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REPORT ON THE ACTIVITIES OF THE AUDIT COMMITTEE (2017)

1. Introduction

The Audit Committee of GESTAMP AUTOMOCIÓN, S.A. (the “**Company**”) has prepared this activity report, which describes the main activities performed by the Audit Committee from the time it was created on 24 March 2017 until 31 December 2017 (the end of the 2017 financial year).

This report was drawn up pursuant to article 39 (j) of the Company’s Regulations of the Board of Directors of the Company and in compliance with the recommendations for good corporate governance of listed companies, and it shall be placed at the disposal of the Company's shareholders at their 2018 Ordinary General Shareholders’ Meeting.

2. Structure

The Audit Committee was approved by the Board of Directors at their meeting held on 3 March 2017, and was formally convened on 24 March 2017.

Pursuant to the terms of article 20 of the Company's Articles of Association and article 39 and 40 of the Company's Regulations of the Board of Directors, the Audit Committee must:

- Have at least three and at most five members, all of whom must be non-executive directors.
- The majority of the members shall be independent directors, one of which shall be named Chairman, and all of which shall be appointed in view of their knowledge and experience in accounting, auditing or risk management. As a whole, the members of the Audit Committee shall have the relevant technical knowledge on the activity sector to which the Company belongs.
- The Chairman must be replaced every four years, with the possibility of re-election one year after termination. In turn, the Secretary of the Audit Committee shall be the Secretary of the Board of Directors.

As of 31 December 2017, the Audit Committee has the following members:

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Members	Position	Date Appointment	Category
Javier Rodríguez Pellitero	Chairman	24/03/2017	Independent
Ana García Fau	Member	24/03/2017	Independent
Juan María Riberas Mera	Member	24/03/2017	Proprietary
David Vázquez Pascual	Non-member secretary	24/03/2017	Non-director secretary
Elena Torregrosa Blanchart	Non-member deputy secretary	24/07/2017	Non-director deputy secretary

The directors belonging to the Audit Committee have the appropriate knowledge, skills and experience to carry out the tasks entrusted to the Committee by the Board. The Audit Committee is chaired by an independent director, Mr Javier Rodríguez Pellitero, and the majority of its members are also independent directors.

3. Responsibilities

According to article 40 of the Regulations of the Board of Directors, the Audit Committee shall have the following basic responsibilities:

- a) To inform the General Shareholders' Meeting about issues raised by the shareholders on matters for which it is competent and, in particular, about the findings of audits, explaining how they have contributed to the integrity of the financial reporting and the role that the Committee has played in the process.
- b) As regards information systems and internal control:
 - i. To supervise the preparation process, integrity and presentation of regulated financial reporting on the Company, checking that regulatory requirements are met and accounting criteria are correctly applied.
 - ii. To periodically review the internal control and risk management systems, including fiscal risks, so that the main risks are adequately identified, managed and reported, and also to discuss with the auditor any significant

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weaknesses in the internal control system found in the course of the audit, never compromising its independence. To this end, and where applicable, recommendations and proposals, with the relevant deadlines for follow-up, can be submitted to the administrative body.

- iii. To safeguard the independence and effectiveness of the internal auditing function: to propose the selection, appointment, re-election and dismissal of the head of the internal audit service; to propose the budget for this service; to receive information about its activities regularly; to verify whether senior management takes into account the conclusions and recommendations in its reports; and to discuss with the auditor or auditing firms any significant weaknesses in the internal control system detected in the course of the audits.
- iv. To set up and supervise a mechanism that enables employees to anonymously and confidentially report irregularities they may note within the company.
- v. To approve, supervise, revise and oversee compliance with the Company's corporate social responsibility policy, which must focus on the creation of value at the Company and on fulfilment of its social and ethical duties.

c) Regarding the auditor:

- i. To bring proposals on the selection, appointment, re-election and replacement of the auditor, as well as the contract conditions for such party, to the Board and to be in charge of the selection process.
- ii. To regularly receive from the auditor information about the audit plan and the results of its implementation, and to verify whether senior management has taken its recommendations into account.
- iii. To establish an appropriate relationship with the auditor to receive information about any issues that could jeopardise the independence of the auditors, for examination by the Audit Committee, and any other information related to the progress of the auditing process, as well as any other correspondence stipulated in legislation on accounts auditing and auditing standards. At the least, it must receive written confirmation from the auditor or auditing firms once a year asserting their independence from the entity, or entities that are directly or indirectly related to it, as well as information about additional services of any kind provided to these entities by the

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aforementioned auditor or firms, or by individuals or entities related to them in accordance with legislation on accounts auditing.

- iv. To issue a report expressing an opinion about the independence of the auditor once a year, prior to issuance of the auditor's report. Such report must, in all cases, express a decision on the additional services referred to in the paragraph above.
- d) As regards the risk management and control policy:
- i. To propose to the Board of Directors a risk management and control policy, which shall identify as least: (i) the types of risk (operational, technological, financial, legal and reputational) to which the Company is exposed; (ii) setting the risk level deemed acceptable by the Company; (iii) measures to mitigate the impact of the risks identified, should they occur; and (iv) the control and reporting systems to be employed to control and manage said risks.
 - ii. To supervise the operation of the Company's risk management and control unit, which is responsible for: (i) ensuring that the risk management and control systems function properly and, in particular, ensuring that all the significant risks affecting the Company are adequately identified, managed and quantified; (ii) actively participating in the creation of the risk strategy and in reaching important decisions about its implementation; and (iii) ensuring that the risk management and control systems adequately mitigate the risks in accordance with the policy defined by the Board of Directors.
- e) To review the prospectuses or equivalent documents for issuance and/or admission of securities and any other financial reporting that the Company is required to submit to the markets and its supervisory bodies.
- f) In addition, the Audit Committee must inform the Board of Directors before the latter adopts the relevant resolutions on the matters set forth by law, in the Articles of Association and in these Regulations and, specifically, on the following subjects:
- i. The financial reporting that the Company, due to its status as a listed company, must periodically publish. The Audit Committee shall ensure that interim financial statements are prepared using the same accounting criteria as the annual statements and, to this end, shall consider whether a limited review by the auditor is appropriate.

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- ii. The creation or acquisition of shares in special-purpose entities or entities based in countries or territories classified as tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could diminish the Company's transparency.
 - iii. Related-party transactions.
 - iv. Operations entailing structural and corporate modifications planned by the Company, analysing their financial terms and conditions, including, where applicable, the exchange ratio and impact on the accounts.
- g) The Audit Committee shall also be responsible for overseeing compliance with the internal codes of conduct and rules of corporate governance. In this regard, the Audit Committee shall periodically assess the suitability of the Company's corporate governance system in order to ensure that it fulfils its mission of promoting social interest and takes into account, as applicable, the legitimate interests of the other stakeholders, and shall make proposals for improvement of this system and oversee compliance with the Company's internal codes of conduct and rules of corporate governance.
- h) Finally, in relation to the corporate social responsibility policy, the Audit Committee must:
- i. propose the principles accepted or commitments made voluntarily by the Company in its relations with diverse stakeholders;
 - ii. identify the aims of the corporate social responsibility policy and develop support instruments;
 - iii. define the corporate strategy related to sustainability, the environment and social issues;
 - iv. establish specific practices on issues related to shareholders, employees, customers, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct;
 - v. establish methods or systems for monitoring the results of application of the specific practices, associated risks and management thereof, and

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- vi. implement (i) mechanisms for monitoring non-financial risk, ethics and business conduct; and (ii) the channels of communication, participation and dialogue with stakeholders; as well as responsible communication practices that prevent manipulation of information and protect integrity and honour.

4. Operation

The basic principles of conduct and the internal operating system of the Audit Committee are set forth in the rules contained in the Companies Act, the Articles of Association and the Regulations of the Board of Directors.

The Company's Audit Committee is a reporting and advisory body without executive duties that has the power to report, supervise, advise and propose in relation to issues within its scope of activity.

Pursuant to the terms of article 20 of the Company's Articles of Association and article 39 of the Regulations of the Board of Directors, the Audit Committee:

- Shall meet whenever necessary, at the Chairman's discretion, to exercise its powers, and whenever two of its members so request, and it shall be convened in a valid manner whenever the majority of its members are present or represented, its resolutions being adopted by an absolute majority of the attending members. In the event of a tie, the Committee Chairman shall cast the tie-breaking vote.
- Minutes shall be taken of the meetings and a copy thereof shall be sent to all the members of the Board. Likewise, the Chairman of the Audit Committee shall inform the Board of Directors of the issues discussed and the resolutions adopted at its meetings during the first Board of Directors' meeting held after the Committee meeting.
- Within three months after the end of each year, the Audit Committee shall submit this report for approval by the Board of Directors, and it shall be made available to the shareholders during their ordinary general meeting.
- Finally, in order to perform its duties, the Audit Committee may seek external advice when deemed necessary for the performance of its duties under the same circumstances as those applicable to the Board (*mutatis mutandi*).

As regards the other rules of operation, the operating system established for the Board of Directors in the Regulations of the Board shall apply.

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5. Activities

In 2017 the Audit Committee held 7 meetings, and its main activities were as follows:

a) Periodic review of financial reporting

The Audit Committee supervised and reviewed the process of drawing up and presenting the regulated quarterly and semi-annual, separate and consolidated, financial reporting that the Board of Directors must submit to the markets, and has, in general, ensured that the legal requirements in this regard were met and that generally accepted accounting principles were correctly applied, all within the deadlines set by law for these purposes.

b) Review of financial statements

The consolidated financial statements of the Company and its corporate group for the 2016 financial year were prepared by the Board of Directors at their meeting on 3 March 2017 and approved by the Ordinary General Meeting on 22 March 2017.

Therefore, the Audit Committee had not been set up by the reporting date of these financial statements.

c) Relationship with the external auditor

Pursuant to the terms of article 40 of the Regulations of the Board of Directors, the Audit Committee supervised the relationship with the external auditor of the Company and its corporate group (the “**Group**”), Ernst & Young, S.L.

Both the aforementioned article of the Regulations of the Board of Directors and the text of the Companies Act stipulate that the Audit Committee must issue an annual report expressing an opinion on the independence of the auditors or auditing firms.

In this regard, the Audit Committee verified that, in 2017, the work entrusted to the external auditor met the independence requirements set forth in the Accounts Auditing Act in force and that, therefore, there are no objective reasons to question the independence of the auditor in 2017. The Audit Committee analysed the work entrusted to the auditor, approving the 2017 audit plan, and the fees for such work, as well as the additional services provided other than the auditing required by law in 2017, approving such fees and services and concluding that they obeyed valid standards, the limits on the concentration of the auditor's business and, in general, any other rules established to ensure the auditors' independence. To reach this conclusion, the Audit Committee established an appropriate relationship with the auditors and received sufficient information on issues related to the auditing process and the independence of the auditors, as well as any other correspondence set forth in legislation on accounts auditing.

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Finally, the Audit Committee unanimously agreed to propose to the Board of Directors that the current external auditor (Ernst & Young, S.L.) be appointed for a period of 1 year, and therefore the appointment of such party for the auditing in 2018 shall be proposed to the General Shareholders' Meeting.

The external auditors of the Company, Ernst & Young, S.L., carried out, during 2017, several presentations by which they informed the Committee on several matters related to the audit of the Company. Additionally, during 2017, the Committee held meetings with the auditors without the presence of the financial management of the Company in order to assure a normal course of the audit process in line with corporate governance guidelines.

d) Internal auditing

As set forth in article 40.6.b.iii of the Regulations of the Board of Directors, the Audit Committee must oversee the independence and effectiveness of the Internal Auditing Function, propose the selection, appointment, re-election and dismissal of the head of the internal audit service, propose the budget for this service, receive information about its activities regularly, and verify whether senior management takes into account the conclusions and recommendations in its reports.

In this regard, the Audit Committee was behind the establishment and development of an Internal Auditing Function to ensure that the information systems and internal control mechanisms function properly, resolving that such party shall answer to the Chairman of the Audit Committee in terms of duties, and to the Deputy Chairman of the Group, hierarchically. Thus, the Audit Committee approved the Rules of the Internal Auditing Function on 13 November 2017 aimed at defining the purpose, organisation, authority and responsibility of the Company's Internal Audit and Risk Management Department. After said Rules were approved, in accordance with the proposal made by the Audit Committee, on 14 December 2017 the Board of Directors appointed Ms Raquel Cáceres Martín as the director of the Group's Internal Audit and Risk Management Department.

Finally, as regards the internal auditing of the Company, the Audit Committee approved the Internal Audit Plan and the 2018 budget for this function on 14 December 2017.

The Internal Audit Plan establishes the scope of activities involved in this function, including those related to the Company's financial and non-financial reporting, risk control and management, other responsibilities (compliance with corporate governance rules, internal codes of conduct or the Company's corporate social responsibility policy), and general aspects of the Internal Auditing Function (the Audit Committee must assess and approve these duties, action plans and resources each year in order to ensure that they are appropriate for the Group's actual needs).

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In addition, the 2018 internal audit budget was prepared in such a way as to ensure that the independence and effectiveness of this function is not compromised in the course of its work, and it was approved by the Audit Committee on 14 December 2017.

Given that the Internal Auditing function was not created until 14 December 2017, the Annual Report on Internal Auditing Activities shall be submitted to the Audit Committee for approval at the Committee meeting to be held on 26 February 2018.

e) Internal Financial Reporting Control System (SCIIF in Spanish)

In the performance of its supervisory duties and periodic review of the effectiveness of the Company's internal control procedures and risk management systems, the Audit Committee has promoted and supervised the development and implementation of the Company's Internal Financial Reporting Control System (SCIIF in Spanish) Policy approved by the Board of Directors at its meeting on 3 March 2017.

Furthermore, on 24 July 2017 the Audit Committee approved the scope matrix of the SCIIF defined in accordance with the requirements by the National Securities Market Commission (CNMV). To create this matrix, risks that could generate errors and/or fraud in financial reporting were identified based on the information contained in the Group's audited consolidated financial statements at 31 December 2016, selecting the most relevant accounts and most significant disclosures according to quantitative criteria.

In addition, the Committee has promoted and reviewed the plan for implementation of all the SCIIF indicators as well as the contents and degree of progress of the SCIIF documentation. This documentation includes all the processes identified as crucial and substantial at all the entities included in the scope matrix and is being formalised by creating process descriptions and defining the risk matrixes and controls for each of these processes.

Accordingly, during the meetings of the Audit Committee the corporate Vice-president and the Manager of the Internal Control Function carried out several presentations in order to inform the Committee on SCIIF implemented measures.

To the date, the Group develops its SCIIF and implements a SCIIF structure, which allows the Group to manage and monitor potential risks during the drawing up of financial information.

f) Risk management

The Audit Committee is responsible for periodically supervising and reviewing the internal control and risk management systems, so that the main risks are adequately

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identified, managed and reported, receiving support in this task from the Internal Audit and Risk Management Department.

The Audit Committee performs this task based on the Company's Integrated Risk Management System Policy, which was developed by such Committee and submitted to the Board of Directors for approval by the latter on 14 December 2017.

This policy covers the organisation, procedures and resources available to the Group to reasonably and effectively manage the risks to which it is exposed, thus making risk management and intrinsic part of the organisation's decision-making processes in terms of both the governance and administrative bodies and the management of operations.

The policy identifies diverse risk categories, details the basic principles and guidelines for action that must be observed in risk management and control, specifies the bodies in charge of ensuring that the internal control and risk management systems function properly, defines their roles and responsibilities and the level of risk deemed acceptable.

The Audit Committee periodically supervises and reviews the internal control and risk management systems, ensuring that the main risks are adequately identified, managed and reported, receiving support in this task from the Internal Audit and Risk Management Department. In this regard, the Audit Committee has fostered during 2017 a re-assessment of the Corporate Risk Map and the redefinition of the assessment standards of risks (impact probability) in order to ensure that it responds to the Company's current situation and indeed represents a management tool that enables the organisation in general and the Audit Committee in particular to reach decisions in an effective, informed manner.

This re-assessment took place in 2017 and has been presented at the Committee, which has enable to have knowledge and an overall picture of the relevant risks at the organisation based on uniform criteria, thus facilitating early identification of any events that could arise and enabling the Company to take anticipatory action aimed at avoiding or, in the event of occurrence, reducing the impact of such events.

g) Related Party Transactions

On 28 March 2017, the Audit Committee issued a favourable report on the ratification of the Protocol Ruling Related Party Transactions of the Company and its subsidiaries drawn up between the Company, Acek Desarrollo y Gestión Industrial, S.L. and Gonvarri Corporación Financiera, S.L. on 21 March 2017, and on the ratification of the terms and conditions of the agreements between related parties identified below:

- Contracts entered into between the Company or its subsidiaries and Acek Desarrollo y Gestión Industrial, S.L. and its subsidiaries and, in particular:

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- Contracts for the provision of services received by the Company and/or its subsidiaries and contracts for the provision of services rendered by the Company and/or its subsidiaries.
- Supply framework agreement for the provision of services rendered by Holding Gonvarri, S.L. through its subsidiaries to the Company and/or its subsidiaries.
- Scrap framework agreement entered into between the Company or its subsidiaries and Sideacero, S.L. and its subsidiaries.
- Contracts entered into between the Company and/or its subsidiaries, and Arcelor Mittal and/or its subsidiaries.
 - Steel supply agreements entered into between Arcelor Mittal and/or its subsidiaries, and the Company and its subsidiaries.
 - Cooperation agreement in connection with the supply contracts referred to above entered into between Arcelor Mittal and/or its subsidiaries, and the Company and its subsidiaries.

In this sense, on 31 March 2017, after the favorable report issued by the Audit Committee, the Board of Directors ratified the Protocol Ruling Related Party Transactions and the terms and conditions of the agreements between related parties referred to above.

In addition, it is expected that Audit Committee will review at its first meeting of the year 2018 the related party transactions included in the note 31 to the consolidated Annual Accounts of the Company corresponding to the fiscal year ended 31 December 2017 and verify that such transactions comply with the Protocol Ruling Related Party Transactions and with the terms and conditions of the framework agreements referred to above.

h) Code of Ethics and Whistleblowing Hotline

The Company approved and implemented its Code of Conduct in 2011, which is used as the basis for detecting and correcting conduct that goes against legislation valid at any time or against the Group's ethical principles.

Furthermore, the Company has a Whistleblowing Hotline in place, which is ultimately supervised by the Audit Committee. The Committee receives reports about the evidence produced within this hotline and about its operation at the end of each year.

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With regard to the Code of Conduct and the Whistleblowing Hotline, the Committee has monitored the information dissemination of the Code and the Hotline and has received information on the evolving performance of such, during 2017.

i) Corporate Social Responsibility

During 2017, the Audit Committee has been informed in terms of Corporate Social Responsibility of the Group.

j) Assessment of the operation of the Audit Committee.

Pursuant to the terms of article 36.14 of the Regulations of the Board of Directors, the Board shall devote its first annual session to assessing the operation of the Board Committees during the previous year, based on the reports submitted by such Committees.

Given that the Company was not a public listed company in 2016, the Audit Committee did not have the opportunity to conduct this assessment in 2017.

Madrid, 26 February 2018.