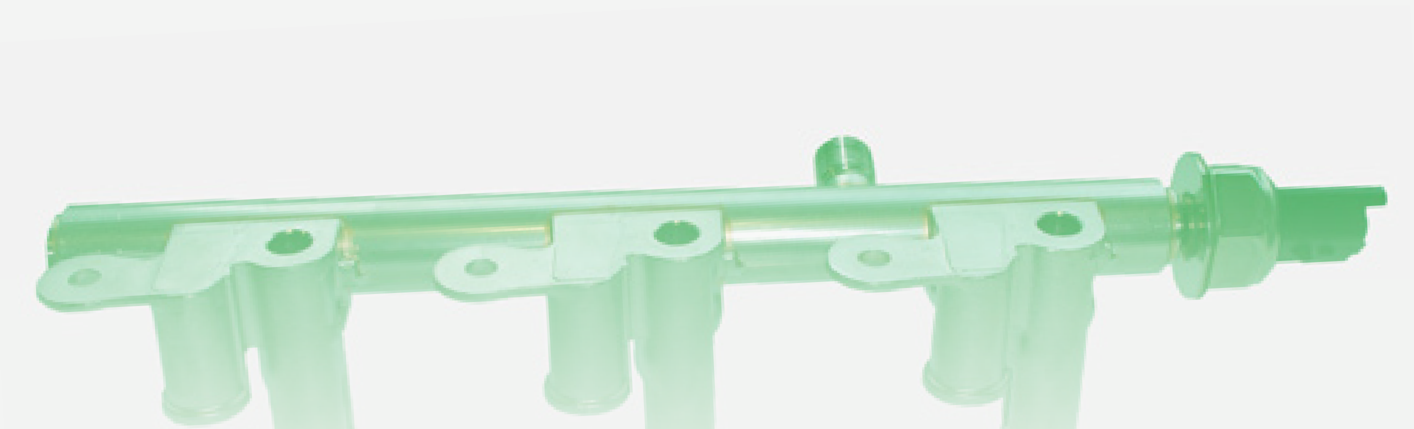
The automotive industry also had to deal with problems deriving from price escalation across a high number of raw materials, including metal and non-metal commodities, polymer materials and chemical products. Steel prices staged one of the most significant surges, with costs multiplying by five at one point. Those trends were driven by the economic recovery in China and the US and manufacturing companies' tendency to stock-pile certain raw materials.

The pass-through clauses CIE Automotive includes in most of its customer contracts largely protected it from the surge in prices.

Energy price inflation

The sudden rebound in demand following the lifting of restrictions, coupled with weather-related phenomena, is the main reason for the energy crisis engulfing the planet. OPEC oil supply quotas, gas supply issues in Europe and still scant investment in renewable energies in relation to growing demand pushed oil and gas prices higher and had an adverse impact on manufacturing.

Despite this chain reaction, the growth in energy costs had a limited impact on CIE Automotive's earnings as it is not an electricity-intensive industry, although some divisions and technologies are more impacted than others.



Automotive industry performance by country

The various factors outlined above, although global, had different effects from one region to the next. Below is a summary of the key automotive industry trends in the regions in which CIE Automotive operates:

North America

- Vehicle production in North America totalled 13.0 million units, up 0.2% from 2020. US consumers went out in search of new cars after months of restrictions, spurred on by government incentive schemes. The surge in US demand, which bumped up against supply side weakness on account of the chip crisis, leaving inventories at record lows, fuelled activity at the Mexican factories, due to the strong trade relationship between the two countries. Note in that respect that the grace period awarded for the new USMCA trade agreement was extended to 1 July 2021.

Brazil

- Vehicle production amounted to 2.1 million units, growth of 9% by comparison with 2020, when production collapsed due to the health crisis and was heavily constrained by supply chain friction and chip scarcity.
- The difficulties in bringing the pandemic under control and other domestic issues (unemployment, political uncertainty, inflation, etc.) continued to weigh on car purchases, although there were wait lists for some models.

Europe

- Although a relatively faster pace of vaccination compared to other regions and government incentives for the purchase of passenger vehicles drove a degree of recovery in demand for cars, boosted by trends in Europe's main destination markets, the US and China, two key factors had an adverse impact on production in the region:
  - CO_2 emission reduction legislation, more stringent than 2020, which affected volumes due to manufacturers' compliance strategies.
  - The significant relative impact of chip crisis.
- In the truck segment, it is worth highlighting the flow of orders from logistics players, prompted by mileage data and higher shipping rates. Demand for truck upgrades is expected to be strong in the wake of new environmental and safety standards set to come into force in the European truck segment.
- In 2021, vehicle production totalled 15.5 million, a contraction of 4.4% from 2020, heavily affected by the chip crisis and broader supply chain friction.

China

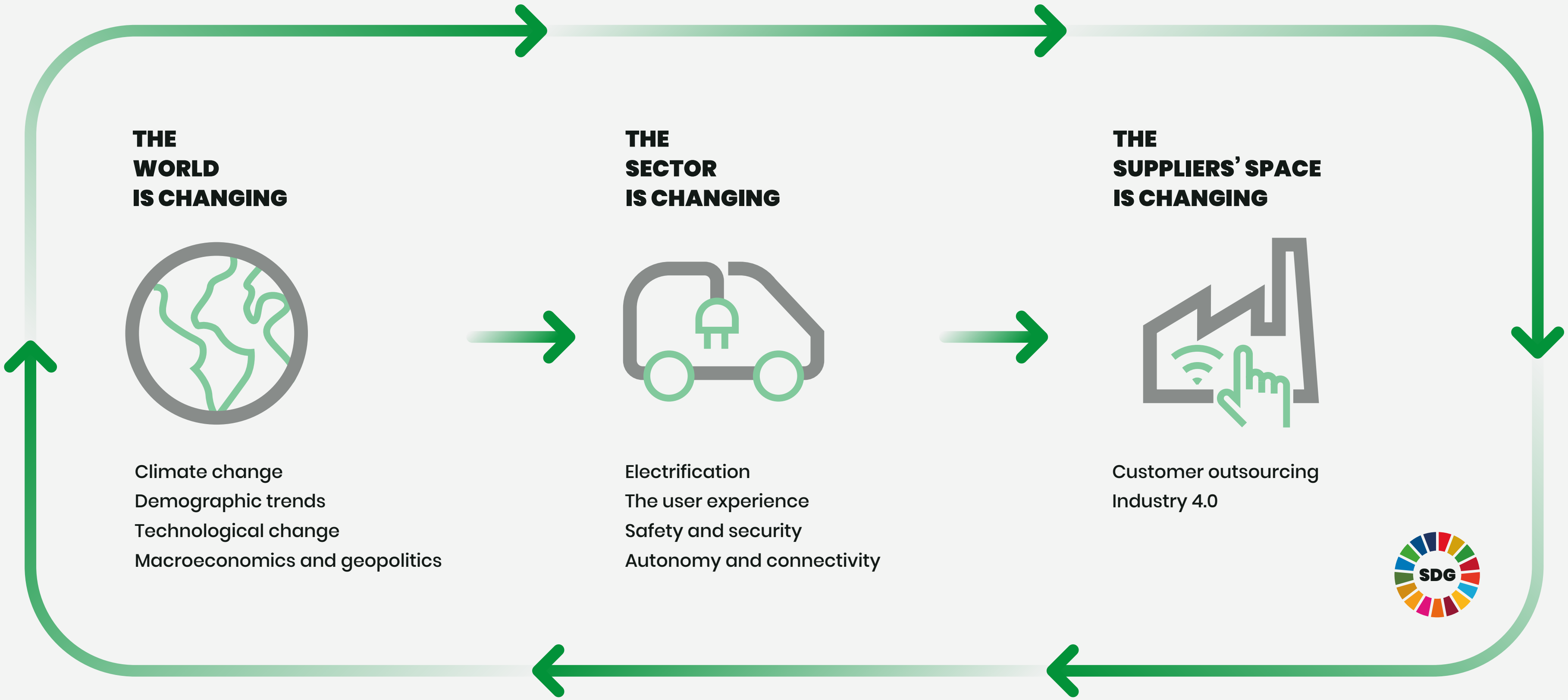
- The world's number-one car producer made 24.8 million vehicles in 2021, growth of nearly one million, or 5%, compared to 2020. The limited size of that growth reflects China's relative outperformance in 2020, making for a tougher comparison.
- Effective management of the pandemic fuelled a rebound in demand, which was further reinforced by government incentives to buy new cars put in place until 2022. However, the Chinese OEMs and suppliers also faced global supply issues in 2021. The shortage of semiconductors similarly affected sales, particularly in the mass market, and manufacturers also had to deal with power outages which they resolved by producing during night shifts or leasing generators by way of temporary technical fix.

India

- India, where CIE Automotive has an important position via Mahindra CIE, was hit hard by the Delta variant of the coronavirus during the first half of 2021; during the second half, the situation improved considerably thanks to the rollout of vaccines and a favourable Monsoon season. All in all, production amounted to 4.2 million vehicles, up 28% from 2020, explained also by the low comparable base.
- Although there are some uncertainties, the outlook for this market is promising, underpinned by record-low inventory levels, the savings pent up in recent months and the improvement in consumer sentiment. Moreover, a new vehicle scrappage policy is due to come into force in April 2022.

Key automotive sector trends

The world is changing and, with it, the automotive sector, which has been undergoing intense transformation in recent years which is affecting developments on the demand side, while shaping innovation on the supply side. The scenario facing the parts suppliers is, therefore, dynamic and requires meticulous analysis to ensure smart strategy design.



The world is changing

Climate change

Climate change is the chief threat facing the planet. The environmental laws written to combat climate change are coming faster and are becoming more ambitious and global in reach.

- Electrification: In the automotive industry, climate change regulations are translating into vehicles powered by alternative sources of energy, focused primarily on electrification.
- Corporate environmental footprint: Climate change regulations require all agents to reduce their environmental footprints and adopt a life cycle approach.

Demographic trends

There are many opposing demographic trends unfolding simultaneously around the world whose ultimate effect on the automotive sector should be positive, on the whole.

Sixty per cent of the world's population lives in Asia, whereas other regions of the world, especially Europe, are losing share, at 10%. Meanwhile, over half of the forecast growth in the world's population is concentrated in Africa.

Life expectancies are lengthening and birth rates dropping, driving population ageing. Urbanisation is a parallel trend and we are also seeing - mainly regional - migratory displacements of populations.

Technological change

The world is moving towards a Third Industrial Revolution, which will change our lives and make productive processes, including those of the automotive sector, more efficient.

The emerging improved and more efficient vehicle architectures are based on the use of the right materials and their correct application, which means that different technologies will have a role to play in the next-generation, multi-material vehicles.

Macroeconomics and geopolitics

- Emerging market opportunities: the Chinese, Indian and Brazilian economies, to name a few, are expected to experience sharp growth in the coming years.
- National protectionism: initially perceived as a threat, protectionism strategies are no longer expected to have a significant impact on the automotive sector.

The sector Is changing

Electrification

The new generations want to see the mobility system decarbonised in order to curb climate change. Against that backdrop, and in line with the various regulations being rolled out, the automotive sector has to rise to meet the challenge of making sure that one-third of all cars produced in 2025 are electrified (whether hybrid or pure electric).

The OEMs need to respond to consumer demand in order to gradually attain these objectives. The future, therefore, holds a mix of energy sources with:

- Diesel losing out to petrol (communicating vessels).
- Electric vehicle (EV) penetration ratios vary significantly by market or region.

There are many critical variables surrounding the EV for which there is currently no consensus. How those issues play out will ultimately determine EV penetration rates.

The user experience

A fundamental aspect when analysing today's sector megatrends is the importance of the customer. Users priorities when buying a car have changed. Comfort is currently one of their top priorities. Customers are increasingly looking for features related with driving assistance, interior comfort and smart infrastructure, to the detriment of others, such as power, aerodynamics or even exterior design.

One of the most important aspects of the comfort equation is the roof system, penetration of which is growing faster than the overall automotive market.

Safety and security

Passenger safety is currently one of the main drivers of vehicle architecture and, in general, implies greater complexity, a higher number of parts and more value-added parts.

Modern cars are equipped with sophisticated safety systems designed to prevent accidents or mitigate their effects in the event of collision, including the chassis and body, safety belts and airbags, among others.

Autonomy and connectivity

Autonomous driving is set to become far more widespread over the coming years. Although there are still obstacles to expansion of the technology, significant inroads have been made in the field, particularly in driving assistance functions.

Car connectivity is another key future trend. People increasingly want their cars to be connected up to the rest of their lives, as with their mobile phones, virtual assistants, home automation, etc. A lot of high-speed connections are needed to deliver that level of experience, suggesting that OEMs could partner up with technology, telephony and infrastructure companies. That is how the so-called internet of things (IoT) will deliver the next generation of services for cars.

The suppliers’ space is changing

Customer outsourcing

The changes unfolding in the automotive industry are pushing the OEMs to focus on their core competencies and to increasingly outsource production to their suppliers, which currently account for 75% of total vehicle value.

Industry 4.0

Over the next few years, thousands of new digital companies are expected to alter the current automotive industry supply chain. Some key aspects of the digitalised company are already being implemented in our industry.

There is significant prevailing momentum in the implementation of new technologies with a view to building smart factories. Firms are investing in simulation, cloud platforms, cognitive manufacturing and online robotics.

ESG Context

Sustainable Development Goals (SDGs)

In addition to the above 10 driving forces there is another cross-cutting megatrend, one which affects every sector of the economy and has specific implications for the automotive industry: the Sustainable Development Goals (SDGs). The SDGs were ratified by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that by 2030 everyone can live in peace and prosperity.

That call is having reverberations in all sectors of the economy, including ours, especially in relation to mobility decarbonisation, but also other aspects that have to do with how the organisation does things, environmental protection and society and its progress.

We are drawing our roadmap over a proven model

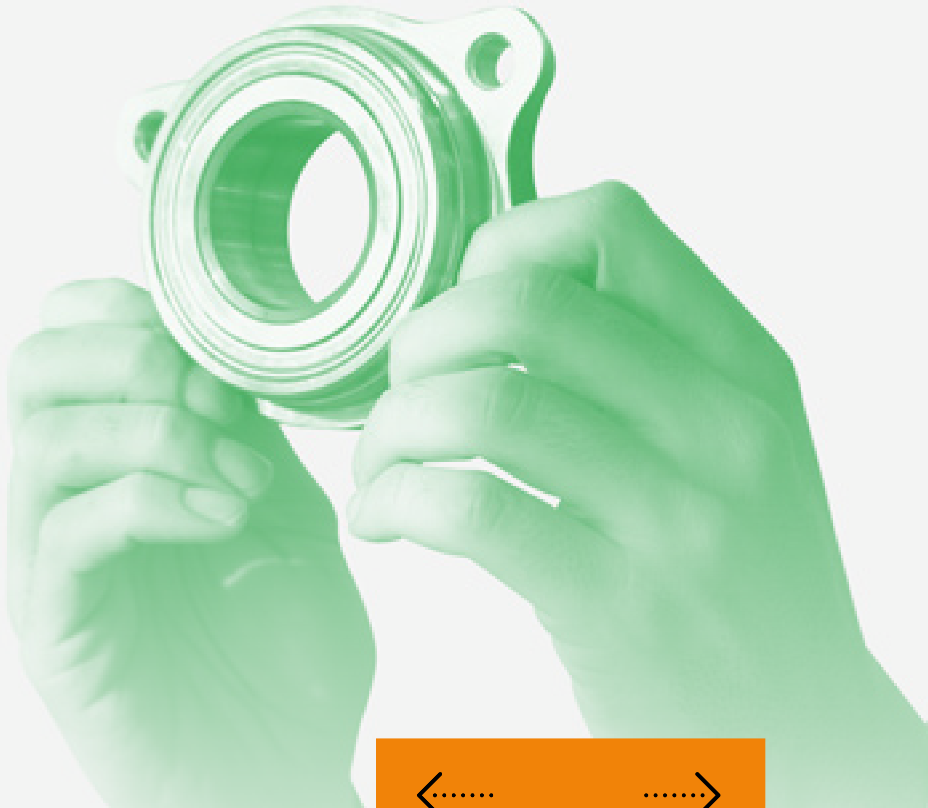
An end-to-end STRATEGY for sustainable profitability

In 2021 CIE Automotive embarked on the rollout of a comprehensive strategy designed to respond to the key sector trends and the needs and concerns of its stakeholders: its 2025 Strategic Plan. That five-year plan defines the lines of initiative and targets to be pursued in all areas of its business and fully integrates environmental, social and governance (ESG) aspects into the company's everyday operations.

The 2025 Strategic Plan was presented into two parts.

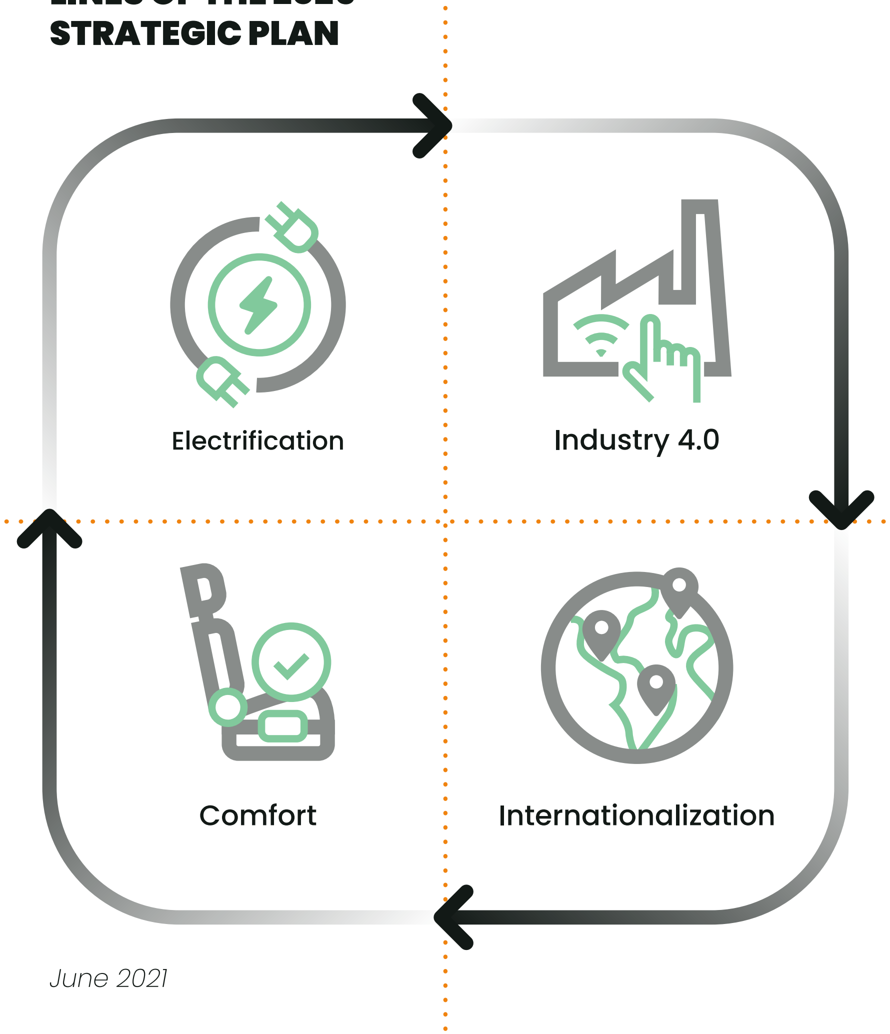
1. The first part, the 2025 Strategic Plan, was explained to the investment community during the company's first Capital Markets Day, which took place in June, and defines the company's commitments and lines of initiative in the operational arena.
2. The second part, the ESG Strategic Plan 2025, was unveiled in November and establishes the lines of initiative to be carried out on the ESG front and the KPIs to be monitored to track their progress.

By pursuing that dual challenge, the company aims to ensure sustainable profitability during a key period for the automotive sector, circumvent the complex economic situation induced by the pandemic and successfully tackle the sector's profound transformation.



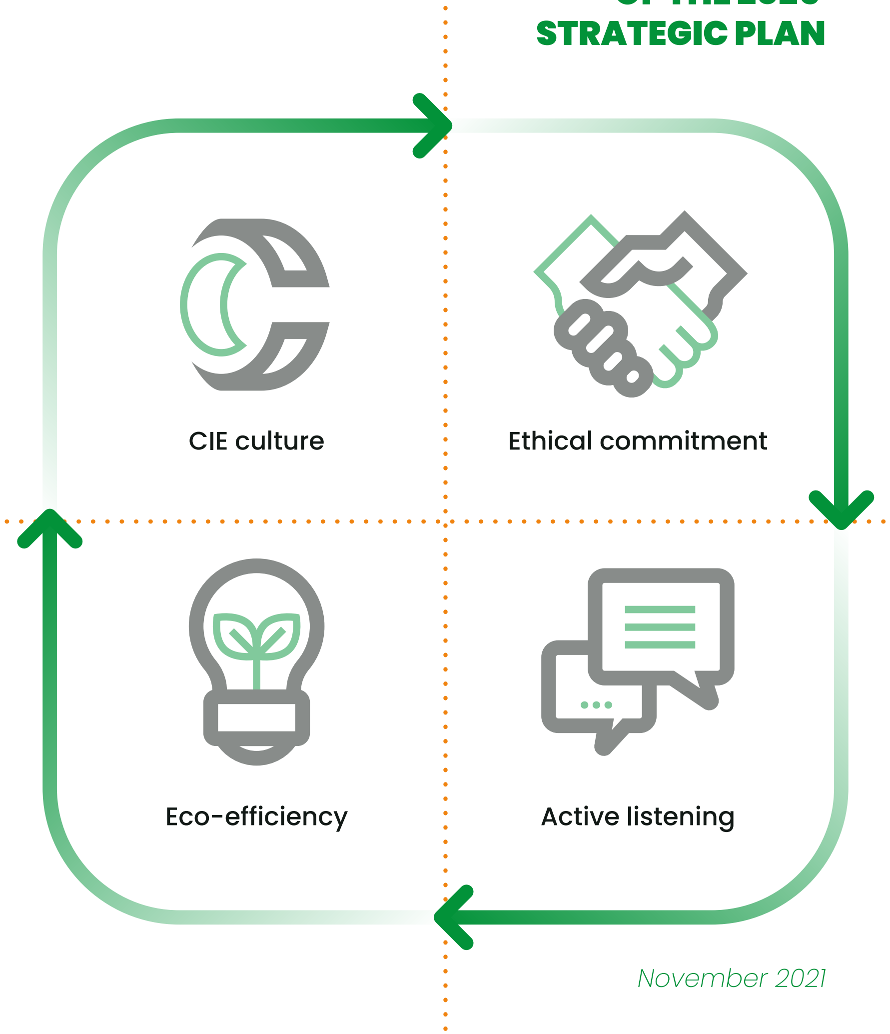
Lines of 2025 Strategic Plan

KEY OPERATIONAL LINES OF THE 2025 STRATEGIC PLAN



June 2021

KEY ESG LINES OF THE 2025 STRATEGIC PLAN



November 2021

2025 Strategic Plan

CIE Automotive has set itself a series of organic* commitments that will drive very significant deleveraging and allow it to invest up to €1.5 billion in non-organic growth without leverage rising above 2 times net financial debt-to-EBITDA, so delivering its aspiration of becoming a €1-billion-EBITDA and €500-million-net-profit company by 2025.

1 **Revenue growth** that is **20** percentage points above market growth.

2 **An EBITDA margin** of over **19%** in 2025, reinforcing the company's position as one of the most profitable suppliers in the sector.

3 **Capex** of around **€1** billion over the five-year period, which is around 5% of revenue per annum.

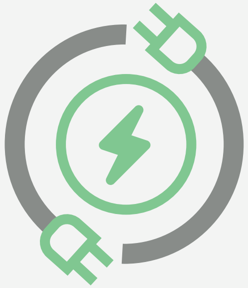
4 Annual income **tax payments** of **2%** of revenue.

5 **Sustained generation of cash** from operations equivalent to **65%** of EBITDA, or €500 million, in 2025, compared to the €300 million it was generating before the pandemic.

**The above guidance was determined assuming the existing consolidation scope, constant exchange rates and market growth of 28% between 2020 and 2025, in line with IHS' forecasts as of June 2021.*

Key operational lines of the 2025 Strategic Plan

Based in rigorous analysis of the trends shaping the world in general and the automotive sector in particular, CIE Automotive has established four lines of initiative for enabling its specific targets: electrification; Industry 4.0; comfort and international expansion.



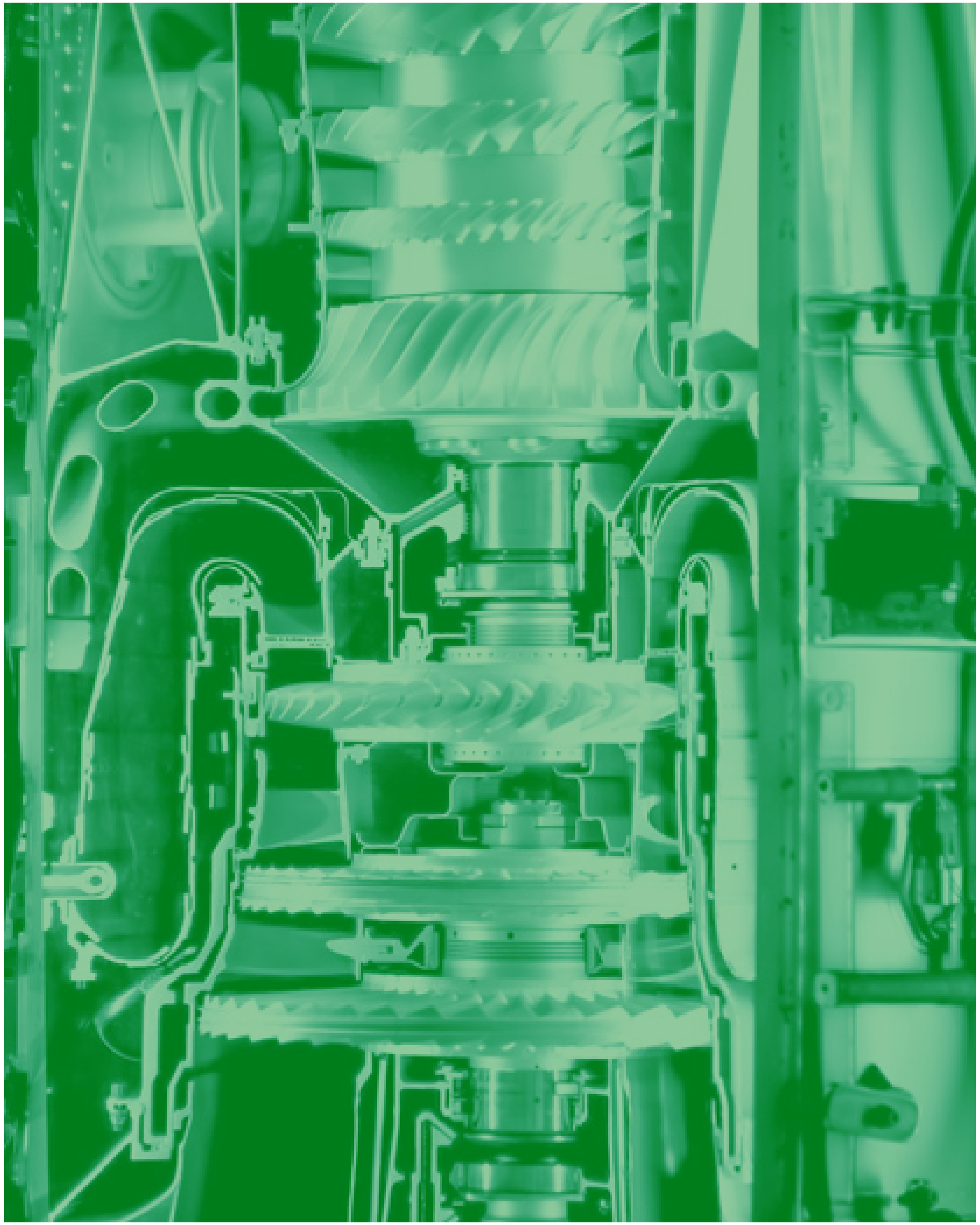
1. Electrification

The decarbonisation of mobility is an opportunity for CIE Automotive. So far, over 80% of its products can be used in both electrified and combustion vehicles. However, the boom in electric vehicles has prompted the company to set its sights on increasing its presence in electrified powertrains in order to position itself in the market with new value-added products related mainly with motors and power electronics, gearboxes and batteries. This objective ties in naturally with those of reducing the company's environmental impact and helping to mitigate climate change.

For products for which there is not yet a clear substitute in zero-emissions cars, CIE Automotive has defined a clear strategy, built around the following pillars:

- Increasing its presence in forged chassis and suspension parts and in ferrous and aluminium alloys with the aim of helping make vehicles lighter so as to in turn reduce their emissions.
- Increasing its presence in machined shafts and gears for BEVs.
- Leveraging the supplier consolidation trend to garner the manufacturing capacity left in these areas.
- Actively pursuing the outsourcing of traditional technologies by customers looking to focus on new connectivity, artificial intelligence, autonomous driving and systems challenges in the EV segment.
- Meeting ambitious new business targets in electrified areas in excess of EV penetration rates.
- Finishing the innovation plan designed to boost the company's competitiveness in forging.

CIE Automotive plans to increase its presence in the electrified powertrain segment; nevertheless, over 80% of its products can be used indistinctly in electrified and combustion engine vehicles



CIE Automotive opportunities in electrified powertrains

Motor and power electronics

- Medium sized cast aluminium parts
- Motor housing
- Motor, inverter, electronics and charger covers
- Stamped parts
- Motor axles

Gearboxes

- Aluminium housing
- High value-added machined parts

Batteries

- Stamped parts, aluminium casting and tube forming in housings, refrigeration systems, crash protection systems and plastic connectors.

2. Industry 4.0

On its journey towards smart manufacturing, CIE Automotive plans to develop and implement a range of Industry 4.0 tools and enabling technologies that interact with and feed off each other. In parallel it is deploying sensorisation capabilities so that it can capture data and analyse it using algorithms. Those developments will make the company's processes more efficient and reduce the use of resources and their environmental impact. The company will be able to make fewer prototypes, use less energy and fewer raw materials and will reject and generate less scrap.

Additive manufacturing

- Validation of mechanisms and functions.
- Conceptual prototypes.
- Advanced tooling concepts that improve their performance and reduce manufacturing times.

Advanced robotics

- Going a step further in the automation of our processes, our robots are collaborating with each other and are even working side by side our people, so called 'cobots', on some production lines.

Digital twinning

- Simulation of the manufacturing process by means of different types of digital models that predict the actual process without the need for physical testing, delivering a drastic reduction in the number of tests and productivity gains.

Use of new interfaces

- All information available in a single view; no paper trail.
- Team briefings, skills-training and communication.
- Real-time alerts on mobile devices.
- Maintenance support in the form of virtual task guides.

Internet of things (IoT)

- This technology connects the physical world with the cyber or virtual world. To enable it we need to be able to identify and trace every product we make. To that end, both the tools that interact with the components and the components themselves are traced one by one to associate all corresponding data with each entity we work with. Whether machine, tool or part.

Advanced process controls

- Development of manufacturing cell models.
- Data analysis | Predictive analysis.
- Machine learning | Deep learning.
- Data capture for analysis, maintenance or automated learning in the systems involved in the process.

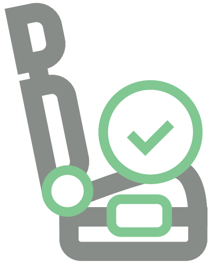
Big Data

- Capture and processing of parameters in real time, generating masses of information from all available sources at the factory: sensors, machines, robots, PLC-based quality controls, etc. Making the data available for subsequent analysis, modelling and decision-making.

Use of the cloud

- All data available on the cloud for analysis, framed by total confidentiality, and made available across the organisation, enabling due sharing of know-how. Sharing of experiences with different lines, geographies, technologies and problems.

For more information, refer to section TECHNOLOGY AND INNOVATION, the highway to the future.



3. Comfort

CIE Roof Systems is operating in a growth segment, underpinned by the development of electric and autonomous driving. To make the most of that situation, the roofing division has set itself the following targets:

- Consolidating its position in bottom loaded roofs and fixed roofs with shading system.
- Working on thinner roofs equipped with flat roller blind technology, necessary for EVs whose batteries are stored under the car, which reduces the height available in the passenger compartment.
- Offering the ability to incorporate panoramic roofs into both fixed and movable sunroofs, so covering the full range.
- Working on ambient conditions and comfort by incorporating ambient lighting or spot lights into both roofs and their shades, embedding spot lights into roll-up blinds and integrating entertainment systems in side window or roof shades.

4. Internationalization

Over its 25 years in business, CIE Automotive has been building its reach in multiple regions to become a benchmark global supplier with a presence across all automotive markets. That geographic positioning is a guarantee of success. The company plans to continue to steadily reinforce its footprint, building a more balanced presence in the various regions and upping its exposure to faster-growing regions such as China, India, Mexico and Brazil.
The company takes a global approach with all of its technologies. However, it adapts its specific strategies for each of its divisions in the various geographic areas in response to the market reality in each.

Europe

Roof systems

- Reorganise the Lozorno factory in Slovakia.
- Complete the closure of the Gifhorn factory in Germany.
- Industrialise new projects for a customer in Romania.
- Seek further collaboration with potential customers and develop adjacent products in addition to roofs, such as flush doors and luggage covers.
- Change the current ERPs by implementing SAP.

Forging

- Develop new forged parts for the electric vehicle.
- Invest in and develop aluminium forging capabilities.
- Unlock growth with horizontal press projects that can deliver market share growth in the driveline segment.
- Develop competitive solutions in machined forged parts.
- Streamline and resize the German forging operations.

Aluminium die casting

- Launch a greenfield site for high-pressure die casting machines - of over 2,000 MT - at the Alcasting factory in Spain.
- Develop our productive capacity and spearhead sector consolidation.
- Focus new project wins on projects for EVs and HEVs at all factories.
- Diversify our customer portfolio by focusing strategically on value-added machined cast parts.

Metal stamping and tube forming

- Enhance factories with the help of the Mexican team's expertise.
- Successfully launch the new Transfer Servo 2000T press.
- Develop new products for the electrified vehicle segment.
- Industrialise projects already won for new players.

Plastic

- Secure new customers and optimise productive capacity at Plasfil (Portugal).
- Secure transfer projects in Morocco.
- Introduce new products to the OEMs we currently work with, thus expanding the portfolio.
- Consolidate the reorganisation at Plasty (Czech Republic).

Machining

- Boost products' value-added and complexity.
- Develop parts for electric and hybrid vehicles.
- Consolidate leadership position in chassis parts in Europe.

Americas

Forging

North America:

- Expand the current Bill Forge warehouse in Mexico to industrialise the new projects landed and further the factory's development.
- Execute and launch new products targeting multiple OEMs and Tier-1 suppliers, such as pistons and crankshafts.

Brazil:

- Successfully start up the new transfer forging line for driveline products in Brazil.

Iron casting

- Unlock growth together with European customers so as to double market share.
- Diversify target markets to include North America.
- Consolidate industrialisation of new projects for German customers.
- Install four robotic machining cells and automated painting capabilities.

Metal stamping and tube forming

North America:

- Build two greenfield facilities: one in stamping and assembly and the other in painting.
- Add capacity in Celaya with transfer and progressive die stamping.
- Secure orders for parts for EVs and roofs.
- Unlock growth in battery and body in white (BIW) parts.
- Enter new product categories.

Brazil:

- Install and commission a new 1,600-MT transfer press in Nakayone.
- Win new projects and customers that are carving out market share.

Roof systems

- Capture key project substitutes for the factory in Puebla.
- Successfully industrialise the new project for an American customer at the Auburn Hills factory.
- Secure roof projects for new OEMs and boost product and customer cross-selling between ACS and Golde.
- Switch existing ERPs to align them with the other systems.

Aluminium die casting

North America:

- Industrialise and start up production for an important new project for a Tier-1 supplier.
- Continue with CIE Celaya's growth and development plan.

Brazil:

- Manufacture aluminium parts for steering systems and value-added aluminium products for engines and transmission systems.
- Automate and digitalise the main industrial processes.

Machining

- Diversify the customer base.
- Win value-added product orders, targeting EVs and HEVs in particular.
- Develop the transmission and driveline parts business and defend the company's position as strategic and preferred supplier of chassis products.
- Lift competitiveness by optimising productive equipment and automating or digitalising industrial processes.

Plastic

North America:

- Develop a painting line at CIE's Mexican plastic operations.
- Diversify CIE USA's customer base.
- Become the market leader in the load floor segment in Michigan.
- Transform CIE USA into a full service supplier.
- Develop new product segments (headliners, door panels, etc.).

Brazil:

- Develop products that add value for CIE Diadema.
- Penetrate new Asian customers present in markets such as Greater Sao Paulo.
- Win new business in chrome-plated parts.
- Expand bi-injection lines.
- Implement electrostatic painting technology in body colour lines.

Asia

Forging

India:

- Add capacity with the construction of a new facility in Coimbatore.
- Launch a new crankshaft machining line for local customers.
- Increase capacity in forging with a new warm forging press for driveline products in Pune.
- Industrialise the new projects secured over the past year.

China:

- Define and implement the relocation plan agreed with the Chinese authorities.
- Develop and implement new products and processes.
- Continue to automate the forging lines.

Roof systems

India:

- Enter the Indian market either with a greenfield facility or via China, as up to now.

China:

- Work on the development of low-cost roofs.
- Win roof business from new OEMs.
- Integrate vertically into glass encapsulation.
- Push products in addition to roofs.
- Rationalise the facilities to unlock synergies.

Metal stamping and tube forming

India:

- Execute the layout reorganisation and press line automation plans in Kanhe and Nashik.
- Increase internal efficiency.
- Launch new projects secured from local OEMs.

China:

- Start up the fuel rail business.
- Win new customers in steering systems by leveraging our R&D capabilities.
- Secure new EV projects.

Machining

India:

- Successfully unlock growth in the business by expanding existing facilities and investing in new machinery.
- Tap the trend of locating in India the production of parts imported from other countries, especially China.
- Increase exports, particularly to the US.
- Build a new fuel rail factory in Hosur.

Aluminium die casting

India:

- Start up production at the new aluminium casting factory built in Aurangabad.
- Increase internal efficiency and product quality.
- Win new customers and develop new, value-added products in the passenger vehicle segment.

Plastic

India:

- Develop the business for EVs.
- Launch the new composites factory in Kanhe.
- Consolidate the internal efficiency gains eked out.

Iron casting

India:

- Commission the new casting moulding line.
- Expand our machining facilities to increase the added value offered to our customers.
- Start up new export programmes.

ESG strategic lines

The ESG Strategic Plan 2025 marks the culmination of the effort to embed environmental, social and governance matters into CIE Automotive's strategy, its everyday activities, its business decisions and its relations with its various stakeholders.

That effort began in earnest in 2019 when the heads of the various cross-group corporate departments, together with the heads of the various business areas, sat down together; the resulting strategy was approved and rolled out in 2020. It was then overhauled in 2021 to align the corresponding KPIs with the prevailing sector paradigm. Publication of the ESG Plan in November 2021 is consistent CIE Automotive's public commitment to sustainability and fully transparent market dealings.

The plan is articulated around four strategic lines of initiative which apply all across the organisation and affect all areas of the business.

1. CIE Culture

Identification, reinforcement, retention and attraction of talent

- Attracting and retaining key people
- Workplace health and safety
- Employee wellbeing
- Equality, diversity and inclusion

2. Ethical commitment

Respect, compliance and development of ethical framework

- Ethics and compliance
- Risk management
- Strong corporate governance
- Respect for human rights
- Growth and responsible investment
- Privacy and data protection
- Transparency

3. Eco-efficiency

Efficient production and reduced environmental impact

- Innovation to drive efficiency
- Circular economy: efficient use of resources and waste management
- New forms of mobility
- Environmental impact
- Climate change
- Product quality and safety

4. Active listening

Proactive attitude and constant communication with our stakeholders

- Customer satisfaction
- Responsible supply chain management
- Reputation
- Community relations
- Stakeholder engagement
- Geopolitics

The four strategic lines of initiative defined in the ESG Plan apply all across the organisation and affect all areas of the business.

Commitments by corporate areas

Each area sets and takes ownership of a series of corporate targets designed to enable ongoing progress on the key lines of the Strategic Plan.

Engineering

- Eco-efficiency criteria applied from product and process development.
- Innovation focused on impact mitigation.
- Cross-transfer of best practices within the organisation.

Human resources

- Diversity, equality and inclusion: all factories to complete self-assessments and design action plans immediately.
- Awareness-raising among management personnel on ESG matters.
- 100% of existing factories to be ISO 45001-certified by 2025.

Supply chain management

- Sustainable and stable supply chain management
- Training and commitment in eco-efficiency matters.
- Drivers of value creation via local sourcing.

Investor relations

- Integration of ESG criteria into financing processes.
- Greater transparency and activity around ESG topics to help funds with their investment decisions.

Sales

- Team with ESG expertise so as to meet customer expectations.
- Annual ESG training sessions and open communication with our customers about CIE's sustainability pledges.

Commitments by corporate areas

CIE culture

Ethical commitment

Eco-efficiency

Active listening

Environmental management

The overriding goal is to minimise our environmental impact and help improve our surroundings. By means of:

- Energy generated from renewable sources.
- Material circularity.
- Responsible use of water.

Finance

- Prioritise and raise the profile of green financing agreements.

M&A activity

- Integration of ESG criteria into investment processes and valuation work.
- Across-the-board analysis of ESG matters during target company due diligence.

Compliance

- Everything we do must be guided by our corporate values and rules to ensure the ethical conduct of everyone at CIE Automotive.
- Each rule is complemented by a compliance and breach remediation mechanism.

Key performance indicators

To measure its progress on ESG matters, CIE Automotive has put together a dashboard with almost 80 indicators, which are included in the management plans of each and every facility around the world, and has set specific targets and timeframes for their delivery.

Each indicator gets reported quarterly, semi-annually or annually, as stipulated, and is framed by targets to be met within five years' time, starting in 2021.

All of that information gets consolidated into a global ESG dashboard hosted within the group's corporate internet. Progress on the various indicators is reported to the Board of Director's ESG Committee which has tasked the Cross-Group ESG Committee with ensuring delivery of the KPIs within each member's purview.

The KPIs will be reviewed and updated periodically, in tandem with the company's broader strategic updates, reassessing the latest automotive sector trends, stakeholders demands and legislative developments, among other things.

For some of the most important KPIs, refer to section "Where we're headed"

Stakeholders communication

To align its business strategy with the legitimate wishes of all the parties with a vested interest in its fortunes, CIE Automotive engages intensely with all of its stakeholders using a number of different communication channels, notable among which its corporate website, which includes a dedicated investor microsite and a specific ESG tab with information of relevance for the rest of the company's stakeholders, the in-house newsletter and the Suppliers Portal. Every year it also publishes this Annual Report, providing an account of its financial, business and ESG performance. In 2021, the company updated its materiality matrix to ensure it reflected all of the topics of greatest relevance to its stakeholders.

To see the materiality matrix, refer to the section headed "Materiality"

Progress on corporate governance front

In 2021, the company published a new Compliance and Criminal Risk Prevention Policy, updated various corporate documents to layer in its ESG criteria and reinforced its risk management, internal control and compliance systems. On the training front, it expanded the scope of its various courses on anti-corruption and criminal liability topics, which began in 2020, and provided all CIE Automotive professionals with training on the company's Code of Conduct.

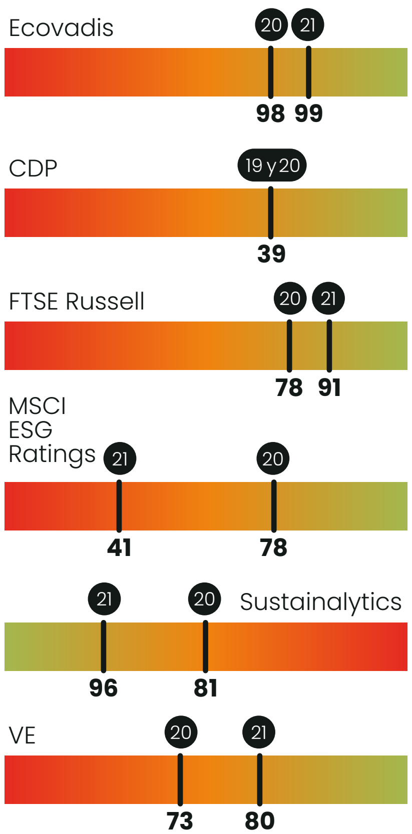
For more information, refer to "Progress on ESG management"

ESG: CIE OUTPERFORMS ITS PEERS

CIE Automotive's actions on the ESG front have been evaluated by a number of independent sustainability scoring firms. Most of those assessments are unsolicited. All those ESG scores rank CIE Automotive above most sector players, as shown in the accompanying chart.

The agencies assess, among other material aspects, our impact on the environment, our labour and human rights practices, our ethical standards and the sustainability of our purchasing. On the basis of those assessments they can then highlight CIE Automotive's strong suits and identify where it needs to improve, in turn helping the company to fine-tune its action plans.

Percentile position within the sector



We are drawing our roadmap over a proven model

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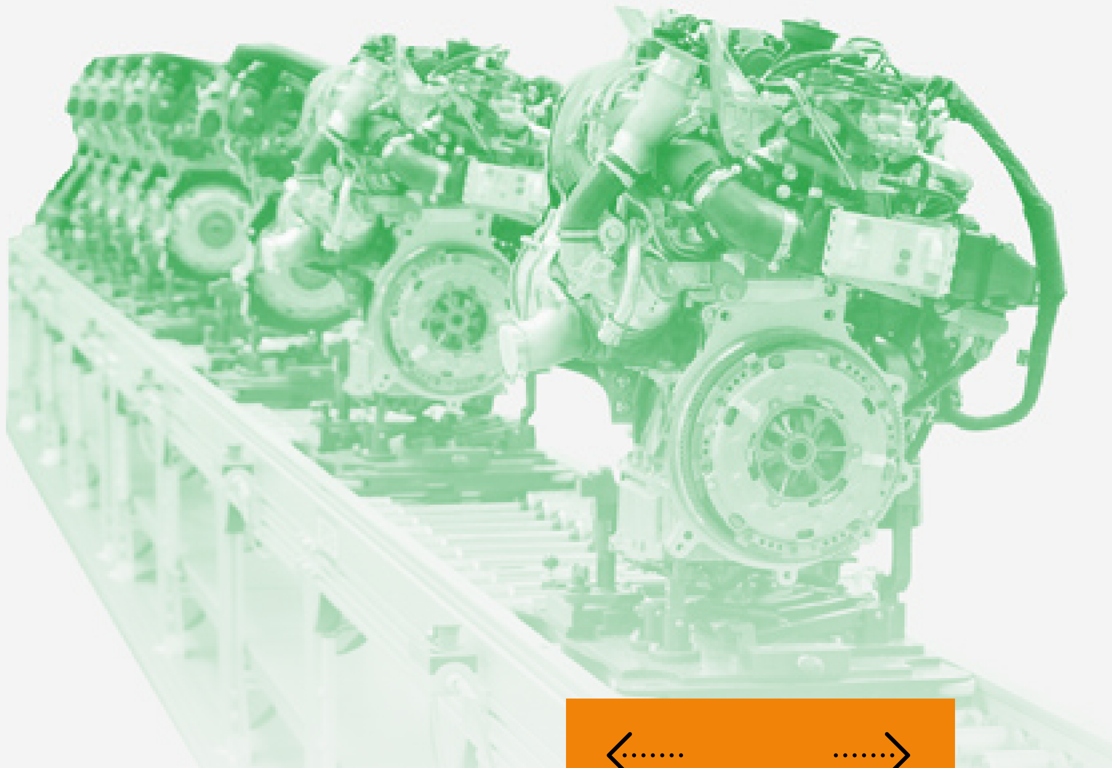
Our BUSINESS MODEL, a reliable base

CIE Automotive is a global supplier of parts, assemblies and subassemblies for the automotive market. For the last 25 years, its business model has been articulated around five pillars - geographical balance, customer diversification, a multi-technology approach, disciplined investing and decentralised management - which have enabled it to navigate various crises and successfully integrate more than 100 companies. In 2019 the company added a new pillar: the integration of ESG standards into its everyday management and all of the company's decisions.



CONTENT INDEX

Cornerstones of the business model

Geographical balance

- 114 manufacturing facilities in 108 different locations across 16 countries
- 10 research centres

Customer diversification

- 70% OEM
- 30% TIER 1 suppliers

Multi-technology approach

7 technologies:

- Machining
- Metal stamping and tube forming
- Forging
- Plastic
- Aluminium die casting
- Casting
- Roof systems

Investment discipline

- Flexible standard machinery
- High returns on investments
- High EBITDA-to-operating cash conversion ratio

Decentralised management

- 4 autonomous geographic regions
- 1 corporate network to support the regions

Integration of ESG standards

- Ethical commitment
- CIE culture
- Eco-efficiency
- Active listening

Geographical balance

102-4

CIE Automotive goes wherever its customers need it. Since its creation in 1996, and in response to the globalisation of car manufacturing, the group has expanded its footprint to be close to the assembly plants by means of acquisitions, alliances and the construction of new factories from scratch. Today, CIE has 114 productive facilities and 10 research centres in 16 countries, from which it serves the main automotive markets: Europe, North America, Brazil and Asia.

That geographic diversification has made it a benchmark supplier for the global automotive platforms. It also minimises exposure to adverse cycles in specific regions or markets.

In its onward march towards globalisation, it is worth highlighting the speed with which the company has increased its presence in Asia, the world's largest vehicle production market, facilitated by the strategic alliance with Mahindra & Mahindra in place since 2013. Today, Asia accounts for nearly one-third of group sales.

CIE Automotive's geographic footprint

North America

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

Brazil

CIE Automotive has 14 manufacturing facilities in Brazil. The company has forged a meaningful position in this market in the wake of the OEM concentration observed in recent years.

Europe

CIE Automotive has 42 manufacturing facilities in Western and Eastern Europe and one factory in Morocco. The European market encompasses the MCIE group's factories, which are heavily focused on the commercial vehicle segment, and CIE Automotive's legacy factories, focused on passenger vehicles.

Asia

CIE Automotive has 25 manufacturing facilities in India and 12 in China. The group's solid position in India stems from its alliance with the local group Mahindra & Mahindra Ltd., coupled with the acquisitions of the Bill Forge group (2016) and AEL (2019). Its presence in the Chinese market has been boosted in recent years by the integration of CIE Golde.

Sales by geography

North America	Brazil	Europe	Asia
26.7%	6.6%	39.0%	27.7%

Customer diversification

CIE Automotive sells its products to the major OEMs (70%) and Tier-1 parts suppliers (30%). Its customer portfolio is highly diversified and the company is scantly dependent on specific customers: none of its customers accounts for more than 8% of total revenue.

That customer diversification places the company in a stronger bargaining position when it comes to negotiating prices with a view to defending its margins, even at times when market pressure is strong, and retaining its freedom to invest on the basis of profitability and not strictly commercial criteria.

DAIMLER
CHRYSLER
BMW
RENAULT
gm
FAW
Ford
MAGNA
NISSAN
BAJAJ
ZF
Mahindra
OPEL
FIAT
CATERPILLAR
CITROËN
Mercedes-Benz
GKN
PEUGEOT
LAND ROVER
JTEKT
BOSCH
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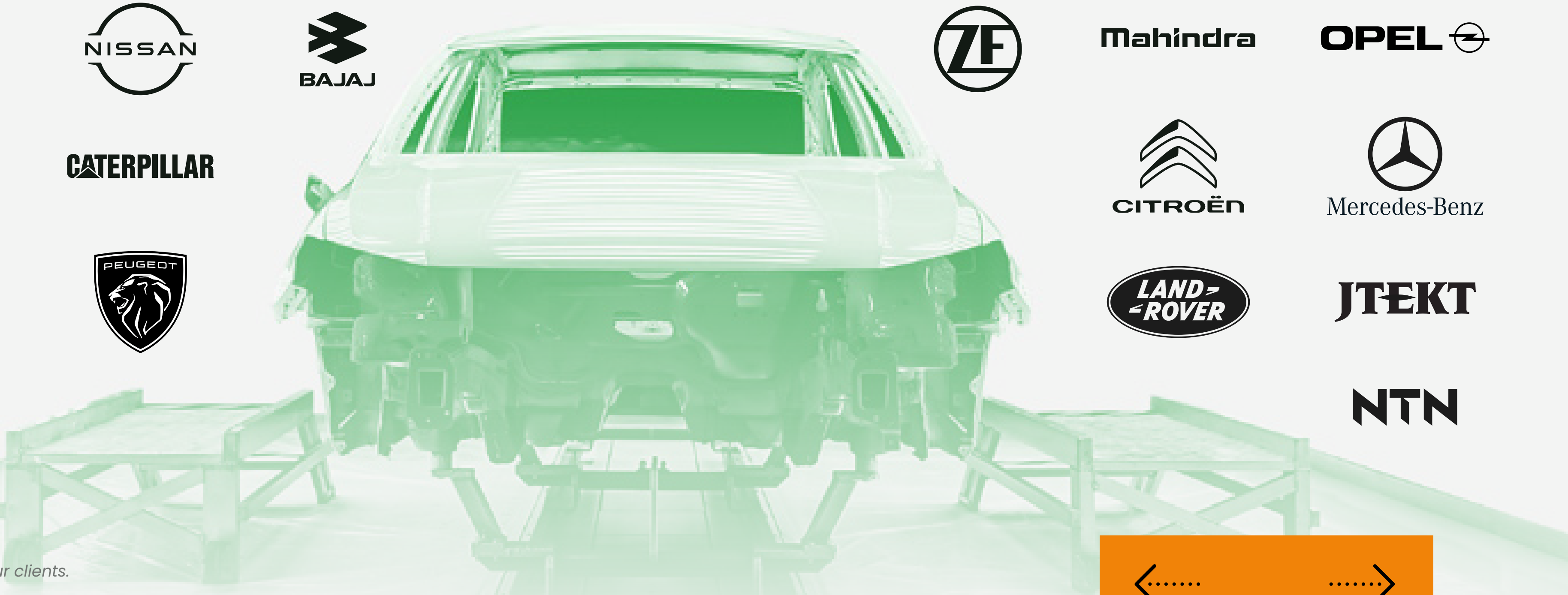


These are just some of our clients.

Multi-technology approach

CIE Automotive builds its extensive product range, made up of over 7,000 SKUs between automotive parts and subassemblies, around seven different basic processes or technologies: machining, metal stamping and tube forming, forging, plastic, aluminium die casting, casting and roof systems.

Thanks to its mastery of such a broad range of technologies, it can offer different technological solutions for a given part and make a subassembly using a combination of processes. That means that customers can select the optimal solution in terms of quality, cost, supplies and environmental impact/emissions without having to contact different suppliers and developer teams.

The product range is aligned with the main growth drivers prevailing in the automotive sector and investments are focused on the prevailing winning technologies.

Aluminium die casting 337.9 million

Iron Casting 131.1 million

Metal stamping and tube forming 601.0 million

Roof systems 613.6 million

10% | 21% | 4% | 19% | 18% | 9% | 19%

Forging 677.3 million

Machining 617.9 million

Plastic 290.4 million

Technologies by geographical area

	TOTAL	Machining (2)	Stamping (3)	Forging (4)	Plastic (5)	Aluminium (6)	Roof systems	Casting
Europe (1)	43	17	5	6	5	5	5	-
North America	20	7	5	2	3	1	2	-
Brazil	14	3	4	1	4	1	-	1
Asia (India & China)	37	4	8	10	1	3	9	2
TOTAL	114	31	22	19	13	10	16	3

(1) Includes the CIE Maroc factory in Morocco and the CIE Automotive Rus factory in Russia.
(2) Includes four multi-technology factories (CIE Autocom, CIE Automotive Parts Shanghai, CIE Hosur and CIE Autoforjas).
(3) Includes three multi-technology factories (CIE Celaya, CIE Automotive Parts Shanghai and CIE Autometal Diadema).
(4) Includes two multi-technology factories (CIE Autoforjas and CIE Hosur).
(5) Includes one multi-technology factory (CIE Autometal Diadema), as well as one facility in each of India and the US that use composites technology.
(6) Includes two multi-technology factories (CIE Autocom and CIE Celaya).

Financial discipline

All of CIE Automotive's decision are framed by rigorous financial discipline with a strict focus on cash generation. The company has a very lean fixed cost structure, works tirelessly to make its processes more efficient and sticks to a strict sales policy that prioritises profitability.

The strategic commitment to disciplined investing and stringent return hurdles is articulated around three axes: Capex, high return hurdles and healthy EBITDA-to-cash conversion.

Pillars of investment discipline

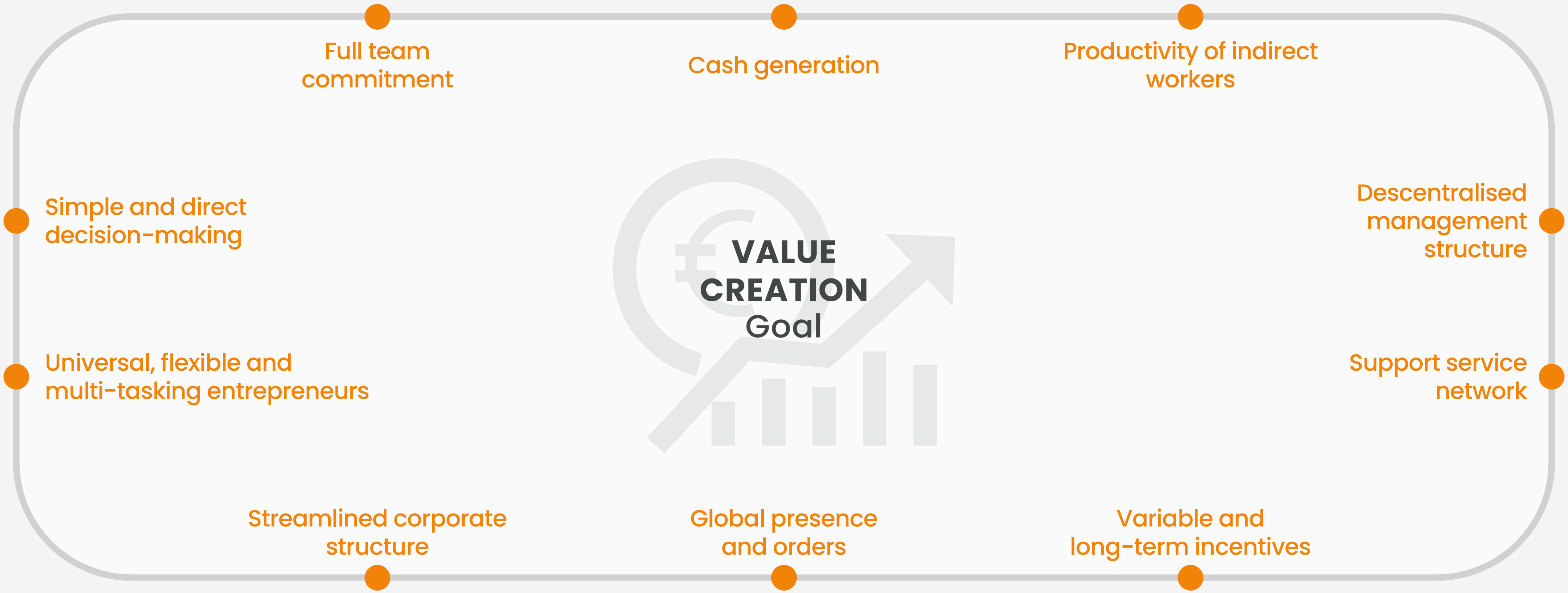
CAPEX.	**Strict investment discipline. High return hurdles.**	**EBITDA-to-cash conversion threshold.**
Flexible, standard equipment which enables high capacity utilisation.	Capex **≥20%** ROI.	Operational excellence coupled with control over capex for an EBITDA-to-operating cash conversion ratio that is above the market average.
Recurrent capex of **≈3%** of revenue, which is sufficient to enable facility maintenance and capacity renovation.	Net working capital* **≈ 0**.	Target conversion ratio of **> 60%**

**Net operating working capital: net working capital excluding non-recourse factoring.*

Decentralised management

CIE Automotive takes a decentralised management approach to ensure its decision-making is quick, simple and direct. Each region and division takes the decisions that best serve their prevailing interests any given time with the support of the firm's Corporate Areas and Network Services vested with a group-wide remit: Europe, North America, Brazil and Asia.

The factories have full operational autonomy and are run by local teams with the same commitment to keeping the cost structure lean.



Integration of ESG standards

In recent years, CIE Automotive has integrated environmental, social and governance (ESG) criteria into its management model and approach to financing.

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

In terms of society, it engages with its various stakeholders (staff, customers, suppliers, investors, etc.) who make its activity possible in order to satisfy their legitimate expectations to the extent possible. In parallel it has a defined community engagement strategy. It is worth highlighting its strategic alliance with Save The Children in Mexico, which wrapped up in 2021. In November 2021 the company signed a new strategic alliance, this time with ACNUR, to help refugees in Brazil with training and job searches.

On the corporate governance front, the company has strong ethical commitments and works constantly to keep its in-house rules and regulations up to date to ensure it upholds those commitments and continues to comply with ever-evolving legislation. In addition, the company applies risk prevention manuals and associated mitigating control mechanisms with the aim of making its risk management more transparent year after year. The entire ESG integration effort is underpinned and extended across the organisation by targeted training initiatives.

It is worth highlighting, as part of our membership of the SERNAUTO trade association, the active role we play in the latter's Responsible Business Committee , which is made up of 15 companies with the main goals of:

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

In 2021, the company continued to build on the key areas of progress made in 2020, specifically undertaking the following initiatives:

- **Knowledge lab:** organisation of four committee meetings by video conference call, three workshops and four webinars addressing a range of topics. The business case for the automotive parts sector was updated in respect of sustainability considerations.
- **Stakeholder engagement:** reinforcement of relations with the various stakeholders of relevance for the sector and search for Agenda 2030 alliances. Work was also done on measuring the sector's impact in ESG terms.
- **Tools and communication:** constant updating of the web-based matrix of key sector topics. Presentation and dissemination of the White Book titled 'Contribution of the Spanish automotive parts industry to sustainable development' at a number of forums and media events.
- **Prizes for after-sales community commitment:** creation of these awards to encourage and lend visibility to key players in the after-sales value chain that display commitment to social challenges.

We are drawing our roadmap over a proven model

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COMMITMENTS: driven by our quest to outdo ourselves

In assessing our starting situation and business environment before designing the 2025 Strategic Plan, we took stock of how much the group has evolved in recent years, the extent to which it has embedded corporate citizenship into its everyday activities and how our priorities have shifted. Following that analysis, the company updated its Mission, Vision and Values and its health, safety, environment and quality (HSEQ) policies.

Mission, vision and values

Mission

We are a team committed to an automotive project that has been growing steadily for more than 25 years.

- We are a global and multi-technology supplier:
  - Four continents
  - Seven technologies
- We add value to all of our stakeholders
- We guarantee quality and service
- We are a participative and innovative team:
  - Each person is an entrepreneur
  - We are proud to be part of it
- We take care of our planet:
  - We contribute to improving our environment
  - We minimise our environmental impact

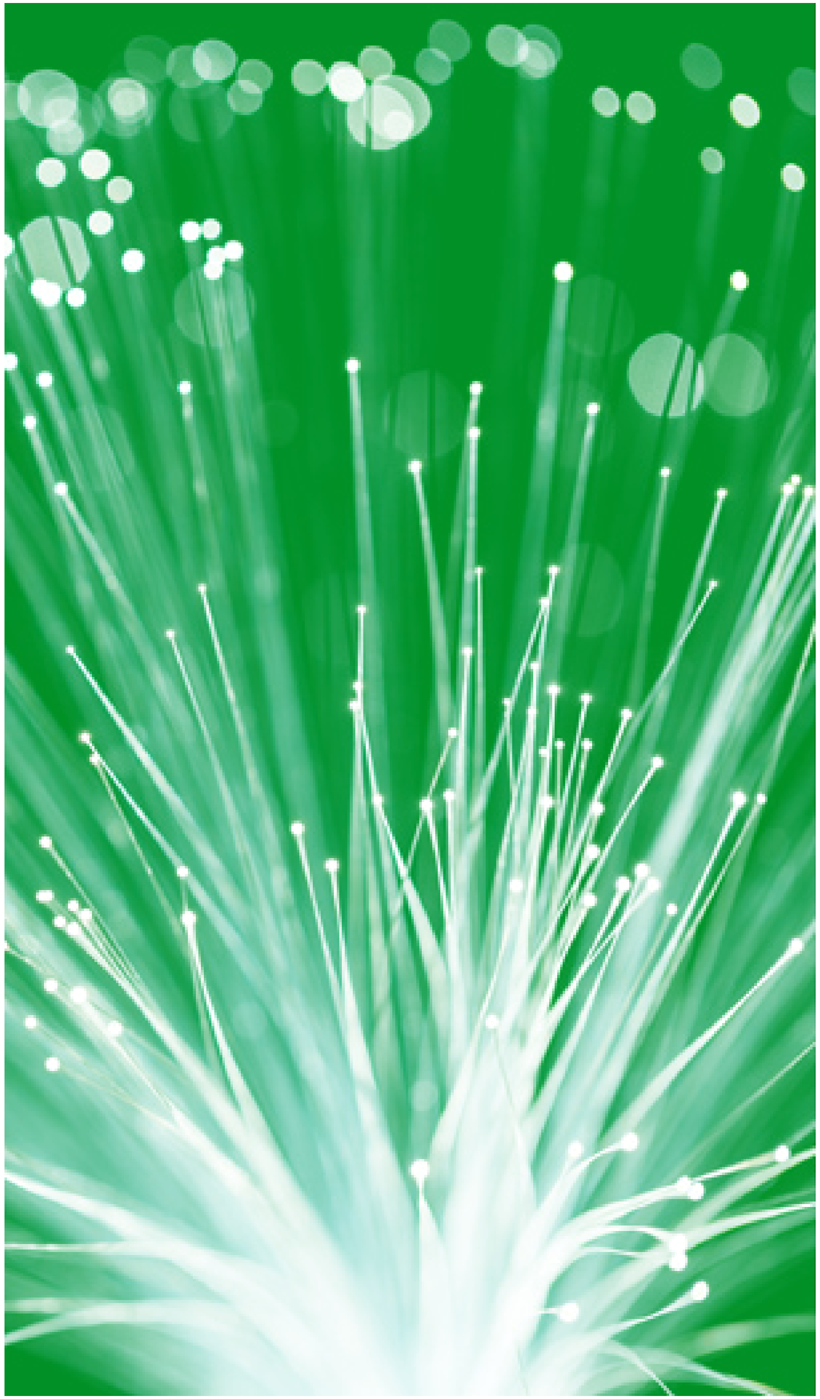
Vision

To provide the best solutions for the mobility of the future while being:

- Climate neutral:
  - Maximum resource circularity
  - Zero net emissions
- Value chain drivers:
  - Integral conception
  - Favouring local economies
- A benchmark for society:
  - Guaranteeing the integrity, security and health of people
  - Listening, transmitting and acting
- Excellent in management:
  - Transparency and integrity
  - Value creation

Values

- **Committed** to a job well done
- **Innovation** as the answer to any challenge
- **Focused** on people, their families and their environment
- **Diversity**, equality and inclusion
- **Sustainable** and profitable growth
- **Ethical** and honest conduct
- **Self-criticism** and recognition of others
- **Climate** action
- **Respect** for legality



We are drawing our roadmap over a proven model

TECHNOLOGY AND INNOVATION, the highway to the future

Execution of the 2025 Strategic Plan requires specific enabling technology developments. For its onward journey, CIE Automotive's Engineering Department identified different technologies for advancing on five of the eight strategic lines of initiative pinpointed: electrification, comfort, Industry 4.0, CIE culture and eco-efficiency. The R&D Department, meanwhile, concentrated its efforts on designing different technology projects that fit with Spain's Recovery, Transformation and Resilience Plan, framed by the Next Generation EU initiative.

Technological progress enabling execution of the Strategic Plan

CIE Automotive is taking a proactive stance towards technological transformation and decarbonisation in order to reduce its product and corporate footprints, in sync with market trends. With those goals in mind, it is working on a number of lines in order to tap the opportunities emerging in the current scenario and, in parallel, mitigate or eliminate the prevailing risks. It is particularly worth highlighting the new technology on the factory floor that is delivering the flexibility, agility and responsiveness needed to tackle the prevailing challenges, with volumes and scenarios in constant flux.

In 2021, the company continued to work on initiatives expected to materialise in the short, medium and longer term, i.e., some are already coming to market and others will be rolled out gradually, offering customers a steady stream of technological advantages.

The work being performed by the Technology Department is framed by the 2025 Strategic Plan and targets five of the eight lines of action pinpointed: electrification, comfort, Industry 4.0, CIE culture and eco-efficiency.

ELECTRIFICATION

Collaboration with its customers and supply chain to position itself as a solutions provider in the electric vehicle field has led CIE Automotive to launch projects in the area of batteries and power electronics systems, maximising the value added contributed by CIE Automotive in a multi-material environment in which key concepts can change in one generation. Our strategic commitment to multi-technology offers customers something different and maximises opportunities in emerging products such as EV systems.

Vehicle electrification generates new challenges for various vehicle systems. For example, elimination of the noise made by the combustion engine requires silencing other elements that before went largely unnoticed, to which end work is underway on the use of brushless motors on roofs and lateral windows and on materials that reduce noise transmission and cushion vibrations. Other challenges are to reduce the weight of parts to increase vehicle autonomy and to search for ways to integrate sensors for differing levels of autonomous vehicles.

Technological progress in electrification is positioning CIE Automotive as a key agent in environmental impact mitigation and is part of its roadmap for minimising its impact on climate change. The following lines of initiative also help respond to those challenges.

COMFORT

The new approach to mobility, in which end users are attaching growing importance to the driving experience, especially as vehicles with higher levels of driving autonomy come on the market, is generating new opportunities in the comfort segment. Against that backdrop, the company has been working on the following:

- Launch of panoramic roofs with new features, such as electrochromic shades, new lighting functionality and other features unlocked by sensors.
- Contribution to enhanced lateral shading and flush window ergonomics by motorising them. Improvements to boot space by means of self-opening luggage covers.
- Introduction of panoramic roofs that increase the amount of space available inside the passenger compartment thanks to more compact designs.
- New flush door concepts that give vehicles a look that matches the new concepts being built into electrified vehicles.

There is a sizeable market for the integration of circularity criteria through the use of new materials based on natural fibres and materials with higher volumes of recycled content, a line of initiative that lines up nicely with the eco-efficiency effort.

INDUSTRY 4.0

The competitive gains associated with Industry 4.0 technologies have been key to enabling a swift and flexible response to the swings in demand and the growing pressure on companies and the broader sector to achieve emissions and impact neutrality. The lines of initiative in this area are:

- Capture of data from production lines thanks to advanced sensors for the measurement of hot and cold parts.
- Artificial vision with AI for smart inspections and defect detection.
- Advanced robotics and introduction of cobots on production lines.
- Unit traceability by crossing data for each product or means of production.
- End-to-end product lifecycle management (PLM), from the conceptual engineering phase to mass manufacturing and supply.
- Production line modelling, data analytics and data export to the group for advanced analysis and cross-transfer of specific ideas, leveraging cloud and big data services.
- Acceleration of product development by using additive manufacturing prototypes and the incorporation of that technology into advanced tools.
- Advanced process simulation and connection with the real world by means of digital twins. That creates mixed data models that slash the number of tests to be performed while increasing the number of variables that can be added to the control and predictive algorithms.
- Industry 4.0 technologies boost efficiency in all departments by providing data for rapid decision-making and skills and other training by means of new interfaces.
- Introduction of in-house software development capabilities.

CIE CULTURE

Attraction, identification and retention of talent through collaboration with universities and training centres focused on new technologies. Active participation in planning and supervision of vocational training programmes with internships attached.

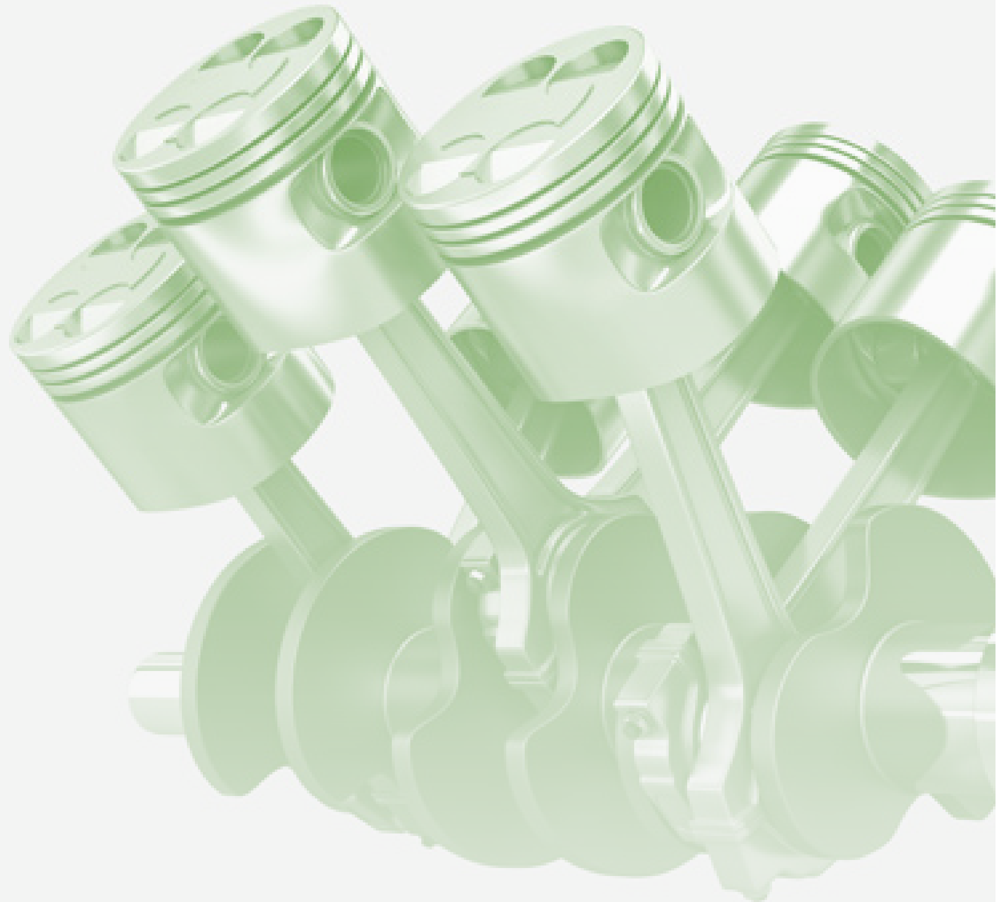
Collaborative teaching in master's programmes in the automotive sector and manufacturing.

Active participation in the rollout of courses addressing environmental footprints, eco-design, circularity and lifecycle assessment provided through the Basque Ecodesign Center.

ECO-EFFICIENCY

Efficient use of materials has been at the heart of CIE Automotive's sustainability and competitiveness for years. Initiatives aimed at reducing material usage ratios relative to end product weight and making parts weigh less in general are staple projects in the company's technology roadmap year after year. Here it is worth highlighting the following initiatives:

- Projects to increase the circularity of polymer transformation technologies.
- Introduction of new product features, so reducing the number of parts.
- Innovation in technologies that reduce the use of fuel and chemical products, such as ESG+ technology, in roofs and lateral windows.
- Launch of eco-design tools for incorporation into new product and project processes.



Projects associated with the European Recovery Plan

Europe's response to the crisis induced by the measures taken to curb the pandemic and its economic and social fallout materialised in the region's recovery package for 2021-2027, under which the European Union will help fund a new industrial revolution driven by sustainability and the twin goals of green and digital transformation.

To avail of those funds, Spain presented its Recovery, Transformation and Resilience Plan, which CIE Automotive would like to benefit from in order to continue to make progress on its green transition and digital transformation thrusts with projects related with circularity, environmental impact reduction and climate change action.

Recovery, transformation and resilience plan: priority areas for CIE Automotive

Pillars

- Green transition **40.3%** of the budget.
- Digital transformation **29.6%** of the budget.

Levers

- **I** Urban agenda = **21%** of the budget.
- **III** Energy transition = **9%** of the budget.
- **V** Modernisation and digitisation of the industrial fabric = **23%** of the budget.

Components

- Within Lever I, component **C1** "Action plan for sustainable mobility".
- Within Lever III, component **C9** "Renewable hydrogen roadmap".
- Within Lever V, component **C12** "Industrial Policy Spain 2030".

Ways of accessing the funds

- Individual or team projects.
- Windows can vary as a function of the projects' technical readiness level (TRL).
- The projects must fit with the EU and Spanish recovery plans' priorities and the actions to be taken must be well defined (R&D, IT, green transition, environmental component, energy efficiency).
- The intensity of the aid awarded is regulated by Europe's State aid Temporary Framework although each programme can establish its own assessment and aid intensity criteria.

Keys for CIE Automotive

- Prepare specific proposals for the projects contemplated in the calls for expressions of interest.
- Analyse the programmes, the associated aid intensities and assessment criteria and the various calls.
- Select the calls it wants to tender for.

Contribution to the calls for expressions of interest and so-called Strategic Projects articulating the Recovery, Transformation and Resilience Plan

In 2021, CIE Automotive worked in collaboration with the sector's Move to Future (M2F) Platform on collaborative enabling M2F projects. Those projects, the so-called Driver Projects, are part of the response to the calls for expressions of interest launched by the Spanish government, included within the Strategic Project for the Electric and Connected Vehicle.

That collaboration has materialised in three projects:

- **Storage system for xEV**

  CIE Automotive's priority targets within this project are: new concepts and materials for the Battery Box; the fuel cell; and range extenders. Incorporating eco-design and circularity criteria in parts whose useful lives and recyclability are key aspects.

- **Global benchmark environment for the design, testing and validation of advanced solutions in sustainable, cooperative, connected and automated mobility. Sustainable CCAM**

  CIE's priority area of focus in this project is new concepts and features in refashioning vehicle interior, associated with our comfort area. The search for sustainability involves research into eco-efficient and recycled materials and processes.

- **Automotive Industry 4.0, smart and competitive**

  CIE Automotive's priority area of interest within this project is to work in the digital twinning environment, advancing towards totally connected and flexible systems, and to make processes smarter so as to enable the implementation of smart manufacturing models. Achieving that will not only unlock competitive gains, it will improve our environmental performance by reducing our impact and mitigating climate change.

  By participating in these projects, CIE Automotive is exhibiting its commitment to a national strategy capable of ensuring the sector's vision for the future and global positioning. That vision is inclusive, i.e., it encompasses the entire value chain. With the ability to contribute to other regional objectives, the overriding goal is to ensure the technical and ecological transition of the vehicles made in Spain.

Other lines of analysis and work

In addition to the so-called Collaborative Driver Projects, CIE Automotive also worked on the following projects:

- **Basquevolt Initiative**

  Here the idea is to take advantage of the opportunities in Europe in the battery value chain and create an ecosystem of companies around a value proposition based on solid-state technology with the aim of outperforming the current conventional lithium-ion batteries, specifically including in terms of density, cost and safety.

- **FCEV Initiative**

  The goal here is to work in the areas of hydrogen propulsion systems, the development and optimisation of fuel cell materials, parts and subsystems and their in-vehicle storage system.

One more year moving forward together

In 2021 we embarked on a fresh journey towards excellence in a year plagued with difficulties on account of the pandemic but also brimming with opportunities thrown up the transformation of the automotive sector. Over the course of the year, we demonstrated how, with the right strategy, the merit of the work done by our team and the help received from our stakeholders, we were capable of surmounting obstacles, delivering outstanding results, generating value for our stakeholders and reducing our impact on the environment.

One more year moving forward together

Working hard to achieve optimal RESULTS

2021 was the year of recovery after the pandemic: CIE Automotive's net profit amounted to €267.5 million, which is higher than the pre-COVID levels of 2019, despite lower vehicle production volumes and market malfunctions. The keys to this exceptional performance lie with the business model and tireless focus on cash generation, paving the way for deleveraging and organic growth.

Objective:

Return to pre-COVID profitability and deleverage to pave the way for future investments

Lines of initiative:

- Focus on operating cash flow generation to reduce debt.
- Improve financing terms and conditions and linkage to sustainable finance criteria.
- Tackle supply chain friction.
- Maintain investing discipline.
- Control variable operating expenses and fixed costs in an environment of shrinking volumes.

Earnings performance

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CIE Automotive reported a net profit of €267.5 million in 2021, growth of 44% from 2020 and in line with pre-pandemic profitability levels (factoring in the adverse impact of exchange rate of €18 million on 2021 versus 2019 net profit). That is an outstanding result considering the lingering weakness of the automotive market, which made 11.8 million fewer vehicles than in 2019 due to the chip crisis and broader global supply chain friction.

Whereas many sector players were forced to issue profit warnings throughout the year, CIE Automotive recorded double-digit growth in profits and marked record margins considering the current group perimeter. Specifically, EBITDA amounted to €574.7 million, implying a margin of 17.6% and growth of 33% from 2020. EBIT, meanwhile, came to €403.5 million, growth of 42%.

That earnings momentum is attributable more to successful management than to topline growth. Although CIE Automotive outperformed the market by 11.5 percentage points, benefitting from supplier concentration, revenue growth lagged earnings growth, increasing 13% to €3.27 billion, partially eroded by adverse exchange rate effects, which reduced revenue by €192 million by comparison with 2019.

It was the managerial excellence of CIE Automotive's teams, underpinned by the company's solid business model, that enabled the group to expand its margins, across both the legacy group and the companies acquired in 2019, where there is still further upside.

CIE Automotive tackled the unexpected problems that came its way in 2021 thanks to: its strategic commitment to local sourcing, which eliminates transportation costs and supply problems; rationalisation of its purchases, with pass-through clauses in customer contracts; broad process efficiency, with much-reduced manufacturing consumption levels; disciplined control over maintenance and growth (capacity) capex; and decentralised management, which helped each factory take the best decisions in the interests of the overall group.

By unlocking those levers, CIE Automotive was able to convert 67% of its EBITDA into cash from operations, topping its initial guidance for a conversion ratio of 60%.

Capital expenditure

The company remained austere on the investment front. Following a history of acquisitions and alliances which have brought more than 100 companies into the fold, in 2021 the company limited its non-organic investments to the purchase of another 0.6% of its subsidiary, MCIE.

Investments in capacity additions and maintenance were pared back to the bare minimum, such that capex amounted to 5.9% of revenue. Among the capacity additions that were carried out, it is worth highlighting the CIE Hosur factory in India.

FINANCIAL SITUATION

Healthy operating cash generation coupled with capex restraint enabled a sharp reduction in debt to €1.39 billion, implying an adjusted debt ratio of 2.37x EBITDA, compared to 3.59x in 2020.

Financing arrangements

During the first half of 2021, CIE Automotive once again renegotiated its core financing facilities, negotiating new - broader - covenants headroom, and extending the average maturity to three years to improve the group's financial terms and conditions.

That work is headed up by the Finance & Treasury Department which was also tasked with monitoring the group's liquidity forecasts and needs to ensure it kept a sufficient volume of undrawn credit facilities to cover its business funding requirements.

In line with the targets set down in the 2025 Strategic Plan, at 31 December 2021, the group had a liquidity reserve of €1.53 billion, sufficient to cover payments so as to ensure business continuity throughout 2022, providing its stakeholders with additional comfort.

Comparative balance sheet

(€ m)	2020	2021
Fixed assets	3,293.2	3,490.3
Net working capital	(356.4)	(425.2)
Total net assets	**2,936.8**	**3,065.1**
Equity	995.0	1,367.6
Net financial debt	1,594.9	1,394.9
Other (net)	346.9	302.6
Total net liabilities	**2,936.8**	**3,065.1**

Financial ratios

	2020	2021
Adjusted net financial debt/EBITDA	3.59	2.37
Net financial debt/equity	1.6	1.0
Leverage ratio	**0.62**	**0.50**

Debt maturity profile

(€ m)	2019	2020	2021
Within one year	524.8	586.7	525.8
Between 1 and 2 years	244.8	353.6	288.3
Between 3 and 5 years	1,146.4	1,111.7	1,187.3
More than 5 years	205.1	196.0	178.5
Total equity and liabilities	**2,121.0**	**2,248.0**	**2,179.9**

Debt structure

In millions	2017	2018	2019	2020	2021	Maturity	Characteristics
Syndicated loan	≈ 466	≈ 400	≈ 480	≈ 345	300	Apr. 2026	– Loan in euros – Price band based on net financial debt/ EBITDA – 300 million in loan format and 390 million in the form of a RCF (undrawn) – Unexercised option to extend by one year
EIB and IFC-EDC	≈ 61	≈ 82	≈ 247	≈ 261	≈ 231	Apr. 2031 and June 2028	– Loans in euros and dollars – Partially fixed rate
Long-term loan	≈ 81	≈ 81	≈ 77	≈ 68	68	July 2028	– Loan in euros – Fixed rate
Mexico	≈ 162	≈ 163	≈ 156	≈ 122	≈ 40	Miscellaneous	– Several loans in dollars – Partially fixed rate
Other	≈ 384	≈ 616	≈ 1161	≈ 1.452	≈ 1.541	Miscellaneous	– Borrowings comprising bilateral loans (holding and local), credit facilities, working capital lines, etc.
Gross debt	≈ 1.158	≈ 1.340	≈ 2.121	≈ 2.248	≈ 2.180		
Cash and cash equivalents	≈ 201	≈ 392	≈ 599	≈ 653	≈ 785		
Net financial debt	≈ 957	≈ 948	≈ 1.522	≈ 1.595	≈ 1.395		

CIE Automotive, a benchmark in sustainable finance

CIE Automotive has intertwined its financing strategy with its sustainability pledges. Specifically, it has set itself the goal of tying 50% of its gross debt to ESG criteria within the next few years, up from 28% in 2020.

Annually, and as a function of a score to be assigned by an independent consultant, the group's borrowing cost gets adjusted in keeping with the trend in its sustainability indicators, which are aligned with the United Nations Sustainable Development Goals.

In 2020, CIE Automotive had already restructured its syndicated loan to turn it into a sustainable finance facility. Against that backdrop, in 2021, the group arranged or renewed €384 million of financing facilities in order to introduce ESG criteria. The firm tasked with objectively evaluating the company's sustainability performance is VIGEO.

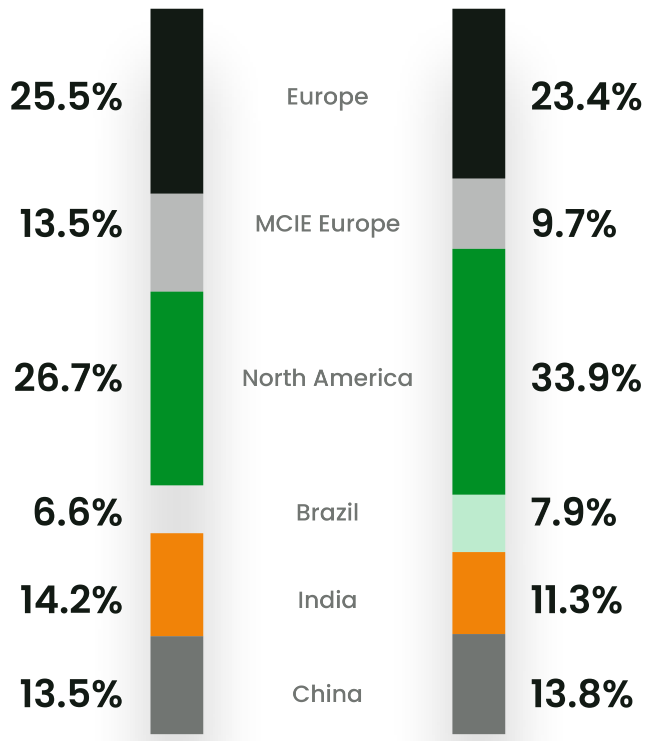
In the wake of those transactions, at 31 December 2021, 44% of the group's gross financial debt (up 16 percentage points from year-end 2020) and 69% of its net financial debt (up 29pp) was tied to ESG criteria.

Performance by region

All regions and divisions contributed to the group's healthy earnings performance although the impact of the pandemic and of the chip crisis and other sources of supply chain friction differed from one region to the next.

Revenue mix by region

EBITDA mix by region



Europe

CIE Automotive generated €1.28 billion of revenue in Europe in 2021, growth of 7%, despite the weakness of the automotive sector, with production contracting by 4%. Despite the difficulties caused by the various waves of transmission, the chip crisis, the surge in energy and raw material prices and shipping problems, margins remained high at both CIE Automotive's traditional factories, exposed to the passenger vehicle segment, and at the MCIE Europe facilities, exposed mainly to the commercial vehicle segment.

The former benefitted from the recovery in demand, government incentives and the positive trend in exports to China and the US, while the latter received a boost from strong demand for new trucks from logistics players, with truck mileage figures virtually revisiting pre-COVID levels in Germany.

CIE Automotive's traditional European factories

- **Revenue:**
  0% vs 2020
  €837 million
- **EBITDA Margin:**
  16.1%
  EBITDA: €135 million
- **EBIT Margin:**
  8.9%
  EBIT: €74 million

MARKET
-4.4%

MCIE European factories

- **Revenue:**
  +24% vs 2020
  €440 million
- **EBITDA Margin:**
  12.7%
  EBITDA: €56 million
- **EBIT Margin:**
  8.4%
  EBIT: €37 million

TRUCK MARKET
+16.3%*

Data as of November 2021 for truck production in Europe.

North America

The North American factories reported revenue of €873 million, up 22% from 2020 in local currencies. The healthy performance of the US automotive sector, fuelled by the rapid rollout of COVID-19 vaccines and job support benefits, albeit partially curbed by the chip crisis, had a positive impact on the company's factories in Mexico and the US. Margins remained very high, in line with pre-pandemic levels.

North America

- **Revenue:** **+22%** vs 2020 €873 million
- **EBITDA Margin:** **22.3%** EBITDA: €195 million
- **EBIT Margin:** **17.6%** EBIT: €154 million

MARKET **0.2%**

Brazil

In Brazil, CIE Automotive reported revenue of €216 million, growth of 26% from 2020 in local currencies, compared to market growth of 9%. The company skilfully circumvented the country's poor handling of the pandemic and other circumstantial factors, such as unemployment, rising interest rates, currency depreciation, drought and political instability, which weighed on the sector's sales recovery. One of the sector's growth drivers includes the wait lists for certain c-SUVs manufactured locally.

Brazil

- **Revenue:** **+26%** vs 2020 €216 million
- **EBITDA Margin:** **21%** EBITDA: €45 million
- **EBIT Margin:** **13.6%** EBIT: €29 million

MARKET **8.8%**

Asia

In India, CIE Automotive generated revenue of €463 million (growth of 46%, local currency) and managed to defend its profit margins despite the closures attributable to the pandemic in the first half of the year. The pandemic notwithstanding, India was one of CIE's best-performing markets shaped by low interest rates, improved consumer sentiment, a growing preference for private transport and a favourable monsoon season, among other factors.

In China, CIE Automotive's revenue dipped by 1%, although EBITDA and EBIT margins were high, in a market that grew less than the others due to its relative outperformance in 2020, despite effective management of the pandemic, less of an impact from the chip crisis and government incentives for the purchase of new cars.

India

- **Revenue:** **+46%** vs 2020 €464 million
- **EBITDA Margin:** **14.0%** EBITDA: €65 million
- **EBIT Margin:** **9.5%** EBIT: €44 million

MARKET **27.7%**

China

- **Revenue:** **-1%** vs 2020 €440 million
- **EBITDA Margin:** **18.0%** EBITDA: €79 million
- **EBIT Margin:** **14.7%** EBIT: €65 million

MARKET **5.3%**

One more year moving forward together

Creating value for our SHAREHOLDERS

CIE Automotive's share price gained 24% in 2021 to end the year at €27.36 per share. Despite that healthy gain, the share price continues to be dragged down by investors' lack of discernment when it comes to the automotive sector. The share price still fails to fully reflect the company's outstanding interim results, its ambitious strategic targets or the payout of one-third of its profits in dividends. In this complex scenario, the company stepped up its market communication effort and in June, it organised its first Capital Markets Day.

Objective:

Generate long-term value for shareholders and investors

Progress made in 2021:

- Organisation of the company's first Capital Markets Day
- Distribution of €61.3 million in dividends to our shareholders
- Meetings with investors to provide insight into the company's fundamentals

Share price performance

After a turbulent 2020, when the pandemic took a very heavy toll on CIE Automotive's share price, in 2021 the chip crisis and other inflationary pressures across the supply chain unleashed a chain of profit warnings by the large majority of suppliers, sparking a sharp and indiscriminate share price rout. The market correction also affected CIE Automotive, despite the fact that it remained among the most profitable players in the sector. With time, however, the investment community recognised and applauded the company's earnings health, bidding its shares 24% higher over the year.

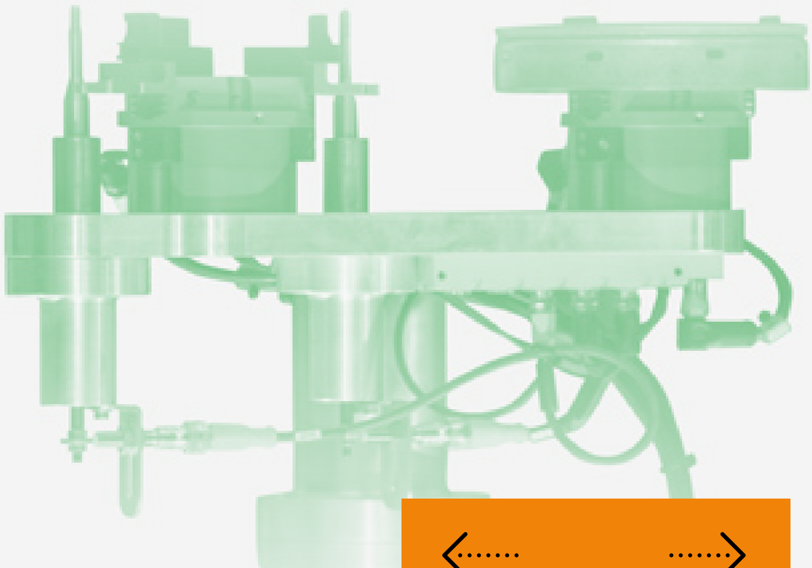
For the first time in three years, the annual share price gain correlated with the company's net profit performance, although the price still fails to reflect the company's excellent prospects. In fact there is still a significant gap between the share price and the analysts' consensus target price, which averaged €30.38 at year-end, relative to the closing share price of €27.36. The reason for that lag may have to do with the increasing automation and standardisation of share trading decisions, speculation and the equity markets' generally weak performance since the crisis.

CIE Automotive's share price outperformed the benchmark IBEX-35 index on which it is traded, which ended the year higher at 8,713.80 points. Indeed, in the final months of the year, the company's share price etched out a clear-cut recovery compared to other index stocks, driven by the improving sector climate (drop in aluminium prices and improvement in the chip situation) and the undeniable reliability evidenced by the company's successive earnings releases.

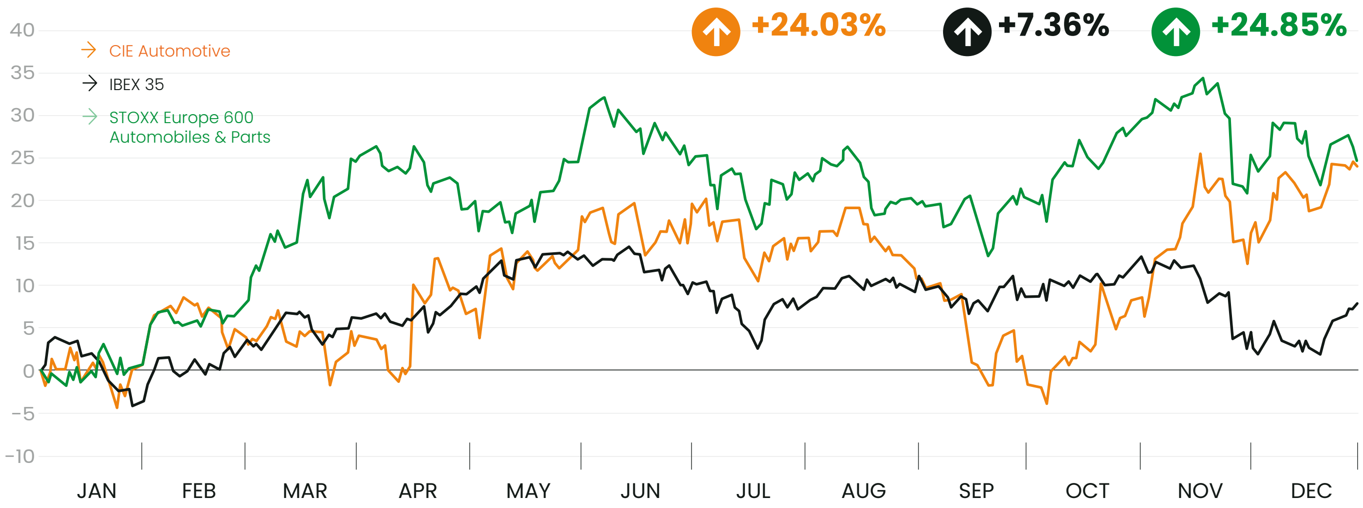
CIE Automotive's stock market indicators

	2019	2020	2021
Number of shares at year-end	129,000,000	122,550,000	122,550,000
Share price at year-end (€)	21.08	22.06	27.36
Market capitalisation at year-end (€ m)	2,719.3	2,703.5	3,352.9
Trading volume (thousand shares)	57,296	79,535	46,852
P/E multiple*	9.5	14.6	12.6

(*) P/E multiple: ratio between share price and EPS .



CIE Automotive's share price performance

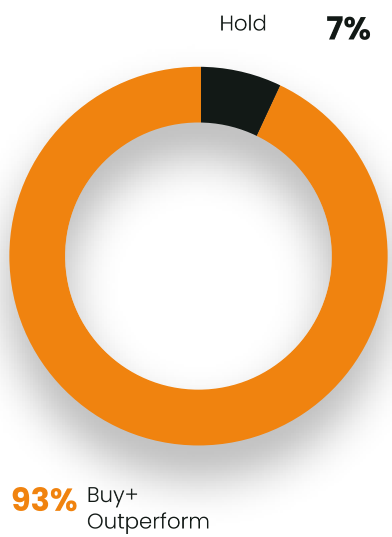


STOXX Europe 600 Automobiles & Parts includes:
- OEMS: BMW ST, Daimler, Ferrari NV, Fiat, Peugeot, Porsche, Renault & Volkswagen.
- SUPPLIERS: Faurecia, Michelin, Nokian, Plastic Omnium, Rheinmetall, Schaeffler, Valeo.

Consensus target price as of 31/12/2021

Company	Analyst	Recommendation	Price	Last update
Alantra Equities	Álvaro Lenze	Buy	€31.40	12/2021
Bankinter	Esther Gutierrez de la Torre Coll	Buy	€31.70	10/2021
Bestinver Securities	Enrique Yáguez	Buy	€30.75	10/2021
Caixabank BPI	Bruno Bessa	Buy	€34.00	10/2021
Exane BNP Paribas	Francisco Ruiz	Hold	€25.00	10/2021
Intermoney Valores	Virginia Pérez	Buy	€29.60	10/2021
JB Capital Markets	José María Cánovas	Buy	€33.50	11/2021
Kepler Cheuvreux	Alexandre Raverdy	Buy	€30.00	12/2021
Mirabaud Securities	Manuel Lorente	Buy	€26.20	09/2021
Norbolsa	Ander Peña	Buy	€29.80	06/2021
Oddo BHF	Anthony Dick	Outperform	€30.00	11/2021
Renta 4	Álvaro Aristegui	Outperform	€33.90	12/2021
Sabadell	Alfredo del Cerro	Buy	€29.89	10/2021
Santander	Robert Jackson	Buy	€29.60	11/2021
CONSENSUS	-	-	€30.38	-

Recommendations

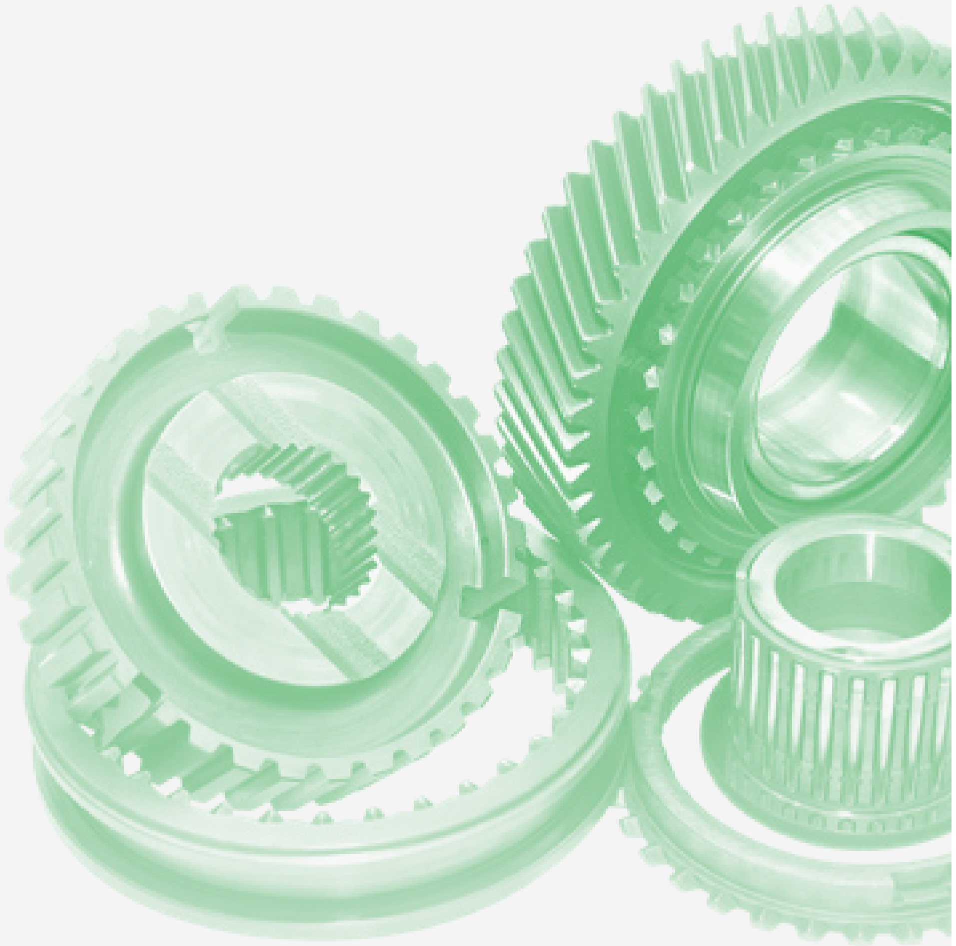


MAHINDRA-CIE GROUP'S SHARE PRICE PERFORMANCE IN INDIA

The Mahindra-CIE (MCIE) Group's shares are traded on India's two main stock exchanges: the National Stock Exchange of India Limited (NSE) and the BSE Limited (BSE). On the BSE, the share price ended the year 36.2% higher.

As on the European markets, the automotive sector's shares suffered on account of the uncertainty triggered by the second major wave of transmission attributable to the Delta variant during the first half of the year and the continued stress faced by the OEMs due to the lack of semiconductors. Nevertheless, the share price hit a high of 312 Indian rupees (INR) on the NSE.

	2019	2020	2021
Number of shares at year-end (millions)	379.01	379.01	379.05
Share price at year-end on the BSE (Indian Rupees)	164.75	171.8	235.00
Share price at year-end on the NSE (Indian Rupees)	164.75	172	234.20
High for the year on the BSE (Indian Rupees)	258.3	179.1	311.65
Low for the year on the BSE (Indian Rupees)	135.55	59.05	148.30
Market capitalization on the BSE (12/31) (millions of Indian Rupees)	62,442	65,114	89,068
Average volume in BSE (thousand shares)	47,831	16,302	76,125
Average volume in NSE (thousand shares)	185,060	207,911	498,953
Earnings per share (Indian Rupees)	9.35	2.81	10.35
PER	17.62	61.10	23,50



Shareholder remuneration

CIE Automotive upheld its commitment of distributing one-third of its profits to its shareholders in spite of the challenging economic and social circumstances. The company paid out €61.3 million from 2020 profits in two instalments of €0.25 per share, the first on 7 January and the second, on 6 July.

The company cut its dividend due to the drop in net profit caused by the onset of the COVID-19 pandemic and the lockdowns decreed all over the world to contain it. Remuneration is expected, however, to resume its legacy double-digit growth as the company surmounts effects of the pandemic and other issues that affected the sector in 2021: chip crisis, rising cost and scarcity of raw materials, higher transportation costs and shipping complications, among others.

Against that backdrop, the Board of Directors agreed to pay an interim dividend of €0.36 per share (before tax withholdings), which was paid out on 5 January.

	2017	2018	2019	2020	2021
Ordinary EPS (€)*	1.67	1.88	2.23	1.48	2.18
*Payout***	33%	33%	33%	33%	33%
Accrued dividend per share (€)***	0.56	0.62	0.74	0.50	0.72
Dividend paid during the year (€ m)	52.8	72.1	80	93.9	61.3

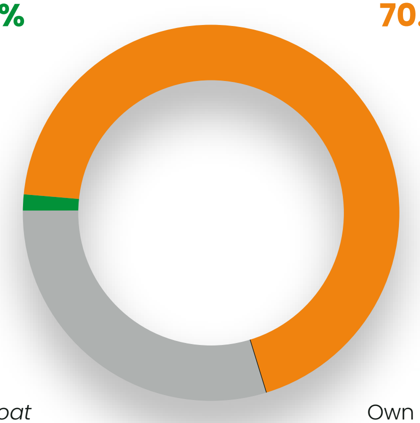
(*) 2018 EPS calculated using normalised earnings in the automotive segment.
(**) Payout: percentage of profit paid out to shareholders.
(***) Estimate for 2021 as of the date of publication of this document.

Ownership structure

CIE Automotive boasts a stable core of long-term, benchmark shareholders. Its core shareholders held 70.42% of the total at year-end, while directors not included in that category held another 1.44%. Own shares represented 0.01% of the total, leaving a free float of 28.13%.

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

Shareholder structure



*Board members not included among the reference shareholders.

Annual change in shareholder structure

	2019	2020	2021
ACEK Desarrollo y Gestión Industrial, S.L.	14.91%	15.69%	15.69%
Antonio Mª Pradera Jáuregui	10.00%	10.53%	10.53%
Corporación Financiera Alba. S,A,	10.15%	12.73%	12.73%
Elidoza Promoción de Empresas. S,L,	10.00%	10.89%	10.89%
Mahindra&Mahindra. Ltd,	7.43%	7.83%	7.83%
Addvalia Capital. S,A,	5.00%	5.26%	5.26%
ABRDN PLC	-	-	3,99%
Alantra Asset Management. SGIIC. S,A,	3,74%	3,55%	3,50%
Total core shareholders	**61.24%**	**66.48%**	**70.42%**
Treasury stock	0%	0%	0.01%
Other members of the Board of Directors	1.37%	1.44%	1.44%
Free float	**37.39%**	**32.08%**	**28.13%**

Engagement with shareholders and investors

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At year-end 2021, CIE Automotive's share capital consisted of over 122,550,000 shares, broken down between core shareholders (72.42%), members of the Board of Directors (1.44%); the free float (28.13%) and treasury stock (0.01%).

All shareholders receive equal treatment in terms of the information they get and their right to participate in and cast their votes at its Annual General Meeting, as required in Spain's Corporate Enterprises Act.

To ensure transparent dealings with its shareholders, the company has Policy for Reporting to and Communicating with Shareholders and the Market, which sets down the guiding principles followed by the Investor Relations Department as part of its remit of providing the investment community with accurate and timely information.

The company distributes its information using different channels, the key channels being Spain's securities market regulator, the CNMV for its acronym in Spanish, which publishes significant developments pertaining to the company, and the corporate website (www.cieautomotive.com), which has a dedicated "Shareholders and Investors" microsite. There it publishes all the latest news about and developments at the group and states how to get in contact with the Investor Relations Department.

Email: ir@cieautomotive.com

Telephone number: +34 94 605 62 00

The Board of Directors is the highest-level body that supervises the information furnished by the Investor Relations Department to the financial markets; as such it adopts any measures it deems fit in order to protect shareholders' ability to exercise their rights, framed by defence of the corporate interest.

Besides the information published via the CNMV and the company's website, the Investor Relations Department stays in constant contact with the various research analysts who cover the company, which numbered 14 at year-end. In 2021, the conversation with those experts centred mainly on the impact on CIE Automotive of the various issues engulfing the sector over the course of the year: chip crisis, raw

Principles of the market information and communication policy

- **Distribution** of information in a transparent, clear, accurate, uniform and simultaneous manner
- **Equal treatment** in terms of the acknowledgement and exercise of all shareholders' rights
- **Collaboration** with shareholders so that disclosure practices are transparent, effective and in keeping with the corporate interest
- **Protection** of the rights and legitimate interests of all shareholders
- **Active effort** to keep shareholders continuously and permanently informed
- **Development** of information tools and communication channels that take advantage of the latest technology
- **Compliance** with the law, the company's corporate governance rules and the principles of cooperation and transparency in dealing with the competent authorities and regulators

material scarcity and inflation, shipping problems and surge in energy prices.

The Department's work also included intense engagement with investors by means of its participation in seven roadshows and 18 conferences and meetings at which it interacted with close to 500 investors. For the first time last year, the company attended the multi-sector conference organised by the broker, Oddo. It also attended the automotive sector conference co-organised by brokers Exane and Jefferies: the Geneva Auto Show. Lastly, it is worth highlighting its participation in the streaming programme run by Banco Santander, "Today we're being visited by…", the goal of which is to introduce successful listed companies to a base of over 80,000 retail banking customers.

To facilitate its work, the IR Department uses Nasdaq IR Insight, a management platform that allows it keep a detailed record of its meetings (content and labelling), bringing up information about investor profiles and contacts and generating real-time market alerts. To that end, the company continued to work to standardise its internal ad-hoc reports, produce internal reports about market trends and CIE's share price performance, target potential automotive sector investors, on the basis of an initial analysis and identification process, as well as additional features, such as flagging investors with a particular interest in ESG matters.

Most of the events in which the Investor Relations team participated were held online, although in-person meetings have begun to resume. The company, too, held its Annual General Meeting and organised its first ever Capital Markets Day online.

Acknowledgements

CIE Automotive's efforts have been acknowledged by analysts and fund managers. Institutional Investor, a leading international publisher, focused primarily on international finance, which offers highly-respected proprietary research and rankings, awarded CIE Automotive 10 prizes across its 12 prize categories. The 2021 edition named Jesús María Herrera Best CEO and Lorea Aristizabal Best IR Professional.

The All-Europe Executive Team 2021 awards are based on an assessment which scores, through a survey of analysts and fund managers, aspects such as knowledge of the company and sector, credibility, leadership, communication, accessibility, published financial information and the quality of the meetings held, among other aspects.

CIE Automotive holds its first Capital Markets Day

With "Moving together towards our future" as its slogan, CIE Automotive streamed its first Capital Markets Day on 28 June, one year after the coronavirus pandemic forced its cancellation in 2020.

For nearly two hours, the company's CEO, Jesús María Herrera, accompanied by 14 group executives, presented on the key trends set to mark the automotive sector's future and unveiled the targets and lines of initiative articulating execution and delivery of the group's 2025 Strategic Plan.

"I see 2025 as a magical year. It will be the moment when our dreams will finally come true. CIE Automotive will become a company with EBITDA of €1 billion and €500 million in net income", said the CEO towards the end of the presentation.

After presenting the Plan, CIE Automotive's executives answered the questions posed by the attendees.

The broadcast presentation is still available for viewing on the company's website www.cieautomotive.com.

One more year moving forward together

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Striving for excellence for our CUSTOMERS

CIE Automotive strives to offer its customers multi-technology and flexible solutions that help satisfy their unfolding demands. In 2021 the company increased its market share and improved its positioning in the electric vehicle segment with new products. As a result, a high percentage of the new order intake in 2021 corresponds to new-energy vehicles.

Objective:

Become a benchmark partner for OEMs and Tier-1 suppliers by offering a broad range of innovative solutions and quality products at competitive prices.

Lines of initiative undertaken in 2021 :

- Increase market share.
- Improve CIE Automotive's positioning in the emerging electric car segment.
- Contribute to vehicle safety with quality products.
- Help customers reduce their emissions and increase their recyclability and circularity levels.
- Help ensure the sector takes a proactive approach to cutting emissions.
- Ensure the confidentiality, availability and security of customer data.

Value-added solutions

CIE Automotive provides the major original equipment makers and tier-1 suppliers the parts and subassemblies they need, when and how they need them. Delivery of this target in 2021, as set down in the company's Quality Policy, is particularly noteworthy considering the difficulties faced by the automotive sector due to the chip crisis and rising cost of raw materials, transport and energy.

In the post-pandemic context, the sales teams continued to offer, without interruption, a portfolio of over 7,000 value-adding SKUs, including a range of alternative technologies for a given part or subassembly, underpinned by a number of different programmes for covering their customers' needs and helping them respond to unfolding market trends.

The company is technologically prepared to keep pace with the various market trends, including that of increasing vehicle electrification. Currently, over 80% of its portfolio is fit for any type of vehicle, including electric and hybrid electric cars.

More recently, the company has been reinforcing its EV positioning in the battery, motor and electronics areas, as it waits for market volumes to take off, as set down in its 2025 Strategic Plan. In the EV segment it is collaborating with legacy customers (Renault, VW and Nissan, for example) as well as newcomers (e.g., Rivian).

Outstanding performance

Thanks to the versatility of CIE Automotive's range and the work put in by its sales teams, the company managed to outperform the market by 11.5pp, helped in part by consolidation in the automotive parts sector in the wake of the pandemic.

Product families

Roof Systems

Structural, Chassis & Steering

Transmission and Gearbox

Interior and Exterior Trim

Engines

Commercial Vehicles

Milestones by region

AMERICAS

- Launch of a project for manufacturing seat tubing for a 100%-electric OEM.
- First deliveries at the engine factory in Silau of motor cover, transmission and oil panel parts.
- Penetration of a new Asian OEM to manufacture steering column parts, so expanding the customer segmentation.
- Delivery of battery parts for an American OEM from Mexico.
- Full development of transmission parts by the company's metal division in Mexico.
- Addition of a new painting line at the Pernambuco factory.

EUROPE

- New business with start of production slated for 2022: high volumes of plastic products for a 100%-electric OEM.
- Launch of new projects by the metal division for a new 100%-electric customer.
- New projects secured for heavyweight pure electric and hybrid vehicles by the facility in Metalcastello.
- Over €20 million of new business secured for 100%-NEVs.

Thanks to the versatility of CIE Automotive's product range and the work put in by its sales teams, the company outperformed the market by 11.5pp, helped in part by consolidation in the automotive parts sector

Quality benchmarks

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CIE Automotive is renowned in the automotive parts industry for its total quality management. Its reliability and reputation are based on the continuous improvement of its products and processes by means of prevention, systematic revision, training and know-how sharing.

Those principles are enshrined in its Quality Policy, which was updated and segregated from the Health, Safety and Environment Policy in 2021. The Quality Policy sets down CIE Automotive's priorities vis-a-vis its customers.

The Quality Policy specifically mentions the development of products and processes framed by eco-design criteria and oriented towards efficiency, underpinned by the company's dual strategic commitment to quality and environmental protection, in line with its customers' concerns.

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

In addition to the ISO 14001 and ISO 45001 standards, CIE Automotive complies with the automotive industry's specific quality standard: IATF.

Evidencing CIE's commitment to data confidentiality, security and integrity, the company's central engineering area in Spain obtained the TISAX Label, based on ISO 27001 criteria, and there are plans to go after that certification in additional centres in other countries.

Consumer health and safety measures

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

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

Quality policy priorities

- Customer protection
- Proactive stance
- Zero-defects mission
- Service

Global certification snapshot

	Total certificable factories		IATF 16949		ISO 14001		ISO 45001	
	2020	2021	2020	2021	2020	2021	2020	2021
Europe (*)	45	44	44 - 98%	43 - 98%	42 – 93%	43 - 98%	38 – 84%	40 - 91%
North America	17	16	16 – 94%	14 – 88%	15 – 88%	13 – 81%	3 – 18%	9 – 56%
Brazil	12	11	12 – 100%	11 – 100%	12 – 100%	11 – 100%	6 – 50%	11 – 100%
Asia (India/China)	32	33	32 – 100%	30 – 91%	26 – 81%	26 – 79%	23 - 72%	25 - 76%
Total	**106**	**104**	**104 – 98%**	**98 – 94%**	**95 – 90%**	**93 – 89%**	**70 – 66%**	**85 – 82%**

** Includes the factories located in Morocco and Russia.*

New certification agreement

CIE Automotive has entered into a global certification agreement with TÜV RHEINLAND for 2022-2024.

The agreement encompasses the three benchmark certifications, IATF 16949, ISO 14001 and ISO 45001 and, given its global coverage, all of CIE's manufacturing facilities.

Management model

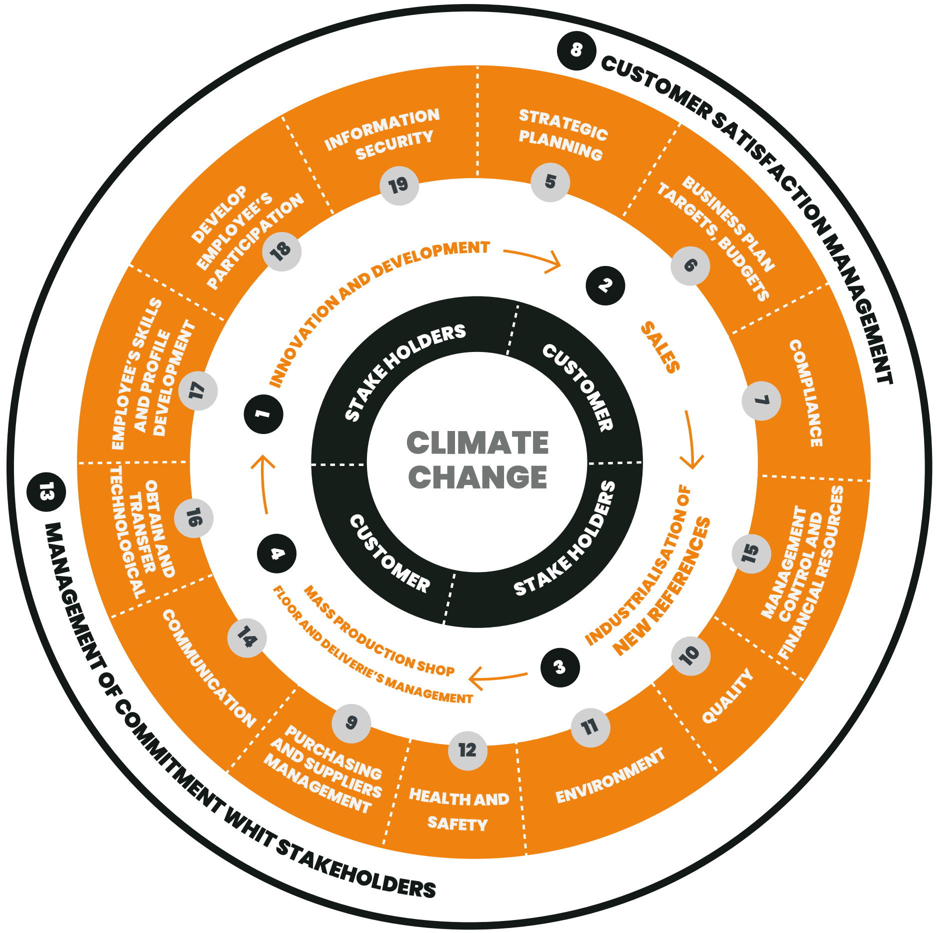
The management model is a global document defined by CIE for all its productive facilities. It includes elements that are foundational to CIE's culture:

- Mission
- Vision
- Values
- Stakeholders
- Process map
- Policies:
  - Quality
  - Environment
  - Health and safety
  - IT security

It is the base document, validated and verified by CIE's customers and by the certification firms, used by all of the factories to certify their management systems in accordance with the three benchmark certifications: quality management (IATF 16949), environmental management (ISO 14001) and occupational health and safety management (ISO 45001).

It is an ever-evolving document: first published in 2004, it is now in its eleventh edition.

Following publication of its 2025 Strategic Plan, CIE has fine-tuned its Mission, Vision and Values, its health, safety, environment and quality policies and also its process map, the latter in order to layer in IT security concepts and the most recent ESG commitments.



CUSTOMER SATISFACTION

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

Consumer claims, complaints and grievance systems

Despite all its best efforts, both preventive during the design and industrialisation phases and corrective during manufacturing, the likelihood of any deviation is present, which leads to customer claims. When that happens CIE Automotive needs to react immediately to prevent the supply of sub-standard parts and analyse in detail where things went wrong to definitively fix the root problem.

CIE Automotive's global nature means any such remedies get applied to all potentially affected factories and/or technologies.

In line with the *modus operandi* in the automotive sector to which it belongs, CIE Automotive manages the claims and complaints fielded from its customers (OEMs and TIER-1 suppliers) following the procedures stipulated in the terms of contract (as it does not have direct contact with end consumers, it does not have proprietary customer grievance management systems). The company did not receive any complaints related with end customer health or safety in 2021 o 2020.

Confidentiality

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

- Benchmark international standards: ISO 27001, ISO 27005 and ISO/IEC 27002/2005.
- Guidelines and general principles for initiating, implementing, maintaining, and improving information security management in an organisation.
- Real-time management of information security matters.

The fact of upholding those standards earned the company the TISAX label following the first third-party audit of the central engineering centre. TISAX stands for Trusted Information Security Assessment Exchange. As a result, the company has generated and rolled out a new group-wide IT security policy and launched an internal TISAX audit plan.

Certifications and accolades

Over the course of 2021, CIE Automotive's factories across the various regions attained a multitude of accolades from their OEM and Tier-1 customers. Some of the most noteworthy are highlighted in the table below:

Customer	Factory	Country	Accolade
General Motors	Bill Forge	Mexico	SUPPLIER QUALITY EXCELLENCE AWARD
General Motors	CIE Celaya	Mexico	SUPPLIER QUALITY EXCELLENCE AWARD
General Motors	CIE Celaya	Mexico	GOLD AWARD
ICAP Rumania	CIE Matricon	Romania	GENUINE LEADERS

One more year moving forward together

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Managing our EMPLOYEES' diversity

Over the past 25 years, CIE Automotive has demonstrated its ability to integrate people with different nationalities, cultures, values and skills. In 2021, CIE Automotive gave its diversity management a new boost with the creation of a Corporate Diversity Committee with the ultimate goal of fostering a sense of belonging and inclusion among the nearly 25,000 people who work at the group. In tandem, it remained strategically committed to international talent, relaunching its Ulysses programme despite the pandemic.

Objective:

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

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Lines of initiative:

- Creation of the Corporate Diversity Committee.
  - Committee's quantitative targets:
    - Under the 2025 ESG Strategic Plan, by 2025, 100% of the company's factories must have completed a diversity assessment.
- Post-covid relaunch of the Ulysses programme, in accordance with the 2025 ESG Strategic Plan, which quantitative objectives at the end of the plan, in 2025, are as follows:
  - Involvement of at least three countries, in addition to the host country, in the programme.
  - Two years after completing the programme, at least eight out of every 10 students must remain at the group.
- Continuous improvement of health and safety indicators and new certifications.

A diverse workforce

The CIE Automotive team was made up of 24,472 people in 18 countries on four continents at the end of 2021, in line with the year-earlier figure. Irrespective of their nationality, race, culture or gender, the company offers them a value proposition which includes decent working conditions, remuneration in line with the work they perform and the training and safety conditions needed to do their jobs.

In 2021, CIE Automotive hired over 7,000 people of differing nationalities, once again putting its ability to find common ground between people of different cultures to the test in order to foster a sense of belonging and encourage everyone at the group to assume a shared identity.

Proof of its commitment to local talent is the fact that nearly 91% of CIE Automotive's subsidiary companies are run by local managers. That commitment to local hiring in each market extends to the management ranks: of the roughly 700 members of the various management committees, 92% are local professionals.

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Job map at CIE Automotive

NORTH AMERICA

6,960 Number of employees
M **4,688** | W **2,272**

86% Fixed/indefinite contracts as % of total
M **89%** | W **81%**

88% Local managers as % of all factory managers

88% % local members of factory management committees

334,257 Training hours

6,089 Employees trained

48.0 Training hours per person
M **49.1** | W **45.9**

54.9 Training hours per person trained
M **56.6** | W **51.6**

EUROPE

6,379 Number of employees
M **4,922** | W **1,457**

96% Fixed/indefinite contracts as % of total
M **96%** | W **97%**

84% Local managers as % of all factory managers

94% % local members of factory management committees

141,480 Training hours

5,336 Employees trained

22.2 Training hours per person
M **21.7** | W **23.8**

26.5 Training hours per person trained
M **25.2** | W **31.8**

ASIA

8,471 Number of employees
M **8,057** | W **414**

78% Fixed/indefinite contracts as % of total
M **79%** | W **68%**

100% Local managers as % of all factory managers

89% % local members of factory management committees

121,617 Training hours

7,336 Employees trained

14.4 Training hours per person
M **13.3** | W **34.1**

16.6 Training hours per person trained
M **15.5** | W **33.8**

BRAZIL

2,662 Number of employees
M **2,331** | W **331**

97% Fixed/indefinite contracts as % of total
M **97%** | W **94%**

100% Local managers as % of all factory managers

100% % local members of factory management committees

99,452 Training hours

2,383 Employees trained

37.4 Training hours per person
M **34.8** | W **55.5**

41.7 Training hours per person trained
M **39.0** | W **60.8**

CIE AUTOMOTIVE TOTAL

24,472 Number of employees
M **19,998** | W **4,474**

87% Fixed/indefinite contracts as % of total
M **88%** | W **86%**

91% Local managers as % of all factory managers

92% % local members of factory management committees

696,806 Training hours

21,144 Employees trained

28.5 Training hours per person
M **26.3** | W **38.3**

33.0 Training hours per person trained
M **30.4** | W **44.7**

For the number of employees per country, see section "Data tables".

Convinced that diversity is a source of value added, CIE Automotive encompasses a rich mix of genders, generations, education levels and skill backgrounds.

Twenty-six per cent of its employees are under the age of 30; 58% are aged between 30 and 50; and 16% are over the age of 50.

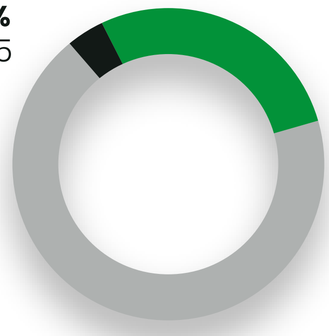
Gender-wise, 18.3% of the workforce is female, which, albeit low, is fairly standard in manufacturing, although 0.6 points higher than in 2020.

As for job category, and reflecting the group's industrial profile, 68% are tradesmen and women; however 28% are university graduates and 4% are executives.

People with some form of disability account for 1.1% of the headcount in 2021, a similar percentage to the previous year, when it stood at 1.2%.

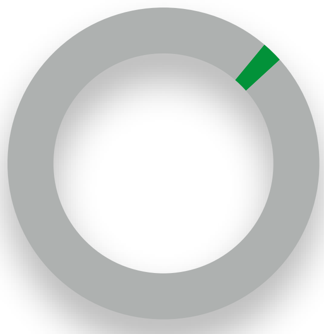
Breakdown of the workforce by gender

Breakdown of the Workforce by job category



Breakdown of the workforce by age

Functional Diversity



EQUALITY AND DIVERSITY

As gleaned from the tables and charts above, gender, functional, geographic and cultural diversity is a distinguishing trait of the CIE Automotive team.

In 2019, CIE Automotive took new steps to embed diversity and equality as management objectives at its factories and in its corporate service departments, placing the emphasis on the plurality of nationalities and cultures - which is one of the company's strengths with more than 90% of local staff in management and steering committee positions -, the gender mix and the integration of people with differing abilities, in line with the United Nations Sustainable Development Goals.

Having analysed that year the sensitivity and engagement of its employees and leaders in this area (an analysis that involved more than 250 professionals, or 1% of the workforce), the company executed the resulting Action Plan, which first milestone was the approval in 2020 of a Protocol for the Prevention and Handling of Workplace Harassment, which is binding across all group facilities. That protocol covers the prevention of mobbing and of sexual or gender harassment and includes a series of preventive measures, such as zero-tolerance towards harassment, shared employee responsibility for monitoring workplace conduct and the definition of communication programmes. The protocol, published on the corporate website, has been signed as a commitment by all HR managers and directors at all CIE Automotive plants worldwide. In 2021, CIE Automotive received and handled five complaints related with matters covered by it.

In parallel the company continued to enhance its diversity management by taking a very significant step: the creation of a Diversity Committee made up of representatives from all regions.

A truly representative Diversity Committee

The creation of the Diversity Committee was one of the biggest highlights of the company's human capital management effort during the year.

That committee, whose make-up is provided below, is made up of 14 people representing all of the group's geographic regions and areas of technology expertise. The members are of different genders, ages, nationalities and skill profiles, such that the panel is, as is only right, itself diverse. Its mission is to coordinate the group's diversity-related initiatives.

2021 was a year of arduous work for the committee which met, either in full or in sub-committees, on more than 10 occasions. Last year that work was essentially divided into two phases:

PHASE 1

Elaboration of a Diagnosis and Inclusion Tool, common for each factory, in order to measure initial diversity in terms of gender, generation, functional ability, race and nationality, to be measured using:

a. Diversity metrics (representing the various types of diversity).

b. Talent practice metrics (recruiting and hiring, promotion, training, remuneration, performance evaluation and rotation).

c. An inclusion questionnaire to layer the group's ways of doing things into the analysis.

PHASE 2

Actual diagnosis or assessment work at the first factories, a total of eight in this first year of rollout, which are serving as a pilot for the tool.

CIE Automotive strives to act on the diversity front employing a philosophy and model that emulate those applied, successfully, in nearly all areas of its management, i.e.:

a. Decentralised management and analysis of the data available using the recently created tool.

b. Pooling of opinions gathered from each member of the Diversity Committee with respect to the specifics of his/her country, factory and/or division.

c. Analysis and selection by the Diversity Committee of the forms of diversity to be managed on a recurring and periodic basis at all group facilities. The analysis initially refers to diversity in terms of gender, abilities, generations and cultures (nationalities and races/ethnicities). Going forward, however, that diversity universe could be modified or action taken in other areas of diversity without altering the original definitions.

d. Establishing, one by one, common (group) and individual (factory, country or division) forward-looking targets and action plans on the basis of the starting assessment and situation.

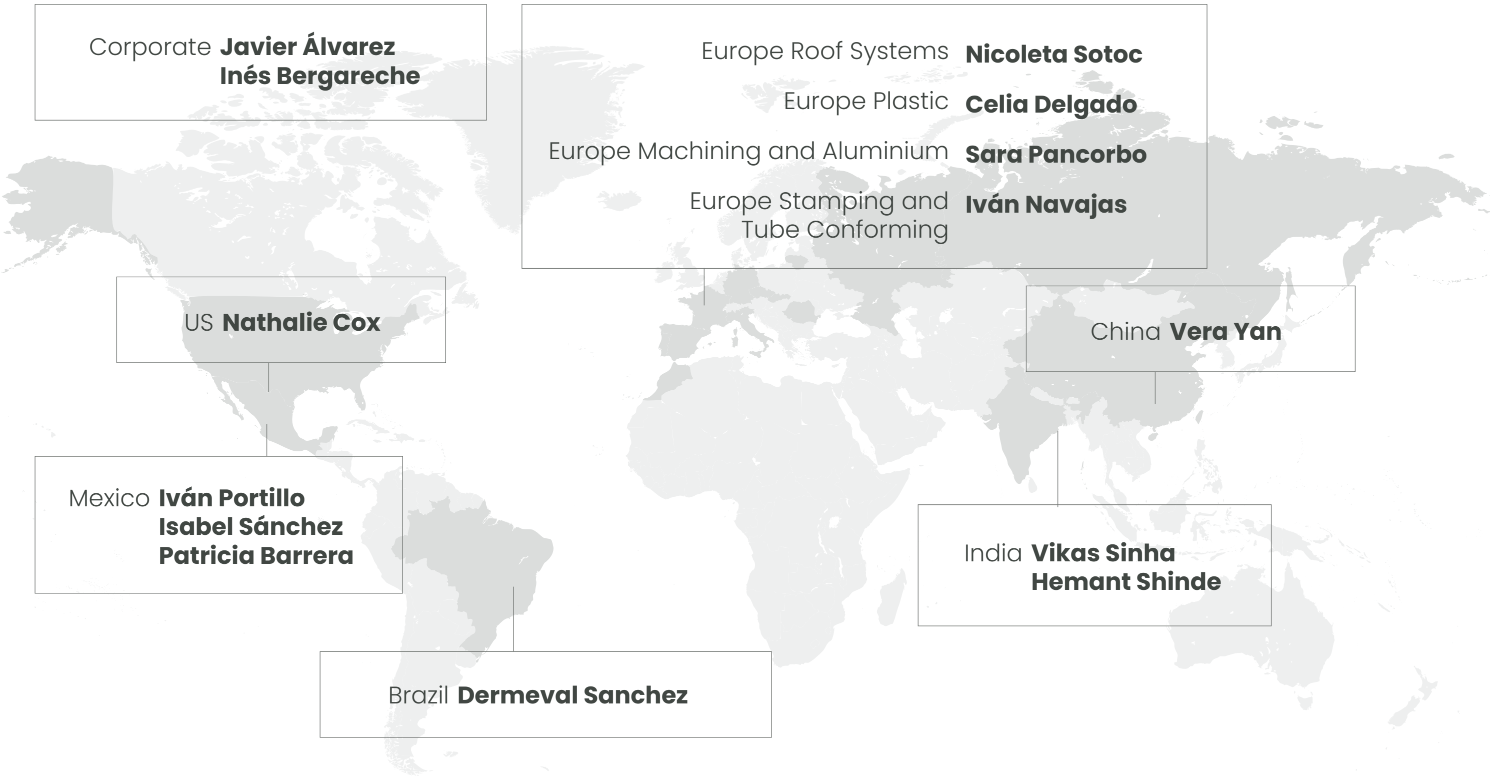
It is worth highlighting that although the Human Resources Department was initially the area most involved in developing the tool and carrying out the first assessments, the work performed involved contributions from countless departments and people across the organisation in a bid to ensure the most comprehensive and applicable results possible.

At the time of writing, framed by the 2025 ESG Strategic Plan guidelines, the company is carrying out 8 assessments in 6 countries with a triple purpose:

- Testing the new tool to detect possible errors or areas for improvement.
- Diagnosing the starting situation at those 8 facilities.
- Debate and establishment of internal targets at the factory level and potential corporate intervention in the event of identification of issues common to several facilities.

In 2022 and beyond, now that the tool has been created and vetted, the idea is to increase the number of assessments carried out across the group considerably and, in parallel, to launch action plans as needed on the basis of those assessments. The specific target included in the 2025 ESG Strategic Plan is for all CIE Automotive factories to have completed their diversity, equality and inclusion assessments by 2025.

Members of the Corporate Diversity, Equity and Inclusion Committee



CONTENT INDEX

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GENDER DIVERSITY AT CIE AUTOMOTIVE

CIE Automotive employs more men than women - 18.3% of its workforce is female - reflecting traditional male domination in the sector and still-limited access for women to certain STEM programmes at school and university. However, the percentage of female employees is higher than at other sector players and is rising on the back of the concerted female hiring effort. In 2021, 22% of new hires were women (compared to 21% in 2020 and 18% in 2019) evidencing CIE Automotive's gender diversity management efforts.

The organisation understands, moreover, that it should work to help increase the number of women taking STEM subjects at school and university. To that end it collaborated recently with the Wikigrado app. As indicated on that organisation's website, the app aims to show youths between the ages of 14 and 18 what they could learn in a given degree programme and what kinds of jobs a given degree may lead to, so that they have more information when taking a potentially very important decision for their futures.

CIE Automotive participated in the "Mechanical manufacturing" module, showcasing the CIE Galfor factory, demonstrating in addition to the everyday work carried out at that facility, examples of some of its top female performers and their career development opportunities so as to launch a positive message that encourages women to stick with STEM subjects, inspired by the example provided by CIE and its people.

While the group is concentrating on gradually lifting the number of women at the organisation, the situation is very different in the company's top echelons, where female representation is among the highest in the sector.

Indeed, 40% of the group's Management Committee (four executives) is female. Meanwhile, the number of female directors increased to five in 2021, such that female boardroom representation stood at 38% by year-end, 17 percentage points higher than in the previous year.

Gender indicators

	2020	2021
% of female employees	17.7%	18.3%
% of female new hires	21.0%	22.0%
% of women on the group's Management Committee	40.0%	40.0%
% of female directors on the company's board	21.0%	38.0%

GENDER PAY GAP

Despite the progress made in recent years to boost female participation at all levels of employment and responsibility at CIE Automotive, there is still a wage gap between men and women of 7% - unchanged from 2020 - which is attributable above all to the make-up of the various hierarchical levels in certain countries. The gender pay gap calculations are based on gross earnings per employee, including fixed remuneration and cash or in-kind bonuses (they do not factor in national insurance contributions).

Without adjusting for their geographic presence or job categories, women at CIE Automotive earn €15,796 on average, compared to the €17,064 earned by their male counterparts. Note that the average earnings calculations include data for a wide variety of countries, aggregating the wages earned in our factories in Europe, the Americas and Asia. Moreover, the gender pay gap varies by job category. Among executives and university graduates, women at CIE earn more than their male peers, 21% and 8%, respectively, while in the most numerous job category, trades-men and women, female employees earn 10% less than the men on average.

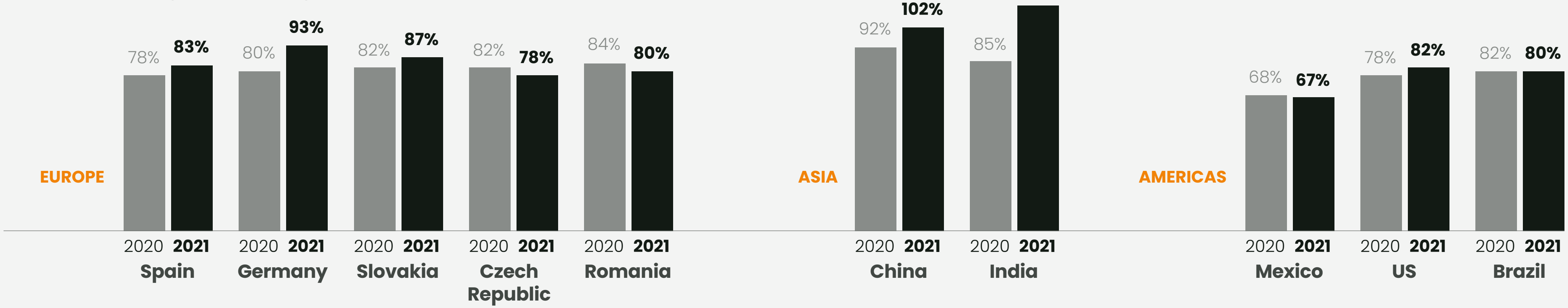
CIE Automotive believes there is room for improvement in the current figures and expects that, following approval of the ESG Strategic Plan 2025, the diversity assessments carried out at each factory and the resulting action plans implemented will ultimately drive an improvement in this metric.

Gender pay gap

	2020			2021		
	No. of people*	Average earnings	% gap	No. of people*	Average earnings	% gap
AGGREGATE pay gap						
Men	20,195	16,147	93%	20,311	17,064	93%
Women	4,288	15,004		4,509	15,796	
Gender pay gap BY JOB CATEGORY						
Executives - M	875	57,081	101%	867	60,895	121%
Executives - W	113	57,677		102	73,491	
University graduates - M	5,701	18,378	118%	5,660	20,541	108%
University graduates - W	1,156	21,692		1,198	22,142	
Tradesmen	13,619	12,584	86%	13,783	12,880	90%
Tradeswomen	3,019	10,846		3,210	11,595	

** Average headcount.*

Gender pay gap* by significant location**



(*) The graph above shows how much a woman earns in a given country as a proportion (%) of the average man's salary in that country.
(**) Signification locations for these purposes refers to the countries in which the headcount at year-end exceeded 500 employees.

Our employee value proposition

In all countries where it does business, CIE Automotive offers its employees a decent job, remuneration in keeping with their responsibilities and skills and the training needed to do their jobs, all in a safe and healthy environment conducive to career development.

The principles articulating this value proposition and human capital management at the organisation are set down in the company's Human Rights Policy. That policy complies with the provisions contained in the International Labour Organisation's fundamental conventions on the freedom of association and the right to collective bargaining.

Although all of the factory managers and HR heads endorse this policy (in 2021 it was accordingly signed by the heads of the new companies, CIE Hosur and RS Korea), thus committing to comply with and enforce it, a survey is undertaken annually to identify which plants present human rights violation risks and take any measures warranted. 100% of the factories filled out that survey last year, with all responding that they had identified no such risks.

COMMITMENTS	ACTION TAKEN IN 2021
Prevention of discriminatory practices.	• Creation of the Diversity Committee. • Application of the Harassment Protocol in the five cases brought forward in 2021. • Promotion of female access to STEM subjects (app collaboration).
Zero-tolerance stance on compulsory or child labour	• None of the factories surveyed in 2021 identified risks of forced or child labour.
Provision of decent work	• Remuneration aligned with the job, dedication and performance and above minimum wages in all regions.
Protection of people's safety and health	• Preventive measures related with COVID-19. • Reduction of the injury frequency rate and maintenance of the injury severity rate, improving upon the record levels of 2020 despite year-on-year significant growth in the number of hours worked. • Of the total, 98% injuries were mild and only 2% were serious. There were no fatalities. • Over 159 thousand hours of health and safety training, the second highest in the company's history, second only to 2020, when the pandemic implied an unprecedented increase in instruction related with the new scenario. • Reduction in work-related ill health, from 33 cases in 2020 to 29 in 2021.
Facilitation of collective bargaining and freedom of association	• 58% of employees under collective bargaining agreements.
Promotion of a culture of respect for human rights and employee awareness-raising in this area	• Almost 30 thousand hours of human resources training provided to nearly 9,000 group employees.
Respect for indigenous and local communities	• 91% of factory managers are local. • 92% of factory management committee members are local.
Contribution to the effort to fight corruption and protect privacy	• Anti-corruption training was provided to numerous CIE executives in 2021. • By 31 December 2021, 2 out of 3 CIE managers have been trained in ESG.

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EMPLOYEE REMUNERATION

CIE Automotive uses a 'total comp' remuneration model, which includes a fixed amount determined on the basis of the nature of each job and individual job performance. In addition, 7,648 employees received a bonus in 2021 as a result of delivery of set targets and/or excellent or improved performances.

Employee remuneration at CIE Automotive complies with and often exceeds the minimum wage requirements in each country. That fact is verified by the Human Resources Department whenever the company makes an acquisition to confirm compliance with the law and make sure incoming employees have the same entitlements as the rest of the group's employees.

Besides wages, in 2021 the group provided its employees with a series of company benefits which enhance their and their families' quality of living and entailed an investment of over €18 million.

Notably, in 2021 it provided €12 million in the form of health insurance or in-house medical services, such as:

- United Healthcare, among others, at certain US factories.
- Premium health checks in some instances in Slovakia.
- Private health insurance coverage at the Spanish, Brazilian, Chinese and Mexican factories, among others.
- Specific pandemic coverage built into the group's travel insurance.

- In addition to that health coverage, CIE Automotive invested €6 million in the following food and transport assistance services:
- Fully or partially subsidised company canteens.
- Food vouchers (with and without tax benefits).
- Transport service for candidates for working at the Mexican factories.
- In-house buses and transport services.
- Company cars and transport vouchers.

Lastly, the company also strives to help its employees' with their families' education, earmarking €0.2 million to the following programmes: a university support fund at the Brazilian factories; prizes for children of employees at Mexican factories with the best academic records, and a higher education support programme at the factories in Portugal.

DECENT WORK AND RIGHT TO COLLECTIVE BARGAINING

Respect and transparency govern CIE Automotive's relations with its employees. The group is committed to the provision of decent work and the right to collective bargaining in every market, framed by the universally recognised labour rights, as set down in the United Nations Global Compact.

The percentage of permanent contracts is high, at 87% in 2021 (88% among men and 86% among women), underpinned by high percentages across all regions: in Europe, 96% of all contracts are permanent, compared to 97% in Brazil, 78% in Asia and 86% in North America.

CIE Automotive respects its employees' freedom of association and right to collective bargaining, engaging with its workers' representatives not only in Europe but also in less unionised countries. In 2021, 58% of employees were covered by collective bargaining agreements.

Over the course of 2021, the company entered into 41 collective bargaining agreements (regional, sectoral and some factory-specific), compared to 39 in 2020, at a number of facilities in the following countries:

- ROMANIA
- CZECH REPUBLIC
- ITALY
- FRANCE
- SPAIN
- MEXICO
- BRAZIL
- CHINA
- INDIA
- GERMANY

The agreements oblige the company to uphold specific occupational health and safety criteria, this being one of the most important matters addressed therein. constituyendo estos uno de los temas de mayor importancia en dichos convenios.

Coverage of agreements by country

COUNTRIES	WORKFORCE 2020	Employees covered by collective bargaining agreements 2021	%	WORKFORCE 2021	Employees covered by collective bargaining agreements 2020	%
Brazil	3,051	3,047	100%	2,662	2,654	100%
Czech Republic	628	176	28%	607	170	28%
China	1,570	347	22%	1,514	342	23%
France	338	338	100%	318	318	100%
Germany	879	818	93%	817	759	93%
India	6,745	2,683	40%	6,956	2,653	38%
Italy	439	436	99%	443	440	99%
Lithuania	221	0	0%	218	0	0%
Morocco	103	0	0%	101	0	0%
Mexico	5,460	3,694	68%	5,381	3,494	65%
Netherlands	4	0	0%	4	0	0%
Portugal	323	323	100%	296	296	100%
Romania	611	611	100%	560	560	100%
Russia	74	0	0%	65	0	0%
Slovakia	837	215	26%	654	161	25%
South Korea	0	0	0	1	0	0
Spain	2,333	2,208	95%	2,296	2,257	98%
US	1,582	0	0%	1,579	0	0%
Total	**25,196**	**14,896**	**59%**	**24,472**	**14,104**	**58%**

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TRAINING AND CAREER DEVELOPMENT

CIE Automotive is aware that its competitiveness and sustainability over time depends to a significant degree on its employees' capabilities. To that end it provides them with new skills, offering them growth opportunities via training and mobility.

In 2021, the group imparted 696,806 hours of training, up 112,658 hours from 2020. The breakdown by job category was 21,923 hours for executives, 184,863 hours for university graduates and 490,020 hours for factory workers.

The majority of employees receiving training were men, four out of five, echoing the workforce's predominantly male make-up. However, the number of training hours provided to women (44.7 hours of training per woman trained) was higher than that received by their male colleagues (30.4 hours per man trained).

The training sessions were organised around all necessary safety measures to prevent the transmission of COVID-19, reducing attendees per session and providing the content online where possible.

The training provided emphasised traditional core areas of people management (health and safety, soft skills, and technical training) and other subjects that are relatively new in the world of business, such as ESG and human rights, a focus expected to continue in the years ahead.

The company has a Training Plan Procedure which outlines the various phases to be implemented when designing training plans at each group facility: identification of training needs, planning, definition, execution, evaluation and feedback. In addition, at the corporate level, a non-binding proposal is presented to the CIE Automotive factories each year itemising all of the training initiatives to be undertaken on a centralised basis in the year ahead. Those initiatives include sessions aimed at providing advanced management and interpersonal skills for individuals with certain abilities and/or potential, ESG training and training on ethics and conduct codes.

Training hours by job category

	Hours		Total	
Job Category	2020	2021	2020	2021
Executives	24,476	21,923	850	843
University graduates	157,039	184,863	6,173	6,675
Tradesmen and women	402,634	490,020	15,375	13,626

Training in 2021

	Men	Women	Total
Hours	525,360	171,446	696,806
Employees trained	17,310	3,834	21,144
CIE people	19,998	4,474	24,472
Hours per employee trained	30.4	44.7	33.0
Hours per employee	26.3	38.3	28.5

The group provided 8,533 professionals with 26,958 hours of human rights related training.

Mobility is one of the key measures for fostering career development at the company. To that end the company collaborates with universities in each of its business regions and has agreements with technology centres and vocational training schools.

Employees receiving training

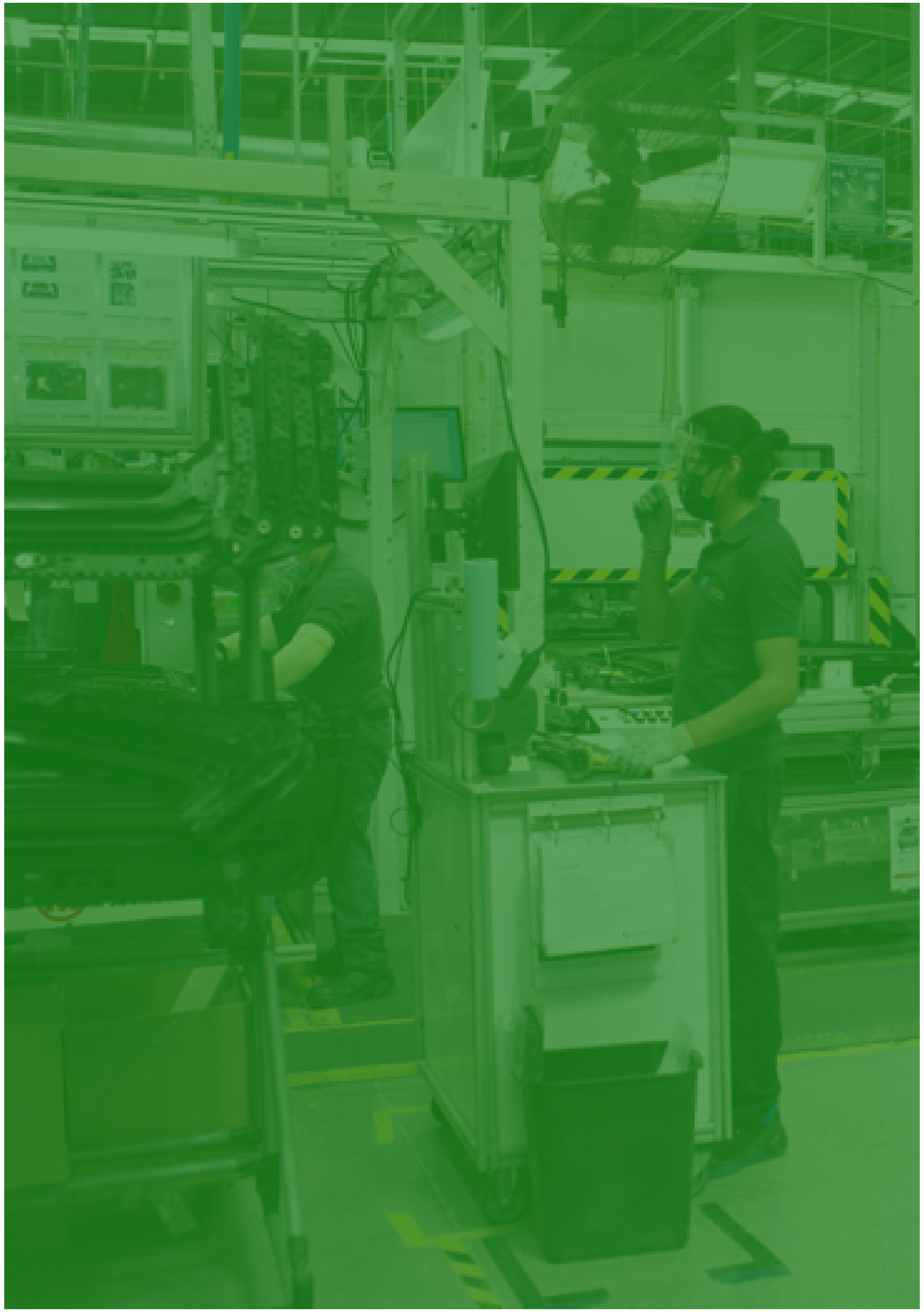
	2020	2021
Employees receiving training	88.9%	86.4%
Male employees receiving training	88.2%	86.6%
Female employees receiving training	91.7%	85.7%

Training on human rights

	Men	Women	Total
2020			
Hours	13,274	17,565	30,839
Trained people	6,258	2,295	8,553
2021			
Hours	18,374	8,584	26,958
Trained people	6,514	2,019	8,533

Training in Occupational Risk Prevention

	Men	Women	Total
2020			
Hours	145,138	57,748	202,886
Trained people	14,065	3,327	17,392
2021			
Hours	120,556	38,604	159,160
Trained people	10,368	2,869	13,237



ORGANISATION OF WORKING HOURS

For CIE Automotive, the fact that work organisation is decentralised is a plus that enables it to introduce the flexibility and work-life balance measures the best suit each factory, division or country.

That being said, the most common measures across the group include: staggered work start and end times; fine-tuning of working hours to protect family time; the possibility of working from home; days of maternity and paternity leave beyond the legally stipulated minimum; and care for pregnant employees.

Among those widespread initiatives it is worth highlighting those designed to facilitate work-life balance and encourage joint responsibility for parenting; such measures were in place at over 80% of the group's workplaces in 2021.

CIE Automotive has also started to focus on the right to disconnect. At year-end, just like in 2020, eight workplaces in Europe had specific right-to-disconnect policies to ensure the required measures are taken to guarantee disengagement from work-related electronic communications (computers, company phones, etc.) outside of working hours and during leaves of absence and holidays.

In 2021 the absenteeism ratio was 5%, similar to that of 2020, implying the loss of 2.8 million hours of work (nearly 2.5 million in 2020). That is a relatively stable percentage, which is only partially manageable by the company as it is influenced by exogenous factors such as the pandemic, the age of specific groups of factory workers and the general economic situation in the regions where the company has operations.

Resumption of the Ulysses programme, a bet on inclusion and mobility

Transmitting the same culture to all the people comprising CIE Automotive, no matter which country they work in, and raising their profile within the company by means of mobility are key aspects of the human capital management effort, as set down in the ESG Estrategic Plan 2025.

One of the most important initiatives designed to deliver that cohesion is the Ulysses Programme, a project that combines mobility and talent management, in which young Mexicans and Brazilians attend an outstanding vocational training centre in the Basque region of Spain before receiving on-the-job training at the company's legacy factories in Spain.

In that way it delivers four objectives: embedding the group's values; facilitating cross-country engagement down the line; generating intragroup relationships; and providing the group with professionals trained in excellence.

The Ulysses Programme had to be suspended in 2020 on account of the coronavirus pandemic. In 2021, however, the HR teams worked towards relaunching the initiative in the 2021/2022 academic year. Ten people of two nationalities (Mexican and Brazilian) are participating in the edition that kicked off on 7 February 2022 (it could not start as planned in September 2021 due to pandemic), which will involve seven productive facilities and one R&D centre.

The project is structured into two distinct phases:

FIRST PHASE

During the academic phase, the students will receive technical training in metalworking, forging, polymers and aluminium, as well as cross-cutting training on entrepreneurship, innovation and lean manufacturing.

SECOND PHASE

During the subsequent factory training phase, the students, depending on their academic backgrounds, the needs of the factories in their countries of origin and their personal interests, will spend several months working in a factory. Most of CIE's legacy facilities are involved in the project: CIE Orbelan, CIE Inyectametal, CIE Legazpi, CIE Egaña, CIE Galfor, Novarecyd and the new forging facility CIE Goiain, as well as the Corporate Engineering Department and the Laboratory located in AIC - Amorebieta.

EMPLOYEE COMMUNICATION

The main channels used to reach out to employees are the dashboard and company intranet. The company also puts out a weekly newsletter with updates on the latest key developments from the economic, social and environmental perspectives.

Every two years each factory carries out a workplace climate survey. In 2021, the average outcome of the 27 surveys carried out was positive: 7.2 points out of 10. The results of those surveys are used to draw up annual or two-year plans for improving employee satisfaction.

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Safe and healthy environment

The 2025 ESG Strategic Plan reaffirms employee health and safety as one of CIE Automotive's top priorities: 100% of the group's current facilities are aiming to be ISO 45001-certified by 2025.

Progress towards delivery of the factory certification goals set down in the 2025 Strategic Plan is detailed below:

- In 2017, which is when the plan was rolled out, 85 factories, i.e., all except those acquired or created subsequently, got involved in the certification mission. Of those 85, 68 were certified at year-end 2020 (80%).
- In 2021, the newly acquired and created factories (those operated by CIE Somaschini, CIE Golde, AEL and CIE Mapremex, and the company's greenfield facilities in Mexico, Spain, India and China) lifted the number of facilities in the programme to 103.
- Of those 103, 85 are currently certified, up 15 from 2020, implying a compliance level of 83%.
- CIE Automotive expects to certify another 13 facilities in 2022, which will boost compliance further, to 95%.

Health and safety model

Occupational health and safety is managed on a decentralised basis. CIE Automotive has an outside safety service that covers the four legally-stipulated areas of accident prevention expertise and a health and safety officer at each of its productive facilities, more than 100 people worldwide in total.

That effort is shored up by a corporate health and safety department which regularly audits the factories and serves as contact point for issues related with occupational health and safety.

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

Each factory has its own health and safety plan, which is put together on the basis of a framework system that is subjected to continual audit as part of the group's workplace safety management systems. This structure enables the company to adapt safety measures for each plant and evaluate the measures taken by it on this front as a whole. Individual action plans are formulated every year to deliver the targeted level of improvement defined on the basis of the prior year's performance. Every facility has a health and safety officer who, in addition to monitoring accidents and safety indicators, is tasked with ergonomics, making sure no-one is exposed to harmful substances, and physical and mental health monitoring.

COVID-19 SAFETY PROTOCOL

CIE Automotive has a dedicated COVID-19 Safety Protocol, which remained in force throughout 2021, applicable to all group companies, setting out personal safety precautions and what to do if a team member catches the virus. Each facility can take additional measures in response to its specific circumstances and risk assessments.

Employees who, despite the travel restrictions, needed to go abroad, enjoyed coverage from International SOS, a leader in medical assistance and safety services during international travel.

In 2020 the company took out specific COVID-19 coverage which it expanded in 2021 to cover any type of pandemic (not just COVID-19) that could emerge in the future.

Health and safety training

Employees receive safety training tailored to the risks posed by their jobs. In 2021 CIE Automotive provided 159,160 hours to health and safety training to 13,237 employees (10,368 men and 2,869 women).

Accidents and injuries

There were 447 accidents in 2021, 65 of which affected women and the remaining 382, men. Of the total, 98% (437) were mild and 10 were classified as serious, although there were no fatalities.

The injury frequency and severity rates continued to improve in 2021, reaching record lows, despite the undeniable additional risk implied by the pandemic and the increase in the number of hours worked in 2021 compared to the previous record, marked in 2020. Specifically, the severity injury severity rate was flat at 0.15, while the frequency rate declined to 8.66.

As for subcontractors, there were no serious accidents affecting the people employed at any manufacturing facility in 2021.

Turning to work-related ill health, the group detected 29 cases in 2021, 26 among male employees and the remaining 3 among female employees.

Accident rates

	2020	2021
Lost-time injuries*	414	447
Cases of work-related ill health	33	29
Injury frequency rate**	8.90	8.66
Injury severity rate***	0.15	0.15
Absenteeism****	5%	5%

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

Quantitative HR targets - ESG

In the wake of presentation of the 2025 ESG Strategic Plan, the Human Resources Department has several related and clearly defined quantitative targets, namely:

1. **100% of the group's factories must have completed a diversity assessment by 2025.**

   As already mentioned elsewhere in this report, in 2021 the company worked on the creation of the bodies tasked with diversity assessment, specifically the Corporate Diversity Committee, and on the design by the latter of the diagnostic tool, on the choice of the four areas of diversity to be worked on initially and on execution of the first eight pilot assessments. Having created the body tasked with diversity assessment and the associated tool, we expect the number of annual assessments to increase very significantly in the coming years.

2. **100% of the group's factories must be ISO 45001-certified by 2025.**

   In 2021, four years ahead of that deadline, 85 factories were already ISO-45001 certified, implying delivery of 80% of that target. Note, additionally, that 13 more factories are on schedule to achieve certification in 2022, which will lift target delivery to 95%, three years ahead of the deadline set for 2025.

3. **100% of the members of our factories' management committees must have received specific ESG training by 2025.**

   In 2021, four years ahead of the deadline for attaining this target, ESG training was provided to 67% of the nearly 600 members of our factories' management committees, i.e., we have already achieved two-thirds of our target four years ahead of the delivery deadline.

We believe, therefore, that we are on the right track for delivering all of the targets set for us by 2025.

HUMAN RESOURCES AREA

KPI	Objective	Deadline
Nº. of factories to have completed diversity assessment / Total group factories	**100%**	2025
Nº. of factories with ISO 45001 certification / Total group factories	**100%**	2025
Nº. of people trained / Total no. of people to be trained on ESG matters	**100%**	2025

One more year moving forward together

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Partnering with the finest SUPPLIERS

The supply chain was key to the group's ability to deliver its overall corporate targets in 2021. Just when it seemed as if the worst consequences of the pandemic were behind us, stockouts, raw material and parts price increases and inflationary pressure on shipping and energy costs put CIE Automotive's purchasing model to the test. That model proved its worth in the most adverse of circumstances by enabling cost control, the purchase of quality services and, most importantly, uninterrupted supplies. All of which while embracing ESG criteria.

Objective:

Efficient and sustainable management of the supply chain in a complex environment, striving for operational excellence.

Progress made in 2021

- Progress was made on supplier management, particularly in the areas of measurement, procedures and training, and there was a new edition of the ESG awards for suppliers.

Progress made in 2021

Measurement

- Configuration of the Suppliers Portal as the tool for measuring the supply chain's ESG health.
- Quarterly tracking of the percentage of local suppliers and other supply chain KPIs needed to ensure smooth business management and good ESG practices.
- Performance of an ESG risk analysis matrix by product purchasing category.
- Execution of renewable energy supply agreements and other collaborative and energy efficiency projects.
- Boost to sustainable buying.
- Start of inclusion of the most important non-productive suppliers in Europe in the Suppliers Portal.

Management procedures

- Reissue of the Global Supply Chain Manual in 2021, including new sections such as sustainable buying in CIE Automotive's policies and practices: critical raw materials, TISAX Label, etc.
- Renewal of supply chain procedures, policies and standards and their global distribution across the CIE Automotive group.
- Publication of a Conflict Minerals Policy.
- Reissue of the European general purchasing terms and compilation of uniform, region-specific terms in the various geographies: India, China, Mexico, Brazil, etc.
- Rollout of a project to obtain ISO 20400 Sustainable Purchasing certification.

Acknowledgements

- Consolidation of the ESG awards for the suppliers showing greatest commitment to the key issues.

Training

- All the buyer teams in India, Mexico, China, Europe, the US and Brazil received in-house ESG training.
- Organisation of seminars to address suppliers' questions about ESG matters.

CIE Automotive successfully tackled the difficulties derived from the logistics tensions in 2021 thanks to correct alignment between supply chain management and the pillars of its business model. Framed by that model, the group procured over €2.3 billion worth of goods and services and managed more than 24,000 suppliers worldwide.

The issues besieging the supply chain highlighted the importance of having professional buyer teams and the competitive advantage wielded by a clear supply chain management model and strategy such as those of CIE Automotive.

Indeed, the corporate and local teams were able to swim against the tide and procure the goods and services the group needed, underpinned by its Purchasing Mission and Policy, decentralised management strategy, operational excellence and the integration of ESG criteria into all decision-making.

	2020	2021
Purchasing volume	>€1.9bn	>€2.3bn
No. of suppliers	≈ 23,000	≈ 24,000

Purchasing Mission and Policy

With the aim of building a solid base of suppliers and partners, facilitating all group companies' acquisition of goods and services on the best possible terms, CIE Automotive has defined a Purchasing Mission and Policy.

The scope of the Purchasing Policy covers negotiations, project adjudication and the purchase of services and products. Management of 11 purchasing families is covered by the Policy. The Policy proved a particularly useful guide for the buyer teams in the complexity that marked 2021.

Purchasing mission

PROFESSIONAL GROWTH

Helping the people working in purchasings to grow professionally and personally.

ECONOMIC RATIONALE

Seeking out financial logic, striving to minimise the total cost.

PURCHASING MISSION

Acquiring, in the global supply market, the materials and services needed to ensure smooth manufacturing operations for CIE Automotive.

OPERATIONAL EXCELLENCE

Managing our operations effectively, seeking out operational excellence.

VALUE CREATION

Fostering value creation, quality of living, personal and product/service safety, environmental care, social responsibility and internal and external customer orientation.

BENCHMARK MANAGEMENT

Being a management role model for our customers, suppliers and society.

Purchasing policy

OBJECTIVITY, TRANSPARENCY, FAIRNESS and **NON-DISCRIMINATION** in relations with all suppliers and partners.

Striving, **INTERNALLY AND EXTERNALLY**, to **CREATE AWARENESS** of the importance of environmental protection efforts, in keeping with health and safety regulations and labour rights.

ENSURING that the **QUALITY** of the products and services purchased meet the group's technical, safety, environmental and human rights standards.

Identification and accomplishment of group synergies.

MAXIMISATION of the **MOTIVATION** and ENGAGEMENT of the CIE Automotive professionals devoted to purchasing, providing them with the training needed to do an excellent job.

ALIGNMENT between the **STRATEGY** and efforts of the Purchasing Department and the accomplishment of the established **CORPORATE OBJECTIVES.**

Implementation of **PROCEDURES AND CONTROLS** designed to ensure objective and fair adjudication.

DEVELOPMENT of long-term **COLLABORATION AND INNOVATION AGREEMENTS** with suppliers.

Search for mutual understanding and benefits in supplier relations.

Contribution to suppliers' process development.

FOSTERING SUSTAINABLE BUYING of goods, energy, alternatives to dangerous or toxic chemicals, etc., framed by CIE Automotive's corporate policies and commitments.

COMMITMENTS, across the entire supply chain, to supporting and delivering the **10 PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT,** of which CIE Automotive is a signatory.

Performance of **SUPPLIER SELECTION** on the basis of objective criteria that measure product and service quality, as well as **ESG CRITERIA.**

Purchasing product families

Productive purchase

Raw material
- Steel
- Aluminum
- Plastic
- Alloying materials
- Raw material tools

Tooling
- Control tooling
- Machining
- HT & welding
- Stamping tooling
- Moulds
- Tube forming
- Spare parts
- Repairing & modifications

Components
- Bar-turning
- Stamping
- Forging
- Foundry
- Motor components
- Sintering
- Thermoforming
- Tissue
- Injection & Overinjection
- Glass

Logistics
- Transport
- Storage

Subcontraction
- HT
- Superficial coating
- Foundry
- Forging
- Stamping
- Machining
- Inspection & assembly
- Cutting
- Welding

Non productive purchase

MRO
- Pneumatic
- Hydraulic
- Mechanical
- Electrical
- Electronics
- Technical service
- Fire extinction
- General maintenance

Energy
- Water
- Electricity
- Gas
- Fuels

Environment
- Waste procesing
- Sanitary
- Environmental consumables

Other consuptions
- Chemical
- Packaging
- Cutting tools
- Industrial supply
- Welding
- Office consumables
- Ppes&clothes
- Industrial gas
- Hardware & software

Professional Services
- Consulting
- Audit
- Industrial design
- Insurance
- Data procesing
- Comunication
- Cleaning
- Medical service
- Travelling
- Human resources
- Security services
- Marketing

Investments
- Machinery
- Equipments
- Buildings
- Others

CONFLICT MINERALS POLICY

Despite the fact that the group insists on the requirement to refrain from using conflict minerals directly or indirectly in a specific questionnaire on the Suppliers Portal, in its general terms of purchase and in the Global Supply Chain Manual, CIE Automotive decided it was necessary to be even more forceful about this obligation, to which end it has published a dedicated Conflict Mineral Policy.

Note that in 2021, 100% of the suppliers CIE Automotive works with who are registered on the Suppliers Portal reported to either not using so-called mineral conflicts or, if used in their productive processes, to being able to guarantee that they were not sourced from conflict regions.

In 2021, CIE Automotive edited its Conflict Minerals Policy to reinforce its requirements in this area

"GLOCAL" management

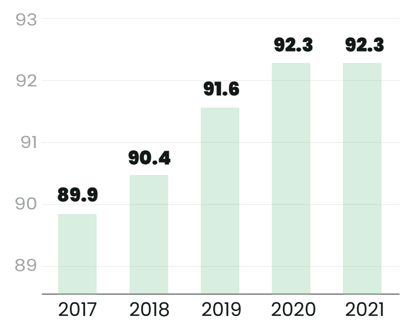
CIE Automotive takes a GLOCAL approach to its purchasing model, i.e., it is managed globally but with a significant level of local application and adaptation. That decentralisation is possible thanks to excellent leadership, which in turn enables the diversification of purchasing teams, who can get closer to decision-making centres, detect positive and negative business impacts for themselves and make the most of emerging opportunities.

CIE Automotive's long-standing strategic commitment to local business communities has turned out to be a major advantage in pandemic and post-pandemic times by reducing logistics costs and tariffs, mitigating exchange rate risk and facilitating the management of non-financial matters in a closer and more committed environment.

In 2021, 92.3% of the suppliers were local and accounted for 79.9% of all group purchases.

By leveraging this model of local (on-shoring) and regional (near-shoring) sourcing, CIE Automotive manages to overcome cultural, linguistic and time zone differences, as well as logistics issues. Another advantage of the model is greater regulatory harmonisation.

Local suppliers, % of total



Purchases from Local suppliers, %

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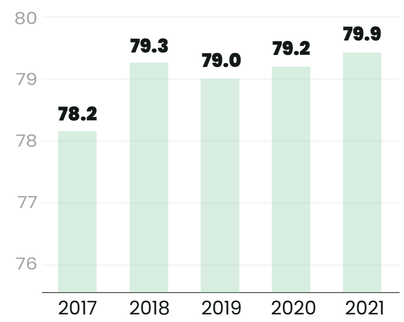


Operational excellence

Supply chain operational excellence and standardisation are essential to achieving the following shared strategic targets: standardisation of procedures, certification of suppliers, implementation of management tools, integration of ESG criteria and control of risks.

Standardisation of procedures

In a business as global as the automotive industry, supply chain management is growing increasingly complex. CIE Automotive has articulated a system around internal procedures to manage its suppliers end to end.

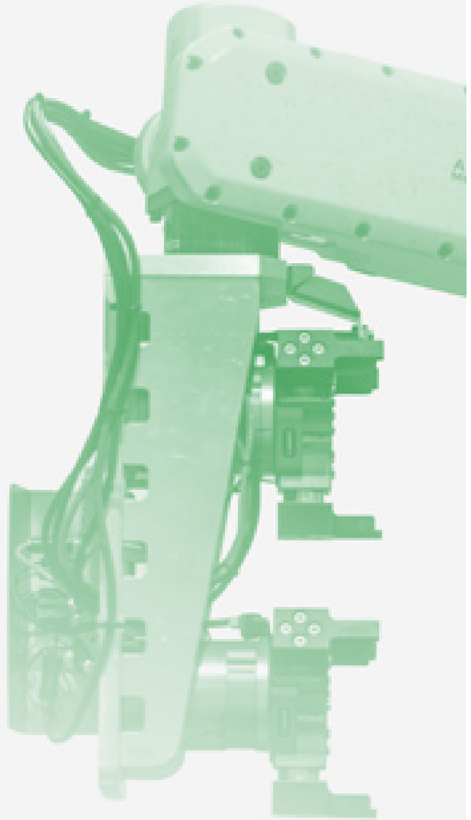
The goal is to effectively and consistently evaluate supplier performance and guarantee that the supply chain meets sector, legal and regulatory requirements and standards, whether local or international, as this is key to business continuity.

In 2021, the corporate purchasing team made significant progress on aligning documentation across the various regions where the group operates, essentially by unifying two of its most important documents:

- General Terms and Conditions of Purchase: standardised across the various countries, irrespective of the different technologies or divisions active in each.
- Global Supply Chain Manual: its use has been standardised and minimum standards have been introduced for all countries, regardless of the factories' geographic location.

Having developed, verified and approved the system, procedures, tools and documentation, the corporate purchasing team evaluates, controls, reviews and fine-tunes everything before rolling out and communicating the strategy.

The buyers, located at the factory, division and corporate levels, work to make sure CIE Automotive's principles are upheld, so complying with the group's legal, quality and sustainability standards and obligations.



SUPPLIER CERTIFICATION PROCESS

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The requirements demanded of suppliers are aligned with their classification as a function of the product or service they supply. Over 90% of CIE Automotive suppliers of the product families deemed subject to assessment are IATF 16949 or ISO 9001 certified; environmental certification under ISO 14001 and health and safety certification under ISO 45001 are also positively rated. A new IT security requirement was introduced in 2021 (TISAX).

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

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

CIE Automotive's supplier management model attaches key significance to the audits it conducts to assess their suitability. Note that assessment of supplier performance along ESG performance criteria is a consolidated feature of the audit procedure.

REQUIREMENTS for becoming a CIE Automotive supplier

ESG STANDARDS
Compliance with the ESG standards required by CIE Automotive

COMMITMENT TO ETHICS
Supplier conduct must be aligned with the Code of Conduct and the firms must apply equivalent ethics standards, specifically addressing how to prevent corruption, bribery and conflicts of interest.

COMPLIANCE
Compliance with the legislation prevailing in the supplier's market

QUALITY
ISO 9001 certification is a minimum requirement for suppliers of production materials and logistics services
Quality audits

FINANCIAL HEALTH
Track record of financial stability; no credit risk

Supplier performance level

1	0	0%	Unacceptable	0% to 54% Supplier to be eliminated.
2	0	0%	Conditional	55% to 74% Compliance plan needed.
3	0	0%	Acceptable	75% to 89% Action plan needed.
4	256	100%	Preferred	90% to 100% Preferred supplier..
TOTAL	256	100%		

Index by section

1. Planning	100%
2. Suppliers & Reception	100%
3. Training & Skilling	100%
4. Processes & Maintenance	100%
5. Cust. Satis. & Cont. Improv.	100%
6. Packaging, Transport & Storage	100%
7. ESG	100%
8. Documentation	100%

Final audit outcome

(refer to disqualification rules)

100%

Disqualification rules:

Two subsections <74% implies a rating of **ACCEPTABLE**
Three subsections <74% implies a rating of **CONDITIONAL**
Four subsections <74% implies a rating of **UNACCEPTABLE**

In 2021, the group conducted 420 audits, up from 353 in 2020

The results of the audits may be shared with the supplier. On other occasions it is the supplier that conducts a self-assessment which is then corroborated by qualified CIE Automotive professionals.

Thanks to that system, the company was able to continue with its customary certification procedures without diminishing the quality of the results: in 2021 it completed 420 audits, up from 353 in 2020.

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

In 2021, 25% of all suppliers of productive materials evidenced environmental certification under ISO 14001, which is stable by comparison 2020.

RISK MANAGEMENT AND CONTROL TOOLS

308-1 414-1

Suppliers Portal

After several years consolidating use of the Suppliers Portal by suppliers of productive materials around the world, in 2021 the group started to add European suppliers of non-productive products to the platform in an attempt to standardise its most important suppliers in terms of purchase volumes.

The Suppliers Portal is an online platform that is free to use and accessible from the Supply Chain tab on the corporate website. Existing and prospective suppliers of products and services to CIE Automotive can register on the portal. It delivers two targets: (i) it facilitates access for new suppliers and their prior assessment; and (ii) it provides a channel for submitting enquiries to purchasing managers.

At present, **3,750** suppliers are active on the portal; over 50% of them have received a positive rating and so joined the pool of suppliers, while the remainder have received information about how to complete the process and/or improve their scores, with support and feedback from CIE Automotive.

The global rollout of the Supplier Portal guarantees **standardisation of the purchasing process framed by identical criteria of objectivity, impartiality and equal opportunities across all geographies**. Registering suppliers need to answer five questionnaires about:

- **Business management:** suppliers in possession of valid quality management certifications are prioritised.
- **Environmental management:** assessment of suppliers' environmental performance; the portal gives additional points to suppliers with environmental management certification and those that control their waste and emissions, among other aspects.
- **ESG management:** supplier candidates are asked to provide information about their ESG certifications and compliance with the United Nations Global Compact requirements.
- **Conflict mineral management:** suppliers are required to abstain from using the so- called conflict minerals (tin, tungsten, tantalum and gold) and if they do use them, they must guarantee that they do not come from areas of armed conflict, such as the Democratic Republic of the Congo.
- **Accident and civil liability insurance:** CIE's risks are minimised if it can verify that its suppliers are covered against potential contingencies.

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

All of this information is available for consultation on the "Supply chain" tab of the corporate website. A non-web version, with the same assessments and scoring system as the web-based platform, has been created for suppliers that encounter difficulties in registering with the Portal.

Questionnaire categories and weightings

*Recently included information.

The data harvested from the Suppliers Portal reveals that around 78% of existing and potential suppliers that have completed the registration process have formulated and distributed a code of conduct; 25% have attached ISO 14001 environmental management certification; and 100% report to not using conflict minerals or, in the event they use them, can guarantee they are not sourced from conflict-affected areas. All registered suppliers state that they are not involved or complicit in any form of child or compulsory labour.

78% of registered suppliers has a code of conduct; 25% attach ISO 14001 certification; and 100% report to not using conflict minerals.

Global Supply Chain Manual (GSCM)

The Manual Global Supply Chain was reissued a number of times in 2021 with the aim of aligning it with CIE Automotive's business reality and all the latest ESG requirements. It is a true reflection of the company's supply chain schematics and procedures and details graphically and in plain language the Mission, Purchasing Policy, the various product and service purchasing categories, the purchasing flowchart, the associated internal procedures and the ESG requirements suppliers must meet in order to work with CIE Automotive.

The more recent additions address to:

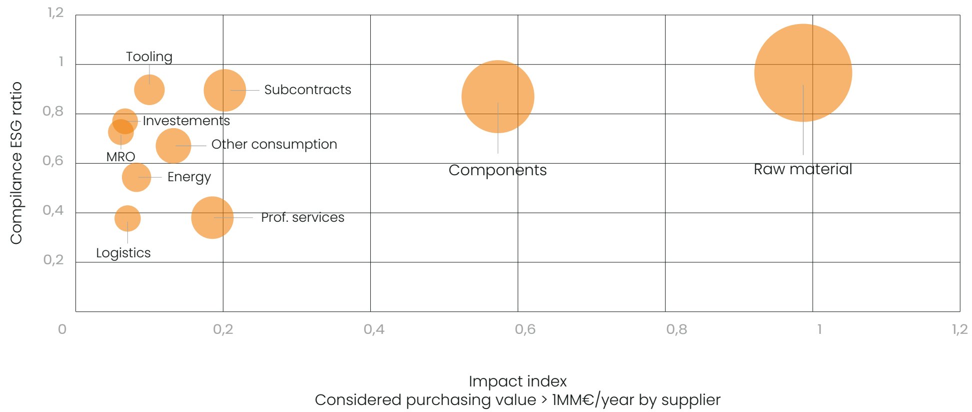
- TISAX
- Conflict minerals
- Critical materials
- Crisis management
- Anti-corruption and the Whistle-Blowing Channel

ESG risk matrix: ESG audits and supplier certification

In 2021, CIE Automotive drew up a supply chain risk impact matrix. The purpose of the risk mapping process is to pinpoint, prevent and mitigate environmental, social and governance risks in the supply chain. Based on its segmentation of the above-mentioned product purchasing families, CIE Automotive based its analysis on the number of active suppliers that, in each family, have best integrated (on the basis of reported and measurable information) the ESG requirements demanded by the group (registration on the Suppliers Portal; endorsement of the ESG Commitment document; audits/general terms of purchase).

The outcome is that the purchasing families associated with higher expenditure volumes are the categories that present higher - measured - ESG compliance and, therefore, present controlled risk levels, thanks to actions and collaborations undertaken by the group over the past few years.

The matrix sets the roadmap for future internal management initiatives (audits, additional control measures, etc.) in order to continue to contribute to the solidity of the supply chain.



Integration of ESG criteria in the supply chain

CIE Automotive expects all its suppliers to uphold its commitments to respecting human rights, living wages, environmental protection and the prevention of corruption, framed by the sixth pillar of its business model: the integration of ESG standards into management. That undertaking, which is formally set down in the Purchasing Policy, is communicated to suppliers by means of the following channels:

- Corporate website.
- General terms and conditions of purchase.
- Global Supply Chain Manual.
- Suppliers Portal.
- Endorsement of the ESG Commitment.
- Execution of agreements that make specific mention of ESG commitments.
- Work meetings and/request for quotation (RFQ) processes.

Ninety per cent of CIE's suppliers have pledged to uphold the company's ESG requirements by signing the ESG Commitment, registering in the Portal or accepting the general terms of purchase.

As a result, CIE Automotive is in a position to state that its global supply chain is free of suppliers that pose a significant risk of presenting incidents of child or forced labour, unfair treatment, discrimination or any other practices that imply putting profits ahead of social, environmental and/or ethic concerns.

Definition of the ESG indicators

The supply chain plays an important role in the delivery and measurement of the strategic KPIs itemised in the 2025 ESG Strategic Plan, as, of the group's almost 80 indicators, 18 are related to the supply chain area.

The corporate Purchasing Department's mission is to set the strategy and procedures for complying with the strategic objectives set by the Board of Directors. The status of the established indicators is monitored facility by facility on a quarterly basis by the corporate team together with the production plants.

In addition to those KPIs, CIE analyses the financial health of its suppliers to ensure supply continuity throughout the life of the project in question. That analysis includes the search for the ideal sources of energy in terms of cost and environmental considerations.

SUPPLY CHAIN AREA

Example of three of the 18 KPIs	Objective	Deadline
No. of countries to have embedded ESG criteria into their purchasing processes / Total number of markets in which the group operates	100% ✓	2021
No. of suppliers with annual purchasing volumes of >€1m that have been audited and/ or self-assessed along ESG criteria during the Plan horizon	25%	2022
% Local suppliers / Total suppliers over total expenditure during the period	>70% ✓	2023

✓ *Targets met in 2021*

CIE AUTOMOTIVE LAUNCHES ITS PROCESS OF BECOMING CERTIFIED IN ISO 20400 SUSTAINABLE PURCHASING CERTIFICATION

In 2021, CIE Automotive's Purchasing Department embarked on the process of obtaining ISO 20400 Sustainable Purchasing certification with the aim of ensuring its management model is aligned with best sustainability practices.

The company is aware that purchases constitute a powerful instrument for any organisation looking to act responsibly and make a meaningful contribution to sustainable development and delivery of the Sustainable Development Goals (SDGs).

Sustainable purchasing has a high positive impact on the organisation, suppliers, investors, society and other stakeholders.

The ISO 20400 standard ensures sustainable purchasing management on the basis of 12 foundational principles

Principles aligned with the UN's 17 Sustainable Development Goals (SDGs)

The committee that developed and is responsible for this international standard is the ISO/PC 277.

Supplier dialogue and communication about ESG

In a bid to better explain to suppliers what is expected of them on the ESG front, the group has rolled out an initiative called “CIE Automotive and its supply chain”. That initiative has translated into online and in-person ESG training for buyer teams in India, Mexico, China, Europe, the United States and Brazil. In addition, more than 100 people from the purchasing team participated in the ESG Seminars organised online.

In 2021, the company continued to disseminate an explanatory video hosted on its website outlining what moves CIE Automotive in the ESG arena, what it expects from its suppliers and how the former can help the latter achieve the minimum standards. A dedicated email inbox has been set up for handling supplier enquiries with respect to these matters: esg@cieautomotive.com

360° assessments

In another novelty in 2021, again framed by the strategic ESG KPIs, CIE Automotive launched an initiative to gauge how much its suppliers know about ESG matters in order to in turn assess the extent to which the ESG initiatives undertaken by the group have filtered through to the supply chain.

Based on the results of those assessments, the group will design action plans to further nudge the supply chain towards the established ESG targets. The underlying questionnaire is anonymous, easy to understand and quick to fill in and the idea is to send it out annually.

Prizes

Once again in 2021, CIE Automotive acknowledged its best-performing suppliers along ESG criteria (without neglecting traditional metrics related to quality, claims, customer incidents, etc.) awarding prizes to the suppliers in its various markets who obtained the highest ESG scores in the Suppliers Portal.

Specifically, the group’s operations in Mexico, India and Europe awarded a total of eight prizes to their top-performing suppliers.

In 2021, CIE Automotive launched an initiative to gauge how much its suppliers know about ESG in order to in turn assess the extent to which the ESG initiatives undertaken by the group have filtered through to the supply chain.

A GREENER COMPANY WITH THE HELP OF ITS SUPPLIERS

CIE Automotive's collaboration with its suppliers is particularly close on the environmental front.

As part of its mission to become more circular, in 2021 its recycled raw material purchases increased to 21% of the total. Given the importance of correctly handling those raw materials, the Purchasing Department got behind the organisation of seminars together with suppliers on the use of recycled plastics, in which representatives from the Engineering Department and Plastic Division participated.

The company purchases green energy wherever possible. In Spain, 100% of the electricity it consumes is green energy; in India, it takes the green route via PPAs; and in Portugal and other western European markets, it opts for partial self-supply by building solar panels, which have reduced the total scope 2 emissions by 1.4%.

Aware that environmental conservation also requires reducing consumption, in 2021 the company carried out a number of Industry 4.0 programmes that required collaboration with suppliers.

Sustainable purchasing:

With the aim of bringing the monitoring effort beyond ESG-linked purchase procedures, in 2021 the company introduced a new reporting obligation for all productive facilities around the world: measurement of the carbon footprint derived from the carriage of materials from suppliers to the manufacturing facility.

For more information, refer to, "Upping our environmental commitments"

One more year moving forward together

Upping our ENVIRONMENTAL commitments

CIE Automotive has embarked on its journey to climate neutrality, measuring its environmental footprint in Europe, Mexico and Brazil for the first time; the plants in Asia will be included in 2022. The roof systems division requires a specific analysis that is currently ongoing and the various facilities in this division will be added over the course of 2022. That step is the starting point for quantifying the environmental milestones contemplated in the 2025 Strategic Plan and broader progress towards climate neutrality. Framed by that strategy, the company drew up a climate risk map, tracked its emissions and continued to work on circular economy initiatives last year.

Objective:

Reduce the company's environmental impact

Lines of initiative undertaken in 2021:

- Measure the company's environmental footprint in Europe, Mexico and Brazil.
- Calculate the cost of emissions relative to the value added.
- Draw up a specific climate risk map.

Approach to the environment

CIE Automotive is committed to sustainable development and climate action, as is set down in its Mission, Vision and Values and its Environment Policy, which it updated in 2021. In that policy the company expressly states its alignment with the Sustainable Development Goals and sets environmental protection and the rational use of natural resources as top priorities.

To that end, it designs its products and processes using eco-design criteria, with a focus on efficiency, and provides the resources needed to unlock continuous improvement by means of prevention and preservation, risk minimisation, environmental footprint (of products and processes) shrinkage, the efficient use of natural resources, waste minimisation, circular use of materials and collaboration by all of the people involved in the various processes.

In the ESG Strategic Plan 2025, the company defines its targets and how it will measure its performance using a dashboard common to all facilities comprising KPIs that track energy efficiency, emissions-cutting, water consumption and waste generation, among other metrics.

The corporate Environment Department is responsible for establishing the guidelines governing the facilities' environmental plans and coordinating the resulting initiatives, so that environmental criteria are gradually integrated into the management of all processes as part of the group's broader effort to reduce its impact on its surroundings, such as via greenhouse gas emissions.

At CIE Automotive, the industrialisation of any product entails an assessment of the environmental aspects of its production, from raw materials to waste disposal. Each facility analyses its inputs, not only using mere financial criteria but also environmental criteria, e.g., units such as amounts per KWh, m^3, etc., which help crystallise this environmental approach.

To get a more accurate picture of its environmental impact, in 2021 CIE Automotive began to measure its environmental footprint.

At CIE Automotive, the industrialisation of any product entails an assessment of the environmental aspects of its produc

CLIMATE ACTION

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

Aligned with the United Nations 2030 Agenda, and with the new Spanish Law 7/2021 of 20 May, CIE Automotive has established certain environmental targets to be met by each facility and region, based on the Global Reporting Initiative (GRI) standards.

In support of the Paris Agreement's targets for curbing global warming, CIE Automotive belongs to Forética's Climate Change Cluster, a platform whose mandate is to transpose into the Spanish landscape the main global climate change trends and debates and become an authority on corporate environmental matters.

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

POLLUTION CONTROL

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

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

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

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

BIODIVERSITY PROTECTION

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

INVESTMENTS

307-1

CIE Automotive adapts its production facilities to meet the legislative environmental requirements of the countries in which they are located.

To that end, in 2021 it invested in minimising its environmental impact and in environmental protection and restoration work, in addition to incurring expenditure on waste removal and environmental consultancy, measurement and certification work. The combined amounts of investments and expenses accrued in 2021 in relation to environmental protection work totalled €5.1 million, up €0.6 million from 2020.

The company did not receive any significant fines for non-compliance with environmental laws or regulations in either 2021 or 2020. Significant fines are those of €30,000 or more.

COMPLIANCE WITH REGULATION (EU) 2020/852 ON CLIMATE TAXONOMY

The EU Taxonomy is a classification system establishing the conditions that an economic activity has to meet in order to qualify as environmentally sustainable; specifically an activity must make a substantial contribution to one or more of the six environmental objectives established by the European Union, without having a significant detrimental impact (the Do No Significant Harm principle) on the other five, while meeting certain minimum social safeguards, defined as ILO Core Labour Conventions, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The ultimate goal of the Taxonomy is to redirect investment flows towards climate neutrality (net zero GHG emissions) via a two-pronged plan: helping players in the financial sector to decarbonise their securities and credit portfolios and giving non-financial companies (such as CIE Automotive) increased access to financing for technology, products and services in line with the guidelines set in the green transition framework.

Following an analysis of its activities, CIE Automotive concluded that all its productive processes, despite applying a range of methodologies, are encompassed by a single economic activity code:
NACE C29.3.2. Manufacture of other parts and accessories for motor vehicles.

That economic activity is not identified or described in the supplementing Commission Delegated Regulation 2021/2139, which is focused on the climate mitigation and climate change adaptation objectives. Nor is its NACE code included. What that means is that, in keeping with current implementing regulations, the company's economic activity is not a priority for the EU's first two environmental objectives. As a result, as defined in the Regulation, CIE Automotive's economic activity is not Taxonomy-eligible. That makes sense considering the fact that for now the Delegated Regulation is focused on the economic activities and sectors with greatest scope for contributing to the targeted reduction in greenhouse gas emissions.

For clarification, note that there isn't a single criterion regarding the scope of application of eligibility. The Regulation uses the NACE Revision 2 classification system as its guide, as set down in paragraph 6 of Commission Delegated Regulation 2021/2139, to identify which activities are eligible, which means there is some room for interpretation as to what is eligible under the Taxonomy.

The Taxonomy framework seeks to provide uniform and standard criteria in the area of environmental sustainability and so prevent greenwashing with the ultimate goal of making it easier to compare companies from a given sector and so encourage the flow of capital towards more sustainable activities.

That line of reasoning is set down in the introduction to the Delegated Regulation, which states "In order to ensure a level playing field, the same categories of economic activities should be subject to the same technical screening criteria for each climate objective. It is therefore necessary that the technical screening criteria, where possible, follow the classification of economic activities laid down in the NACE Revision 2 classification system of economic activities." Accordingly, although the Regulation acknowledges that the NACE system should serve as a guide and should not dictate the definition of eligible activities, that does not mean that sustainability measures being taken by an entity to support its core activity, duly identified with a NACE code, should be subject to an eligibility study. If that were the case, it would be impossible to meet the comparability and level playing field criteria sought by the legislation.

Although CIE Automotive's economic activity is not Taxonomy-eligible, in an attempt to comply with the Regulation's requirements, the company performed a materiality assessment of the three key performance indicators required for disclosure reporting purposes: share in turnover, capital expenditure and operating expenditure associated with environmentally sustainable activities in 2021.

- **TURNOVER**: The key performance indicator (KPI) related to turnover is calculated as the percentage of turnover derived from Taxonomy-aligned activities (numerator) over total company turnover (denominator). Turnover is defined as the revenue recognised pursuant to International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008. CIE Automotive, S.A. reports a turnover KPI equivalent to 0%. That is because the company's revenue-generating activities are not included on the list of eligible activities itemised in Annexes 1 and 2 of the Commission Delegated Regulation of 4 June 2021.

- **CAPEX**: The CapEx KPI is measured as the percentage of fixed assets invested in eligible economic activities (numerator) over total assets acquired in the course of 2021 (denominator). That denominator (Total CapEx) is defined as additions to tangible and intangible assets during the financial year considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. It also includes additions resulting from business combinations. Accordingly, Total Capex covers the costs recognised in keeping with IAS 16, IAS 38, IAS 40, IAS 41 and IFRS 16. The CapEx KPI reported by the company is equivalent to 0%. That is because the company's environmental investments (which include certain Taxonomy-eligible activities such as, for example, those referred to as activities 7.3 "Installation, maintenance and repair of energy efficiency equipment" and 7.6 "Installation, maintenance and repair of renewable energy technologies"), account for less than 1% of the company's Total CapEx. It was concluded, therefore, that eligible CapEx under the Taxonomy is equivalent to 0%.

- **OpEx**: The OpEx KPI is defined as the percentage of Taxonomy-aligned OpEx (numerator) over total qualifying OpEx (denominator). That denominator covers direct non-capitalised costs that relate to research and development, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment by the undertaking or third party to whom activities are outsourced that are necessary to ensure the continued and effective functioning of such assets. The numerator, meanwhile, must include the operating expenses included in the denominator that relates to eligible activities. In the case of the CIE Automotive Group, the uncapitalised direct costs contemplated in the Taxonomy, i.e., those included in the denominator, represent less than 5% of the Group's total operating expenses. As a result, its value is considered not material for the business model and, as prescribed in section 1.1.3.2 of Annex I of the Commission Delegated Regulation of 6 July 2021, the numerator is therefore disclosed as being equal to zero.

Environmental footprint calculation

To identify the environmental impacts of its business activities as a global manufacturer of automotive parts, with a view to analysing those impacts and taking decisions in order to reduce them, in 2021 CIE Automotive conducted a preliminary calculation of its environmental footprint in Europe, North America and Brazil using the data gathered in 2020.

Note that this first approximation excludes the factories in Asia which will be added to the analysis in 2022.

The roof system factories, similarly excluded from the analysis, require a different calculation approach given that the facilities are mainly assembly plants that use complex parts (electric motors, electronic parts, etc.) as opposed to the less complex materials used by CIE Automotive's other divisions.

Nevertheless, it will not be possible to use this year's measurement to study the trend in CIE Automotive's environmental footprint in the coming years given the special circumstances affecting 2020 on account of the pandemic. The company will therefore use its 2021 environmental footprint as its base-year measurement, a calculation that will include the impacts of its factories in Europe, North America and Brazil.

The scope of CIE Automotive's environmental footprint runs from the generation of raw materials through to the dispatch of parts and subassemblies from its manufacturing facilities and contemplates 17 variables, which go from destruction of the ozone layer to soil transformation.

One of those variables is "climate change", measured in metric tonnes of CO_2e, and essentially represents each factory's carbon footprint, which is the information repeatedly requested by customers, analysts and other stakeholders.

One of the key conclusions drawn from the calculations performed in 2021 is that 80% of the group's environmental footprint stems from its use of raw materials, suggesting that CIE Automotive needs to step up collaboration with its suppliers in order to reduce that impact.

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

Within the universe of activities of each company, based on the assessment that their impact is smaller, the following aspects were excluded from the analysis:

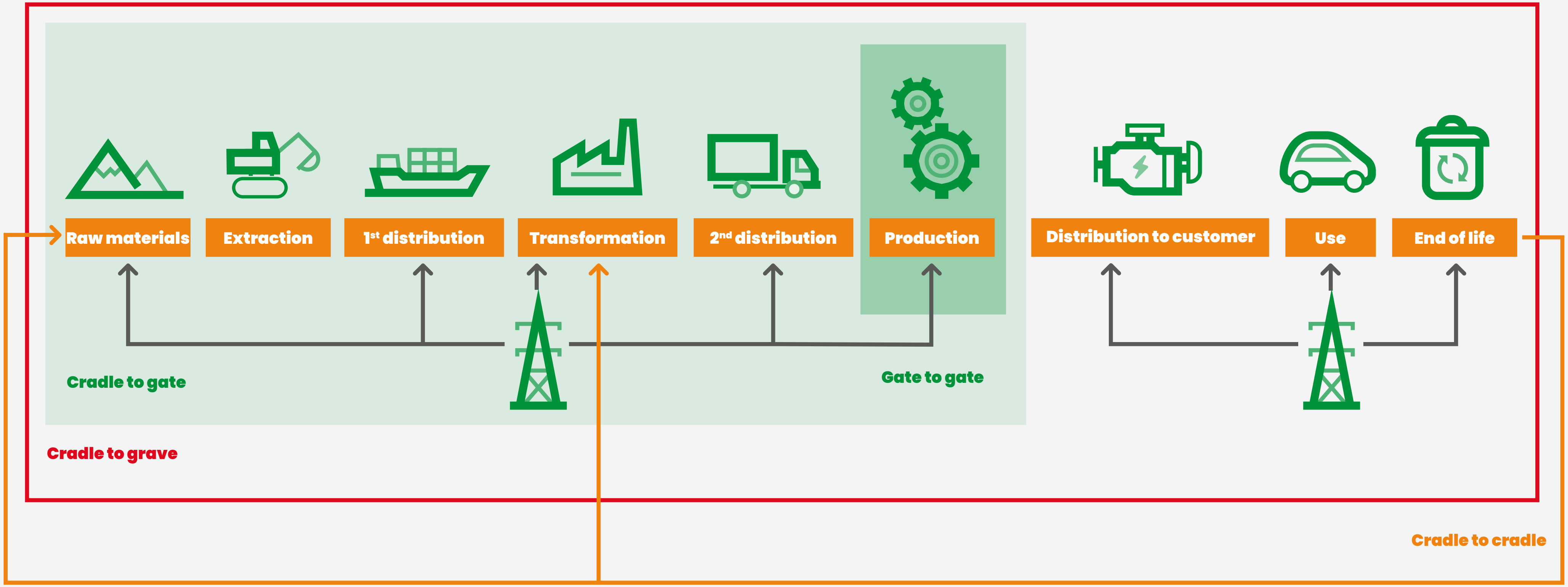
Upstream

- Consumption at central/sales offices outside of manufacturing facilities.
- Capital goods (vehicles, machinery, tools, etc.).
- Displacement of employees to go to work.
- Business travel.
- Upstream assets leased.
- Trips to the organisation by visitors or customers.

Downstream

- Transport and distribution.
- Processing of products sold.
- Use of products sold.
- End-of-life treatment of products sold.
- Assets leased in subsequent phases.
- Franchises.
- Investments.

Scope of CIE Automotive's environmental footprint



The 17 Impacts Analysed

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

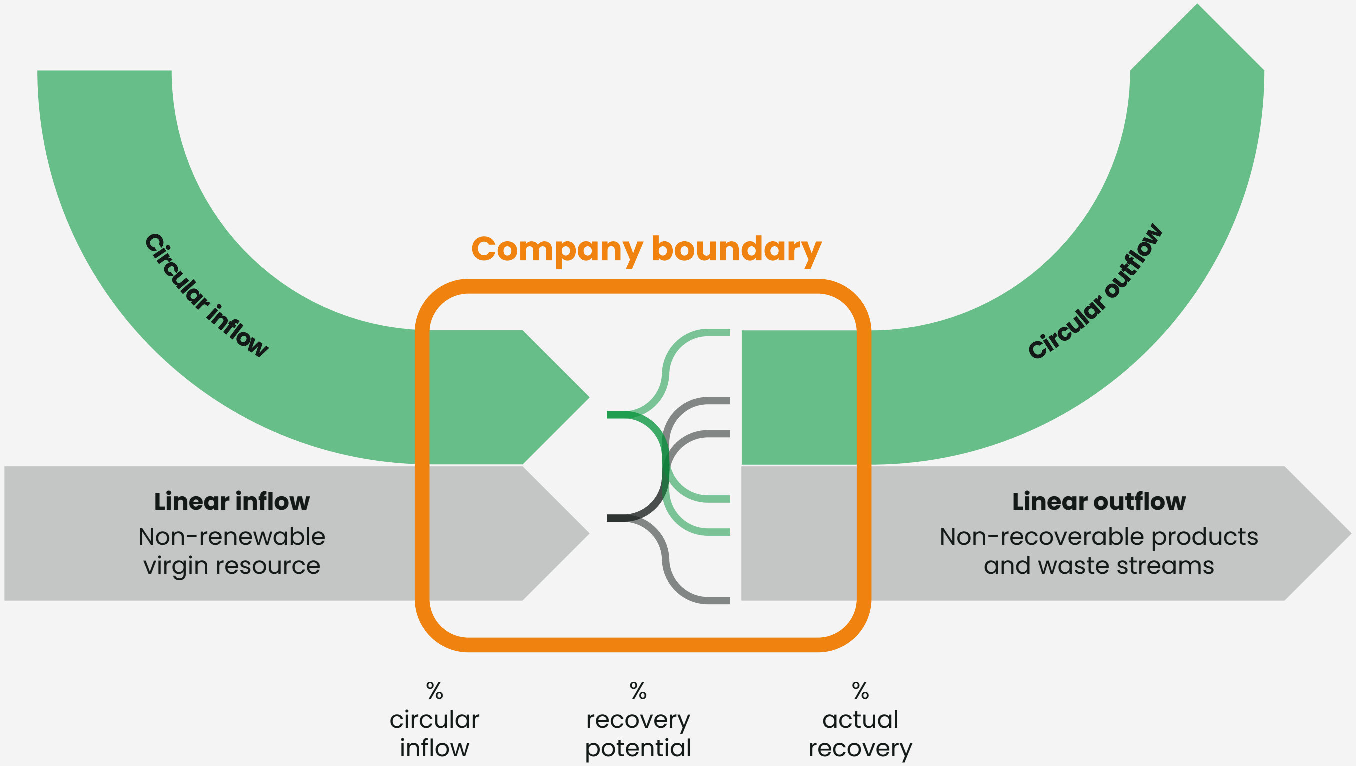
Towards a circular economy

CIE Automotive has been working to implement a circular economy model, a form of production that minimises consumption of inputs, prevents waste generation and gives new life to the materials used, for several years now. As part of its transition towards a circular model, the company is implementing energy efficiency measures across its processes and facilities in an attempt to reduce their environmental impact and costs.

In 2021, framed by the 2025 Strategic Plan, it developed a series of circularity-specific KPIs, based on the World Business Council for Sustainable Development (WBCSD) and its Circular Transition Indicators.

The information gathered will tell the company, for example, how many times the water drawn gets used, which waste can be recycled and which cannot and what effects the factories' manufacturing activities have on biodiversity.

CIE Automotive and the circular economy



ENERGY EFFICIENCY

302-1 | 302-3 | 305-1 | 305-2 | 305-4

Energy efficiency is a top priority for CIE Automotive as it helps reduce its environmental impact while delivering competitiveness gains.

In 2021, the company conduced energy audits with three main aims:

- Aligning actual factory consumption with the nominal values, so guaranteeing good facility maintenance.
- Reducing nominal consumption by introducing new technology that boosts energy use efficiency; and minimising process demand by streamlining operation of energy services.
- Detecting incidents and inefficiencies in manufacturing processes, pinpointing the source of energy losses and fixing them.

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

Energy consumption and savings

Gigajoules	2019	2020	2021
Direct energy consumption	1,662,755.19	1,521,671.97	1,922,653.06
Indirect energy consumption from renewable and non-renewable sources	3,955,226.55	3,340,296.56	3,885,073.74
Indirect energy consumption from non-renewable sources	2,093,457.91	1,774,612.12	1,971,005.79
Indirect energy consumption from renewable sources	1,861,768.64	1,565,684.45	1,914,067.96
TOTAL	**5,617,981.74**	**4,861,968.53**	**5,807,726.80**

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

Emissions

T CO_2	2019	2020	2021
Direct emissions (Scope 1)	96,093.59	90,859.13	114,760.62
Indirect emissions (Scope 2)	354,869.08	324,416.97	389,477.33
TOTAL	**450,962.67**	**415,276.10**	**504,237.95**

Emissions (Scope 3) Refer to section on materials.

To calculate Scope 1 emissions, in addition to CO_2, this year methane gas (CH_4) and nitrous oxide (N_2O) have also been taken into account. Other greenhouse gases are not included, as their emissions have been minimal.

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

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

Strategic commitment to clean energy

CIE Automotive purchases clean energy to power its facilities in every market where so doing it possible. In Spain, 100% of the power consumed is green. In this country alone, emission savings due to the purchase of renewable energy amounted to 56,762.67 T CO_2.

Framed by that same philosophy of reducing its harmful emissions and lowering its energy bills, the company has begun to install photovoltaic solar panels in a number of locations in Europe and India.

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

T CO_2	2019	2020	2021
Indirect emissions foregone	146,052.76	121,386.24	139,340.49

Installation of photovoltaic panels

Factory	Country	Energy produced *(Kw/h)*	
		2020	2021
AEL Aurangabad plant 3 (HPDC)	IN	0	305,084
MCIE - Composites Kanhe	IN	59,212	416,130
MCIE - Forging Division (Pune)	IN	405,594	1,230,929
MCIE - MPD	IN	110,890	921,166
Mahindra G&T Pune	IN	0	473,460
MCIE Stampings - Kanhe	IN	0	342,988
MCIE Stampings - Nashik	IN	435,725	546,260
MCIE Stampings - Radrapur	IN	0	124,852
MCIE Stampings - Zaheerabad	IN	958,167	907,869
CIE Galfor	SP	12,329	221,360
CIE Mecauto	SP	0	243,391
CIE Orbelan	SP	6,500	66,236
CIE Plasfil	PT	1,034,650	1,082,660
CIE Stratis	PT	189,120	196,130

Thanks to these self-generation projects and the detailed information they have generated, CIE Automotive is analysing the options for expanding this line of initiative to other facilities in the future.

The commitment to green energy is gradually being extended to new aspects of the group's business activities. In keeping with the electrification thrust, the company has begun to replace the forklifts propelled with fuel engines (diesel) with electric forklifts. The goal is to reduce smoke and noise, which affect the environment as well as impairing working conditions.

Some of the projects designed to reduce energy consumption, such as those related with the Industry 4.0 thrust, have also involved the group's suppliers.

CONSUMPTION OF WATER AND MATERIAL RESOURCES

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

One of the circular transition indicators being newly tracked and calculated is the volume of water reused in the production facilities. That recirculation is concentrated primarily in the refrigeration circuits.

Water consumption

m³/year	2019	2020	2021
Surface water	328,251.00	282,218.00	196,216.00
Underground water	355,167.00	338,394.00	346,149.20
Rainwater	31,808.00	30,286.00	18,842.00
Municipal networks	934,006.32	799,990.78	1,037,668.98
Used water	**1,649,232.32**	**1,450,888.78**	**1,598,876.18**

Volume of water recirculated

m³/year	2019	2020	2021
TOTAL	**NA**	**NA**	**64,204,133.80**

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

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

At present, 21% of the raw materials purchased by the group are recycled.

Given the importance of collaboration with the company's suppliers in order to manage raw materials optimally, the Purchasing Department reached out to the supply chain and organised seminars in collaboration with selected suppliers. Those seminars involved the engineering area and plastic divisions in the group's various regions and focused on the following topics:

- The potential use of raw materials made from recycled plastic to make injection moulded plastic parts. That unlocks the door to continually reusing the plastic originating from vehicle dismantling at the end of its useful life, so contributing to the circular economy model.
- Thermal and noise insulation by means of the reuse of plastic generated by the manufacturing area and consumption process. The e-mobility trend is creating the need for higher sound-proofing standards.

Materials consumption

301-1 301-2

Kg	2019	2020	2021
Raw materials used	1,510,283,589.00	1,270,687,234.00	1,448,043,709.24
Raw materials recovered	411,191,542.00	300,992,757.00	395,728,480.86
% TOTAL	**27%**	**24%**	**27%**

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

WASTE MANAGEMENT

CIE Automotive deploys a recycling system that enables the internal recovery of thousands of tonnes of remains deriving from its various productive processes. The waste generated that cannot be recycled is collected by expert handlers which prioritise recycling over the landfill disposal method. In 2021, 19% of all waste generated was sent to disposal,, while the remaining 81% was sent to recycling.

Aluminium

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

Plastic

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

Steel

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

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WASTE MANAGEMENT

TM	2019	2020	2021
Hazardous waste disposed of	25,239.28	16,329.20	17,457.88
Non-hazardous waste disposed of	339,855.78	266,038.02	355,293.24
TOTAL	**365,095.06**	**282,367.22**	**372,751.12**

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

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

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

Scope 3 emissions (those derived from supply chain activities)

T CO_2	2019	2020	2021
Other indirect emissions	-	-	3,638,882.44

Thanks to the effort made to calculate our environmental footprint, we are now in a position to track our Scope 3 emissions (albeit with the exclusions itemised in the section outlining the footprint calculation methodology used).

Environmental risk management

CIE Automotive tackles its environmental commitments by taking a preventive approach. The risk of accidents is covered by the company's civil liability insurance. In December 2019, the company began to specifically underwrite gradual pollution risk for the following factories in Spain:

- **CIE Alcasting**, with aluminium technology.
- **CIE Amaya**, with machining technology.
- **CIE Galfor**, with forging technology.
- **CIE Inyectametal**, with aluminium technology.
- **CIE Vilanova**, with aluminium technology.

The last three facilities have integrated pollution prevention control (IPPC) permits.

The claims limit on that gradual pollution insurance policy for those five factories is €3 million. In parallel, the company is working to minimise the negative impacts its automotive parts and roof systems manufacturing and distribution activities could have.

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

To reinforce the management of its environmental and safety risks, CIE Automotive has embarked on a joint project with the technical experts from Marsh (insurance broker) and HDI (the company's current underwriter). Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies with the idea of formulating plans for their elimination or at least mitigation. The restrictions induced by COVID-19 meant that this project lost some momentum in 2021; however, the aim is to give it a new boost in 2022. In 2021, it focused on the CIE Vilanova, CIE Norma and CIE Orbelan factories.

CLIMATE RISK MAP

In 2021, the group drew up its first specific climate change risk map, so responding to the demands of its stakeholders and honouring one of the commitments made in its 2025 ESG Strategic Plan.

That new map has been integrated within CIE Automotive's enterprise risk management (ERM) system, which is regulated by the Risk Control and Management Policy and follows ISO 31000 methodology so as to provide reasonable assurance that all significant climate risks are duly identified, evaluated, prevented and continuously monitored. Those risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

Risk mapping: procedure and scope

The new climate risk map was drawn up using the same methodology as the main risk map, which is updated annually. It applies across the entire organisation, stems from the ERM and is the responsibility of the company's key management personnel, management team and specific local managers with expertise in factory environmental management, who are tasked with evaluating the various identified risks:

- From the standpoint of residual risk: considering the measures already in place at CIE Automotive in order to mitigate the potential impact of their materialisation.
- Based on the probability of occurrence in the future, by 2050, in line with the European Union's goal of being climate neutral by that year:

5 - Very high	4 - High	3 - Medium	2 - Low	1 - Very low
Materialisation of the risk would affect the organisation imminently (in the next three years).	Materialisation of the risk would affect the organisation by 2030.	Materialisation of the risk would affect the organisation in 10 years' time, between 2030 and 2040.	Materialisation of the risk would affect the organisation in 20 years' time, by 2040.	Materialisation of the risk would not affect the organisation until 2050.

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

	5 – Very severe	4 – Severe	3 – Significant	2 – Moderate	1 – Very moderate
Economic impact	A very severe adverse impact on EBITDA. An adverse impact on P&L1 of >5%.	A severe adverse impact on EBITDA. An adverse impact on P&L of >3.5% but <5%.	A significant reduction in EBITDA guidance. An adverse impact on P&L of >1.5% but <3.5%.	A slight reduction in EBITDA guidance. An adverse impact on P&L of >0% but <1.5%.	No change in existing EBITDA.
Organisational impact	Materialisation of the risk requires intervention by the Board of Directors.	Materialisation of the risk requires intervention by the CEO.	Materialisation of the risk can be resolved at the corporate level.	Materialisation of the risk can be resolved at the division level.	Materialisation of the risk can be addressed at the factory level.
Reputational impact	Reputational damage stemming from several actions that have a severe impact on the company's image and its share price.	Reputational damage stemming from several actions that impact the company's image and its share price.	Occurrence of an event that is picked up by high-profile media and reaches the regulator/analysts.	Occurrence of an event that is picked up by the local media.	No impact.

1P&L = Statement of profit or loss

In total, some 83 people participated in drawing up the climate risk map. They considered the risk factors over a time horizon to 2050 and their geographic and technology purviews in providing their answers so that some respondents were in a position to assess a given risk for more than one technology.

The mapping process is jointly organised by the corporate Environment and Compliance Departments and the results are presented to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports on its approval to the Board of Directors.

The climate risk map can be viewed globally, by region, by technology, by region and technology and it quantifies the theoretic impact, in euros, on EBITDA of the potential materialisation of each risk.

The entire process is monitored via the internal management tool, SAP GRC.

Climate risks assessed in 2021

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

Transition risks

Risks arising as an economy transitions to a low-carbon and climate-resistant model. These risks include political, legal, technology, market and reputational risks. Changes in local legislation, new international treaties (Paris Climate Agreement), limits on greenhouse gas emissions, emissions and carbon footprint regulations, among other developments, can increase compliance risks for the organisation, including by extension, the risk of reputational damage and sanctions, which could be monetary or related with the revocation of permits.

Within this category we evaluate the following risks:

- Political and legal
- Technology
- Manufacturing process
- Market
- Reputation

Physical Risks

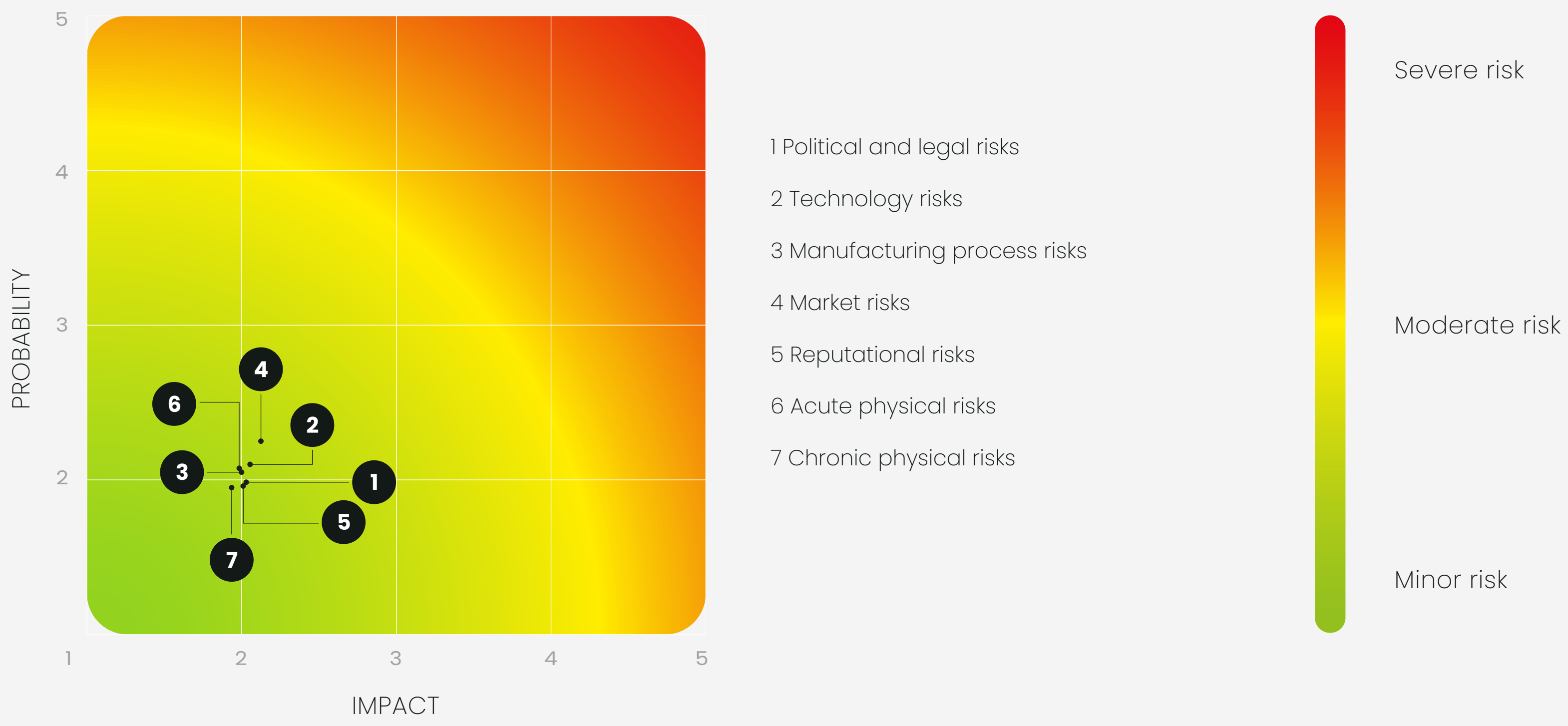
Risks that affect the availability and supply of water and energy for manufacturing processes: extraction of raw materials, cleaning processes, etc. These risks are in turn categorised into:

- Acute.
- Chronic.

2021 CLIMATE RISK MAP

The 2021 climate risk map indicates that none of the risk factors analysed is deemed highly likely to materialise or, if they were to materialise, to have a severe or very severe impact. That being said, the exercise detected growing concern about the market risks intrinsic to the business, such as changing consumer preferences and the availability of resources, potentially driving production costs higher, as well as technology risks. Both classes of risk are very closely related with the risk of changes in market trends, analysed as part of the general risk mapping process, conducted annually.

2021 Climate risk map



Key risks: description and action plans

Below is a description of the risks on the climate risk map that could materialise by 2050, a time horizon selected in keeping with the European Union's goal of being climate neutral by that year.

Risks with medium-low probability of occurrence and significant/ moderate potential impact

Market risks intrinsic to the business

For more information, refer to "An end-to-end STRATEGY for sustainable profitability"

Consumers are increasingly seeking more environmentally-friendly products and services, a trend that has the potential to change mobility models. In addition, changing markets and resource availability could drive growth in raw material and production costs.

Action plan

It is still too early to tell when the automotive sector will revisit pre-pandemic production and sales levels, all the more so considering the various market developments mentioned throughout this report and the fact that market changes are currently unfolding with such great speed.

The company plans to reinforce the flexibility of its model to adapt to unfolding and future customer needs and emerging trends. Product portfolio diversification will give it a differential ability to adapt relative to its competitors. A portfolio in which more than eight out of every 10 products are independent of a vehicle's propulsion system and therefore not impacted by the sector electrification trend. For the rest of its parts, the company is working from the technological and market standpoints to make the most of the opportunities emerging in the battery, motor, power electronics and gearbox areas.

As for the risk associated with products for which there is no clear substitute in zero-emission cars, CIE Automotive plans to increase its presence in those that have a bigger role to play in the vehicle light-weighting trend (forged chassis and suspension parts) and in machined shafts and gears. It also wants to actively pursue business in technologies that customers are likely to outsource in order to focus on new challenges, such as connectivity, automated driving and the provision of embedded software solutions. In parallel, the company will continue to focus on its innovation effort in these same areas which is expected to give the company a winning edge in the coming years, positioning it to take advantage of the opportunity to consolidate the resulting market.

The transition towards a low-carbon economy will highlight the efforts companies like CIE Automotive have been making for years to introduce eco-design concepts from the earliest stages of product development and build circularity into all of their processes.

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

Risks with low probability of occurrence and moderate potential impact

- Reduction in overcapacity.
- Concentration processes: fewer players that are larger, more diversified and more resilient in the face of future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control and discipline.
- Eco-efficiency and circularity.
- Commitment to mitigating environmental impacts.

CIE Automotive's business model has already proven its resilience and counter-cyclical credentials in the face of numerous crises thanks to the combination of geographic, technological and customer diversification framed by a decentralised management model and strict financial discipline.

Lastly, in the shorter term, the company is currently focused on locking in access to the raw materials it needs, to which end it is reinforcing its GLOCAL (global management with local application) purchasing model, coupled with its multi-location footprint, to be close to the OEMs and not have to depend on global supply chains.

Technology risks

For more information, refer to "Technology and innovation, the highway to the future".

The new technologies enabling the transition towards a carbon neutral economy could have an impact on demand in the sector. Moreover, the cost of researching and developing alternative technologies could be high and it is possible that not all innovations will prove successful, with a potential adverse impact on the company's future profitability and viability.

Action plan

Manufacturing technology is what CIE Automotive does. That is why it is essential to monitor how it evolves, that being one of the most recurring and important tasks performed by each division. Thanks to that constant monitoring, the company sees a bright future for the technologies it is active in. In some of those technologies, the challenge lies with taking advantage of the growth opportunities being thrown up by emerging trends; in others, they key lies with maximising competitiveness by leveraging innovation, Industry 4.0 tools and the cost efficiency that sets the group apart. In sum, to turn the risk posed by new trends into an opportunity to attain leadership.

Risks with low probability of occurrence and moderate potential impact

In all areas of the group, CIE Automotive implements cutting-edge technology into its facilities and management models with the aim of rendering its productive processes more efficient and responding to the automotive sector's needs by embracing eco-efficiency, circularity and climate mitigation measures.

Also as a result of that monitoring, when designing its investment plans, the company contemplates the various trends that are shaping the automotive sector, such as emission standard requirements, new comfort-driven mobility concepts and vehicle electrification.

To fund those investments in R&D, to which the group earmarks around 2% of revenue each year, CIE Automotive has a number of different sources of financing at the regional, national and supranational levels.

Moreover, the company hopes to avail of Next Generation EU funds to finance specific projects related with green transition and digital transformation, specifically including projects to develop new battery structure, fuel cell and range extender concepts and materials; new concepts and features related with the refashioning of car interiors, led by the CIE Comfort division; and certain Industry 4.0 projects.

Risks with low probability of occurrence and moderate potential impact

Acute physical risks:

For more information, refer to section *"Environmental risk management"*

These risks arise as a result of extreme climate events (such as prolonged droughts or flooding).

Action plan

The risk of accidents is covered by the company's civil liability insurance. In December 2019, the company began to specifically underwrite gradual pollution risk for certain factories in Spain, with a claims limit of €3 million.

To reinforce the management of its environmental and safety risks, the company has embarked on a joint project with the technical experts from its insurance firms. Specifically, a series of risks are being evaluated and monitored in accordance with criteria established by the various participating companies with the idea of formulating plans for their elimination or at least mitigation.

Risks with low probability of occurrence and moderate potential impact

Manufacturing process risks:

For more information, refer to section, Towards a circular economy

This is the risk of not applying circular economy principles to the processes and products comprising the business model or failing to select raw materials judiciously in terms of origin, renewability or recyclability. Those failures could imply missing the goal of managing the group's resource requirements more effectively and/or failing to meet our customers' and other stakeholders' expectations.

Action plan

CIE Automotive is embracing circular economy criteria, striving to reduce raw material, water and energy consumption and waste year after year. To that end, it is taking action at every stage of its value chain, introducing energy efficiency measures throughout its processes and facilities that not only help minimise its environmental impact but also reduce energy costs. For example, it is embracing eco-design criteria, remanufacturing parts and systems, integrating recycled materials into parts and recycling used parts and, at the supply chain level, it is fostering the use of raw materials obtained from recycling processes, especially steel and aluminium.

In 2021, it developed a series of circularity-specific KPIs, based on the World Business Council for Sustainable Development (WBCSD) and its Circular Transition Indicators.

Political and legal risks

For more information, refer to section, Criminal risk prevention model

Governments could tighten regulations, limit the use of resources or introduce carbon taxes, so curbing demand for our products or increasing our operating expenses (by having to pay more taxes or GHG levies.

Attainment of climate neutrality (as Europe is targeting in 2050 and China in 2060), will require more work and a greater financial outlay on the part of the company. Climate neutrality is achieved when an entity emits the same volume of carbon dioxide (CO_2) as it eliminates in different ways, for a net balance of zero (also known as a zero carbon footprint).

Moreover, failure to comply with any new laws and regulations could increase the risk of climate-related litigation.

Risks with low probability of occurrence and moderate potential impact

Action plan

Formulation of the 2025 ESG Strategic Plan and the major effort made to train and brief the company's professionals on the new thrust evidence the seriousness of its commitment to achieving climate neutrality and all that it entails, an effort that has already translated into a new climate risk map and a new environmental management policy.

The company's senior officers and executives are committed to monitoring and controlling compliance with specific local environmental, social and labour legislation in each market, paying close attention to potential political conflicts and legislative changes that could cause it financial losses. Indeed, the global rollout of the group's criminal compliance model has helped reduce the perceived gravity of this risk for the company.

Reputational risks

For more information, refer to section Progress on ESG management

The risks related with society's confidence in businesses are growing. Stakeholders (society, authorities, financiers and customers, mainly) could be disappointed if their expectations of the organisation with respect to climate action are not met in the form of satisfactory responses and action plans.

Action plan

As with political and legal risk, formulation of the 2025 ESG Strategic Plan and the major effort made to communicate it internally and externally and to brief the workforce on its contents evidence the seriousness of the company's commitment to achieving climate neutrality and all that it entails, an effort that has already translated into a new climate risk map and a new environmental management policy.

These actions demonstrate that the company continually and actively listens to its stakeholders in its bid to meet their expectations.

Risks with low probability of occurrence and moderate potential impact

Chronic physical risks

For more information, refer to section Upping our environmental commitments

These are the risks of more gradual changes with long-lasting effects, such as global warming, rising sea levels, protracted heatwaves or droughts, loss of biodiversity and changes in land or soil productivity.

Action plan

CIE Automotive has set specific environmental targets to be met by each of its facilities and operating regions. Those targets are aligned with the United Nations 2030 Agenda and with the new Spanish Law 7/2021 of 20 May on climate change and energy transition, and based on the Global Reporting Initiative (GRI) standards.

In addition, in support of the Paris Agreement's targets for curbing global warming, CIE Automotive belongs to Forética's Climate Change Cluster, a platform whose mandate is to transpose into the Spanish landscape the main global climate change trends and debates and become an authority on corporate environmental matters.

One more year moving forward together

Fostering progress in SOCIETY

As a member of the main automotive parts associations and platforms, CIE Automotive is playing a part in the definition of the mobility of tomorrow and contributing to the creation of a national strategy for the sector, taking advantage of the opportunity implied by the Next Generation EU funds. In addition to upholding the sector's interests, the company contributes to the progress of society by paying taxes and lending its support for a range of community projects in collaboration with its employees.

Objective:

Collaborate on the definition of the mobility of tomorrow through the company's presence in sector associations and contribute to development in the communities where it does business by creating wealth, paying taxes and contributing to social activities.

Lines of initiative undertaken in 2021:

- Upholding the sector's interests
- Continuing the social contribution effort in terms of the number of projects, employee participation and the number of beneficiaries.

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Defending the sector's future

102-13 **415-1**

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

To that end, it participates actively in Spain's automotive suppliers association, SERNAUTO. In 2021, that trade association focused its efforts on formulation of a national strategy to ensure the sector's survival in the wake of the pandemic and make the most of the opportunity created by the Next Generation EU funds to enhance its positioning.

More specifically, the company collaborated last year with M2F (Move to Future), a Spanish automotive and mobility technology platform coordinated by SERNAUTO, on three enabling projects which were used as the basis for the proposals submitted in the calls for expressions of interests organised by several ministries.

Through its membership of SERNAUTO, CIE Automotive advocates for a constructive, proactive and negotiated model for the automotive industry in which the targets for the decarbonisation and digitalisation of the stock of vehicles in Europe are attained while preserving the sector's manufacturing capabilities, skilled jobs and market size, underpinned by an inclusive transition designed to pave the way for the transformation of the current productive fabric with as few adverse effects as possible.

To ensure that approach is aligned with more global visions, CIE Automotive also participates actively in the European Association of Automotive Suppliers, CLEPA, where it focuses its efforts particularly on trends and innovation. It also tries to collaborate on a number of different areas with its customers thanks to the close relationship between CLEPA and ACEA with the aim of involving the supply chain in the various challenges, paying special attention to circularity and environmental impact.

Environmental issues have been a driving force at the company for years now, prompting CIE Automotive to jointly set up the Basque Ecodesign Center in 2011, a stable collaboration between private sector players and the Basque regional government. Over time, the Basque Ecodesign Center has moved away from focusing exclusively on eco-design to a broader circular economy vision, such that its current mission is to:

- Generate knowledge of the circular economy by means of innovation in the areas of priority established in the Basque Circular Economy Strategy for transfer to the region's industrial fabric.
- Nudge the value chain towards a more circular economy.
- Improve the member firms' competitive positioning by means of circular transition drivers.
- Play a leadership role and become the benchmark for the rollout of the circular economy in the Basque region.
- Provide strategic insight in a bid to continue to help companies align their environmental policies with their business needs.
- Train professionals on circular economy matters.
- Help make the Basque region a benchmark in the European Union for its advanced rollout of the circular economy in its industrial fabric.

For more information, refer to "Technology and innovation, the highway to the future".

Associations to which CIE Automotive belongs

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SERNAUTO
The Spanish association of automotive equipment and components manufacturers. Member of the Management Board.

APD
Association for management progress.

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

EGVIA
European Green Vehicles Initiative Association

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

TECNALIA
A private applied research centre Member of the Management Board.

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

CEAGA
The Galician automotive cluster.

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

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

ACMA
The Automotive Component Manufacturers Association of India.

BACC
The Baltic Automotive Components Cluster.

FVEM
The Vizcaya confederation of metal companies.

Basque Ecodesign Center
Founder.

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RELATIONS WITH THE LOCAL AUTHORITIES

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

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

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Value distributed to society

CIE Automotive articulates its strategy around sustainable profitability and by so doing it generates wealth for all its stakeholders and for society at large. In 2021, of the €3.27 billion of economic value generated, it distributed €2.74 billion to society in the form of employee remuneration, supplier payments, shareholder dividends and tax payments.

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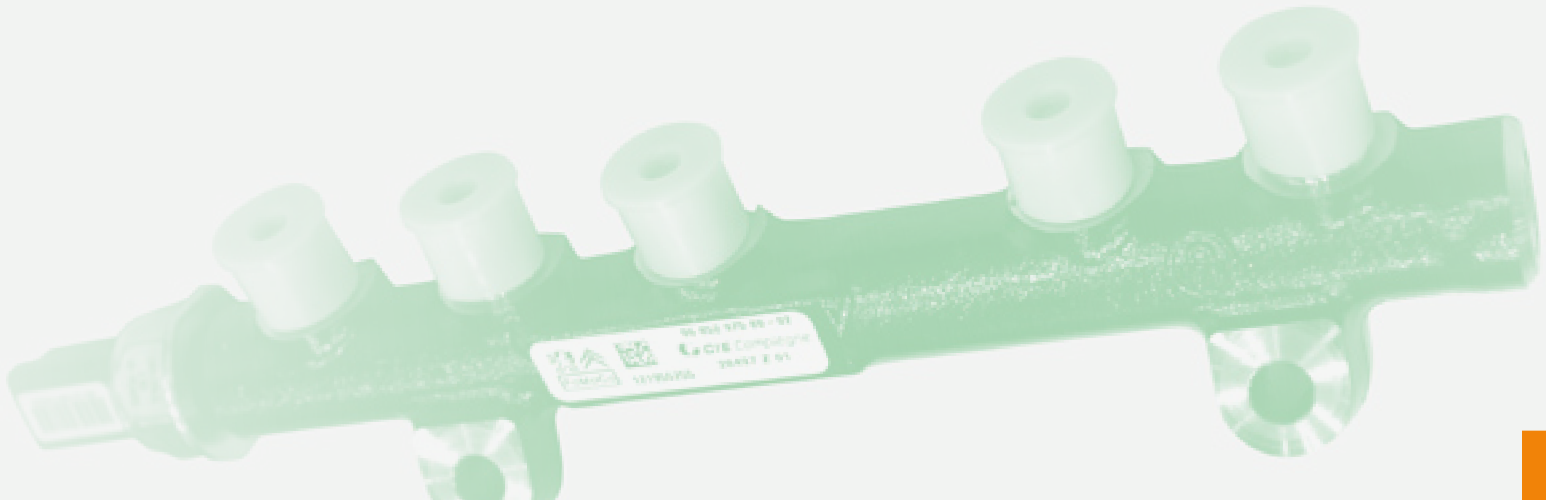
Economic value distributed

€ m	2019	2020	2021
Revenue	3,461.1	2,882.5	3,269.1
Economic value distributed			
To shareholders (dividends)*	80.0	93.9	61.3
To employees personnel expenses	623.2	561.2	599.6
To suppliers (consumption of raw materials and auxiliary materials)	2,047.8	1,673.4	2,021.8
To society (income tax paid)	58.8	43.3	54.3

(*) Dividend paid during the year.



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TAX PAID

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

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

In 2021, CIE Automotive adhered to the Spanish tax authority's Code of Good Tax Practices in order to bolster its commitment to adopting its directions and recommendations, specifically including the presentation of a Tax Contribution Report.

For more information on the Tax Contribution Report, refer to "Stakeholder engagement"

Profits earned and income tax paid country by country *

Tax jurisdiction	2020		2021	
	Profit/(loss) before income tax	Income tax paid (cash criterion)	Profit/(loss) before income tax	Income tax paid (cash criterion)
Mexico	73.2	23.7	101.1	17.9
Brazil	-0.2	1.1	69.3	2.1
China	63.5	9.9	67.9	15.7
India	21.1	1.0	45.0	7.6
Spain (excl. Basque region and navarre)	19.4	2.5	25.2	4.0
Italy	-0.8	0.2	14.0	0.1
Romania	8.6	0.6	8.4	1.4
Slovakia	10.4	0.1	7.2	1.9
Lithuania	3.5	0.5	4,3	1,2
Basque region	23.1	0.0	3.1	0.0
Russia	1.5	0.1	3.0	0.0
Czech republic	3.4	0.6	2.6	0.6
Navarre	2.9	0.5	2.5	0.6
Portugal	1.4	0.3	1.1	0.2
US	0.7	-0.5	0.2	0.3
France	0.4	0.8	0.2	0.2
Morocco	0.4	0.0	0.1	0.0
Barbados	0.0	0.0	0.0	0.0
UK	0.0	0.0	0.0	0.0
South Korea	0.0	0.0	0.0	0.0
Guatemala	-0.1	0.0	0.0	0.0
Germany	-15.1	1.9	-0.1	0.6
Netherlands	0.2	0.0	-0.8	0.1
TOTAL (€ m)	**217.4**	**43.3**	**354.4**	**54.3**

Figures under IFRS, before consolidation adjustments.

** Note that the information included in the table is presented in Form No. 231, the Information Statement submitted to the regional authorities of Vizcaya. In turn, that form is aligned with Council Directive (EU) 2016/881 of 25 May*

2016 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation, which regulates the countryby-country reports that 'multinational enterprise groups' are required to present annually and for each tax jurisdiction in which they do business. Those reports can be used for the purposes of assessing high-level transfer-pricing risks; their main purpose is to provide the information needed to analyse related-party transaction risks, thus facilitating the work of the tax authorities, which may also use them to assess other risks related to base erosion and profit shifting.

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

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Financial assistance received from governments

In 2021 CIE Automotive received €2.4 million of grants related to income, €1 million less than in 2020. Of the total received, it obtained €2 million in Spain and €0.1 million in each of Portugal, Germany, Italy and China.

As for grants related to assets, CIE Automotive received €5.3 million in 2021: €4.7 million in India, €0.4 million in France; €0.1 million in China; and €0.1 million in Spain.

In 2020, grants related to assets totalled €3.8 million.

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Social contribution

As set down in its Social Contribution Policy, CIE Automotive is committed to addressing the difficulties and needs of its communities by providing solutions articulated around three lines of action:

- **Donations**

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

- **Sponsorships**

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

- **Community investment**

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

Community investment: key performance indicators for 2021

	2020	2021
Total amount earmarked to community investment (€)	941,253	1,172,033
No. of employees volunteering	1,502	1,404
No. of work hours devoted to community work	12,182	6,330

In 2021, the company donated over €1 million to social activities which involved over 1,400 employees and more than 6,000 equivalent work hours. The group's contribution in 2020 was similar in value terms.

Of those programmes, over €300,000 corresponded to contributions to non-profit organisations. The group's donations to such entities in 2020 was €90,000.

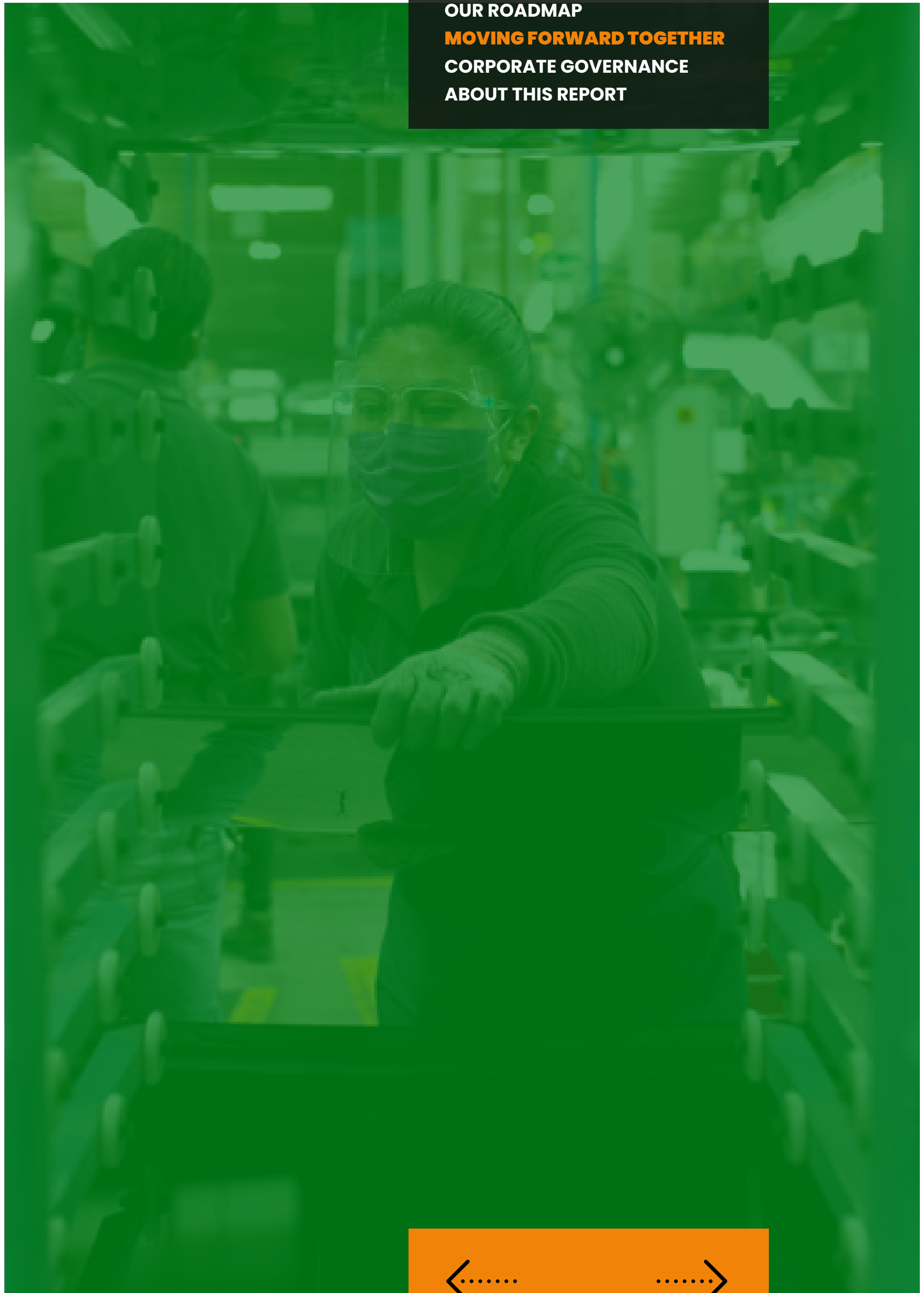
Social contribution by region

Many of the community interventions carried out are brought to the company's attention by its factory employees. The fact that over 90% of its factories are managed by local managers makes it easier to respond to real community needs and take decisions quickly in the case of social emergencies.

In 2021, over 800 employees participated in community work projects aligned with the Sustainable Development Goals.

Social contribution by region

	Total €	No. of employees who participated	No. of work hours devoted
Europe	425.422	167	160
North america	21.383	44	173
Brazil	71.232	4	2.753
Asia	653.995	1.189	3.224



Framed by a stringent corporate governance framework

We draw from our business ethics when writing our in-house rules and policies, we select professionals with the ability and integrity needed to sit on our governing bodies and we create channels so to foster engagement with our stakeholders and find out about any breaches of the way we do things. We know that excellence must be a habit and our reputation is one of our greatest assets, one worth protecting.

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CIE Automotive has designed its corporate governance structure with a view to ensuring its long-term sustainability, building credibility and generating value for its stakeholders. That model, inspired by ethics principles and a commitment to transparency, is built around a universe of rules and protocols which regulate and control what our governing bodies do, establish mechanisms for mitigating possible risks and provide the framework for engaging with our stakeholders.

The pillars of that body of internal rules and regulations are the Bylaws, the rules regulating the governing bodies, the Code of Professional Conduct, the Internal Securities Markets Code of Conduct and the Criminal Risk Prevention Manual. They are complemented by the corporate policies approved by the Board of Directors that variously govern how the company operates and how it deals with its stakeholders.

Rules and regulations updates

From time to time the company reviews its rules and regulations in order to keep them aligned with the securities market regulator's requirements and recommendations, prevailing applicable legislation and best practices in the corporate governance field. In 2021, the company published a new Compliance and Criminal Risk Prevention Policy, as well as a new specific compliance and criminal risk prevention manual for the US and an update of the existing Chinese model.

In order to offer the utmost transparency, both the rules and regulations formulated by the group and its Annual Corporate Governance Reports and Annual Director Remuneration Reports are published on the corporate website, in keeping with the technical and legal formalities and specifications stipulated by Spain's securities market regulator, the CNMV, in Circular 3/2015 (of 23 June 2015).

Membership of the Transparency, Integrity and Good Governance Cluster

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

In 2021, in addition to embracing those international best practices, the cluster helped its members to take their management of non-financial matters to another level. One of the most noteworthy matters addressed during the year was the future of sustainability reporting, specifically by analysing the new European Corporate Sustainability Reporting Directive (CSRD) and how the changes it will usher in could affect organisations' traditional reporting efforts and the activities of reporting framework developers.

Professional governance bodies

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

Annual General Meeting

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

In 2021, the company held its AGM on 5 May. It was held remotely, via the corporate website, due to the state of emergency declared to manage the health crisis induced by COVID-19. It was attended by 310 shareholders, in person or via proxy, representing 65,14% of the company's share capital.

In order to ensure the attendees were duly identified and could exercise their rights as shareholders, during the previous days, the attendees registered and exercised their rights to information. The shareholders cast their votes remotely during the course of the meeting.

Resolutions ratified at the 2021 AGM

- Approval of the separate financial statements and directors' report of CIE Automotive, S.A. and of the consolidated financial statements and directors' report for 2020.
- Grant of discharge to the Board of Directors.
- Approval of the proposed distribution of profit for 2020.
- Examination and approval of the non-financial statement of the group comprising CIE Automotive and its subsidiaries for 2020.
- Grant of authorisation to the Board of Directors for the derivative acquisition of own shares, directly or through group companies, in accordance with articles 146 and 509 of the Spanish Corporate Enterprises Act, superseding the authorisation granted at the General Meeting of 29 April 2020, and the reduction of share capital to cancel own shares, delegating powers for the execution thereof in the Board of Directors.
- Approval of the Director Remuneration Policy for 2021-2023.
- Approval of changes to the terms of the long-term variable remuneration scheme tied to the company's share price performance of which the CEO is the beneficiary.
- Approval of the maximum amount of remuneration payable to the directors in their capacity as such.
- Reappointment of the auditor of the separate and consolidated financial statements.
- Advisory shareholder vote on the Annual Report on Director Remuneration at CIE Automotive, S.A.
- Provision of an account of the amendments made to the Board Regulations during the year.
- Delegation of powers to execute the aforementioned resolutions.
- Approval of the minutes of the meeting.

Board of Directors

CIE Automotive's Board of Directors is made up of 13 members, including its Chairman. Two of the directors are executive, three are independent and eight are proprietary. The three independent directors sit on the Appointments and Remuneration Committee, the Audit and Compliance Committee and the ESG Committee.

Its actions are governed by the Bylaws and by the Board Regulations, which in 2020 were adapted to align them with the regulator's recommendations and also the group's ESG commitments.

Diversity-wise, there are five female directors (38% of the total) while 11 of the directors are Spanish nationals and the other two are Indian. As evidenced by the curriculum vitae provided next, the company's directors boast a diversity of backgrounds and expertise; some have markedly industrial profiles while others have financial acumen. The recent director additions, as outlined below, have reinforced the boardroom's expertise in financial management, the automotive sector, ESG matters, strategy design, the future of mobility and the electric vehicle, multinational management, IT, digitalisation and data management, areas of great importance to the various disruptions affecting the industry.

In 2021, the Board of Directors met on six occasions and all the meetings were presided by its Chairman.

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

Farewell to Goizalde Egaña

CIE Automotive lost a valuable director in 2021: Goizalde Egaña. The company's Vice-Chairwoman since 2002 (having previously sat on the board of Inssec) sadly passed away after an illness on 21 April 2021, leaving a tremendous vacuum in her wake. Not only did the company lose a wonderful professional, it lost a great person. Approachable, helpful and hugely committed from the outset to the endeavour that is today our reality.

As required under article 17 of Regulation (EU) No. 596/2014 on market abuse, articles 227 and 228 of Royal Decree 4/2015 enacting the recast text of the Securities Markets Act, and other applicable legislation, in 2021, CIE Automotive, S.A. made two public announcements in 2021.

On 9 June 2021, it announced that Mr. Vankipuram Partahsarathy was stepping down from the company's board, having left the Mahindra & Mahindra Group. As a result, at its meeting on 9 June 2021, and at the recommendation of its Appointments and Remuneration Committee, the board agreed to appoint Ms. Suman Mishra as its new proprietary director, availing of its powers of co-option.

Then, on 21 December 2021, it announced that Carlos Solchaga Catalán and Ángel Ochoa Crespo were resigning from the company's board. In 2022 both directors would have reached 12 years as directors, so losing their classification as independent directors (in keeping with article 529.duodecies.4(i) of the Corporate Enterprises Act).

In order to ensure the board's make-up continued to meet prevailing legal requirements and the highest standards of corporate governance, they both presented their resignations on 15 December 2021, paving the way for appropriate boardroom composition all throughout 2022.

In response, the Appointments and Remuneration Committee proposed the appointment of María Eugenia Girón Dávila and Elena María Orbegozo Laborde as new independent directors.

The Board of Directors, at a meeting held on 15 December 2021, agreed, in light of the above-mentioned proactive resignations, to appoint both women as directors, again availing of its co-option powers, so that their appointment is subject to ratification at the next Annual General Meeting. The new directors professional backgrounds are provided below.

At that same meeting, after ratifying the appointment of the two new independent directors, and again acting at the recommendation of the Appointments and Remuneration Committee, it was agreed to designate the following positions within the board:

- Vice-Chairman: **Fermín del Río Sanz de Acedo** (executive director).
- Lead Independent Director: **Arantza Estefanía Larrañaga** (independent director).

It also agreed to renew the make-up of the board committees.

BOARD OF DIRECTORS (as of 31 December 2021)

	Position	Class of director	Strategy and Investment Committee	Appointments and Remuneration Committee	Audit and Compliance Committee	ESG Committee
Don Antonio María Pradera Jáuregui	**Chairman**	Proprietary	Chairman			
Don Fermín del Río Sanz de Acedo	**Deputy chairperson**	Executive	Member			
Don Jesús María Herrera Barandiaran	**Chief Executive Officer**	Executive	Member			
Doña Arantza Estefanía Larrañaga	**Member**	Independent		Lead and Chairwoman	Member	Member
Doña María Eugenia Girón Dávila	**Member**	Independent		Member	Member	Chairwoman
Doña Elena María Orbegozo Laborde	**Member**	Independent		Member	Chairwoman	Member
Don Jacobo Llanza Figueroa	**Member**	Proprietary				
Don Santos Martínez-Conde Gutiérrez Barquín	**Member**	Proprietary	Member			Member
Doña Suman Mishra	**Member**	Proprietary				
Don Francisco José Riberas Mera	**Member**	Proprietary	Member	Member		
Don Juan María Riberas Mera	**Member**	Proprietary				
Doña María Teresa Salegui Arbizu	**Member**	Proprietary			Member	Member
Don Shriprakash Shukla	**Member**	Proprietary				

Secretary, non-member: José Ramón Berecibar Mutiozabal

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

a. The quality and efficiency of the board's operation.

b. The performance and membership of its committees.

c. The diversity of board membership and competences.

d. The performance of the Chairman of the Board of Directors and the company's chief executive.

e. The performance and contribution of individual directors, with particular attention to the chairs of Board of Director's committees.

Every three years, the Board of Directors engages an external facilitator to aid in the evaluation process. That facilitator's independence is verified by the Appointments and Remuneration Committee.

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

The report compiled in January 2021 by Evaluación de Consejos (EdC) (whose methodology and findings were outlined in detail in the 2020 Annual Report) concluded that the aggregate quantitative results indicated strong satisfaction with the performance of the Board of Directors and its committees, higher than the average at similar companies.

Following the significant changes to the boardroom and board committees in 2021, the Chairman of the Board of Directors, guided by his mission to ensure application of best governance practices, will spearhead the next assessment, taking a more personal approach, as the company's first obligation is to fully integrate the new directors and involve them in the company's governance. The various board committees must have access to all the information they need in order to perform their duties. Mr. Pradera believes that the results of this year's assessment should be ready by the end of the first half. In order to ensure the boardroom's continued independence and wealth of experience, next year the board and committee assessment will be carried out with the help of an outside expert once again, even though the stipulated term of three years will not yet have elapsed.

Following the significant changes to the boardroom and board committees, the Chairman will spearhead the next board and committee assessment

Board committees

As already noted, the company's Board of Directors, at a meeting held on 15 December 2021, modified the composition of all of its committees with the exception of the Strategy and Investment Committee.

Strategy and Investment Committee

Made up of five members (two executive directors and three proprietary directors), this committee's duties include assessing and making proposals to the Board of Directors about business growth, development and diversification strategies; bringing new investment opportunities before the Board of Directors; and studying and proposing recommendations with respect to the strategic plans and plan updates submitted to the Board of Directors from time to time.

It met on seven occasions in 2021.

Appointments and Remuneration Committee

Comprised of four members (three independent directors and one proprietary director), this committee's purview is to oversee the financial and non-financial reporting process and ensure the independence and effectiveness of the internal audit function.
Its duties include revising the internal control and financial and non-financial risk management systems, selecting, appointing and replacing the auditor and taking receipt of information from the auditor, whose independence it must safeguard.

It met on three occasions in 2021.

ESG Committee

This committee is made up of five members (three independent directors and two proprietary directors) and its mission is to promote CIE Automotive's ESG strategy.

It met on one occasions in 2021.

The next three committees are chaired by independent directors.

Director resumes

ANTONIO MARÍA PRADERA JÁUREGUI

Chairman (Proprietary)

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

FERMÍN DEL RÍO SANZ DE ACEDO

Vice-chairman (Executive)

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

JESÚS MARÍA HERRERA BARANDIARAN

Chief Executive Officer (Executive)

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

ARANTZA ESTEFANÍA LARRAÑAGA

Lead independent director (Independent)

Arantxa graduated in law with highest honours from Deusto University. From 2000 to 2019, Managing Partner of the law firm Uría Menéndez Abogados S.L.P. in Bilbao. At Uría, Arantxa sat on the board, on the professional practice management committee and on the criminal liability prevention committee. She was appointed independent director of Repsol on 31 May 2019. She has been serving on the oil company's sustainability committee since May 2019 and on its remuneration committee since November 2021. Since July 2021, she has been a Director and Secretary of the Board of Directors of its subsidiaries, Repsol Industrial Transformation, S.L. Sociedad Unipersonal and Repsol Customer Centric, S.L. Sociedad Unipersonal. Since 8 May 2020, she has been an independent director of Global Dominion Access, S.A., having chaired its Audit Committee until 12 May 2021. She is currently a member of the Audit Committee and a member of the Sustainability Committee. Since May 2019, she has been a member of the group of experts of the Economic and Social Council of the Basque Country, and has chaired the Economic Committee of this body since December 2019. She is Secretary of the Board of Directors of Bilbao Exhibition Centre S.A.

MARÍA EUGENIA GIRÓN DÁVILA

Director (Independent)

María is an industrial engineer (ICAI) and holds an MBA from Harvard Business School. She has held executive duties at Loewe and worked as CEO of Carrera y Carrera where she spearheaded the management buy-in (MBI). She is the Vice Chair of the International Board of Trustees of Oceana, member of the Boards of Trustees of Spain's Royal Tapestry Factory and of IE University and Chair of Spain's Diversity Foundation. She is a jury member of the European Innovation Council Accelerator backed by the European Commission and its Green Deal. She supports technology start-ups from the Rising Tide Europe and Go Beyond Investments platforms. She is also the Co-Chair of Women Corporate Directors and a member of the board of ICA, the institute of female directors. She is currently the Executive Director of the IE University Premium & Prestige Observatory and a member of the advisory board for enterprises from the luxury goods sector.

ELENA MARÍA ORBEGOZO LABORDE

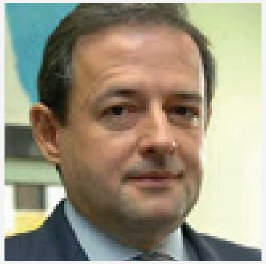
Director (Independent)

Elena holds a bachelor's degree in mathematics. She has largely built her career at a multinational provider of technology services, with a focus on information management and big data. Elena is responsible for high-potential accounts and has a proven track record in the IT sector, where she has a career dating back more than three decades. She is an ambitious and dynamic change manager, dedicated to ongoing business improvement, focused on revenue enhancement and the streamlining of business operations. Focused to profit optimization.

JACOBO LLANZA FIGUEROA

Director (Proprietary)

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



SANTOS MARTÍNEZ-CONDE GUTIÉRREZ-BARQUÍN

Director (Proprietary)

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

FRANCISCO JOSÉ RIBERAS MERA

Director (Proprietary)

Francisco J. Riberas was born in Madrid on 1 June 1964. A dual law (1987) and business studies graduate (1988) from Universidad Pontificia de Comillas (ICADE | E-3) of Madrid. He began his career in a number of different positions within Grupo Gonvarri, including director of corporate development and, later, CEO. He set up Gestamp in 1997 since which time he has been that firm's Executive Chairman, forging the group it is today. He currently sits on the boards of Telefónica, CIE Automotive and Wallbox. He also sits on the boards of other Gestamp companies and investees of the family holding company, Acek, including Grupo Gonvarri, Acek Energías Renovables, Inmobiliaria Acek and Sideacero. Francisco presides SERNAUTO, Spain's association of automotive equipment and components manufacturers, the Spain-China Council Foundation, the Spain-China Business Advisory Board and the Endeavor Foundation in Spain. Lastly, he presided the IEF (acronym in Spanish for the Family Business Institute) between May 2018 and June 2020.

JUAN MARÍA RIBERAS MERA

Director (Proprietary)

Jon Riberas was born in Madrid in 1968. A dual law (1991) and business studies graduate (1992) from Universidad Pontificia de Comillas (ICADE | E-3). He began his career at Grupo Gonvarri in 1992 in the business development area, a group where he later assumed the role of CEO. In 2005, he backed the creation of ACEK Renewables, a player in the renewable energy business with a unique business model. In 2010, he was named Executive Chair of Gonvarri Industries and Co-Chair of Corporación ACEK, the family holding company. In addition to those positions, he is the Executive Chair of GRI Renewable Industries, Vice-Chairman of Gestamp and a member of the board of Dominion. Jon is a trustee at the Juan XXIII Foundation, an NGO set up to improving the quality of living of adults with intellectual disabilities and help integrate them into society.

SUMAN MISHRA

Director (Proprietary)

Suman Mishra is an MBA from University of Michigan, Ross School of Business where she graduated with high distinction. She is a Computer Engineer from NTU Singapore where she graduated with First Class Honours. Suman is currently the Chief Executive and a Whole-time Director of Mahindra Electric Mobility Ltd., responsible for charting the future of electric last mile mobility for Mahindra Group. She is the Chief Executive Designate for the Last Mile Mobility business (LMM). Prior to this role, she has worked extensively in developing and implementing strategic initiatives across several sectors and functions in Mahindra and McKinsey and launching products globally in Cipla. She has been recognized as Economic Times 40 under 40 business leaders and Economic Times Woman Ahead. She is a non-executive director on the board of CIE Automotive, Medwell Ventures and Meru Cabs.

MARÍA TERESA SALEGUI ARBIZU

Director (Proprietary)

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

SHRIPRAKASH SHUKLA

Director (Proprietary)

Mr. Shukla graduated in technology from the Indian Institute of Technology, BHU, Varanasi and holds an MBA from the Indian Institute of Management, Ahmedabad. He brings more than 40 years' experience managing large enterprises in the consumer goods and manufacturing industries. He sits on the boards of several Mahindra Group companies in the aerospace, defence, farming and steel industries in India and is a member of Mahindra & Mahindra Ltd.'s Executive Committee. He has also headed up the Mahindra Group's strategy and brand management area. He chairs Mahindra CIE Automotive, Ltd.

CIE Automotive's Board of Directors includes five women (38% of the total) and, by nationality, eleven directors are Spanish and two are Indian.

Management team as of 01/02/2022

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

CEO
Jesús Mª Herrera

Corporate Development
Lorea Aristizabal

Controlling & Taxes
María Miñambres

ESG & Compliance
Susana Molinuevo

Finance & Treasury
Irache Pardo

Sales
Mikel Orbegozo

Supply Chain
Irache Pardo

Engineering
Iñigo Loizaga

R&D
Jose Esmoris

Quality& Enviroment
Gonzalo Ceberio

Human Resources
Aitor Zazpe

US
General Manager
Fernando Ortega
Plastic
Joe Carroll
Xabier Sacristán
Machining
James M. Smith
Roof Systems
Aitor Zazpe

MEXICO
General Manager
Óscar González
Controlling
Juvenal Guerrero
Pemsa Celaya
Óscar González
Pemsa Saltillo
José Enríquez
Stamping
Jose Luis Castelo
Aluminium
Antonio Asato
Machining
Edmundo Fernández
Forging
Guillermo Ramírez
Plastic
Alexandre Colomar
Roof Systems
Aitor Zazpe

BRAZIL
Corporative Director
Ignacio M. Conde
Controlling
Julio Sanches
Autometal Diadema
Amable Barrasa
Plastic
Alexandre Colomar
Stamping
Valdir Pereira
Forging, Aluminium & Machining
Xabier Sainz
Casting
Felipe Gurgel

EUROPE
Aluminium & Machining
Ander Arenaza
Plastic/ Roof Systems
Aitor Zazpe
Stamping& Forging
Justino Unamuno

MCIE INDIA & EUROPE CEO
Ander Arenaza

CHINA
Stamping& Forging
Justino Unamuno
Roof Systems
Aitor Zazpe

Service Network **Steering Committee**

Management team as 01/02/2022. Avaliable in https://cieautomotive.com/en/management-organization

Remuneration policy

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

Remuneration policy principles

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

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

2020	Total no. of people	Men	Average remuneration - €	Women	Average remuneration - €
Directors*	6	5	1,096,249	1	53,333
Senior management	9	5	978,180	4	323,223

Directors receiving remuneration: two executive directors, three independent directors and the Chairman.

2021	Total no. of people	Men	Average remuneration - €	Women	Average remuneration - €
Directors*	6	5**	2,237,551	1**	80,000
Senior management	9	5	968,239	4	327,606

Directors receiving remuneration: two executive directors, three independent directors and the Chairman.

*** In terms of remuneration, former directors are paid in 2021 as a full year, and new directors from 2022 onwards. The tables are comparable.*

For further details, refer to the notes headed Employee benefits expense and Related-party transactions in the group's consolidated financial statements for the year ended 31 December 2021 and to the 2021 Annual Director Remuneration Report and the Remuneration Policy itself, all of which are published on the corporate website:

https://www.cieautomotive.com/web/investors-website

The ETHICAL FRAMEWORK that shapes us

CIE Automotive's actions are guided by its corporate values, which underpin the body of internal rules put in place to ensure that its members behave ethically and are in turn complemented by compliance oversight and breach remedy mechanisms. In 2021, the company approved a new Compliance and Criminal Risk Prevention Policy.

The Code of Professional Conduct

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

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

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CIE Automotive's rules of conduct

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

WHISTLE-BLOWING CHANNEL

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

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

Whistle-blowing channel e-mail inbox:

whistleblowerchannel@cieautomotive.com

Postal correspondence addressed to the Compliance Department:

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

Information and communication channel on the intranet and on the corporate website.

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

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

In 2021, the company received 25 complaints through its whistle-blowing channel, 15 more than in 2020. Those complaints were related with:

- Fraud and corruption (eight): malpractice at several factories by buyers who breached CIE Automotive's general purchasing terms for their own benefit. Although the amounts involved were not material and the scale of the contracts with the suppliers in question did not have a material impact on earnings at the factories involved, the events harmed the group's image and violated its ethics commitment.
- Business management (five): related with the company's dealings with its stakeholders.
- Workplace harassment (five): inappropriate attitudes on the part of managers vis-a-vis factory workers.
- People management with respect to work scheduling for everyday factory work purposes (three complaints in total).
- Discrimination (two): failure to guarantee equal opportunities.
- Breach of the Code of Professional Conduct (two): failure on the part of certain employees to uphold the rules of conduct.

In 2020, on the other hand, the complaints were related with human resource planning and management on the factory floor, the company's ethics and breaches of its Code of Professional Conduct and management of the business (six out of 10 in total); there were two complaints related with workplace harassment, one related with discrimination and one related with fraud and corruption.

In all of the cases reported in 2021 and notified to the ESG Committee, the opportune actions were taken to analyse, monitor and remedy or close the cases.

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

Corporate policies

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

A **Compliance and Corporate Crime Prevention Policy** was approved in 2021; that new policy establishes the basic principles and guidelines to be followed to ensure compliance and prevent white-collar crime within the organisation.

ESG policies

- ESG
- Purchasings
- Supplier ESG commitment
- Human rights
- Anti-corruption and anti-fraud
- Social contribution

Governance policies

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

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

Below are a few examples of its supervisory work in 2021:

- Global launch of training on the Code of Professional Conduct in a collaborative effort between the corporate and country human resources teams. Almost 6,200 people completed the course on an online platform, while the remainder of the organisation completed the training by means of educational brochures (including tests at the end), which are available in 16 different languages.
- As part of the global rollout of the compliance model, creation of a specific Criminal Risk Prevention Manual for the US and of an update for China.
- Expansion of the scope of the two training course on criminal liability and anti-corruption to 600 people in total, specifically to include all members of the factories' management committees. After receiving the programme, the participants completed a final evaluation with questions related with the Criminal Risk Prevention Manual and the Anti-Corruption and Fraud Policy.
- Collaboration with the corporate Purchasing Department to update all the documentation related to the supply chain and suppliers' non-financial reporting requirements.

Anti-corruption and bribery effort

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

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

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

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

As was the case in 2020, no public legal cases were brought against the organisation or its employees in relation with corruption in 2021.

205-2 205-3 419-1

Measures taken to combat money laundering

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

As already noted, as part of the rollout of its compliance model, the company has created a specific Criminal Risk Prevention Manual for the US market and updated the Chinese manual.

Measures taken to prevent corruption and bribery

With the aim of preventing or at least minimising the probability of malpractice and ensuring that in the event it does take place it is stopped immediately, in 2021, the company formulated a Compliance and Criminal Risk Prevention Policy, a new specific compliance manual for the US market and an update of the existing Chinese manual. In addition, it implemented its criminal compliance model in the US and Czech Republic, following on from the work done in Mexico and Brazil in 2019. The plan is to further that effort over the coming years until the model has been deployed in all of the company's markets.

In addition, the Audit and Compliance Committee agreed to extend the scope of its criminal liability and anti-corruption training courses to 600 people, so that they now cover the company's directors, its key management personnel, the global management team and the local management committees; it further approved the provision of training on the Code of Professional Conduct to all group members.

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

- The company's existing ethics framework and criminal compliance effort: Code of Professional Conduct and Criminal Risk Prevention Manual.
- The governing bodies responsible for those matters: the Board of Directors, Audit and Compliance Committee and ESG Committee, all of which assisted by the Internal Audit Department.
- The policies (Anti-Corruption and Anti-Fraud) and controls in place to prevent corruption and other irregular practices, the procedures for identifying, evaluating, managing and controlling potential risks and the associated impacts, and the channels (whistle-blowing channel and its rules) for reporting potential breaches of the Code of Professional Conduct.

As indicated above, in 2021 the company received nine complaints specifically related with fraud and corruption through its whistle-blowing channel, in response to which it took the steps needed to study, monitor, remedy and close the cases. Those actions included the firing of nine employees who participated in the cases of fraud and corruption reported.

406-1 407-1 408-1

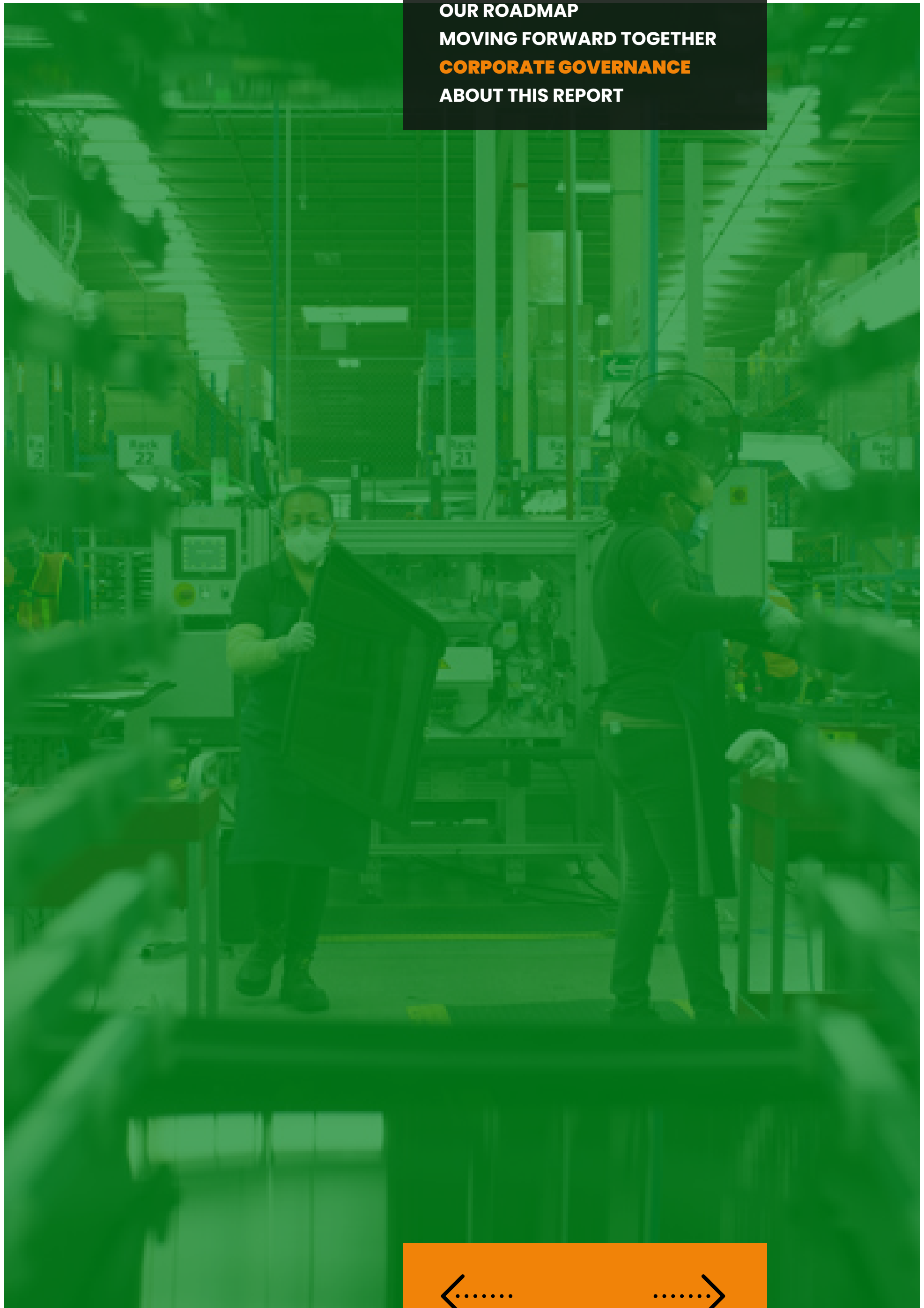
Defence of human rights

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

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

The Human Rights Policy complies with the provisions contained in the International Labour Organisation's fundamental conventions on the freedom of association and the right to collective bargaining.

Note that the company did not receive any complaints related with human rights violations, understood as breaches of the right to decent work and a living wage, in keeping with the United Nations Declaration, in either 2021 or 2020.



RISK management

102-29 | 102-30 | 102-31

CIE Automotive has an Control and Risk Management System (ERM) to reduce to tolerable levels the risks that, were they to materialise, could jeopardise delivery of its strategic targets. The ERM, as set down in the corporate Risk Control and Management Policy, follows ISO 31000 methodology and is the responsibility of the Board of Directors, which delegates oversight of its correct implementation and functioning in the Audit and Compliance Committee. In 2021 the company implemented its criminal compliance model in the Czech Republic and the US and, for the first time, drew up a specific criminal risk map for each of the regions where the model is already in place.

Enterprise risk management system

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

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

Enterprise control and risk management system - principles

- Creation of a constructive vision of the concept of risk.
- Committed and competent risk management professionals.
- Use of a shared language.
- Transparent communication throughout the entire organisation.

Risk mapping: procedure and scope

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

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

	5 - Very high	4 - High	3 - Medium	2 - Low	1 - Very low
	> 80%	61% - 80%	31% - 60%	10-30%	<10%
Materialised in the past	Risk materialised over 5 times in last 2 years.	Risk materialised over 5 times in last 5 years.	Risk materialised over 5 times in last 10 years.	Risk materialised between 1 and 4 times in last 10 years.	Risk that has not materialised or at least not for over 10 years.
Materialisation in the future	Materialisation of the risk would affect the organisation imminently (in the current year).	Materialisation of the risk would affect the organisation within a year (next year).	Materialisation of the risk would affect the organisation within two years' time.	Materialisation of the risk would affect the organisation within five years' time.	Materialisation of the risk would affect the organisation in more than five years' time.

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

	5 – Very severe	4 – Severe	3 – Significant	2 – Moderate	1 - Very moderate
Economic impact	A very severe adverse impact on EBITDA. An adverse impact on P&L[1] of >5%.	A severe adverse impact on EBITDA. An adverse impact on P&L of >3.5% but <5%.	A significant reduction in EBITDA guidance. An adverse impact on P&L of >1.5% but <3.5%.	A slight reduction in EBITDA guidance. An adverse impact on P&L of >0% but <1.5%.	No change in existing EBITDA.
Organisational impact	Materialisation of the risk requires intervention by the Board of Directors.	Materialisation of the risk requires intervention by the CEO.	Materialisation of the risk can be resolved at the corporate level.	Materialisation of the risk can be resolved at the division level.	Materialisation of the risk can be addressed at the factory level.
Reputational impact	Reputational damage stemming from several actions that have a severe impact on the company's image and its share price.	Reputational damage stemming from several actions that impact the company's image and its share price.	Occurrence of an event that is picked up by high-profile media and reaches the regulator/analysts.	Occurrence of an event that is picked up by the local media.	No impact.

[1] *P&L = Statement of profit or loss*

A total of 233 people participated in drawing up this general risk map, which is four times more than in 2020. That is because in 2021 both climate risk and criminal compliance risk have their own maps based on specific assessments made by experts and managers who had not participated in the process until now.

All of the individuals who participated responded considering the impact of each risk factor over a time horizon to 2025, except for climate risk where the time horizon runs to 2050, in respect of their technical or geographic expertise, which means that some of them may have assessed a given risk factor for more than one region and more than one type of technology.

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

As in prior years, the result is a risk map that is presented top down, by region, by technology and by region and technology. It quantifies, in euros, the impact on EBITDA of the potential materialisation of each risk, according to the defined parameters, and the trend in the key risk factors over the past three years in all of the foregoing categories. In a new addition this year, the map also displays all of the controls launched in each region and for each technology during the year, making it possible to visualise internal control delivery by factory with a breakdown by control, control owner and control evidence.

The entire process is monitored via the internal management tool, SAP GRC.

Risks assessed in 2021

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

102-15

People

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

Human rights

- Code of Professional Conduct breaches by group employees.

Corruption and bribery

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

Finance

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

Society

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

Environment

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

2021 RISK MAP

The 2021 risk map reaffirms and cements the risks that are most intrinsic to the sector and its performance, including **changes in market trends** and **customer satisfaction**, as well is one that is specific to the trajectory, growth and future of CIE Automotive, namely **management of M&A-led growth**, while also evidencing growing concern about **climate change** and its impact on delivery of our strategic targets.

This year's risk map also highlights concern about **cybersecurity** and the losses its mismanagement could trigger; it also shines the spotlight once again on **financial risk** and **sustainable supply chain management**, due to the shift in financial conditions in the wake of the rise in commodity prices and the sense of scarcity generated by global supply chain friction, which has ushered in a new era of inflation and, by extension, the nearing end of accommodative measures and an attendant increase in interest rates.

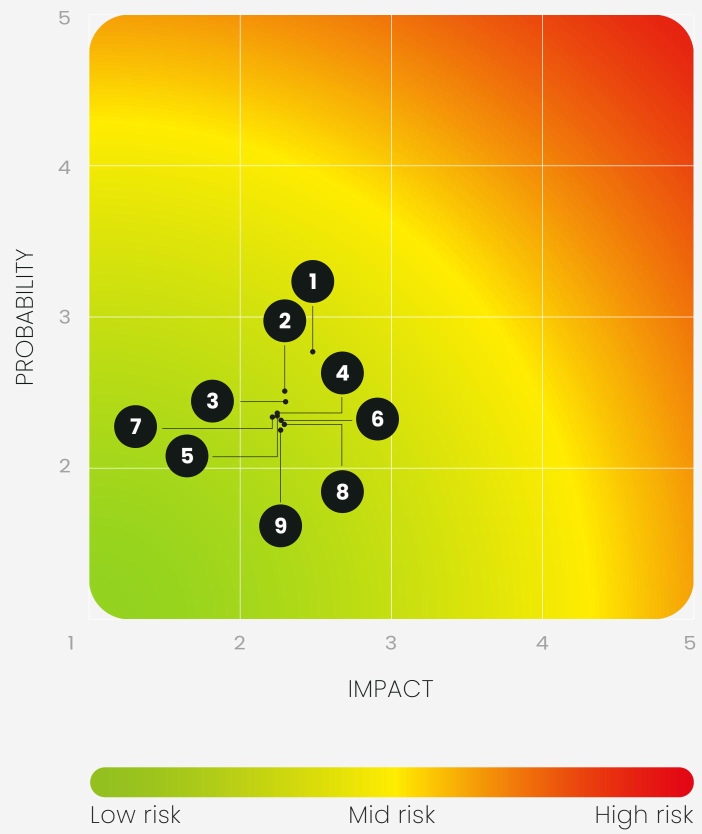
In all of these scenarios, care for the company's most important assets - its people - emerges as a critical factor, along with the associated risks: having a **well prepared team of professionals and adequate succession** planning.

Elsewhere, it is also worth highlighting the initiatives taken and controls introduced in 2021 to mitigate certain risks deemed priority risks 2020 which no longer rank among the top concerns, most notable among which the perception that the company could be victim to **fraud or corruption** within its ranks. The measures and controls rolled out by the company, along with the provision of dedicated training, are clearly acting as a deterrent.

Key risks: description and action plans

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

General risk map 2021



1. Change in market trends
2. Cybersecurity
3. Financial risk
4. Climate change
5. Sustainable supply chain
6. Key personnel succession planning
7. Team for growth
8. Management of M&A-led growth
9. Customer satisfaction

Risks with medium probability of occurrence and significant/ moderate potential impact

Change in market trends

For more information refer to sections CONTEXT AND TRENDS in the automotive sector, Our BUSINESS MODEL, a reliable base and TECHNOLOGY AND INNOVATION, the highway to the future.

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

Emerging car technology (including vehicles powered by electricity or alternative energy fuels, diesel engine developments and emissions reduction targets) is reducing demand for some of our strategic products and introducing new systems and components. The resulting idle capacity around the world is intensifying competition and exerting strong downward pressure on prices, squeezing margins. The new trends unfolding, analysed throughout this report, are driving very rapid change.

On the digitalisation front, the advent of smart factories (Industry 4.0) could imply operational changes; for example, the new skillsets needed will impact HR management. The inability to respond could lead to major difficulties in securing new business or maintaining existing business with an attendant loss of competitiveness in certain regions, warranting major restructuring to boost internal efficiency.

Lastly, it is worth highlighting the major impact the COVID-19 health crisis and the related shortage of semiconductors is having on the sector, coupled with wider global supply chain friction, so that the industry is not expected to revisit 2017 production levels until 2024.

Action plan

The company plans to reinforce the flexibility of its model to adapt to unfolding and future customer needs and emerging trends. Product portfolio diversification will give it a differential ability to adapt relative to its competitors. A portfolio in which more than eight out of every 10 products are independent of a vehicle's propulsion system and therefore not impacted by the sector electrification trend. For the rest of its parts, the company is working from the technological and market standpoints to make the most of the opportunities emerging in the battery, motor, power electronics and gearbox areas.

As for the risk associated with products for which there is no clear substitute in zero-emission cars, CIE Automotive plans to increase its presence in those that have a bigger role to play in the vehicle light-weighting trend (forged chassis and suspension parts) and in machined shafts and gears. It also wants to actively pursue business in technologies that customers are likely to outsource in order to focus on new challenges, such as connectivity, automated driving and the provision of embedded software solutions. In parallel, the company will continue to focus on its innovation effort in these same areas which is expected to give the company a winning edge in the coming years, positioning it to take advantage of the opportunity to consolidate the resulting market.

Risks with medium probability of occurrence and significant/ moderate potential impact

The company has set itself annual sales targets as it waits for the market and its customers to increase their volumes, while capturing new players in the key mobility market.

Our strategic commitment to the comfort segment is proving smart in light of the growing importance users are placing on these characteristics when purchasing a new car. The company plans to take advantage of this growth opportunity, along with those emerging in other areas immune from the impact of choice of propulsion technology.

CIE Automotive has for some time been working to provide its employees with know-how, skills and training on the new capabilities required as a result of sector digitalisation in general and our factories' digitalisation in particular. At the same time it is collaborating with technology firms, training centres and universities on the creation, identification and attraction of talent in those areas. It is worth highlighting the boost the company is giving the training area within the Taskforce Pilot Testing Advanced Manufacturing group led by the Basque regional government.

The transition towards a low-carbon economy will highlight the efforts companies like CIE Automotive have been making for years to introduce eco-design concepts from the earliest stages of product development and build circularity into all of their processes.

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

- Reduction in overcapacity.
- Concentration processes: fewer players that are larger, more diversified and more resilient in the face of future crises.
- Strategic alliances designed to share the investment needed to prepare for sector transformation.
- Greater financial control and discipline.
- Eco-efficiency and circularity.
- Commitment to mitigating environmental impacts.

CIE Automotive's business model has already proven resilient in the face of numerous crises thanks to the combination of geographic, technological and customer diversification framed by a decentralised management model and strict financial discipline.

Globalisation helps reduce market-specific risks due to different rates of adoption of the sector changes and trends around the world. And the lessons learned in one place can be used to tap opportunities and mitigate risks in another region or market.

Lastly, in the shorter term, the company is focused on locking in access to the raw materials it needs, to which end it is reinforcing its GLOCAL (global management with local application) purchasing model, coupled with its multi-location footprint, to be close to the OEMs and not have to depend on global supply chains.

Risks with medium probability of occurrence and significant/ moderate potential impact

Cybersecurity

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

Action plan

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

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

Complementing the above lines of initiative, the policies for accessing and using the company's IT systems, the contingency plans in the event of data loss or facility damage and the anti-virus systems have all been improved.

The new actions taken in 2021:

- A cybersecurity consultancy project to map out the potential IT system risks to which the group is exposed. The project comprises three phases:
  - Scenario identification (done).
  - Risk quantification (underway).
  - ECOR assessment, methodology used by the consultant to calculate the impact (underway).

Once all three phases are complete in 2022, CIE Automotive will be able to determine what type of action to take to minimise its risks and, potentially, take out the cybersecurity insurance that best covers its real identified needs.

Risks with medium probability of occurrence and significant/moderate potential impact

- Specific monitoring by the firm CybelAngel of the following areas: Data Breach Prevention, Domain Protection, Account Takeover Protection, Asset Discovery and Monitoring and Dark Web Monitoring. Since September 2021, and with the same scope as the online training provided on the Code of Professional Conduct (close to 6,200 professionals worldwide), the company has provided awareness education, an effort that has included four simulated phishing trials.

Lastly, the company has worked very hard to train its people around the world in this area, paying special attention to the most critical departments - finance and supply chain management - by means of official corporate messages sent by email or as part of broader training programmes such as that provided on the Code of Professional Conduct.

Risks with medium-low probability of occurrence and significant/moderate potential impact

Financial risk

For further details, refer to Note 34 in the 2021 Consolidated Financial Statements, section 5. Risk management in the group's 2021 Management Report and sections 'Financial discipline' and 'Earnings performance' in the Annual Report.

The group's business activities expose it to various types of financial risk: market risk (including exchange rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and commodity price risk.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Action plan:

Management of this risk factor, which falls to the group's Finance Department, crystallises in an effort to optimise the capital structure, combined with the arrangement of natural hedges (matching currency of generation and borrowings) and/or non-speculative derivatives suited to our risk profile in order to actively manage potential currency risks.

Active management of finance costs, extension of the average maturity profile and rationalisation of the working capital requirement in order to reduce borrowings while maintaining a sufficient liquidity buffer.

The financial management effort is also focused on diversifying the company's sources of financing. Specifically, it achieves appropriate coverage by combining bank borrowings, institutional funding and capital markets raises. The search for global financiers also helps mitigate risks.

Risks with medium-low probability of occurrence and significant/moderate potential impact

Climate change

For further details about the climate risks and action plans drawn up in response, along with a description of some of the associated KPIs, refer to section 'Environmental risk management' (specifically the climate risk map section). In addition, see also Note 34 in the 2021 Consolidated Financial Statements as well as section 5. 'Risk management' in the 2021 Management Report.

This is the risk of failing to deliver our strategic targets as a consequence of climate change:

- Transition risks: risks arising as an economy transitions to a low-carbon and climate-resistant model. These risks include political, legal, technology, market and reputational risks. Changes in local legislation, new international agreements (Glasgow Summit), limits on greenhouse gas (GHG) emissions, compliance with emissions and carbon footprint regulations, among others, could lead to breaches at the organisation, causing serious reputational damage and penalties, including fines and business restrictions.
- Physical risks: risks that affect the availability and supply of water and energy for manufacturing processes: extraction of raw materials, cleaning processes, etc. These risks are in turn categorised into:
  - Acute physical risks arising from possible ad-hoc extreme weather events such as storms, floods, fires or heatwaves.
  - Chronic physical risks due to global warming, such as rising sea levels, reduced water availability, loss of biodiversity and changes in the productivity of land and soil.

Sustainable supply chain

For more information about the GLOCAL model, refer to section Partnering with the finest SUPPLIERS.

Sustainable management of the company's supply chain, which includes getting its suppliers to align their management with the ESG commitments assumed by the group, is key to the success of the 2025 ESG Strategic Plan.

From as soon as we sign a contract with a customer, we commit to ensuring the sustainable management of our supply chain, to which end we are obliged to manage its ESG aspects in a systematic manner, so as to contribute to the creation of sustainable productive environments in which the safeguarding of the human and labour rights of the individuals working in them and commitments to their surroundings, the environment and to doing business ethically is guaranteed.

One of the prime lessons learned from the COVID-19 crisis is the need to prepare for the unexpected. The growing complexity of the international environment, in which geopolitics, proliferating regulations and natural disasters unleashed by climate change are increasingly coming to the fore, is forcing companies to monitor and attempt to anticipate how their businesses could possibly be disrupted.

Risks with medium-low probability of occurrence and significant/moderate potential impact

Action plan

One of the keys to the success of CIE Automotive's business model is decentralisation. Specifically in relation to the supply chain, the company's global approach has clearly benefitted it, creating a flexible and resilient chain, ready to anticipate events and design strategies capable of mitigating their effects, focused at all times on the needs of its customers, whose quality demands are not limited to our products but also extend to transparent and continuous service and the ability to react quickly to change.

GLOBAL management as there are common procedures and an objective monitoring system for certifying suppliers on ESG attributes (via the Suppliers Portal), which, regardless of where in the world, set the minimum requirements which all suppliers must meet. And LOCAL implementation to enable rapid execution and on-the-ground monitoring of potential risks.

The GLOCAL approach brings other advantages such as a reduction in the company's carbon footprint, a lower impact via reverse logistics (returns) and reduced vulnerability to regulatory changes and swings in interest rates, exchange rates and tariffs.

People

For more information, refer to sections Managing our EMPLOYEES' diversity and Our employee value proposition (specifically Organisation of working hours and Training and career development)

Management of the current and projected pace of growth requires consolidation and development of the company's finest asset, its people.

Potential over-reliance on key management personnel or the absence of a defined contingency plan could have an adverse effect on the company's business if it were to lose any such personnel via instability in decision-making, failure to coordinate everyday activities or the loss of the know-how needed to carry on the business.

That is why it is fundamental to agree a unified training and promotion plan with the aim of planning, appraising and enhancing professionals' current and future skillsets so as to facilitate delivery of CIE Automotive's strategic objectives. Moreover, the need to continuously hire, train and retain professionals is set to remain a major challenge in the years to come.

Action plan

The company strives to continually improve the working conditions of the existing team such that they are a draw in attracting new talent to the organisation. The company's human capital must embody the knowledge, skills, experience and authority needed for the adequate assumption of responsibilities. It is important to prevent the saturation of the project management teams.

Risks with medium-low probability of occurrence and significant/moderate potential impact

The corporate HR department, together with the senior management team and the various regions and business divisions, is working on the following initiatives:

- Annual hiring plans targeted at new graduates with personalised follow-up by each business unit.
- Career development programme for executives and middle managers at each business unit. Motivation and talent management that translate into a sense of pride in belonging are critical.
- Identification of high-potential professionals.
- Succession plans for people in positions deemed key to delivery of the company's strategic targets.
- More general training plans as is evident in the growth in the number of hours of training provided. CIE Automotive is aware that its competitiveness and sustainability over time depends to a significant degree on its employees' capabilities. To that end it is working to provide them with additional skills by offering them growth opportunities via training and mobility.
- Increased working flexibility by facilitating staggered work start and end times, adjusting working hours to protect family time, introducing the possibility of working from home, giving days of maternity and paternity leave beyond the legally stipulated minimum and offering care for pregnant employees, among other measures.

Note, importantly, that the 2025 ESG Strategic Plan includes specific actions and KPIs for checking that this risk does not impact the company.

Management of M&A-led growth

As envisaged in the 2025 Strategic Plan, the recent, current and foreseeable pace of M&A-led growth requires tighter control over operations and investments. The integration of new firms into the group requires an initial effort in order to adjust their respective cultures and ways of doing things to align with CIE Automotive's management methods and profitability thresholds. In addition, the fact of having local partners (joint ventures and/or alliances with private and public companies and organisations) could generate conflict and wariness that can affect business performance directly or generate international compliance vulnerabilities.

Risks with medium-low probability of occurrence and significant/moderate potential impact

Action plan

CIE Automotive works hard to embed its business model and corporate culture at newly acquired companies. The most noteworthy initiatives on this front include:

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

Failure to meet customer expectation

For more information, refer to sections Striving for excellence for our CUSTOMERS and Quality benchmarks

Mismanagement of new projects and/or operations could lead to failure to attain the defined specifications and, possibly, breaches of contract (e.g., delivery times, milestones or quality).

Action plan

CIE Automotive's customer responsiveness is addressed from every area of the organisation. The company's key Business Processes* are centred on ensuring CIE Automotive meets customer expectations at every step of its relationship with them. Process 2, for example, guarantees that the entire process of searching for and securing new business is done as effectively as possible, with customer satisfaction as the overarching goal. Already during that phase, the company analyses all customer requirements, specifications and needs so as to make a proposal that ticks all the boxes, underpinned by technical, quality and supply chain reviews conducted with the customer. If the company secures new business, Process 3 ensures that the launch and industrialisation of the project is framed by the highest standards, specifically including control tools that are widely used in the sector, such as product and process FMEAs, product and manufacturing validations, control plans, prototype launches, samples and ongoing revision of customer specifications with a focus on special characteristics and regulatory and safety considerations. Lastly, once the agreed launch standards have been attained, mass supply begins, framed by the procedures and tools comprising CIE Automotive's Process 4. All of these processes and tools are aligned with the most stringent sector standards and are audited continuously both internally and by a third party.

Of course there are many other cross-functional processes that similarly contribute to ensuring customer satisfaction, the transfer of know-how to projects, the availability of top-quality suppliers and the right use of the people, resources and technology to meet customer demands. Lastly, we strive to stay ahead of their needs by means of our innovation thrust to ensure long-term collaboration with our customers. That innovation is encompassed by Process 1.

*(Refer to the process map on page 193).

Risks mitigated in 2021

Thanks to the actions taken in 2021, CIE Automotive managed to mitigate the probability of materialisation of the following risks, labelled priority risks in 2020, and, therefore, no longer deemed in need of priority attention in the 2021 risk map.

Criminal risk

For details of the actions carried out in 2021, see the sections "Criminal risk prevention model", "International rollout of the criminal compliance model" and "Criminal risk map".

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

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

Applicable legislation is increasingly stringent such that the risk of non-compliance is also rising. The universe of criminal risks to which legal persons are exposed has increased, specifically to include liability for:

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

Action plan

CIE Automotive has a Corporate Crime Prevention Model which it uses to identify and assess which crimes could be committed and allocate the internal controls needed to mitigate or eliminate those risks. The general model, created in 2015 and updated in 2019 on the basis of a project carried out in collaboration with the external consultant, Deloitte, has since been implemented locally in Mexico, Brazil and China (in 2020) and (in 2021) in the US, the Czech Republic and India (ongoing). The model will be implemented worldwide within the horizon of the 2025 ESG Strategic Plan.

There is a Support Unit with independent intervention and control powers within the organisation whose mandate is to oversee compliance with the Corporate Crime Prevention Model.

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

Note that towards the end of 2020 and throughout 2021, the company launched criminal liability and anti-corruption training for 600 people, including its directors, key management personnel, global management team and the factory managers, and another course for everyone belonging to the organisation about the Code of Professional Conduct, the cornerstone of CIE Automotive's criminal liability model.

Continuous improvement of the risk map

In a bid to ensure that the risk map adds new value to the organisation year after year, CIE Automotive has worked hard to:

- Develop two risk maps to complement the company's general risk map. The new maps address climate risks, so complying with the EU Directive, and the criminal compliance model, thus upholding the commitment made by the company in its 2025 ESG Strategic Plan.

For further information, refer to sections Environmental risk management and Criminal risk prevention model

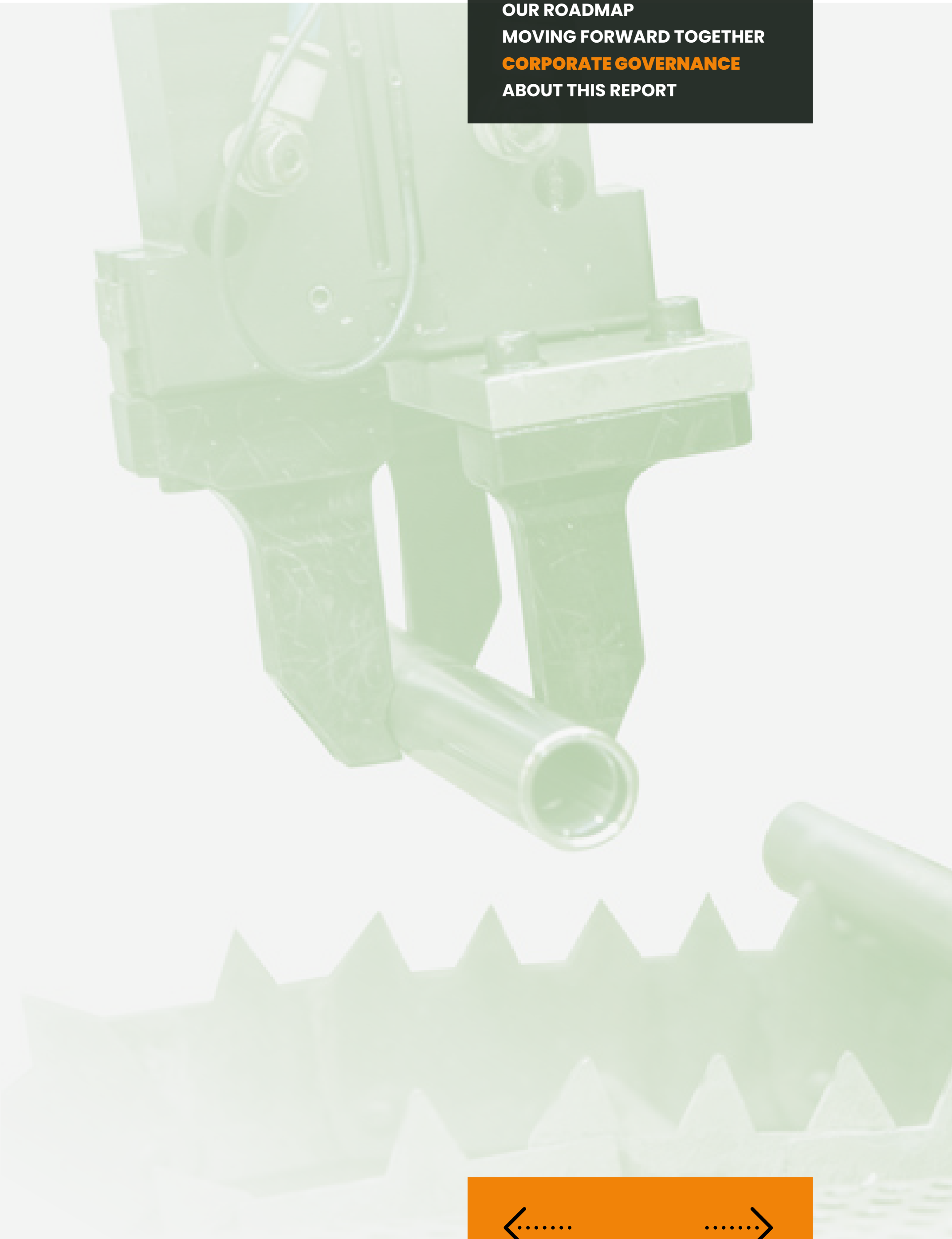
- Launch new controls in the area of corporate compliance as a byproduct of the global rollout of the compliance model in 2020 and 2021.
- Integrate strategic and operational risk management (the latter being that performed at the factory level by process to obtain IATF certification) into a single reporting tool whose reports will be available on the corporate intranet once the project is complete.

Risk control at the individual factory level

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

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

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



Criminal risk prevention model

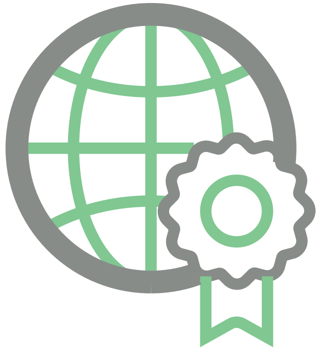
CIE Automotive put its Criminal Risk Prevention Model in place in 2015. The model is underpinned by a Support Unit made up of:

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

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

The company relies on this model as a measure to combat money laundering.

CIE Automotive analyses the level of maturity attained by its compliance model regularly. During its last update, carried out between 2019 and 2020, it decided to identify the most significant subsidiaries in terms of criminal compliance, analyse the differences with respect to the legislation applicable in Spain and adapt the model to suit each country's characteristics.



International rollout of the criminal compliance model

In 2021, the company rolled out its criminal compliance model in the US and Czech Republish and drew up a separate risk map for each market, as well as for Mexico, Brazil and China, where the model had already been implemented in 2020.

As in 2020, the work began with a regulatory benchmarking exercise to map out the regulations applicable in each jurisdiction, followed by the design of the corporate standards for controlling the main criminal risks to which the various regions are exposed. To design the new models, the company started from the compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

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

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

CRIMINAL RISK MAP

In 2021, the company drew up its first specific criminal risk map, so responding to the demands of its stakeholders and honouring one of the commitments made in its 2025 ESG Strategic Plan.

That new map has been integrated within CIE Automotive's enterprise risk management (ERM) system, which is regulated by the Risk Control and Management Policy and follows ISO 31000 methodology so as to provide reasonable assurance that all significant risks are duly identified, evaluated, prevented and monitored. Those criminal risks are approved at the board level and managed in keeping with defined risk appetite and tolerance thresholds.

Risk mapping: procedure and scope

This criminal risk map was drawn up using the same methodology as the general risk map, which is updated annually.

For further information, refer to sections Enterprise risk management system

A total of 131 people from five markets (US, Mexico, Brazil, China and Czech Republic) participated in preparation of the new risk map; their responses consider the impact of each risk factor over a time horizon to 2025 for their areas of geographic influence. The company's aim is to come up with a national assessment for each country in which it has business operations within the horizon of its 2025 ESG Strategic Plan.

The process is coordinated by the Compliance Department and the results are presented to the Audit and Compliance Committee for validation and approval; the Audit and Compliance Committee in turn reports on its approval to the Board of Directors.

The criminal risk map can be configured to provide results at the global level but also broken down by region, by technology and by region and technology. It quantifies, in euros, the impact on EBITDA (framed by the defined parameters) of the potential materialisation of each risk and includes all of the controls launched at each factory during the year, indicating their current performance status, along with the corresponding evidence.

The entire process is monitored via the internal management tool, SAP GRC.

Criminal risks assessed in 2021

The criminal risks assessed in 2021 are the result of benchmarking exercises to identify the regulations applicable in each national jurisdiction. To formulate the new map, the company started from the criminal compliance model developed and implemented in Spain, the various mandatory requirements under local legislation, best national and international practices and suggestions for improving the model gathered from the various jurisdictions.

Following that analysis, 23 potential crimes were evaluated by the various professionals identified for that task.

The criminal risk map for 2021 is based on the rollout of the compliance model in the US and Czech Republic in 2021 and in Mexico, Brazil and China in 2020. It is not yet, therefore, a global map, that being a specific target set down in the 2025 ESG Strategic Plan.

On the basis of its current boundary and its residual risk assessment approach, the map reveals that none of the criminal risks evaluated presents a medium or high probability of materialisation or a significant or severe impact on EBITDA if they were to materialise. Indeed, most of the assessments highlight the credibility of the compliance model and controls already in place, based on global monitoring of the controls performed at the factory, technology and country levels, as well as on continuous specific training.

That education commitment materialised in two training initiatives in the corporate liability and anti-corruption areas between the end of 2020 and 2021, which were provided to 600 people in total, including the company's directors, key management personnel, the global management team and the members of the local management committees. In addition, the company provided training on the core aspects of the Code of Professional Conduct to everyone belonging to the organisation all around the world; close to 6,200 people took the course online, with the remainder completing the training by means of brochures and a final assessment.

Key risks: description and action plans

Below we itemise the main criminal risks identified in the new risk map, with limited boundary as noted (five countries: US, Mexico, Brazil, China and Czech Republic), namely those with a higher probability of materialising within the horizon of the Business Plan that could have an impact at the financial, organisational and/or reputational levels although, as already mentioned, none of the risks is considered highly likely to materialise or of severe or very severe impact if it were to materialise.

Criminal risks with low probability of occurrence and moderate potential impact

Bribery | Influence peddling
Business corruption
Misrepresentation in reporting obligations

For more information, refer to section Impact, oversight and control below

Action plan

Exercising the due control required under Spain's Criminal Code requires the company to implement continuous control mechanisms and to appoint internal control bodies to follow up on the controls implemented and any possible criminal risks.

Framed by those legislative requirements, CIE Automotive has defined a control structure made up of: (i) the Board of Directors, as the highest decision-making body; (ii) the Audit and Compliance Committee, as oversight and control body; and (iii) the Support Unit.

CIE Automotive has vested the control and oversight duties in the Audit and Compliance Committee, as it has the autonomy and independence in terms of control powers and the ability to act required under the control framework.

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

All of CIE Automotive factories are using an IT tool to guarantee performance of the required internal controls. That tool is the SAP GRC (Governance, Risk and Compliance) suite, which permits the automated and manual analysis of the level of performance of the controls conducted at the factory level and tracks incidents and any resulting action plans, enabling traceability, as outlined in greater detail in the Internal Control Systems section.

In 2021 the company launched internal controls to mitigate the main risks identified in the regions in which the criminal risk map has been formulated, as well as providing training on the topics of criminal liability, anti-corruption efforts and the core contents of the Code of Professional Conduct.

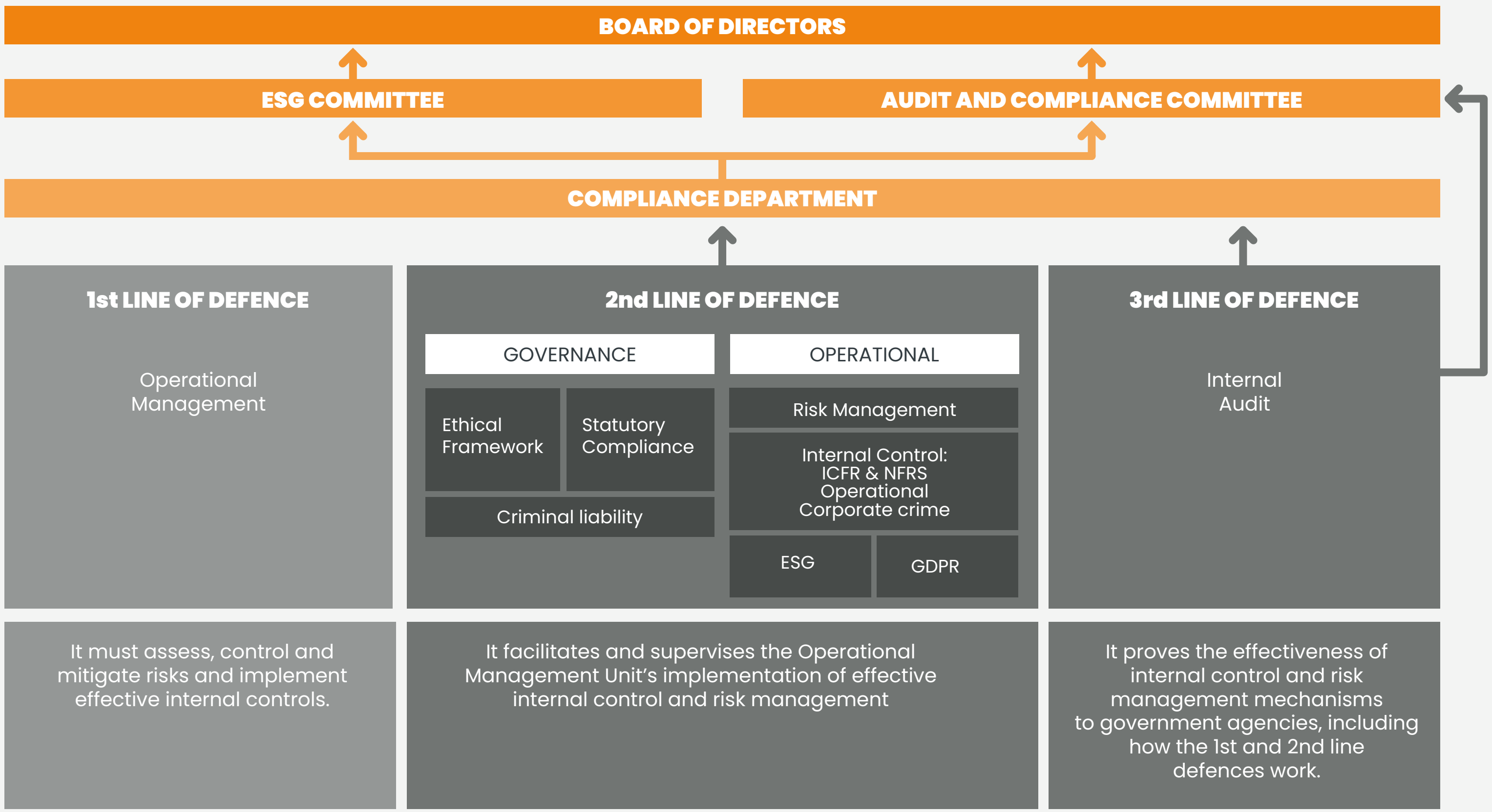
Impact, oversight and control

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

Internal control system

CIE Automotive's internal control system - from risk identification and internal control through to the assurance function - is articulated around the three lines of defence model.

Three lines of defence



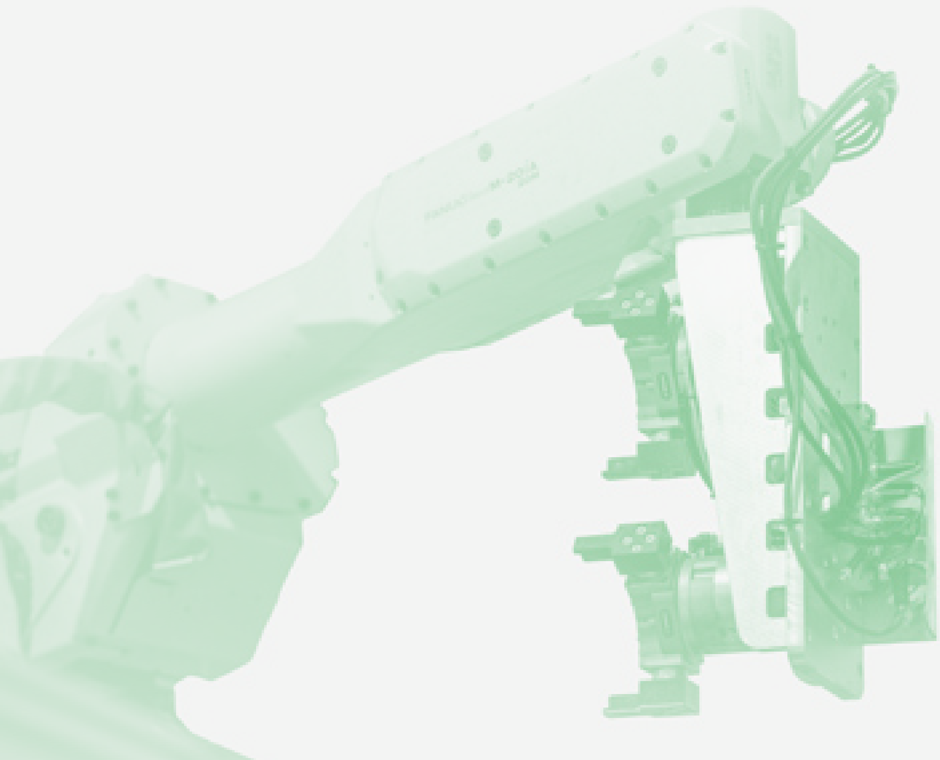
ICFR: Internal Control over Financial Reporting
NFRS: Non-Financial Reporting Statement
GDPR: General Data Protection Regulation
ESG: Environment, Social & Governance

The Compliance Department is responsible for continuously reviewing and updating the internal control system as a whole, specifically including financial and non-financial aspects, and ensuring compliance with internal and external regulations and the policies and procedures in place for mitigating key risks of all kinds. It is also in charge of the Corporate Crime Prevention Model and establishing and developing CIE Automotive's ethics framework.

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

Thanks to that procedure, CIE Automotive is supervising compliance with more than 250 financial (ICFR) and non-financial (ESG, criminal liability, IT and GDPR-aligned data protection) controls per facility.

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



All of CIE Automotive factories are using an IT tool to guarantee performance of the required internal controls, which permits the automated and manual analysis of the level of performance of the controls and tracks incidents and any resulting action plans, enabling traceability.

COMPLIANCE MODEL

In 2019, in collaboration with Deloitte, the company conducted a compliance maturity analysis in order to bring CIE Automotive's model to the desired level; in 2021, it continued to execute the tasks derived from the action plan resulting from the analysis, carrying on the work already performed in 2020.

TASKS PERFORMED IN 2021

1. **Analysis and identification of the regulatory universe and key compliance aspects, with a special emphasis on criminal liability legislation in Spain, the US and the Czech Republic.**

2. **Rollout of CIE Automotive's compliance model in the US and Czech Republic.**

3. **Formulation of two new risk maps, in addition to consolidation of the general risk map.**

   a. A criminal risk map specific for each of the regions analysed between 2020 and 2021: Mexico, Brazil, China, US and Czech Republic.

   b. A climate risk map, which is one of the commitments assumed by the company under the scope of its 2025 ESG Strategic Plan.

4. **Identification of areas for improvement and existing gaps with respect to:**

   a. **Rules, policies and procedures:** formulation of a new Compliance and Criminal Risk Prevention Policy, creation of exclusive manuals for each of the regions analysed between 2020 and 2021 and the addition of new controls to the Criminal Risk Prevention Model.

   b. **Risk identification and assessment:** not only has the company identified and evaluated the climate and criminal risks specific to each region analysed, it has also assessed all of the risks comprising the company's general risk map. That review led to the addition of new controls to mitigate the risk of criminal conduct and the introduction of new crimes (criminal risks) as a result of the comparison of corporate liability in Spain against that in the other regions in which the compliance model was rolled out in 2020 and 2021.

   c. **Training and communication:** Provision of training on criminal risks and the anti-corruption effort to 600 people all over the world: directors, key management personnel, management team and management committee members at each factory. Provision of training on the Code of Professional Conduct to everyone belonging to the group.

   d. **Reporting:** in addition to the regular reports submitted to the Audit and Compliance Committee, the ESG Committee, key management personnel and the management team, two significant new reporting initiatives were introduced in 2021:

      I. Addition of a dashboard with non-financial information to each factory's management plan containing indicators that track the effectiveness of the compliance model, as approved by the Board of Directors and the ESG Committee and actively endorsed by the company's CEO.

      II. Elaboration of an interactive map for monitoring the company's key risks and the level of performance of the internal controls in place to mitigate those risks, estimating the earnings impact (framed by the defined parameters) if they were to materialise.

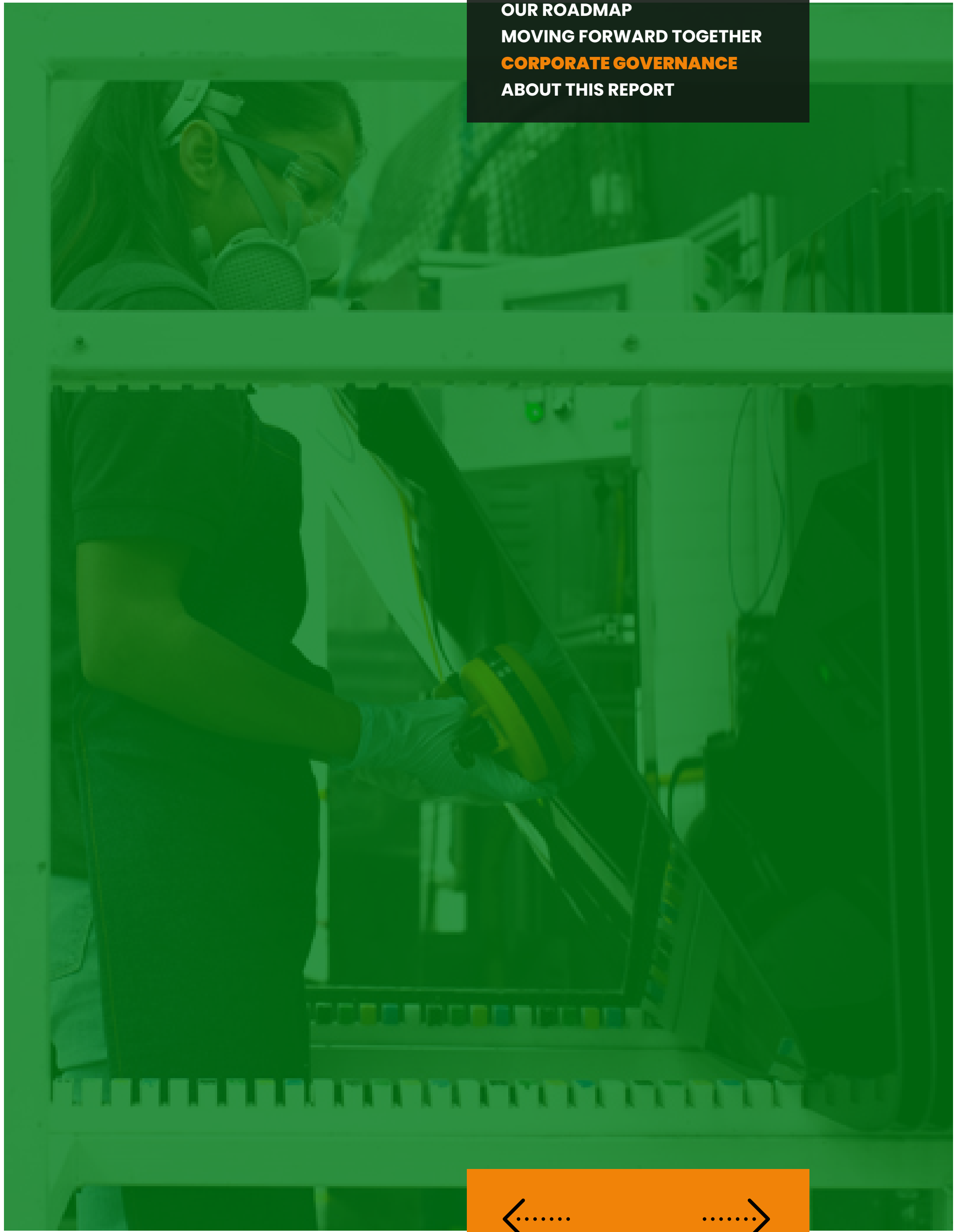
   e. **Oversight:** the company has identified and determined indicators that track the effectiveness of the model, any deficiencies detected and the execution of any action plans underway following recommendations made in prior reports.

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

All information regarding the suite of corporate policies and the compliance model is published on the group's corporate website, within the dedicated ESG Commitments tab and in the Investors & Shareholders microsite, as well as in the various reports the company is required to file with the regulator annually.

Progress on ESG management

CIE Automotive generates shared value for the company and its stakeholders by embracing environmental, social and governance (ESG) criteria. In 2021, the company took a decisive step forward by publishing its 2025 ESG Strategic Plan. Moreover, it added a new SDG to the roster of goals it is particularly committed to (#13, Climate action), formulated its Criminal Risk Prevention Policy and furthered the global rollout of its Criminal Risk Prevention Model.



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Commitment to the 2030 Agenda

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

In its capacity as manufacturer of parts and subassemblies for the automotive industry, the company feels it can make a more tangible contribution in respect of nine specific goals (SDGs #3, 4, 5, 8, 9, 10, 12, 13 and 17). It provides an account of its progress on those specific goals in this report.

It formally added SDG #13 to that list in 2021, echoing its growing commitment to environmental protection, which has been reinforced by measurement of its environmental footprint in Europe and formulation of a specific climate risk map.

3 GOOD HEALTH AND WELL BEING

3. HEALTH AND WELLBEING

Ensure healthy lives and promote well-being for all at all ages.

4 QUALITY EDUCATION

4. QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

5 GENDER EQUALITY

5.GENDER EQUALITY

Empowering women and girls has a multiplier effect and helps drive up economic growth and development across the board.

8 DECENT WORK AND ECONOMIC GROWTH

8. DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

9. INDUSTRIALISATION, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

10 REDUCED INEQUALITIE

10. REDUCED INEQUALITIES

Ensure equal opportunity and reduce inequalities of outcome; maintain a presence in less developed countries.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12. RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

13 CLIMATE ACTION

13. CLIMATE ACTION

Take urgent action to combat climate change and its impacts.

7 PARTNERSHIP FOR THE GOAL

17. PARTNERSHIPS TO DELIVER GOALS

Strengthen the means of implementation and revitalise the global partnership for sustainable development.

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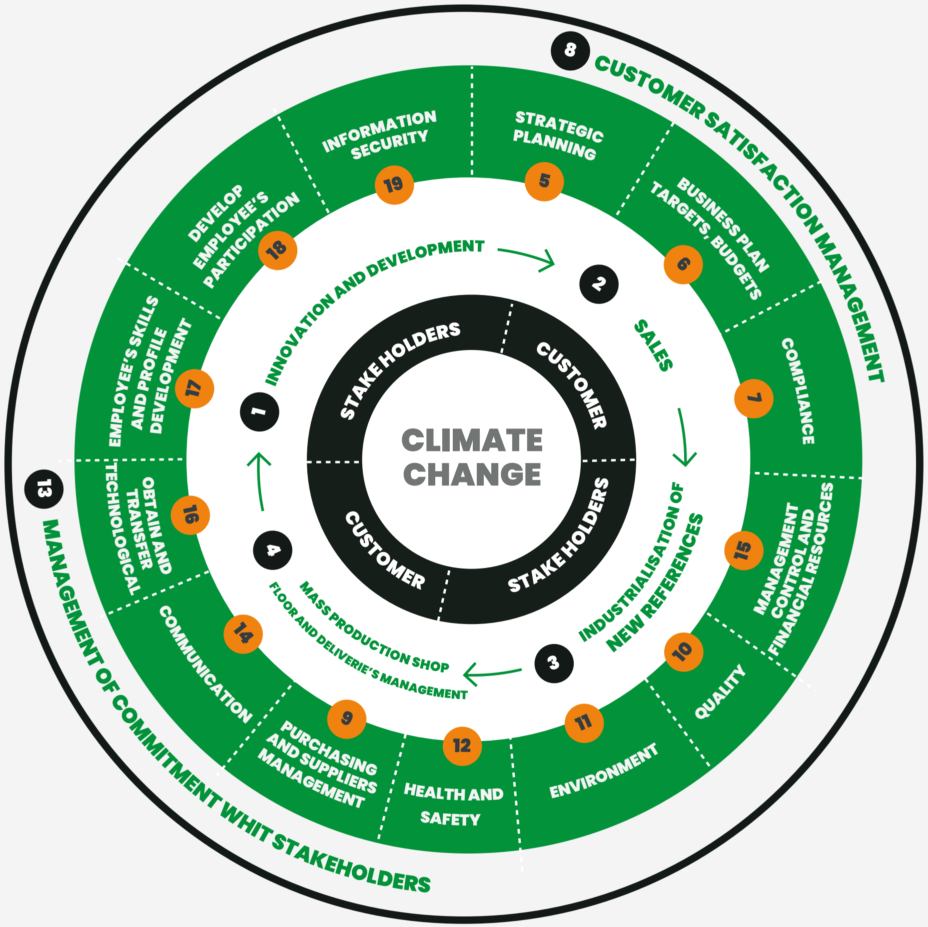
ESG policy in action

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



Effective application of the ESG Policy and management of the potential associated risks are addressed in the Risk Management and Control Policy, which follows the ISO 31000 methodology.

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

To measure its performance along the different dimensions of its ESG effort, CIE Automotive has established 79 ESG indicators for tracking at the global level; those KPIs have in turn been included in each factory's management plan and will be used to track delivery of the 2025 ESG Strategic Plan.

Approval of this dedicated ESG dashboard by the ESG Committee and the company's CEO and its inclusion in the 2025 Business Plan evidence the company's strong commitment to sustainability values and lay the foundations for its actions in this area of growing importance.

Progress made on the ESG front in 2021

In addition to the addition of the dedicated ESG section to the 2025 Business Plan, CIE Automotive made progress in the following areas:

- **New internal rules: I**n 2021 the company formulated its Compliance and Criminal Risk Prevention Policy, framed by its ESG commitments.
- **Rollout** of the Criminal Risk Prevention Model: In keeping with the target set down in the 2025 ESG Strategic Plan of implementing the compliance model all across the group by 2025, the company introduced specific corporate control measures (rules, policies and procedures) in the US and Czech Republic in 2021, having analysed the differences with respect to the legislation applicable in Spain and adapted the model as necessary for the characteristics specific to each country.
- **Training:** As part of the group's effort to raise awareness about criminal risks and its anti-corruption effort, CIE Automotive provided two online training programmes to its directors, key management personnel, global management team and local management committee members, some 600 people in total. In addition, it provided training on the core components of its Code of Professional Conduct to every member of the organisation.

  The purpose of these training initiatives is to familiarise and engage employees with the company's applicable policies and oversight bodies in these important areas and the tools and procedures in place for ensuring they are complied with and to raise broad awareness of their importance and benefits.
- **Materiality:** The group conducted an internal assessment of the matters deemed of greatest importance in the ESG arena, to which end it gathered feedback from almost 800 people. The outcome of the assessment is an updated materiality matrix, which was used in drafting this integrated Annual Report, as is detailed in section Materiality, below.

CROSS-GROUP ESG COMMITTEE

● Permanent member
● Non-permanent member


Susana Molinuevo
ESG & Compliance


Lorea Aristizabal
Corporate Development


Gonzalo Ceberio
Quality and Environment


Iker Hernández
Risk Management & Internal Control

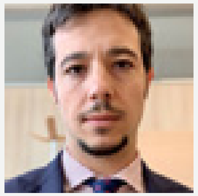

Iñigo Loizaga
Engineering

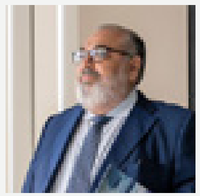

Mikel Orbegozo
Sales


Irache Pardo
Finance, Treasury & Supply Chain


Ángel Zalduegui
Society


Aitor Zazpe
Human Resources & Business Management


Javier Alvarez
Human Resources


Jose Esmoris
R&D


María Miñambres
Controlling & Taxes

Stakeholder engagement

CIE Automotive has identified nine groups of stakeholders that interact with the company and are affected directly or indirectly by its business activities: shareholders, professionals, customers, business partners, suppliers, society, public authorities, the automotive sector and financiers.

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CIE Automotive's stakeholders

Shareholders

CIE Automotive generates value for its shareholders by increasing the company's value and via the dividends they receive every year.

It provides transparent, accurate and timely information to the investment community.

It earns the market's trust.

Business partners

The strategic alliances with Mahindra&Mahindra Ltd. in India and Donghua Automotive Industrial and the SAIC Group in China bring enhanced knowledge of and adaptation to the local market.

Public authorities

The company works with the authorities in its business communities to improve various services.

It implements their requirements at its facilities, cooperating lawfully and transparently.

Professionals

The company provides decent work in all its business markets and the training needed so its professionals can do their jobs.

It protects employee wellbeing in a safe and healthy workplace.

It facilitates collective bargaining.

It promotes respect for human rights with an emphasis on the more vulnerable markets.

Suppliers

The company guarantees its suppliers are given equal opportunities.

It promotes transparency and optimal pricing.

It provides fair payment terms.

It reaches out to its supplies as part of its effort to deliver customer satisfaction.

Sector

The company participates actively, holding positions of prominence, in several business associations in Spain and Europe.

Customers

The company is strategically committed to innovation to meet customers' demands.

It guarantees the quality and safety of its products.

It fine-tunes the supply chain continually.

It manages its resources efficiently in order to contain prices.

Society

The company drives development through its activities in its operating markets.

It finances social activities targeted at the least privileged.

It helps make safer and more comfortable and environmentally-friendly cars.

Financiers

The company negotiates the best possible conditions on the basis of investment requirements and prevailing market conditions.

The company provides its stakeholders with a series of information and communication channels, the most important of which is its corporate website, which houses all manner of information about the company; it also provides access to other dedicated channels such as the Suppliers Portal and the 'Investors and Shareholders microsite.

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Corporate website

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

Specific contacts for each stakeholder group (similarly provided on the corporate website)*

ESG and Society:
Susana Molinuevo *esg@cieautomotive.com*

Professionals
Aitor Zazpe *hr@cieautomotive.com*

Investor relations and business partners:
Lorea Aristizabal *ir@cieautomotive.com*

Customers and sector:
Mikel Orbegozo *sales@cieautomotive.com*

Supply chain:
Irache Pardo *purchasing@cieautomotive.com*

Financiers:
Irache Pardo *financierocie@cieautomotive.com*

Public relations:
compliance@cieautomotive.com

(*) Also included on the corporate website.

Mailing address

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

**AIC - Automotive Intelligence Center.
Parque Empresarial Boroa, Parcela 2A – 4, 48340
Amorebieta (Bizkaia), España.**

Whistle-blowing channel

Anyone can notify unethical conduct or breaches of the company's business ethics or any of the matters stipulated in CIE Automotive's Code of Professional Conduct through this channel.

Whistle-blowing channel e-mail inbox:
whistleblowerchannel@cieautomotive.com

To report anything of concern using the whistle-blowing channel, stakeholders may write to the Compliance Department at the following address

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

More information and a communication channel on the corporate intranet and website.

CONTENT INDEX

REPORTING

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Framed by its commitment to transparency, CIE Automotive reports on its performance along the economic, environmental, social and governance dimensions in an integrated Annual Report which has become an essential tool for understanding CIE Automotive's management of and progress in ESG matters.

The quality of the information provided in the Annual Report has been acknowledged by Informe Reporta, an assessment of the quality of the reporting efforts of the companies listed on the Madrid stock exchange by analysing 36 indicators related with the principles of importance, relevance, transparency and accessibility.

The 2020 Annual Report, which was published in February 2021, placed third on the Informe Reporta ranking, having climbed from 51st to 3rd position in recent years, once again showcasing CIE Automotive's continuous improvement spirit.

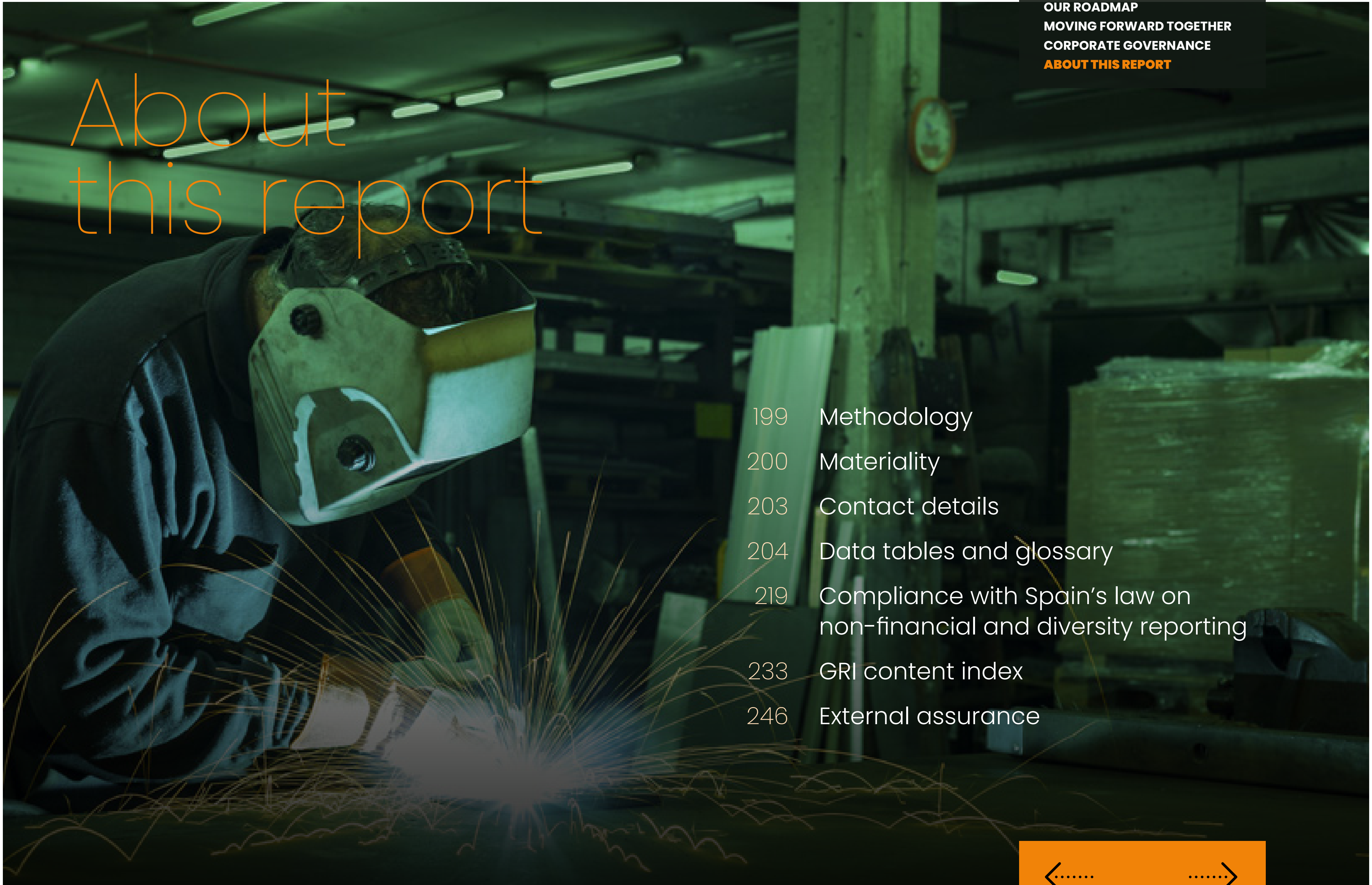
Independent ESG assessments

In addition to the reports published by CIE Automotive, several agencies specialised in ESG assessments also evaluate CIE Automotive's performance and progress. Note that with the exception of the assessment related with the company's green financing, none of all other evaluations is undertaken at the request of the company but are rather compiled by those experts on the basis of public information. Virtually all of those assessments highlight very encouraging trends in the company's performance scores over time and relative to its sector peers.

New Tax Contribution Report

Last June, CIE Automotive presented its first Tax Contribution Report, a document written to provide vested parties with knowledge of its tax and community contributions, its community engagement strategy, its risk management policies and its approach to transfer pricing.

The report marks a new milestone in the company's transparency effort and responds to growing interest from society, public institutions and the investment community in tax policies and practices.



About this report

Methodology

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This Annual Report provides comprehensive information about the performance of CIE Automotive, S.A. and its investees along the economic, financial, social, environmental and governance dimensions (ESG) dimensions in 2021 in all of the countries in which it is present.

How the non-financial information was prepared

CIE Automotive's 2021 Non-Financial Statement (NFS) provides information about the performance of CIE Automotive, S.A. and its investees along ESG dimensions during the reporting period in the 18 countries in which it has operations. For information about how the information provided correlates with the disclosure requirements stipulated in Spain's law on non-financial reporting, refer to the section titled "Non-financial statement - Tracing compliance with the Law on non-financial information and diversity reporting".

The non-financial information was drawn up in keeping with the non-binding guidelines on non-financial reporting issued by the European Commission on 5 July 2017 (EU Guidelines 2017/C 215/01) and the Core In-accordance option of the GRI sustainability reporting guidelines (mainly version 2016 but also some contents from versions 2019 and 2020). The information has been independently assured by PricewaterhouseCoopers, which is also the group's statutory auditor. The Audit and Compliance Committee is tasked with ensuring that firm's independence.

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

- The Compliance Department is ultimately responsible for its preparation and coordination, albeit ably assisted by the Cross-Group ESG Committee.
- The Board of Directors is ultimately responsible for approving it for issue, along with the Directors' Report. The Board of Directors is kept regularly abreast of the most significant matters by the ESG Committee.

This report expounds on the relevant topics identified in the course of the materiality analysis conducted with stakeholder groups between 2019 and 2021 (as detailed in "Materiality" below), on account of their importance to the various stakeholders and the company itself.

To round out the information about the group's activities throughout the year, a number of other statutory reports are available for download on the corporate website: separate and consolidated annual financial statements and directors' report, Annual Corporate Governance Report and Annual Report on Board Remuneration, along with all of the presentations published about different aspects of the group or in the specific website tabs devoted to specific stakeholder groups.

How the Annual Report was prepared

This report expounds on the relevant topics identified as a result of the materiality assessment between 2019 and 2021 on the basis of questionnaires and analysis carried out to detect the topical issues deemed most important due either to their significance for the company and its stakeholders or due to the perception they are receiving insufficient management attention within the organisation.

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

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

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

Materiality

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CIE Automotive's 2021 Annual Report attempts to provide information about the matters deemed relevant to the company and its stakeholders.

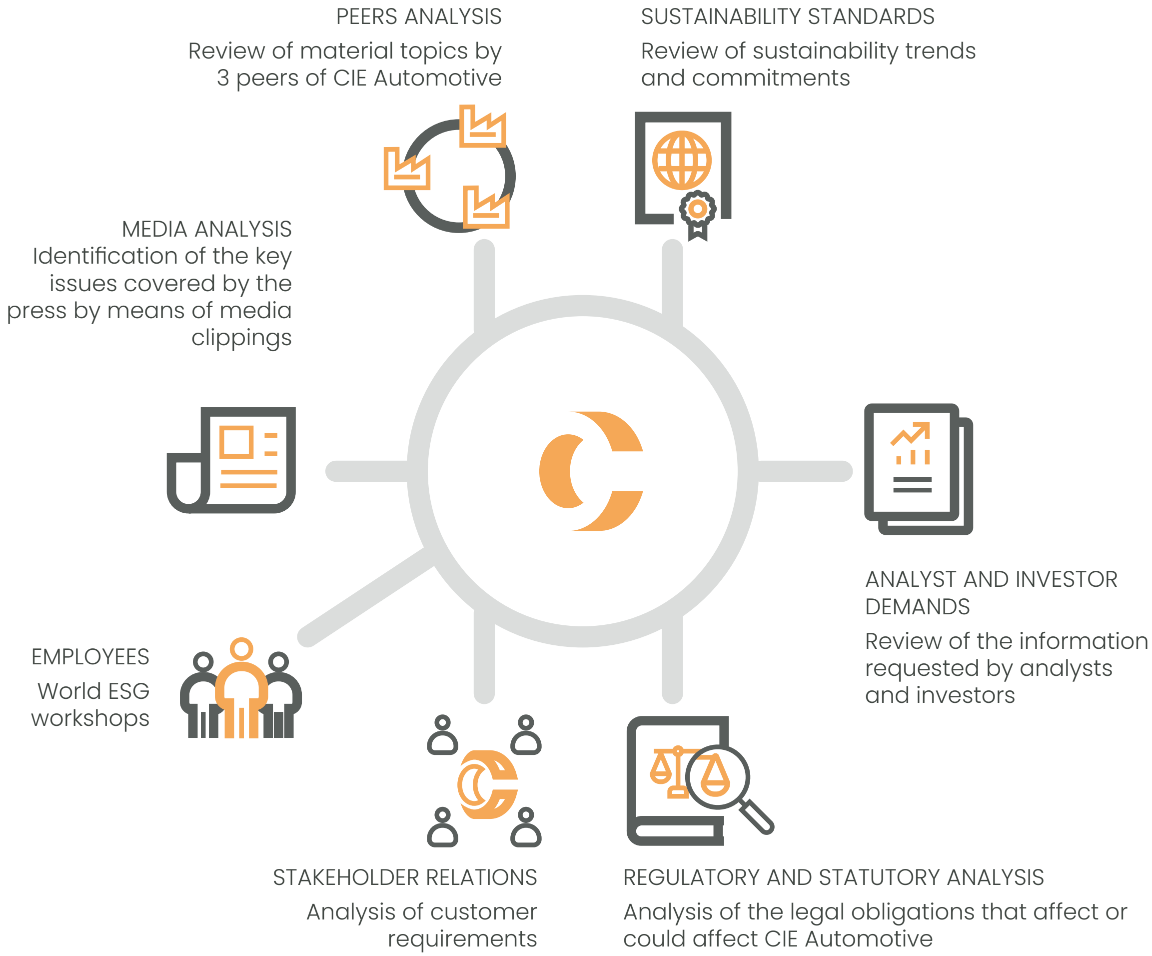
In order to understand its stakeholders' expectations and plan an appropriate response, between 2019 and 2021, CIE Automotive reviewed and updated the materiality assessment conducted in 2017, when it identified which aspects were most important to both the company and the parties with a vested interest in its activities. To conduct that assessment, it consulted internal and external sources and, in 2021, it complemented that analysis following the online workshops, in which nearly 800 members of the group factories' management committees around the world participated, which enabled it to broaden its vision of the ESG issues of greatest concern in each country.

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

MATERIALITY ASSESSMENT: CALCULATING SIGNIFICANCE

Each material topic was ranked in importance as a result of the 2021 materiality assessment on the basis of two variables: its presence in each of the ESG dimensions analysed (environmental, social and governance) and weightings. The weightings were assigned as a function of the importance of the sources of information for CIE Automotive.

How did we do our materiality assessment?



MATERIAL TOPIC 2021

Following this year's update, the relative relevance of certain topics has shifted. The topics that have come to the fore in terms of importance or concern are talent management; customer satisfaction; and occupational health and safety.

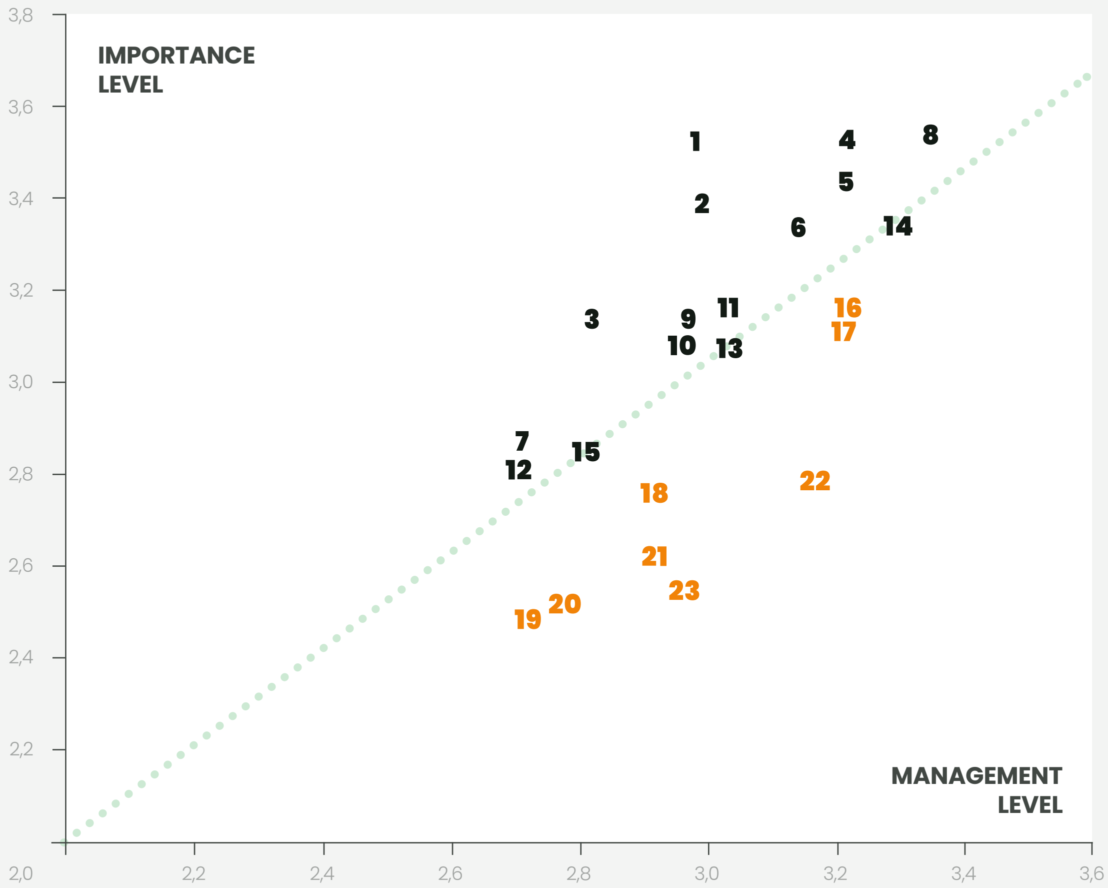
Material topics ranked by importance*

Dimension	Material topic	OVERALL	INTERNAL	EXTERNAL
SOCIAL	**Expert talent management**	1	1	2
GOVERNANCE	**Risk management**	2	11	1
ENVIRONMENTAL	**Innovation to drive efficiency**	3	4	3
SOCIAL	**Customer satisfaction**	4	2	10
SOCIAL	**Workplace health and safety**	5	3	11
ENVIRONMENTAL	**Circular economy: efficient use of resources and waste management**	6	13	6
SOCIAL	**Employee wellbeing**	7	12	7
GOVERNANCE	**Ethics and compliance**	8	9	9
GOVERNANCE	**Strong corporate governance**	9	16	5
ENVIRONMENTAL	**New forms of mobility**	10	18	4
SOCIAL	**Responsible supply chain management**	11	5	12
SOCIAL	**Equality, diversity and inclusion**	12	7	13
ENVIRONMENTAL	**Environmental impact**	13	8	14
SOCIAL	**Respect for human rights**	14	6	16
ENVIRONMENTAL	**Climate change**	15	23	8
GOVERNANCE	**Growth and responsible investment**	16	17	15
GOVERNANCE	**Reputation**	17	14	17
SOCIAL	**Community relations**	18	22	18
SOCIAL	**Stakeholder engagement**	19	10	21
GOVERNANCE	**Geopolitics**	20	20	19
GOVERNANCE	**Privacy and data protection**	21	19	20
GOVERNANCE	**Transparency**	22	15	22
SOCIAL	**Product quality and safety**	23	21	23

(*) The topics are ranked on a numeric scale from 1 to 23, 1 bring the most important and 23, the least relevant

MATERIALITY MATRIX

The importance ascribed to each material topic, coupled with the perception of how well each one is being managed, yielded the following materiality matrix, which in turn formed the basis of the 2025 ESG Strategic Plan and the contents of this Annual Report:



1. Expert talent management
2. Risk management
3. Innovation to drive efficiency
4. Customer satisfaction
5. Workplace health and safety
6. Circular economy: efficient use of resources and waste management
7. Employee wellbeing
8. Ethics and compliance
9. Strong corporate governance
10. New forms of mobility
11. Responsible supply chain management
12. Equality, diversity and inclusion
13. Environmental impact
14. Respect for human rights
15. Climate change
16. Growth and responsible investment
17. Reputation
18. Community relations
19. Stakeholder engagement
20. Geopolitics
21. Privacy and data protection
22. Transparency
23. Product quality and safety

One of the targets of the ESG Strategic Plan2025 is to update the external materiality assessment; another is to continue to run ESG Workshops around the world in order to share the results of this analysis across the various regions and to perform a more detailed internal materiality analysis, of broader scope, so as to continue to generate feedback for the overall matrix and drill down into what the group needs to prioritise.

Contact details

Registered name	**CIE Automotive S.A.**
Registered office	**Alameda Mazarredo, 69 – 8º 48009 Bilbao, (Bizkaia).**
Telephone number	**+34 946 054 835** *(Spain)*
Website	***www.cieautomotive.com***
Share capital	**€30,637,500**
No. of shares	**122,550,000**
Par value	**€0.25/share**
Business activity	Manufacture of automotive parts.
Markets	CIE Automotive is present in 16 countries and its shares are listed on the Bilbao, Madrid and Bombay stock exchanges.

Dedicated channels for each stakeholder group:*

ESG and community relations:
Susana Molinuevo *esg@cieautomotive.com*

Professionals:
Aitor Zazpe *hr@cieautomotive.com*

Investor relations and business partners:
Lorea Aristizabal *ir@cieautomotive.com*

Customers and sector:
Mikel Orbegozo *sales@cieautomotive.com*

Supply chain:
Irache Pardo *purchasing@cieautomotive.com*

Financiers:
Irache Pardo *financierocie@cieautomotive.com*

Public relations:
compliance@cieautomotive.com

(*) Also included on the corporate website.

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Data tables and glossary

Employment tables

Total number and breakdown of employees by gender, age and job category

2020	Men			Total	Women			Total	TOTAL
	<30	30-50	>50	M	<30	30-50	>50	W	
Management Committee		2	4	6		4		4	10
Executives	41	593	240	874	9	71	16	96	970
University graduates	1,471	3,471	746	5,688	355	709	135	1,199	6,886
Tradesmen and women	4,116	8,069	1,974	14,159	832	1,850	491	3,173	17,331
Total	**5,628**	**12,135**	**2,963**	**20,726**	**1,196**	**2,629**	**642**	**4,471**	**25,197**

2021	Men			Total	Women			Total	TOTAL
	<30	30-50	>50	M	<30	30-50	>50	W	
Management Committee		1	5	6		4		4	10
Executives	8	594	259	861	7	79	18	104	965
University graduates	1,397	3,430	800	5,627	350	696	148	1,194	6,821
Tradesmen and women	3,875	7,624	2,005	13,504	788	1,825	559	3,172	16,676
Total	**5,280**	**11,649**	**3,069**	**19,998**	**1,145**	**2,604**	**725**	**4,474**	**24,472**

Total number and breakdown of employees by country

	2020	2021
Indefinite contracts	22,738	21,365
Temporary contracts	5,386	3,107
Total nº of people	**28,124**	**24,472**
Full-time	27,933	24,318
Part-time	191	154
Total nº of people	**28,124**	**24,472**

Total number and breakdown of employees by country

Country	2020	2021
India	6,744	6,956
Mexico	5,460	5,381
Brazil	3,050	2,662
Spain	2,333	2,296
US	1,582	1,579
China	1,570	1,514
Germany	879	817
Slovakia	837	654
Czech Republic	628	607
Romania	611	560
Italy	439	443
France	338	318
Portugal	323	296
Lithuania	221	218
Morocco	103	101
Russia	74	65
Netherlands	4	4
South Korea	0	1
Total	**25,196**	**24,472**

Average headcount during the year by permanent/temporary/part-time contracts by gender, age and job category

2020	Men	Women	Age			Category		
			<30	30-50	>50	Executives	University graduates	Tradesmen and women
Indefinite	18,320	3,746	4.479	13,937	3,650	978	6,713	14,375
Temporary	2,840	737	2.179	1,209	189	18,461	3,098	3,099
Full-time	21,007	4,403	6,589	15,060	3,761	985	7,071	17,354
Part-time	153	80	69	86	78	11	103	119

2021	Men	Women	Age			Category		
			<30	30-50	>50	Executives	University graduates	Tradesmen and women
Indefinite	17,511	3,854	4,314	13,349	3,702	969	6,380	14,016
Temporary	2,487	620	2,111	904	92	6	441	2,660
Full-time	19,909	4,409	6,369	14,210	3,739	975	6,746	16,597
Part-time	89	65	56	43	55	0	74	79

Average earnings and trend broken down by gender, age, job category or equivalent metric

Average annual pre-tax earnings*			Age			Category		
	Men	Women	<30 years	30-50	>50 years	Executives	University graduates	Tradesmen and women
2020	16,147	15,004	7,896	15,838	31,016	57,150	18,937	12,269
2021	17,064	15,796	8,040	16,864	32,143	62,221	20,821	12,637

*All of the average annual pre-tax earnings figures provided in the table above are calculated by summing the total number of people employed by CIE Automotive in the category provided in the breakdown, without considering their origin or place of work.

Breakdown of hires and departures by age and gender

2020	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total women	Total
New hires	3,603	1,438	201	5,242	692	609	83	1,384	**6,629**
Voluntary and other departures	3,372	1,804	639	5,815	429	451	113	993	**6,808**

2021	Men under the age of 30	Men aged between 30 and 50	Men over the age of 50	Total men	Women under the age of 30	Women aged between 30 and 50	Women over the age of 50	Total women	Total
New hires	3,712	1,725	265	5,702	804	717	119	1,640	**7,342**
Voluntary and other departures	2,981	1,586	391	4,958	642	552	119	1,313	**6,271**

Number of dismissals by gender, age and job category

2020	Men			Total	Woman			Total	TOTAL
	<30	30-50	>50	M	<30	30-50	>50	W	
Executives	-	15	11	26	-	8	1	9	**35**
University graduates	169	354	80	603	48	59	12	116	**719**
Tradesmen and women	916	689	201	1,806	85	190	59	334	**2,140**
Total	**1,085**	**1,058**	**292**	**2,435**	**133**	**254**	**72**	**459**	**2,894**

2021	Men			Total	Woman			Total	TOTAL
	<30	30-50	>50	M	<30	30-50	>50	W	
Executives	0	9	11	20	0	1	0	1	**21**
University graduates	92	222	42	356	33	50	5	88	**444**
Tradesmen and women	436	430	76	942	78	129	15	222	**1,164**
Total	**528**	**661**	**129**	**1,318**	**111**	**180**	**20**	**311**	**1,629**

Environmental management tables

Water consumption

303-1

m³/year	Indicador	Definición	2019	2020	2021
Europe*	GRI 303-1 (1)	Superficial	64,363.00	31,385.00	28,161.00
	GRI 303-1 (2)	Ground water	30,893.00	36,803.00	33,956.00
	GRI 303-1 (3)	Rain water	25,253.00	26,441.00	4,386.00
	GRI 303-1 (4)	Water net	321,631.00	303,515.00	322,045.00
	GRI 303-1	**Water used**	**442,140.00**	**398,144.00**	**388,548.00**
		Recycled water	**NA**	**NA**	**26,108,223.00**
North America	GRI 303-1 (1)	Superficial	2,048.00	-	11,002.00
	GRI 303-1 (2)	Ground water	69,589.00	59,079.00	59,471.00
	GRI 303-1 (3)	Rain water	-	-	-
	GRI 303-1 (4)	Water net	255,886.32	224,587.78	262,656.55
	GRI 303-1	**Water used**	**327,523.32**	**283,666.78**	**333,129.55**
		Recycled water	**NA**	**NA**	**12,332,109.90**
Brazil	GRI 303-1 (1)	Superficial	-	14,242.00	-
	GRI 303-1 (2)	Ground water	75,234.00	56,906.00	49,665.00
	GRI 303-1 (3)	Rain water	-	-	-
	GRI 303-1 (4)	Water net	175,959.00	104,723.00	149,215.00
	GRI 303-1	**Water used**	**251,193.00**	**175,871.00**	**198,880.00**
		Recycled water	**NA**	**NA**	**4,939,268.45**
Asia (India/China)	GRI 303-1 (1)	Superficial	261,840.00	236,591.00	157,053.00
	GRI 303-1 (2)	Ground water	179,451.00	185,606.00	203,057.20
	GRI 303-1 (3)	Rain water	6,555.00	3,845.00	14,456.00
	GRI 303-1 (4)	Water net	180,530.00	167,165.00	303,752.43
	GRI 303-1	**Water used**	**628,376.00**	**593,207.00**	**678,318.63**
		Recycled water	**NA**	**NA**	**20,824,532.45**
TOTAL	GRI 303-1 (1)	Superficial	328,251.00	282,218.00	196,216.00
	GRI 303-1 (2)	Ground water	355,167.00	338,394.00	346,149.20
	GRI 303-1 (3)	Rain water	31,808.00	30,286.00	18,842.00
	GRI 303-1 (4)	Water net	934,006.32	799,990.78	1,037,668.98
	GRI 303-1	**Water used**	**1,649,232.32**	**1,450,888.78**	**1,598,876.18**
		Recycled water	**NA**	**NA**	**64,204,133.80**

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

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Material consumption

Kg	Indicador	Definición	2019	2020	2021
Europe*	GRI 301-1	Raw material used	545,320,860.00	383,474,092.00	444,062,256.00
	GRI 301-2	Raw material re used	230,418,938.00	145,243,605.00	194,921,354.00
			42%	38%	44%
North America	GRI 301-1	Raw material used	370,013,007.00	300,490,431.00	327,388,797.24
	GRI 301-2	Raw material re used	8,205,673.00	9,820,027.00	12,811,068.86
			2%	3%	4%
Brazil	GRI 301-1	Raw material used	187,910,073.00	152,235,258.00	169,957,386.00
	GRI 301-2	Raw material re used	70,114,134.00	54,837,125.00	71,633,082.00
			37%	36%	42%
Asia (India/China)	GRI 301-1	Raw material used	407,039,649.00	434,487,453.00	506,635,270.00
	GRI 301-2	Raw material re used	102,452,797.00	91,092,000.00	116,362,976.00
			25%	21%	23%
TOTAL	GRI 301-1	Raw material used	1,510,283,589.00	1,270,687,234.00	**1,448,043,709.24**
	GRI 301-2	Raw material re used	411,191,542.00	300,992,757.00	**395,728,480.86**
			27%	24%	**27%**

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

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Waste management (I)

Tonne	Indicator	Definition	2019	2020	2021
Europe*	GRI 306-2	**Industrial waste treated hazardous**	16,056.07	9,240.72	9,675.30
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	5,270.71
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	4,404.59
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	1,832.54
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	126.66
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	1,123.19
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	1,322.20
	GRI 306-2	**Industrial waste treated no-hazardous**	129,598.75	82,926.86	109,328.78
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	108,288.73
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	1,040.05
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	69.54
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	-
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	555.96
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	414.55
	GRI 306-2	**TOTAL**	**145,654.82**	**92,167.58**	**119,004.08**
North America	GRI 306-2	**Industrial waste treated hazardous**	3,125.34	3,126.86	3,063.98
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	1,707.53
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	1,356.42
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	364.31
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	30.14
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	655.03
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	306.97
	GRI 306-2	**Industrial waste treated no-hazardous**	73,696.89	68,823.73	71,173.13
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	69,349.60
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	1,823.53
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	47.73
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	-
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	1,675.94
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	99.85
	GRI 306-2	**TOTAL**	**76,822.23**	**71,950.59**	**74,237.11**

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

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Waste management (II)

Tonne	Indicator	Definition	2019	2020	2021
Brazil	GRI 306-2	**Industrial waste treated hazardous**	3,654.90	2,155.99	1,072.04
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	512.93
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	559.11
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	520.61
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	-
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	35.02
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	3.48
	GRI 306-2	**Industrial waste treated no-hazardous**	41,572.17	37,774.96	58,383.90
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	29,719.02
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	28,664.88
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	6,286.96
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	-
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	22,201.59
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	176.33
	GRI 306-2	**TOTAL**	**45,227.07**	**39,930.95**	**59,455.95**
Asia (India/China)	GRI 306-2	**Industrial waste treated hazardous**	2,402.97	1,805.63	3,646.55
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	2,041.86
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	1,604.10
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	253.59
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	560.94
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	723.22
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	66.94
	GRI 306-2	**Industrial waste treated no-hazardous**	94,987.97	76,512.47	116,407.43
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	86,295.44
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	30,111.99
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	26.49
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	231.65
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	28,049.32
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	1,804.54
	GRI 306-2	**TOTAL**	**97,390.94**	**78,318.10**	**120,053.98**

306-2

Waste management (III)

Tonne	Indicator	Definition	2019	2020	2021
	GRI 306-2	**Industrial waste treated hazardous**	25,239.28	16,329.20	17,457.88
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	9,533.03
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	7,924.23
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	2,971.05
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	717.74
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	2,536.45
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	1,699.60
TOTAL	GRI 306-2	**Industrial waste treated no-hazardous**	339,855.78	266,038.02	355,293.24
	GRI 306-2	Non-hazardous waste to recycling	NA	NA	293,652.79
	GRI 306-2	Non-hazardous waste to disposal	NA	NA	61,640.45
	GRI 306-2	Non-hazardous waste to incineration (with energy recovery)	NA	NA	6,430.72
	GRI 306-2	Non-hazardous waste to incineration (without energy recovery)	NA	NA	231.65
	GRI 306-2	Non-hazardouss waste to landfilling	NA	NA	52,482.81
	GRI 306-2	Non-hazardous waste to other disposal operation	NA	NA	2,495.27
	GRI 306-2	**TOTAL**	**365,095.06**	**282,367.22**	**372,751.12**

302-1

Energy consumption and savings

Gigajoules	Indicator	Definition	2019	2020	2021
Europe*	GRI 302-1	Direct energy consumption	774,253.76	639,301.96	727,697.13
	GRI 302-1	Indirect energy consumption	1,471,786.54	1,160,924.20	1,288,375.69
	GRI 302-1	Indirect energy consumption from non-renewable sources	504,262.80	401,043.59	317,015.31
	GRI 302-1	Indirect energy consumption from renewable sources	967,523.75	759,880.62	971,360.38
	GRI 302-1	**TOTAL**	**2,246,040.31**	**1,800,226.16**	**2,016,072.83**
North America	GRI 302-1	Direct energy consumption	476,606.74	426,553.41	627,666.59
	GRI 302-1	Indirect energy consumption	723,266.73	693,956.78	758,008.54
	GRI 302-1	Indirect energy consumption from non-renewable sources	581,783.97	537,472.46	625,774.54
	GRI 302-1	Indirect energy consumption from renewable sources	141,482.76	156,484.32	132,234.00
	GRI 302-1	**TOTAL**	**1,199,873.47**	**1,120,510.19**	**1,385,675.13**
Brazil	GRI 302-1	Direct energy consumption	242,715.78	153,633.44	176,688.22
	GRI 302-1	Indirect energy consumption	687,884.31	536,138.85	644,943.72
	GRI 302-1	Indirect energy consumption from non-renewable sources	76,045.27	41,090.25	22,877.65
	GRI 302-1	Indirect energy consumption from renewable sources	611,839.04	495,048.60	622,066.07
	GRI 302-1	**TOTAL**	**930,600.09**	**689,772.29**	**821,631.93**
Asia (India/China)	GRI 302-1	Direct energy consumption	169,178.90	302,183.16	390,601.12
	GRI 302-1	Indirect energy consumption	1,072,288.97	949,276.73	1,193,745.79
	GRI 302-1	Indirect energy consumption from non-renewable sources	931,365.88	795,005.82	1,005,338.28
	GRI 302-1	Indirect energy consumption from renewable sources	140,923.09	154,270.91	188,407.51
	GRI 302-1	**TOTAL**	**1,241,467.87**	**1,251,459.89**	**1,584,346.91**
TOTAL	GRI 302-1	Direct energy consumption	1,662,755.19	1,521,671.97	1,922,653.06
	GRI 302-1	Indirect energy consumption	3,955,226.55	3,340,296.56	3,885,073.74
	GRI 302-1	Indirect energy consumption from non-renewable sources	2,093,457.91	1,774,612.12	1,971,005.79
	GRI 302-1	Indirect energy consumption from renewable sources	1,861,768.64	1,565,684.45	1,914,067.96
	GRI 302-1	**TOTAL**	**5,617,981.74**	**4,861,968.53**	**5,807,726.80**

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

305-1 305-2 305-3

Emissions (scope 1, 2 y 3)

	Indicator	Definition	Unit	2019	2020	2021
Europe*	GRI 305-1	Direct emissions	T CO_2	43,914.62	37,934.40	43,281.83
	GRI 305-1	CH_4 Direct emissions	T CH_4	-	-	0.79
	GRI 305-1	N_2O Direct emissions	T N_2O	-	-	0.09
	GRI 305-2	CO_2 Indirect emissions	T CO_2	60,798.05	38,420.00	34,671.25
	GRI 305	**TOTAL**	**T CO_2**	**104,712.67**	**76,354.40**	**77,953.09**
	GRI 305-3	Other indirect emissions (Scope 3)	T CO_2	-	-	1,205,714.93
North America	GRI 305-1	Direct emissions	T CO_2	27,192.34	25,340.46	37,285.26
	GRI 305-1	CH_4 Direct emissions	T CH_4	-	-	0.72
	GRI 305-1	N_2O Direct emissions	T N_2O	-	-	0.09
	GRI 305-2	CO_2 Indirect emissions	T CO_2	76,247.68	85,385.01	99,045.49
	GRI 305	**TOTAL**	**T CO_2**	**103,440.02**	**110,725.48**	**136,330.75**
	GRI 305-3	Other indirect emissions (Scope 3)	T CO_2	-	-	949,779.07
Brazil	GRI 305-1	Direct emissions	T CO_2	14,387.16	9,191.82	10,568.18
	GRI 305-1	CH_4 Direct emissions	T CH_4	-	-	0.23
	GRI 305-1	N_2O Direct emissions	T N_2O	-	-	0.03
	GRI 305-2	CO_2 Indirect emissions	T CO_2	1,436.41	477.10	265.61
	GRI 305	**TOTAL**	**T CO_2**	**15,823.57**	**9,668.92**	**10,833.79**
	GRI 305-3	Other indirect emissions (Scope 3)	T CO_2	-	-	344,183.92
Asia (India/China)	GRI 305-1	Direct emissions	T CO_2	10,599.47	18,392.44	23,625.35
	GRI 305-1	CH_4 Direct emissions	T CH_4	-	-	0.75
	GRI 305-1	N_2O Direct emissions	T N_2O	-	-	0.13
	GRI 305-2	CO_2 Indirect emissions	T CO_2	216,386.94	200,134.86	255,494.97
	GRI 305	**TOTAL**	**T CO_2**	**226,986.41**	**218,527.30**	**279,120.32**
	GRI 305-3	Other indirect emissions (Scope 3)	T CO_2	-	-	1,139,204.53
TOTAL	GRI 305-1	Direct emissions	T CO_2	96,093.59	90,859.13	114,760.62
	GRI 305-1	CH_4 Direct emissions	T CH_4	-	-	1.69
	GRI 305-1	N_2O Direct emissions	T N_2O	-	-	0.25
	GRI 305-2	CO_2 Indirect emissions	T CO_2	354,869.08	324,416.97	389,477.33
	GRI 305	**TOTAL**	**T CO_2**	**450,962.67**	**415,276.10**	**504,237.95**
	GRI 305-3	Other indirect emissions (Scope 3)	T CO_2	-	-	3,638,882.44

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

305-2

The emissions savings from the purchase of energy from renewable sources are shown below.

T CO_2	Indicator	Definition	2019	2020	2021
Europe*	GRI 305-2	Indirect emissions	83,277.57	44,614.45	56,762.67
North America	GRI 305-2	Indirect emissions	17,709.85	28,736.36	24,040.29
Brazil	GRI 305-2	Indirect emissions	11,556.96	5,748.06	7,222.30
Asia (India/China)	GRI 305-2	Indirect emissions	33,508.38	42,287.37	51,315.23
TOTAL	**GRI 305-2**	**Indirect emissions**	**146,052.76**	**121,386.24**	**139,340.49**

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

302-3

Energy intensity

Gigajoules/€K	Indicator	Definition	2019	2020	2021
Europe*	GRI 302-3	Direct energy consumption	0.53	0.54	0.58
	GRI 302-3	Indirect energy consumption	1.01	0.97	1.02
	GRI 302-3	Indirect energy consumption from non-renewable sources	0.35	0.34	0.25
	GRI 302-3	Indirect energy consumption from renewable sources	0.66	0.64	0.77
	GRI 302-3	**TOTAL**	**1.54**	**1.51**	**1.60**
North America	GRI 302-3	Direct energy consumption	0.52	0.58	0.70
	GRI 302-3	Indirect energy consumption	0.79	0.94	0.84
	GRI 302-3	Indirect energy consumption from non-renewable sources	0.63	0.72	0.69
	GRI 302-3	Indirect energy consumption from renewable sources	0.15	0.21	0.15
	GRI 302-3	**TOTAL**	**1.31**	**1.51**	**1.54**
Brazil	GRI 302-3	Direct energy consumption	0.75	0.83	0.82
	GRI 302-3	Indirect energy consumption	2.11	2.89	2.99
	GRI 302-3	Indirect energy consumption from non-renewable sources	0.23	0.22	0.11
	GRI 302-3	Indirect energy consumption from renewable sources	1.88	2.67	2.88
	GRI 302-3	**TOTAL**	**2.86**	**3.72**	**3.81**
Asia (India/China)	GRI 302-3	Direct energy consumption	0.22	0.40	0.44
	GRI 302-3	Indirect energy consumption	1.41	1.25	1.34
	GRI 302-3	Indirect energy consumption from non-renewable sources	1.23	1.05	1.13
	GRI 302-3	Indirect energy consumption from renewable sources	0.19	0.20	0.21
	GRI 302-3	**TOTAL**	**1.64**	**1.65**	**1.78**
TOTAL	GRI 302-3	Direct energy consumption	0.48	0.53	0.59
	GRI 302-3	Indirect energy consumption	1.14	1.16	1.19
	GRI 302-3	Indirect energy consumption from non-renewable sources	0.60	0.62	0.60
	GRI 302-3	Indirect energy consumption from renewable sources	0.54	0.54	0.59
	GRI 302-3	**TOTAL**	**1.62**	**1.69**	**1.78**

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

305-4

Emissions intensity

$T\ CO_2/k€$	Indicator	Definition	2019	2020	2021
Europe*	GRI 305-4	Direct emissions	0.03	0.03	0.03
	GRI 305-4	Indirect emissions	0.04	0.03	0.03
	GRI 305-4	**TOTAL**	**0.07**	**0.06**	**0.06**
North America	GRI 305-4	Direct emissions	0.03	0.03	0.04
	GRI 305-4	Indirect emissions	0.08	0.12	0.11
	GRI 305-4	**TOTAL**	**0.11**	**0.15**	**0.15**
Brazil	GRI 305-4	Direct emissions	0.04	0.05	0.05
	GRI 305-4	Indirect emissions	0.00	0.00	0.00
	GRI 305-4	**TOTAL**	**0.05**	**0.05**	**0.05**
Asia (India/China)	GRI 305-4	Direct emissions	0.01	0.02	0.03
	GRI 305-4	Indirect emissions	0.29	0.26	0.29
	GRI 305-4	**TOTAL**	**0.30**	**0.29**	**0.31**
TOTAL	GRI 305-4	Direct emissions	0.03	0.03	0.04
	GRI 305-4	Indirect emissions	0.10	0.11	0.12
	GRI 305-4	**TOTAL**	**0.13**	**0.14**	**0.16**

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

Glossary

EBITDA
Earnings before interest, tax, depreciation and amortisation.

Adjusted EBITDA
Last 12 months EBITDA annualised for companies added to the consolidation scope during the reporting period. Includes 50% of the EBITDA of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.

EBIT
Earnings before interest and tax.

Net profit
Recurring profit attributable to owners of the parent.

Net financial debt
Borrowings from banks and other financial institutions less cash and cash equivalents less other financial assets.

Adjusted net financial debt
Net financial debt including 50% of the net debt of the Chinese JV, SAMAP, which, on the basis of the existing agreements with the other venturer, is accounted for using the equity method.

Maintenance capex
Capex designed to update the facilities with a view to handling anticipated organic market growth.

Cash flow from operations
(EBITDA - Interest expense paid - Tax paid - Maintenance capex - IFRS 16 leases) / (EBITDA - Leases under IFRS 16).

Non-financial statement

Tracing compliance with the Law on non-financial information and diversity reporting

Contents of Law 11/2018 on non-financial and diversity reporting	GRI standards - version 2016 (*)	Section of the Annual Report	Page	Remarks / Direct response / Omissions
Brief description of the undertaking's business model, including disclosures related to: 1) their business environment; 2) their organisation and structure; 3) the markets where their operate; 4) their objectives and strategies; 5) the main trends and factors that may affect their future development.	**102-1**	Contact details	203	
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	102-21	Materiality	200	
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		Our BUSINESS MODEL, a reliable base	45	
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		Partnering with the finest SUPPLIERS	101	
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		Fostering progress in SOCIETY	140	
		The ETHICAL FRAMEWORK that shape us	164	
		Enterprise risk management system	170	
The outcomes of those policies, including the pertinent non-financial key performance indicators that are most useful in: 1) monitoring and assessing progress 2) supporting comparability across companies and sectors, relying on broadly recognised national, EU-based or international frameworks for each issue.	103	Creating value for our SHAREHOLDERS	68	
		Our BUSINESS MODEL, a reliable base	45	
		Our employee value proposition	91	
		Partnering with the finest SUPPLIERS	101	
		Approach to the environment	118	
		Fostering progress in SOCIETY	140	
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Contents of Law 11/2018 on non-financial and diversity reporting	GRI standards - version 2016 (*)	Section of the Annual Report	Page	Remarks / Direct response / Omissions
The principal risks related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas; and - How the undertaking manages those risks; - Explaining the processes used to identify and assess those risks, using broadly recognized national, EU-based or international frameworks for each issue. - Reporters must include information about any impacts identified, providing a breakdown of those impacts, in particular in relation to the principal short-, medium- and long-term risks.	**102-15**	Risks assessed in 2021	173	
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1) Detailed information about the current and foreseeable impacts of the undertaking's activities on the environment and, as appropriate, on health and safety, and environmental assessment and certification processes. 2) The resources dedicated to preventing environmental risks. 3) Application of the principle of prevention, the amount of provisions and guarantees for environmental risks.	**103**	Upping our ENVIRONMENTAL commitments	117	
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		Environmental footprint calculation	122	
	102-11	Approach to the environment	118	
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	301-1	Consumption of water and materials	127	
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Direct and indirect energy consumption, measures taken to enhance energy efficiency and use renewable sources.	**103**	Energy efficiency	125	
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		Materiality	200	
	403-4	Employee communication	97	
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		Partnering with the finest SUPPLIERS	101	
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Percentage of employees covered by collective bargaining agreements by country.	**102-41**	Our employee value proposition	91	
		Decent work and right to collective bargaining	93	
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External assurance

CIE Automotive

Anual Report 2021

CIE Automotive S.A.

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

Tel.:+34 946 054 835
Fax: +34 946 054 837

www.cieautomotive.com

CIE Automotive S.A and its subsidiaries

Independent verification report
Consolidated Statement of Non-Financial Information
31 December 2021

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent verification report

To the shareholders of CIE Automotive, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified, with the scope of a limited assurance engagement, the accompanying Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2021 of CIE Automotive, S.A. [the Parent company] and its subsidiaries (hereinafter "CIE Automotive" or "the Group") which is included in the attached CIE 2021 Annual Report, which forms part of the Group´s Consolidated Management's Report.

The content of the consolidated management report includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in the tables: "*Tracing compliance with the Law on non-financial information and diversity reporting*" of the aforementioned accompanying Annual Report.

Responsibility of the Parent company's directors

The preparation of the SNFI included in CIE Automotive 's consolidated management report and the content thereof, are the responsibility of the directors of CIE Automotive, S.A. the SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected, as per the details provided for each matter in the tables: "*Tracing compliance with the Law on non-financial information and diversity reporting"* of the Annual Report.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free from material misstatement due to fraud or error.

The directors of CIE Automotive, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team has consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent verification report based on the work we have performed. We carried out our work in accordance with the requirements set out in the current International Standard on Assurance Engagements 3000 Revised, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing, and are less extensive than, those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of CIE Automotive, S.A that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with CIE Automotive, S.A personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the necessary information for the external review.

- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by CIE Automotive, S.A and described in section "Materiality", taking into account the content required by current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.

- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.

- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.

- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of CIE Automotive, S.A, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of the GRI selected according to what is mentioned for each subject in the table included as per the details provided for each matter in the tables: "*Traceability of compliance with the Non-financial Information and Diversity Law"* of the Annual Report.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities considered to be environmentally sustainable in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2021, provided that the SNFI is published as from 1 January 2022. Consequently, comparative information on this matter has not been included in the accompanying SNFI. Our conclusion is not modified in respect of this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Pablo Bascones Ilundain

25 February 2022