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## **REPORT ISSUED BY THE BOARD OF DIRECTORS OF GESTAMP AUTOMOCIÓN, S.A. ON THE FOURTH ITEM OF THE AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING**

### **1. PURPOSE OF THIS REPORT.**

Article 529. novodecies of the Spanish Companies Act (“Ley de Sociedades de Capital”) requires, between others, a report issued by the Board of Directors and the Nomination and Compensation Committee on the directors’ remuneration policy (hereinafter, the “**Policy**”).

This report intends to meet such Regulations’ requirement and is issued by the Board of Directors of Gestamp Automoción, S.A. (hereinafter, “**Gestamp**” or the “**Company**”) in order to justify the proposal to the General Shareholders’ Meeting made under fourth item that is to take place at 12:30 p.m. on 7 May 2018, on first call, and on the next day 8 May 2018, on second call.

### **2. RATIONALE OF THE PROPOSAL**

As an essential principle, the Company aims to incorporate to its corporate governance regulations the regulatory frame in force at each moment, as well as the recommendations on good corporate governance that may result applicable in consideration of its specific characteristics and circumstances.

With this purpose, the Company, in accordance with articles 529 sexdecies to 529 novodecies of the Spanish Companies Act, its Bylaws and the Regulation of the Board of Directors, has prepared the Policy to be submitted to the General Shareholders’ Meeting for its approval.

The proposal for the amendment of the Policy has four objectives:

- to amend the executive directors’ remuneration structure for the performance of executive duties in order to adapt the content of the Policy to the new reality of Gestamp’s top management line, which will include a President with executive tasks and a CEO with delegated executive tasks as well;
- to increase the maximum global remuneration amount for the directors in their conditions as such in order to provide the Board of Directors with a greater flexibility in the distribution of this amount;
- to re-establish the faculty granted to the Board of Directors by article 22 of Bylaws, so the Board can allocate, at its discretion, the fixed annual amount of remuneration of directors for acting as such, considering the circumstances of each director, the functions and responsibilities attributed to them and whether they belong to different committees; and
- to continue with the adaptation of the Policy to the highest standards on good corporate governance, taking always into consideration the specific characteristics and circumstances of Gestamp and the companies of the group.

The frame of the modifications of the Policy sets out the existence of a President with executive tasks and also a CEO with executive tasks and the need of adapting their remuneration scheme to

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their new functions, considering, in particular, the value and merits of the management, the market standards in comparable companies and its affordability to the Company.

With this amendment the Company wants to achieve the objective of attracting, retaining and motivating the most qualified professionals working for Gestamp, without endangering the independent judgement of the executive directors in the exercise of its tasks.

As a conclusion, considering the proposal issued by the Nomination and Compensation Committee and its report on such proposal which is annexed as **Exhibit I**, the Board of Directors propose an amended Policy which is annexed as **Exhibit II**.

**3. FULL TEXT OF THE PROPOSED AGREEMENT SUBMITTED FOR APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING.**

*“4<sup>th</sup>. - Approval of the Remuneration Policy for the Company's directors.*

*In accordance with Article 529r of the Companies Act, approve the Remuneration Policy for directors, the full text of which, together with the compulsory report by the Nomination and Compensation Committee, is included in the supporting report by the Board of Directors made available to shareholders as part of the documentation relating to the General Shareholders' Meeting.”*

*Madrid, April 3, 2018*

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**Exhibit I**

**(Nomination and Compensation Committee Report on Directors' Remuneration Policy)**

## **REPORT JUSTIFYING THE PROPOSAL OF AMENDMENT OF THE DIRECTORS' REMUNERATION POLICY OF GESTAMP AUTOMOCIÓN, S.A.**

### **1. PRELIMINARY SECTION**

The Directors' Remuneration Policy (hereinafter, the "**Policy**") of Gestamp Automoción, S.A. (hereinafter, "**Gestamp**" or the "**Company**") that the Gestamp's Appointments and Remunerations Committee is proposing to the Board of Directors for its consideration by the General Shareholders' Meeting is meant to describe and update the different elements of the remuneration policy applicable to Gestamp's directors (both to directors as such and to directors with executive tasks), as well as the main conditions that contracts between the Company and its executive directors shall meet, taking into consideration the circumstances and characteristic of the composition of the Bard of Directors of Gestamp.

This report has been prepared in accordance with section 2 of article 529 novodecies of the Consolidated Text of the Companies' Law, approved by the Royal Decree 1/2010, of 2 of July (hereinafter, "**Royal Decree 1/2010**").

The Policy shall replace the policy currently in force, which was approved by the General Shareholders' Meeting on 3 March 2017.

### **2. JUSTIFICATION OF THE AMENDMENT**

As an essential principle, the Company aims to incorporate to its corporate governance regulations the regulatory frame in force at each moment, as well as the recommendations on good corporate governance that may result applicable in consideration of its specific characteristics and circumstances.

With this purpose, the Company, in accordance with articles 529 sexdecies to 529 novodecies of the Royal Decree 1/2010, its Bylaws and the Regulation of the Board of Directors, has prepared the Policy to be submitted to the General Shareholders' Meeting for its approval.

The proposal for the amendment of the Policy has four objectives:

- to increase the maximum global remuneration amount for the directors in their conditions as such in order to provide the Board of Directors with a greater flexibility in the distribution of this amount;
- to re-establish the faculty granted to the Board of Directors by article 22 of Bylaws, so the Board can allocate, at its discretion, the fixed annual amount of remuneration of directors for acting as such, considering the circumstances of each director, the functions and responsibilities attributed to them and whether they belong to different committees;
- to amend the executive directors' remuneration structure for the performance of executive duties in order to adapt the content of the Policy to the new reality of

Gestamp's top management line, which will include a President with certain executive tasks and a Managing Director with delegated executive tasks as well; and

- to continue with the adaptation of the Policy to the highest standards on good corporate governance, taking always into consideration the specific characteristics and circumstances of Gestamp and the companies of the group.

The frame of the modifications of the Policy sets out the existence of a President with certain executive tasks and a Managing Director with delegated executive tasks and the need of adapting their remuneration scheme to their new functions, considering, in particular, the value and merits of the management, the market standards in comparable companies and its affordability to the Company.

With this amendment the Company wants to achieve the objective of attracting, retaining and motivating the most qualified professionals working for Gestamp, without endangering the independent judgement of the executive directors in the exercise of its tasks.

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## **Exhibit II**

**(Directors' Remuneration Policy Proposal)**

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# Directors' remuneration policy

December 2017

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## Directors' Remuneration Policy

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### Introduction

Under articles 249 bis and 529 novodecies 1 of the Spanish Companies Act (the “SCA”) and article 22 of the bylaws of Gestamp Automoción, S.A. (the “**Company**” or “**Gestamp**”), the Shareholders Meeting is the governing body responsible for approving the Director’s Remuneration Policy, at the Gestamp Board of Directors’ proposal.

In compliance with this legal and bylaw provisions, the following Remuneration Policy is proposed hereby to the Shareholders Meeting, for its approval by such governing body.

This document includes the remuneration applicable to directors in their condition of directors and the remuneration applicable to directors for the performance of executive functions.

### Principles

Directors’ remuneration in their condition of directors is based on the following principles:

- (i) **Sufficiency.** It shall be sufficient in order to compensate their dedication, qualification and responsibility without compromising their independency.
- (ii) **Competitiveness.** It must help to attract and retain the talent of such professionals. At the same time, it must be in accordance with the standards applied in national or international companies with similar characteristics.
- (iii) **Dedication.** It shall be in accordance with the dedication and responsibility of each director.
- (iv) **Reasonability.** It shall reflect the reality of the company, the sector in which it operates, as well as the given economic situation from time to time.
- (v) **Transparency.** It shall comply with the transparency criteria to guarantee investors and shareholders’ confidence.

Directors’ remuneration for the performance of executive duties is additionally determined by the following principles:

- (i) Performance. It shall include a variable component linked to the achievement of specific targets or goals, aligned with the strategic goals of Gestamp group (“**Gestamp Group**”) and to the creation of added value.
- (ii) Sustainability. A part of the remuneration will be aligned to the sustained growth over time.
- (iii) Equity. Director’s remuneration for the performance of executive duties shall be proportional to their level of responsibility and experience.

## Competent bodies

### **Directors’ remuneration in their condition of directors**

The maximum annual remuneration for all the directors in their condition of directors shall be the one determined by the **Shareholders Meeting**, and shall remain in force until it agrees any amendment there to. However, the Board of Directors may reduce its amount in any fiscal years it deems appropriate, in accordance with article 22 of the Gestamp’s bylaws.

Determining each director’s remuneration in his or her condition of director, shall correspond to the **Board of Directors**, at the **Appointments and Remuneration Committee’s** proposal, which will take into account the functions and responsibilities of each director, the position held in the board committees and other objective conditions that may be considered relevant.

### **Director’s remuneration for the performance of executive duties**

Under article 529 octodecies of the SCA, the director’s remuneration for the performance of executive duties foreseen in contracts approved in accordance with article 249 of the SCA, will be adjusted to this Remuneration Policy.

The **Board of Directors** will be in charge of determining each executive director’s remuneration, at the **Appointments and Remuneration Committee’s** proposal, as set out in articles 8.3(b).ii) and 41.3 (a).ii) of the Regulation of the Board of Directors.

## Directors’ remuneration structure in their condition of directors

This remuneration is to be perceived by the directors in their condition of directors (except for the executive directors) being the maximum annual amount subject to the approval of the Shareholders Meeting of Gestamp as per the provisions set forth in articles 529.sepdecies of the SCA, 22 of the Gestamp’s bylaws and 29 of the regulation of the Board of Director.

As provided by article 22.1 of Gestamp’s bylaws, the directors’ remuneration in their condition of directors is structured as follow:

## **Fixed remuneration**

Directors receive a fixed annual amount that will be distributed by the Board of Directors as such governing body determines on the basis of each director's conditions, duties and responsibilities attributed by the Board, and the director's position in the different committees. This may lead to different remuneration amounts for each of them. The Board will also determine the periodicity and the form of payment, which may include insurance and pension systems as set forth from time to time.

No credits, advanced payments, guarantees or indemnifications for termination of the relationship with the Company are contemplated, nor is any remuneration other than these indicated above.

## **Maximum amount of the fixed remuneration**

The maximum global remuneration for the directors in their conditions as such, shall amount to EUR 950,000. This maximum amount shall remain in force until the approval of the amendment of this Remuneration Policy.

This amount may be reduced in such fiscal years in which the Board of Directors may deem appropriate, in accordance with article 29.2 of the regulation of the Board of Director.

## **Executive directors' remuneration structure for the performance of executive duties**

As provided by article 22 of Gestamp bylaws, if a director is provided with executive duties, it will be necessary to execute an agreement by and between the director and the Company in accordance with the provisions set forth in the SCA. The agreement must include any concept by virtue of which the director may receive any remuneration for performing executive functions including, where appropriate, severance payments and the amounts to be paid by the Company as insurance premiums or contribution to saving systems.

Such agreement may include a fixed remuneration and an additional variable remuneration, which will accrue when specific targets are achieved. In any case, the variable remuneration will be related to the professional performance, and will be linked to certain performance criteria that: (i) will be predetermined and quantified; and (ii) will take into account the assumed risk to achieve a certain result.

The structure of the remuneration composition of the directors for the performance of their executive

duties, which in this case applies to the Chairman and to the Managing Director, is detailed below and it is similar in terms of concepts and components, to that the provided for the senior management of Gestamp Group.

### **Fixed remuneration**

The fixed remuneration amount will be determined according to the performance of their executive duties, the level of responsibility, his experience and contributions to the position and to the market remuneration standards in which the Company operates.

### **Annual variable remuneration**

It intends to align the interests of the executive directors with the Gestamp Group's performance through the achievement of defined targets quantified on the basis of the economic and financial variables.

The Board of Directors, at the Appointments and Remuneration Committee's proposal, will determine the accrued variable remuneration pursuant to the level of fulfillment of the targets pursued by this remuneration.

### **Multiannual variable remuneration (long-term incentives)**

It intends to offset the creation of sustainable value to the shareholder in the long-term, as well as to motivate and retain the key employees of Gestamp Group. For such purpose, a 5-year incentive plan was approved in 2016 for certain managers of the Gestamp Group based on the fulfillment of the defined targets. This Remuneration Policy applies to the Managing Director who is considered an executive director.

In addition to the above, these systems may include a remuneration by transfer of shares of the Company, or other share-based instruments if so is resolved by the General Shareholders' Meeting at the proposal of the Board of Directors, on the basis of a favorable report issued by the Nomination and Compensation Committee.

The Board of Directors, at the Appointments and Remuneration Committee's proposal, will determine the variable remuneration considering the level of fulfillment of the targets pursued by this remuneration.

## **Other remuneration components**

The same conditions and social benefits, recognized to the managers of Gestamp, are applicable to the directors. In this regard, it is applicable, among others, the life insurance.

## **Contract terms applicable to the Chairman and the Managing Director**

- (i) Indefinite duration. The agreements entered into by the Company and the directors who perform executive duties shall have an indefinite duration.
- (ii) Legislation. The agreements entered into by the Company and the directors who perform executive duties will be governed by the applicable law in each case.

Likewise, the referred agreements shall include the basic recommendations of the Governance Code and, thus:

- (i) Qualifications of the external auditors. The annual variable remuneration of the executive directors linked to Company's earnings, accrued as a consequence, among others, of the fulfillment of certain quantitative targets, should consider any qualifications stated in the external auditor's report that may reduce their amount (Recommendation 60).
- (ii) Claw-back: Contractual arrangements should include provisions that enable the Company to claim variable components of remuneration when payment was not adjusted to the directors for reimbursement of actual performance or based on data subsequently found to be incorrect (Recommendation 63).
- (iii) Termination payments related to the executive directors' agreements: Termination payments should not exceed a fixed amount equivalent to two (2) years of the director's total annual remuneration and should not be paid until the Company confirms that he or she has met the performance criteria previously established (Recommendation 64).

## **Chairman and Managing Director Remuneration**

According to the above-mentioned, the remuneration for the performance of the executive directors for executive duties such will consist of:

- (i) A fixed annual remuneration of 700.000 euros for the Chairman of the Board of Directors of the Company, and a fixed annual remuneration of 550.000 euros for the Managing Director;

- (ii) An annual target bonus of 300.000 euros for the Chairman of the Company, and an annual target bonus of 250.000 euros for the Managing Director, which will be yearly determined in accordance with the creation of value of Gestamp Group. Additionally, the Managing Director is included within the above-mentioned 5-year incentive plan of this Remuneration Policy.
- (iii) A non-cash remuneration that includes, among others, a life insurance; and
- (iv) An indemnification of no more than two (2) years in case of termination or whatever other form of extinction of the legal relationship with the Company which is not attributable to a breach by the director, which it consists of the fixed annual remuneration and the annual target bonus.

The review of the remuneration package of the Chairman and the Managing Director for future periods will be determined by the Board of Directors on the basis of a proposal issued by the Nomination and Compensation Committee, in accordance with this Remuneration Policy, considering, in particular, the value and merits of the management, the market standards in comparable companies, its affordability to the Company and the evolution of responsibilities and functions assumed by each of them.

## New appointments

The remuneration of whatever new executive director shall be governed by this Remuneration Policy, considering the experience and knowledge, if it is an internal or external candidate and its remuneration level at the time of his appointment.

The Board of Directors will approve the remuneration of the new executive director on the motion of the Appointments and Remuneration Committee.

## Period of validity

This Remuneration Policy shall be in force for the period running from 2018 to 2020.

## Other relevant data

The Company has contracted a liability insurance policy for the directors and managers to cover whatever liability may derive from the performance of their duties.

## Scope

This Remuneration Policy is applicable to the members of the Board of Directors of the Company.