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POLITÈCNICA  
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CANALES Y PUERTOS

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# SUSTAINABILITY REPORT IN ACCORDANCE WITH GRI STANDARDS APPLIED TO THE AUTOMOTIVE SECTOR

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AUTOMOTIVE SECTOR*

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### Abstract

The sustainability report is an important tool that can be used by an organization to voluntarily communicate its performance and impact, positive or negative, on environmental, social and corporate governance issues. Transparency over how the organization carries out sustainable activities is a priority for a wide range of stakeholders, including business organizations, workers, NGOs, investors and auditors, among others. For the preparation of the report, various economic, social, environmental and corporate governance indicators are analyzed. Working with this data allows the identification of risks and opportunities, contributing to improve management and strategic planning of the organization in such a way that they find it easier to establish objectives, measure their performance and manage the change towards a sustainable model.

For the automotive sector, pressured to change its business model to a sustainable one due to its significant environmental impact, it is becoming increasingly common for large automakers to demand from their suppliers of parts and services transparency over their contribution to sustainable development. In this context, and by request of its largest customers, a sustainability report has been carried out for an industrial group dedicated to the development and manufacturing of metal components for automobiles, with plants in Southern and Central Europe. This report has been developed in accordance with the Global Reporting Initiative standards - GRI 2016. The process of preparing the sustainability report, as well as the performance indicators considered and the opportunities for improvement identified are presented in this thesis.

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## Introduction

The concept of sustainability has been evolving over time, affected by intellectual and political streams of thoughts. Although the multidimensionality of this term has never been unconsidered, it has been often compartmentalized as an environmental issue during the past decades (Giovannoni and Fabietti, 2014). In recent years, the growing concerns for environmental and climate change also started to be attached to issues of poverty, increasingly disparity between societies and tensions brought by social inequalities, placing sustainable development under the spotlight.

The concept of sustainable development received its first major international recognition in 1972, at the United Nations (UN) Conference on the Human Environment held in Stockholm. The Conference led to the development of twenty-six principles, most of which addressed environmental concerns. The third principle stated that “the capacity of the Earth to produce vital renewable resources must be maintained and, wherever practicable, restored or improved” (UN, 1972) and, even though the term “sustainable development” was not referred to explicitly, it became clear that the international community started to recognize that both development and environment, priory addressed as separate issues, could be managed in a mutually beneficial way.

In 1887, the report of the World Commission on Environmental Development named “Our Common Future”, also known as the Brundtland Report, included the most popular definition of sustainable development as the one that “*meets the needs of the present without compromising the ability of future generations to meet their own needs*”. But it was not until 1992, in the UN Conference on Environment and Development known as Rio Earth Summit, that world leaders recognized sustainable development as the major challenge it remains today. The Conference produced a global action plan for sustainable development based in its three outputs, the Rio Declaration, Agenda 21 and the Commission on Sustainable Development.

After the Kyoto Conference on Climate Change, in 1997, a key milestone for addressing social concerns was the UN Millennium Development Goals (MDGs) established in 2000 to last until 2015. The eight goals were focused on a set of rights and needs and included themes such as poverty, health, education, gender equality and empowerment of women. The MDGs were integrated with additional socio-economic aspects during the following 2002 Johannesburg World Summit on Sustainable Development, demonstrating a shift in the perception of sustainable development from majorly environmental issues towards social and economic development. Finally, 20 years after Rio Earth Summit, in 2012, the UN Conference known as

Rio+20 took place in Rio de Janeiro, where the UN agreed on the need for Sustainable Development Goals (SDGs) by emphasizing the importance of both social and environmental concerns and the need for a more comprehensive definition of the role of business for sustainable development (Giovannoni and Fabietti, 2014). The Rio+20 outcome document, *The Future We Want*, refers to the economic, social and environmental dimensions of sustainable development, including a good governance as the basis for achieving it.

This whole debate on sustainability was not ignored by corporations, as it should not be. Starting in the 1990's, they began to adopt a more proactive approach when facing environmental issues instead of a reactive one. That means that, instead of waiting for a crisis to occur and then trying to mitigate its effects, corporations started trying to anticipate the possible environmental effects related to their operations, obtaining business advantages from the management and control of their environmental performance.

## Global Reporting Initiative Standards

### *Overview of Sustainability Reporting*

Although financial reports are the first examples of reporting process, the reporting of only financial indicators are not enough for investors or stakeholders. The adoption of integrated reporting, more than a sum or systematization of financial, social and environmental reporting systems, should provide an opportunity of rethinking these systems by suggesting how to overcome the isolation between them. After the United Nations developed the notion of sustainable development, leading companies started to report their work and performance concerning sustainability. Issues such as the increasing depletion and price of natural resources, as well as the increasing importance of human rights in the business world, caused companies to be more sensitive on such matters. By reporting data on consumption of resources as well as emissions, they can also provide information on employee rights and social responsibility projects. Additionally, an integrated report is always aligned with important pillars of the companies, such as the business plan, the budgeting system and the quality and production efficiency management systems.

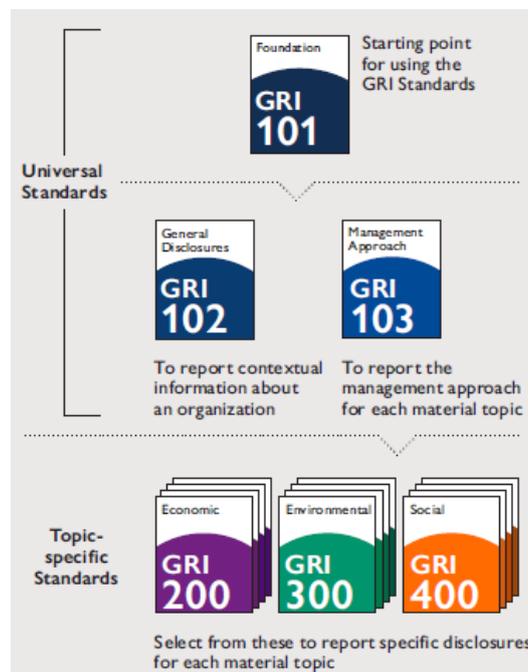
The sustainability report is a very important communication channel that an organization can have with its internal and external stakeholders. It is a valuable tool that can be used to share the company's environmental performance, the opportunities it offers for employees and the social benefit it creates, in addition to sharing its financial performance. Despite of being a tool that publicly shares the data gathered, sustainability reports are never tools for promotional activity. The goal of this report is to identify the priorities of the company

under the main headings that matter to both itself and its stakeholders. Once identified these priorities, the company can report the work carried out to develop them using its key performance indicators (KPIs), making such reporting available for readers in a way to allow comparison with previous reports.

### *Global Reporting Initiative – GRI*

The GRI Standards create a common language for organizations and stakeholders, with which the economic, environmental, and social impacts of organizations can be communicated and understood. Through this tool, organizations can disclose their significant impacts in accordance with a globally-accepted standard. The Standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability of organizations.

The Consolidated Set of GRI Sustainability Reporting Standards 2016 is structured as a set of interrelated standards. They have been developed primarily to be used together to help an organization prepare a sustainability report which is based on the Reporting Principles and focuses on material topics. This Standards structure is shown in the following Figure 1:



*Figure 1 Overview of the set of GRI Standards (taken from the Consolidated Set of GRI Sustainability Reporting Standards)*

Each one of the series has its own topic-specific Standards with their Requirements, Recommendations and Guidance. The Requirements are mandatory instructions that an organization is required to comply with in order to claim that the report has been prepared in accordance with the Standards. The Recommendations encourage a particular course of action

and the Guidance are sections including background information, explanations and examples so the requirements can be better understood. Companies are not required to comply with recommendations or guidance. The following Figure 2 is an example of how the disclosures are presented in the set of GRI Standards:

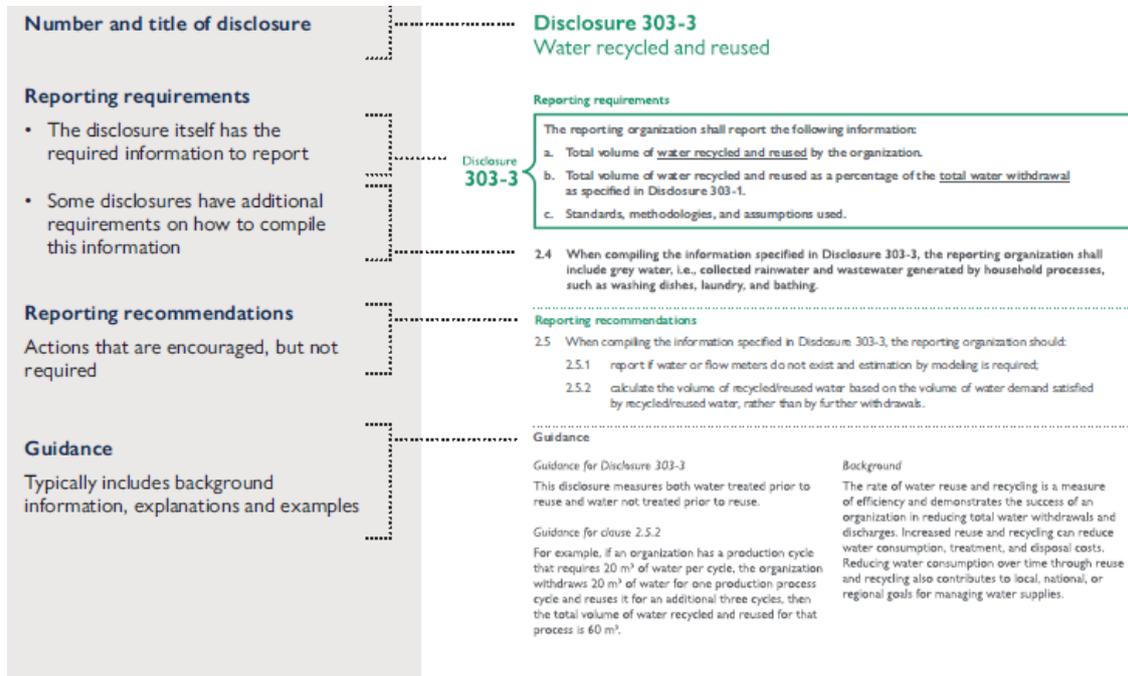


Figure 2 Example from a topic-specific GRI Standard (taken from the Consolidated Set of GRI Sustainability Reporting Standards)

As shown in Figure 1, GRI Standards are divided into four series:

✓ **100 Series**

This series includes three universal Standards:

- **GRI 101: Foundation.** Sets out the Reporting Principles for defining report content and quality. The Reporting Principles for defining report content help organizations decide which content to include in the report as material topics, considering the organization's activities, impacts and the expectations and interests of its stakeholders. The Reporting Principles for defining report quality help ensuring the quality of information and proper presentation of the sustainability report.
- **GRI 102: General Disclosures.** Includes information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.
- **GRI 103: Management Approach.** Used to inform about how an organization manages each material topic in a sustainability report.

✓ **200 Series (Economic topics), 300 Series (Environmental Topics) and 400 Series (Social topics)**

Those three series include numerous topic-specific Standards used to report information on an organization's impacts related to social, economic and environmental topics.

The company that decides to report in accordance with GRI Standards can choose between one of these two options:

- **Core.** The report will contain the minimum information needed to understand the nature of the organization, its material topics and related impacts, and how these are managed.
- **Comprehensive.** Goes further than the Core option, requiring additional disclosures on the organization's strategy, ethics and integrity, and governance. The organization is required to report more extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.

Required criteria	Core option	Comprehensive option
<i>Use the correct claim (statement of use) in any published materials with disclosures based on the GRI Standards</i>	Include the following statement: 'This report has been prepared in accordance with the GRI Standards: Core option'	Include the following statement: 'This report has been prepared in accordance with the GRI Standards: Comprehensive option'
<i>Use GRI 101: Foundation to follow the basic process for preparing a sustainability report</i>	Comply with all requirements in <a href="#">Section 2</a> of GRI 101: Foundation ('Using the GRI Standards for sustainability reporting')	[Same as for Core]
<i>Use GRI 102: General Disclosures to report contextual information about the organization</i>	Comply with all reporting requirements for <b>the following disclosures</b> from GRI 102: General Disclosures: <ul style="list-style-type: none"> <li>• Disclosures 102-1 to 102-13 (Organizational profile)</li> <li>• Disclosure 102-14 (Strategy)</li> <li>• Disclosure 102-16 (Ethics and integrity)</li> <li>• Disclosure 102-18 (Governance)</li> <li>• Disclosures 102-40 to 102-44 (Stakeholder engagement)</li> <li>• Disclosures 102-45 to 102-56 (Reporting practice)</li> </ul>	Comply with all reporting requirements for <b>all disclosures</b> from GRI 102: General Disclosures  <i>Reasons for omission are only permitted for the following disclosures: Disclosure 102-17 (Ethics and integrity), and Disclosures 102-19 to 102-39 (Governance). See <a href="#">clause 3.2</a> for more information</i>

<p><i>Use GRI 103: Management Approach to report the management approach and the topic Boundary for all material topics<sup>5</sup></i></p>	<p>For each material topic, comply with all reporting requirements from GRI 103: Management Approach</p> <p><i>Reasons for omission are only permitted for Disclosures 103-2 and 103-3 (see clause 3.2)</i></p>	<p>[Same as for Core]</p>
<p><i>Use the topic-specific GRI Standards (series 200, 300, 400) to report on material topics</i></p>	<p>For each material topic covered by a topic-specific GRI Standard:</p> <ul style="list-style-type: none"> <li>• comply with all reporting requirements in the 'Management approach disclosures' section</li> <li>• comply with all reporting requirements for <b>at least one topic-specific disclosure</b></li> </ul> <p>For each material topic not covered by a GRI Standard, it is recommended to report other appropriate disclosures for that topic (see clause 2.5.3)</p> <p><i>Reasons for omission are permitted for all topic-specific disclosures (see clause 3.2)</i></p>	<p>For each material topic covered by a topic-specific GRI Standard:</p> <ul style="list-style-type: none"> <li>• comply with all reporting requirements in the 'Management approach disclosures' section</li> <li>• comply with all reporting requirements for <b>all topic-specific disclosures</b></li> </ul> <p>For each material topic not covered by a GRI Standard, it is recommended to report other appropriate disclosures for that topic (see clause 2.5.3)</p> <p><i>Reasons for omission are permitted for all topic-specific disclosures (see clause 3.2)</i></p>
<p><i>Ensure that reasons for omission are used correctly, if applicable</i></p>	<p>Comply with all requirements in clause 3.2 (Reasons for omission)</p>	<p>[Same as for Core]</p>
<p><i>Notify GRI of the use of the Standards</i></p>	<p>Comply with all requirements in clause 3.4 (Notifying GRI of the use of the Standards)</p>	<p>[Same as for Core]</p>

Figure 3 Criteria to claim a report has been prepared in accordance with the GRI Standards (taken from the Consolidated Set of GRI Sustainability Reporting Standards)

When preparing a report in accordance with the GRI Standards, whether Core or Comprehensive, the organization must include a GRI content index listing all GRI Standards used and disclosures reported. For each disclosure, the content index shall include:

- I. The number of the disclosure;
- II. The page number(s) or URL(s) where the information can be found, either within the report or in other published materials;
- III. If applicable, and where permitted, the reason(s) for omission when a required disclosure cannot be made.

The reporting organization shall notify GRI of its use of the GRI Standards by either sending a copy to GRI or registering the report or published material at [www.globalreporting.org/standards](http://www.globalreporting.org/standards). Notifying GRI of the use of the GRI Standards ensures transparency in how the Standards are applied by organizations around the world and provides knowledge on what is being done by the companies to achieve sustainable development. The public access to these reports can inspire other companies to pursue their own sustainability indicators, modifying their strategies to get even better performances.

## The challenges of the automotive industry

Despite of being a growth industry, the automotive industry is also facing big challenges. Consumer expectations are transforming as new technologies dramatically change vehicles, from the advent of the 'connected car' and enhanced driver support to better fuel efficiency and new or improved powertrains. The increasing numbers of products and options, shorter technology cycles and increasing pressure to innovate must be balanced with the needs and demands of customers, investors, regulators and non-governmental organizations (NGOs).

The future car will provide customer value through mobility, communication and information. For car manufacturers to be part of this, they must change their business processes and systems, being efficient, cost relevant and more responsive to the market's changes. Ranging from safety and environmental regulations to market access for non-local manufactures, government regulations have a lot of influence on the automotive industry. On the other hand, regarding customer behavior, there is a huge increase in car sharing and in the search for technological advances that can transform the driving experience by making vehicles autonomous, connected and environmentally better. The regulations aligned with a higher level of consciousness and changes in the behavior of customers forces companies to invest in innovative and creative solutions, what brings sustainability as one of the core issues to be addressed in the strategy of organizations working in the automotive sector.

## Methodology

### Characterization of the corporation's business

Autoparts<sup>1</sup> was founded in 1970 and, initially, was conceived for the design and creation of sheet metal stamping tools. In the 90's, the company becomes an Industrial Group, offering engineering activities as well as assembly and cathoretic painting processes (KTL) to various clients within the sector. Nowadays, it is an industrial group dedicated to the development and manufacturing of metal components for automobiles, mainly using stamping and welding processes. Autoparts has three plants based in Southern Europe and one in Central Europe. The Group provides service worldwide and, for the main clients, they have a team of resident engineers who work permanently in-house with the client, supporting design, industrialization and prototype tasks.

Autoparts provides products and services for the biggest automobile manufacturers in the world. These products and services are listed below:

#### ✓ **Products:**

- **Seats:** Development and production of different pieces that make up the metallic structure of the seats, such as the seat runners, the mechanisms to attach to the bodywork, side reinforcement and internal mechanisms.
- **Interiors:** Development and manufacture of different pieces that make the passenger compartment safer, more comfortable and more accessible. Along this line, there are clips to attach inner handles, the divider separating the passenger cabin from the loading area, different parts of the airbag, inner pieces of the luggage space, multiple safety clips and fixings, among others.
- **Body:** Their most representative pieces include different design versions of the of the car chassis; headlight seating, pieces included in pillars A, B and C, the support for inserting the gear shift and the structure to attach the spare tire.
- **Engines:** Designed pieces for the different versions and engine units of every model and brand. The most representative ones are the divider separating the engine from the passenger compartment, different engine support and attachment pieces, supports for engine pieces, the oil filter protector and the diesel filter protector, among others.

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<sup>1</sup> The name of the industrial group was changed to respect the privacy of the real Group in which this thesis is based.

- **Exhaust systems:** This product line includes the handles and hooks to attach the exhaust pipe to the car's body, to insert and join the exhaust pipe to the engine exhaust outlet, and other exhaust mechanisms, as well as hooks and attachments to the vehicle.
- ✓ **Solutions:**
  - **Engineering:** The engineering department offers the clients extensive experience in design and development projects, analyzing functional feasibility as well as the feasibility of manufacturing the parts.
  - **Prototypes:** Autoparts Group has their own workshop to make prototypes, as well as a specialized human team to make the project concept a reality in very competitive deadlines and costs. They also manufacture parts for small volume series.
  - **Tooling:** There is a programme to assess the design and manufacturing process of each die, counting on an international panel of tool construction providers, the most modern machinery and a human team of tool makers and adjusters with ample experience in the sector.
  - **Stamping:** The Group works in direct contact with providers of raw material, allowing it to offer modern materials such as steel with high elasticity limits or aluminum. With an extensive experience in welding, it also offers assemblies of metal parts as well as plastic parts.
  - **Paintings:** The Group offers all kinds of metal surface treatments, helping the clients to choose the best finish treatment for each case. The types of finish offered are: Cathodic Painting, Powder Coating, Zinc Coating and Phosphate Welding.
  - **Foaming:** Robotic cells to apply polyurethane strands on certain pieces through two-component fast-reacting foaming equipment, completely automated.

The automotive industry is usually associated with high rates of raw material consumption and pollution during the production process. The advent of climate change increases the pressure over the industry for reducing emissions, raw material shortage, energy and oil security and responsibility over water consumption and discharge. Another global trend increasingly important is the matter of human rights, not only regarding how companies treat their employees but also how they contribute to local community wellbeing. Having this in mind, long-term investors want to ensure that automotive companies are prepared for the challenges stemming from climate change, new technologies, changing policies and shifts in demand caused by global trends. That means that not only the automobile manufactures must comply

with environmental and social trends, but they also are responsible for doing business with companies that have the same commitment with these topics.

The sustainability report became a great tool to clearly expose how engaged with sustainable development the organizations are, also being used to determine either the manufacturers will do business with certain suppliers or not. They began to demand from the suppliers a positioning on sustainability matters and, in that context, Autoparts Group decided to prepare its first sustainability report in accordance with the international GRI Standard.

### Meetings and data recompilation

The first step was to establish meetings to discuss the report with main and strategic departments of the Group, going through the disclosures that would be presented and what kind of data they would have to provide to establish the performance indicators. The meetings were carried out in the dates presented in Table 1.

*Table 1 Meetings with the departments*

Department	Date
Human Resources Southern Europe	19/02/2018
Human Resources Central Europe	19/02/2018
Finances	21/02/2018
Environmental, Health and Safety Southern Europe	26/02/2018
Environmental, Health and Safety Central Europe	27/02/2018
Purchases	28/02/2018

During the next two months, each department sent the information requested and the data was worked on to build the report. All the information reported came not only from the Group's website, but also and mainly from internal reports and procedures, audits carried out by third parties and archives used to keep control of personnel details (type of contracts, Government structure, hirings and leavers, training, performance evaluations, benefits), environmental and health issues (water consumption, emissions, raw materials, waste generation and disposal, effluent generation) and financial performance. All these data was analyzed so they could fit in the topic-specific requirements of each one of the GRI Series.

## Elaboration of the Report

### *100 Series: Universal Standards*

As this was its first-time reporting, the Group decided to prepare a report in accordance with the GRI Standards: Core Option. Some of the matters were asked to be kept off of the report such as Governance details and client details.

### *GRI 101: Foundation*

The next step was to work on the Reporting Principles for defining report content and quality.

Reporting Principles for defining report content
Stakeholder Inclusiveness
Sustainability Context
Materiality
Completeness

*Figure 4 Reporting Principles for defining report content (taken from the Consolidated Set of GRI Sustainability Reporting Standards)*

#### ✓ **Stakeholders Inclusiveness**

Stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the reporting organization's activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organization to implement its strategies or achieve its objectives. They can include employees and other workers, shareholders, suppliers, vulnerable groups, local communities, NGOs or other civil society organizations, among others.

The goal is to identify the stakeholders and explain how the Group has responded to their reasonable expectations and interests. Stakeholders engagement is based on systematic or generally accepted approaches, methodologies or principles that can be implemented specifically and, in this specific case, although the managers have clearness on who are the stakeholders and how the company is responding to their interests, the company do not have a specific plan for communicating and engaging with stakeholders. The environmental and health department was the only one with a process of stakeholders engagement developed, once it is one of the requirements of ISO 14.001:2015, but it was strictly directed to the stakeholders of this specific department.

✓ **Sustainability Context**

The aim is to present the organization’s performance in relation to broader concepts of sustainability. This involved examining its performance in the context of the limits and demands placed on economic, environmental or social resources, at the sectoral, local, and regional level.

✓ **Materiality**

The report shall cover topics that reflect the reporting organization’s significant economic, environmental, and social impacts or substantively influence the assessments and decisions of stakeholders. In this case, the most relevant topics selected to report were regarding the Group’s economical results, the expansion of operations and presence around the world, the relations with stakeholders, especially clients, employees and suppliers, and the commitment to social and environmental issues, mainly considering emissions, energy, waste, effluents and water use.

✓ **Completeness**

The report includes coverage of material topics and their Boundaries, enough to reflect significant economic, environmental, and social impacts and to enable stakeholders to assess the reporting Group’s performance in the reporting period.

Reporting Principles for defining report quality
Accuracy
Balance
Clarity
Completeness
Reliability
Timeliness

*Figure5 Reporting Principles for defining report quality (taken from the Consolidated Set of GRI Sustainability Reporting Standards)*

✓ **Accuracy**

With the data provided, it was possible to report information sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.

✓ **Balance**

The reported information has considered not only the positive, but also negative aspects of the Group's performance to enable a reasoned assessment of overall performance.

✓ **Clarity**

The information is presented in a way that is understandable, accessible, and usable by the organization's range of stakeholders, whether in print form or through other channels.

✓ **Comparability**

Comparability is necessary for evaluating performance. It is important that stakeholders can compare information on the current economic, environmental, and social performance against the past performance, and, to the degree possible, against the performance of other organizations. Although this was the first time the Group was reporting, the data presented is from 2016 and 2017, which allows a comparison between the company's performance from one year to another.

✓ **Reliability**

All the report information was gathered, recorded, compiled, analyzed so that the report can be checked to establish the veracity of its contents and the extent to which the Reporting Principles have been applied. Individuals other than those who prepared the report are expected to be able to review internal controls or documentation that supports the information in the report.

✓ **Timeliness**

Timeliness refers to the regularity of reporting as well as its proximity to the impacts described in the report. The Group shall report in every two years so that information is available in time for stakeholders to make informed decisions.

Once the Reporting Principles were defined, all the information was compiled in the report. The social, economic and environmental performance indicators were calculated as indicated in each topic-specific from the Consolidated Set of GRI Sustainability Reporting Standards (the Consolidated Set can be downloaded here: <https://www.globalreporting.org/standards>).

### *GRI 102: General Disclosures*

This Universal Standard has 56 disclosures containing reporting requirements on contextual information about an organization and its sustainability reporting practices. The first 13 disclosures describe the organizational profile of the company, providing an overview of size, geographic location and activities. This contextual information is important to help stakeholders understand the nature of the organization and its economic, environmental and social impacts.

Disclosure
102-1 Name of the organization
102-2 Activities, brands, products, and services
102-3 Location of headquarters
102-4 Location of operations
102-5 Ownership and legal form
102-6 Markets served
102-7 Scale of the organization
102-8 Information on employees and other workers
102-9 Supply chain
102-10 Significant changes to the organization and its supply chain
102-11 Precautionary Principle or approach
102-12 External initiatives
102-13 Membership of associations

Most of these disclosures are information that can be found on the company's website. The disclosures *102-5 Ownership and legal form*, *102-8 Information on employees and other workers*, *102-9 Supply chain* and *102-10 Significant changes to the organization and its supply chain* are more specific, so the information was obtained during the specific meetings with Human Resources, Purchases and Finance departments.

Ownership and Legal Form regards the shareholders and the names and activities of the companies owned by the Group. In this case, Autoparts Group owns fourteen entities, ranging from business management to auxiliary industries of die-cutting and metal stamping, painting

of metal parts by cataphoresis, merchandising of automotive components and logistics services for the automotive industry.

The information on employees and other workers contains the total number of employees by contract (permanent and temporary), by employment type (full-time and part-time) and by gender. The information provided by the group was sent in tables like the one illustrated below.

KPI	YEAR_MONTH	201601	201602	201603	201604	201605	201606	201607	201608	201609	201610	201611	201612	
HEADCOUNT	COMPANY TOTAL	565	574	575	575	580	583	588	592	597	598	610	615	
	BY TYPE OF EMPLOYMENT	EMPLOYEE	165	174	175	175	180	183	188	192	195	196	201	537
		LEASED STAFF	68	68	70	70	70	70	65	65	65	78	78	78
	BY WORKING TIME	FULL TIME EMPLOYEE	562	571	572	572	577	580	585	589	594	595	607	612
		PART TIME EMPLOYEE	3	3	3	3	3	3	3	3	3	3	3	3
	BY GENDER	FEMALE	181	185	185	184	186	185	192	192	194	197	197	207
		MALE	341	358	360	361	364	365	366	370	378	379	385	408

Figure 6 Table with employee information from Central Europe in 2016

The reporting period chosen was 2016 and 2017, so, as said in the report recommendations from Disclosure 102-8, the numbers used in the report should be those from the end of the reporting period chosen. That means that the reported numbers of employees in Southern and Central Europe are from December 2016 and December 2017.

Regarding their supply chain, Autoparts' production purchases are separated in three main groups: raw materials and component; shaping tools, gauges and prototypes; outsourcing. During the meeting, it was explained how the Group carries out the purchases and what are the main criteria to choose the providers. Later, the purchase manager also provided data on the quantities of raw material bought and the percentages spent in local and non-local suppliers. This last information is important because it allows people to see how the company is, or is not, stimulating local business. Estimated monetary values of payments to the suppliers were also provided. The Group opted to not disclose a detailed list of purchases, focusing mainly on production purchases.

The main changes to the organization and supply chain were identified as being the expansion of the productive plant in Central Europe, gaining productive capacity, and the shift of the market that, due to economic issues, started to turn to Asia. The low costs of Asian shaping tools made Autoparts, along with other big companies, started buying from them instead of buying from local suppliers.

Disclosures 102-14 and 102-15 are about the company's strategy. They provide an overview of the strategy with respect to sustainability, in order to provide context for

subsequent more detailed reporting. The strategy section is intended to give insight on strategic issues rather than to summarize the content of the report.

Disclosure
102-14 Statement from senior decision-maker
102-15 Key impacts, risks, and opportunities

These two disclosures were reported in the foreword from the president of the Group, based on the company's expectations on using this first sustainability report as a tool to establish its position as a sustainable and innovative company, ready to face the challenges of the automotive market and engage even more with its main stakeholders (clients, suppliers and employees) and the general society.

Disclosures 102-16 and 102-17 are about ethics and integrity.

Disclosure
102-16 Values, principles, standards, and norms of behavior
102-17 Mechanisms for advice and concerns about ethics

To report these information, the Group's Code of Conduct and Business Ethics and its Mission, Vision and Values were taken in consideration and added to the report. The mechanism for advice and concerns about ethics, as it was said by the Human Resources director during the meeting, is related to the Channel of Communication established inside the Group so the employees know how to reach and who to reach in case they have knowledge on the breach of any of the standards defined in the Code of Conduct and Business Ethics. The document with instructions regarding the channel of communication, which is sent to all employees, was provided so the information could be complete in this report.

The Director of Human Resources is responsible for the technical work instruction where the process of escalation and complaints is defined. Also under the scope of the HR Director, the figure of the *Ombudsman* or *Conciliator* is created. Any employee of the Autoparts Group who has knowledge of the breach of any of the standards defined in the Code of Conduct and Business Ethics must immediately inform the director of HR by any of the following means:



Disclosures 102-18 to 102-39 give an overview of: the governance structure and its composition; the role of the highest governance body in setting the organization’s purpose, values, and strategy; the competencies and performance evaluation of the highest governance body; the role of the highest governance body in risk management; the role of the highest governance body in sustainability reporting; the role of the highest governance body in evaluating economic, environmental and social performance; remuneration and incentives.

Disclosure
102-18 Governance structure
102-19 Delegating authority
102-20 Executive-level responsibility for economic, environmental, and social topics
102-21 Consulting stakeholders on economic, environmental, and social topics
102-22 Composition of the highest governance body and its committees
102-23 Chair of the highest governance body
102-24 Nominating and selecting the highest governance body
102-25 Conflicts of interest
102-26 Role of highest governance body in setting purpose, values, and strategy
102-27 Collective knowledge of highest governance body
102-28 Evaluating the highest governance body’s performance
102-29 Identifying and managing economic, environmental, and social risks
102-30 Effectiveness of risk management processes
102-31 Review of economic, environmental, and social topics
102-32 Highest governance body’s role in sustainability reporting
102-33 Communicating critical concerns

102-34 Nature and total number of critical concerns
102-35 Remuneration policies
102-36 Process for determining remuneration
102-37 Stakeholders' involvement in remuneration
102-38 Annual total compensation ratio
102-39 Percentage increase in annual total compensation ratio

For this first-time reporting, the Group chose not to give that much of detail on its Governance. The Governance Structure was reported along with the responsibilities and frequency of meetings of every governing body. The Board of Directors is also in the report, with the name and position of each member. Regarding disclosure 102-25, the conflict of interests and how any of the employees (including members of the Board) should proceed in case there is a conflict was already mentioned in the Code of Conduct and Business Ethics. The same goes to disclosure 102-33, which mentions the communication of critical concerns and can be related to the already mentioned Channel of Communication.

Disclosures 102-40 to 102-44 give an overview of the organization's approach to stakeholder engagement.

Disclosure
102-40 List of stakeholder groups
102-41 Collective bargaining agreements
102-42 Identifying and selecting stakeholders
102-43 Approach to stakeholder engagement
102-44 Key topics and concerns raised

As mentioned before in *GRI 101: Foundation*, although the managers have clearness on who are the stakeholders and how the company is responding to their interests, the company do not have a specific plan for communicating and engaging with them. What they have are separated actions directed to each one of its interest groups, but not a structured plan containing them all. The Group lists its stakeholders in accordance to their importance for its business, like it is illustrated bellow. In this representation created for the report, the closest stakeholders (and, therefore, more important) are inside the small circle. Their approach to the other groups diminishes as the circles get bigger.

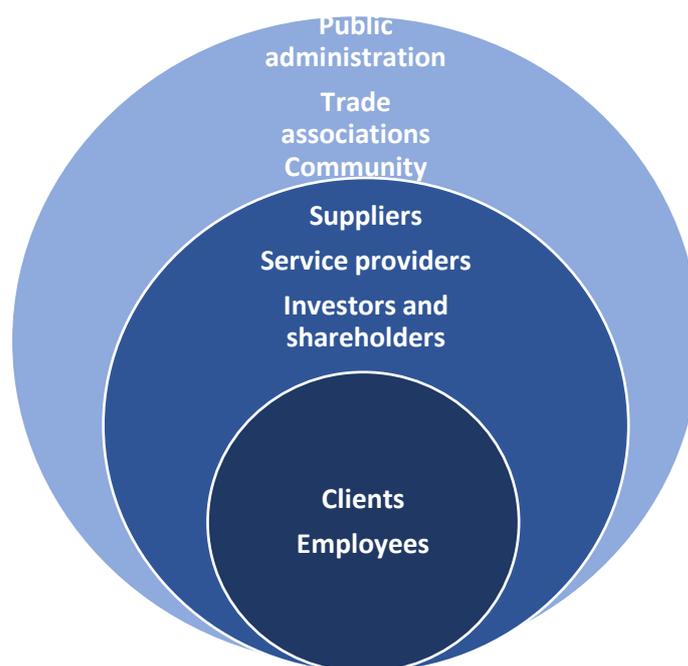


Figure 7 List of stakeholders by their importance

Disclosures 102-45 to 102-56 give an overview of the process that Autoparts has followed to define the content of its sustainability report. They also review the process it followed to identify its material topics and their Boundaries, along with any changes or restatements, as it was mentioned in GRI 101: Foundation.

Disclosure
102-45 Entities included in the consolidated financial statements
102-46 Defining report content and topic Boundaries
102-47 List of material topics
102-48 Restatements of information
102-49 Changes in reporting
102-50 Reporting period
102-51 Date of most recent report
102-52 Reporting cycle
102-53 Contact point for questions regarding the report
102-54 Claims of reporting in accordance with the GRI Standards
102-55 GRI content index
102-56 External assurance

The reporting period was 2016 and 2017 and the report should be updated in every two years. The claims of reporting in accordance to GRI Standards are related to the option chosen to elaborate the report. In this case, Autoparts has chosen to prepare a report in accordance to

GRI Standards: Core Option. This information is highlighted right at the beginning of the report. The GRI content index is a navigation tool that specifies which GRI Standards have been used, which disclosures have been made and where these disclosures can be found in the report or other location. It enables stakeholders to gain a quick overview of the report and is available at the end of the document. For this first report, the company chose not to seek external assurance for the report.

### *GRI 103: Management Approach*

This Universal Standard has three disclosures that reinforce the material topics and the management approach to the issues addressed.

Disclosure
103-1 Explanation of the material topic and its Boundary
103-2 The management approach and its components
103-3 Evaluation of the management approach

The company is expected to provide enough information for report users to understand its approach to managing the material topic and its impacts. Its positioning regarding the economical results, the expansion of operations and presence around the world, the relations with stakeholders, especially clients, employees and suppliers, and the commitment to social and environmental issues, mainly considering emissions, energy, waste, effluents and water use, is clearly represented in the actions implemented to avoid and mitigate possible negative impacts. As an example, the Group's commitment to Luxemburg Declaration on Workplace Health Promotion proves their concern in improving the work organization and the working environment, promoting active participation and encouraging personal development.

### *200 Series: Economic topics*

The Standards in the Economic Series address the flow of capital among different stakeholders and the main economic impacts of an organization throughout society.

### *GRI 201: Economic Performance*

The objective of this Universal Standard is to compile information for economic disclosures using figures from the company's audited financial statements or from its internally-audited management accounts, whenever possible.

Disclosure
201-1 Direct economic value generated and distributed
201-2 Financial implications and other risks and opportunities due to climate change
201-3 Defined benefit plan obligations and other retirement plans
201-4 Financial assistance received from government

All the specific economic information on direct economic value generated and financial assistance received from Government was asked during the meeting with the Finances director and given directly in tables to be include in the report. Regarding retirement plans, the Group does not have one.

#### *GRI 202: Market Presence*

This Universal Standard has two disclosures to address the topic of company's market presence, covering its contribution to economic development in the local areas or communities where it operates.

Disclosure
202-1 Ratios of standard entry level wage by gender compared to local minimum wage
202-2 Proportion of senior management hired from the local community

In this case, all the employees, women and men, both in Southern and Central Europe, receive wages above the minimum wages. Also, 100% of senior management is hired from local community. "Local" is referred to Southern and Central Europe, where the productive plants are.

#### *GRI 203: Indirect Economic Impacts*

These two disclosures regard the indirect economic impacts of the company. Those impacts are the additional consequences of the direct impact of financial transactions and the flow of money between an organization and its stakeholders. The disclosures also address the impacts of infrastructure investments and services supported.

#### Disclosure

203-1 Infrastructure investments and services supported

203-2 Significant indirect economic impacts

Autoparts Group had no information to report regarding these two disclosures. This should change for the next reports in the following years, since indirect economic impacts are particularly important to assess in relation to local communities and regional economies. They can be monetary or non-monetary and show how engaged the company is to the local community.

#### *GRI 204: Procurement Practices*

This Universal Standard covers the Group's support for local suppliers, or those owned by women or members of vulnerable groups.

#### Disclosure

204-1 Proportion of spending on local suppliers

This data was obtained from the Purchases department, alongside with the information of the location of suppliers and their estimated monetary value of payments.

#### *GRI 205: Anti-corruption*

In this Standard, corruption is understood to include practices such as bribery, facilitation payments, fraud, extortion, collusion, and money laundering; the offer or receipt of gifts, loans, fees, rewards, or other advantages as an inducement to do something that is dishonest, illegal, or represents a breach of trust. It can also include practices such as embezzlement, trading in influence, abuse of function, illicit enrichment, concealment, and obstructing justice. All those practices are linked to negative impacts.

#### Disclosure

205-1 Operations assessed for risks related to corruption

205-2 Communication and training about anti-corruption policies and procedures

205-3 Confirmed incidents of corruption and actions taken

The Code of Conduct and Business Ethics of the company is clear on the risk related to corruption, as it is shown in the following topic extracted from the Code.

### ***Conflicts of interest and Transparency***

*All decisions made by the employees of Autoparts Group must be founded in the full interest of the company and never in personal interests.*

*Accepting or offering gifts, lunches, dinners, services or any other type of consideration by the employees of the Autoparts Group to our collaborators or from them is not allowed under any circumstances, excepting those due to normal commercial practices or courtesy and the value of which is symbolic. Autoparts condemns any kind of corruption and our employees are expected to do the same.*

The communication for anti-corruption practices is also carried out through the Communication Channel mentioned before. Regarding to training, all the employees receive the Code of Conduct and instructions on how to use the Channel of Communication, if necessary. All this information is also available on the Company's intranet and can be accessed anytime by its employees. No incident of corruption was confirmed during the reporting period, so there were no actions taken.

#### ***GRI 206: Anti-competitive Behavior***

Anti-competitive behavior refers to actions of an organization or its employees that can result in collusion with potential competitors, with the purpose of limiting the effects of market competition.

### **Disclosure**

#### **206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices**

For the reporting period there were no incidents of anti-competitive behavior.

#### ***300 Series: Environmental topics***

In the context of the GRI Standards, the environmental dimension of sustainability concerns an organization's impacts on living and non-living natural systems, including land, air, water and ecosystems.

### GRI 301: Materials

The type and amount of materials the organization uses can indicate its dependence on natural resources, and the impacts it has. The organization's contribution to resource conservation can be indicated by its approach to recycling, reusing and reclaiming materials, products, and packaging.

Disclosure
301-1 Materials used by weight or volume
301-2 Recycled input materials used
301-3 Reclaimed products and their packaging materials

The amount (in kg/year) of raw material was provided by the Purchases department and organized in a table to add to the report. Regarding the company's approach to packaging materials, almost all its packaging is returnable and belongs to the clients.

### GRI 302: Energy

An organization can consume energy in various forms, such as fuel, electricity, heating, cooling or steam. The four disclosures in this Universal Standard provide information about Autopart's impacts related to energy and how it manages them.

Disclosure
302-1 Energy consumption within the organization
302-2 Energy consumption outside of the organization
302-3 Energy intensity
302-4 Reduction of energy consumption
302-5 Reductions in energy requirements of products and services

The Group reported its electricity and heating consumption. The data was provided in tables like it is illustrated below. The consumption of the three productive plants was gathered in one single table for the report. The company do not have installations to self-generate renewable energy

cód.			dato 2017	dato 2018	2017 vs 2018
C-01	Electricity	Kw	6.815.160	6.777.960	-1%

Figure 8 Information on electricity consumption from Plant 1, in Southern Europe

cód.			dato 2016	dato 2017	2017 vs 2016
C-10	Natural gas	m3	414.767,14	486.408,72	17%

Figure 9 Information on natural gas consumption from Plant 3, in Southern Europe

The total energy consumption of the organization should be calculated according to the formula specified in Disclosure 302-1. In this case, Autoparts does not produce its own electricity, heating, cooling and steam, so they also do not sell them.

<b>Total energy consumption within the organization</b>
=
<b>Non-renewable fuel consumed</b>
+
<b>Renewable fuel consumed</b>
+
<b>Electricity, heating, cooling, and steam purchased for consumption</b>
+
<b>Self-generated electricity, heating, cooling, and steam, which are not consumed (see clause 2.1.1)</b>
-
<b>Electricity, heating, cooling, and steam sold</b>

Figure 10 Formula to calculate total energy consumption of the company (taken from the Consolidated Set of GRI Sustainability Reporting Standards)

For calculating total energy consumption, the consumption of natural gas was converted from m<sup>3</sup> to kWh. The standard conversion factor used was from the Catalan Office for Climate Change (2018), set up in 11,81 kWh/Nm<sup>3</sup> of natural gas.

Table 2 Fuel consumption

FUEL CONSUMPTION (NATURAL GAS)		
	2016	2017
kWh	4.898.400	5.744.487
m <sup>3</sup>	414.767,14	486.408,72

Energy intensity ratios define energy consumption in the context of an organization-specific metric. These ratios express the energy required per unit of activity, output, or any other organization-specific metric. Intensity ratios can be provided for, among others:

- products (such as energy consumed per unit produced);
- services (such as energy consumed per function or per service);
- sales (such as energy consumed per monetary unit of sales).

In this case, the Group chose to calculate its energy intensity in accordance to its energy consumption per 100 units produced for each of its industrial processes. For Plant 1, for an example, its electricity consumption was the one shown in Figure 8 and the number of stamping units per year is illustrated in the following Figure 11.

	2.016	2.017
Ud estampación (CMA)	221.498.400	216.204.035

Figure 11 Stamping units per year from Plant 1, in Southern Europe

With this two information, it was possible to calculate the energy intensity per year, by the following equation:

$$\text{Energy intensity} = \frac{\text{Electricity consumption}}{\text{Number of stamping units} * 100}$$

The same formula was used to calculate the energy intensity in all four productive plants.

### GRI 303: Water

Access to fresh water is essential for human life and wellbeing and is recognized by the United Nations as a human right. An organization can impact water resources through its withdrawal and consumption of water. Withdrawals from a water system can affect the environment by lowering the water table, reducing the volume of water available for use, or otherwise altering the ability of an ecosystem to perform its functions.

Disclosure
303-1 Water withdrawal by source
303-2 Water sources significantly affected by withdrawal of water
303-3 Water recycled and reused

Water is mainly supplied for the manufacturing plants by municipal water boards. Although there is a well in Plant 1, withdrawal is insignificant and mainly made to irrigate the entrance garden occasionally. The total withdrawal by source was sent in separate archives regarding each productive plant, and the information was gathered in one single table for the report.

Regarding recycled and recirculated water, the plants have a closed system to recirculate refrigeration water, but no other small or big measure (like faucets with sensors to reduce the water used in the bathrooms, for an example) is being implemented to reduce even more water consumption.

### *GRI 304: Biodiversity*

Protecting biological diversity is important for ensuring the survival of plant and animal species, genetic diversity, and natural ecosystems. In addition, natural ecosystems provide clean water and air, and contribute to food security and human health. The disclosures in this Standard can provide information about the company’s impacts related to biodiversity and how it manages them.

Disclosure
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
304-2 Significant impacts of activities, products, and services on biodiversity
304-3 Habitats protected or restored
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

The company had no information to report regarding Biodiversity, once their activities do not pose a threat to endangered plant and animal species, either have they performed any prevention and remediation activities. None of the reported productive plants are adjacent to protected areas.

### *GRI 305: Emissions.*

This Universal Standard addresses emissions into air, which are the discharge of substances from a source into the atmosphere. Types of emissions include: greenhouse gas (GHG), ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), among other significant air emissions.

Disclosure
305-1 Direct (Scope 1) GHG emissions
305-2 Energy indirect (Scope 2) GHG emissions
305-3 Other indirect (Scope 3) GHG emissions
305-4 GHG emissions intensity
305-5 Reduction of GHG emissions
305-6 Emissions of ozone-depleting substances (ODS)
305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant emissions

The direct emissions of CO<sub>2</sub> were calculated in metric tons of CO<sub>2</sub> equivalent and based on the Group's natural gas (CH<sub>4</sub>) consumption. The standard conversion factor used was from the Catalan Office for Climate Change (2018), set up in 2,15 kg CO<sub>2</sub>/Nm<sup>3</sup> of natural gas.

The indirect emissions from electricity consumption were calculated using two conversion factors. For the Southern Europe plants, the standard conversion factor used was from the Catalan Office for Climate Change (2018), set up in 392 g CO<sub>2</sub>/kWh. For the Central Europe plant, the standard conversion factor used was from Covenant of Mayors – SEAP template, set up in 566 g CO<sub>2</sub>/kWh.

The four plants measure periodically **TOC** - total organic carbon, **CO** (ppm) - carbon monoxide, **NOx** (ppm) - nitrogen oxides, **SO<sub>2</sub>** (mg N/ m<sup>3</sup>) - sulfur dioxide, **VOCs** - (volatile organic compounds) and **Opacity** (E.B). For the reported period, the values measured are below the legally indicated limit and do not represent significant emissions.

In relation to accidental emissions of other fluids with greenhouse effect, the air conditioning equipment follow preventive maintenance rules to prevent the leakage of these substances. No leak was detected during the reported period.

Table 3 Air conditioning equipment

AIR CONDITIONING EQUIPMENT		
Gas	Charge (g)	t of CO2 equivalent
R410A	1200	Between 5-50
R410A	1200	Between 5-51
R410A	1150	Between 5-52
R407C	6500	Between 5-53
R410A	2500	Between 5-54

**GRI 306: Effluents and Waste**

This Standard includes water discharges, the generation, treatment and disposal of waste, and spills of chemicals, oils, fuels, and other substances.

Disclosure
306-1 Water discharge by quality and destination
306-2 Waste by type and disposal method
306-3 Significant spills
306-4 Transport of hazardous waste
306-5 Water bodies affected by water discharges and/or runoff

A list of all the waste produced in each one of the plants was received and the same analysis was used to summarize all the information. First, the waste was divided in hazardous and non-hazardous and, after that, in recoverable and non-recoverable. As an example, here is the table used to analyze the waste generation in Plant 2.

Table 4 Types of waste

Type	Recoverable?	
<b>NON-HAZARDOUS</b>	Waste paper and cardboard	YES
	Plastic waste	YES
	Inert waste	NO
	Waste paper office	YES
	Waste sludge	YES
	Wood	YES
	Copper / copper wiring	YES

<b>HAZARDOUS</b>	Aluminum	YES
	Scrap	YES
	Hydrocarbons	YES
	Gloves	YES
	Traps	YES
	Sepiolita	NO
	Plastic containers	YES
	Metallic packaging	YES
	Contaminated cardboard	YES
	Oil filters	YES
	Electrical and electronic equipment	YES
	Aerosol cans	YES
	Non-chlorinated water emulsion	YES
	Waste oil	YES
	Non-halogenated solvent	NO
	Aqueous cleaning solution	NO
	Fluorescent tubes	YES

After determining the types of waste, all the information on the four productive plants was gathered in one single table containing the types of waste and amount produced in kg/year. Autoparts Group does not have any waste treatment implemented in any of its facilities. The waste is generated, stored and then transported by an external company with valid certifications and permits. This company is responsible for properly disposing and treating the waste according to local legislation. 100% of the hazardous waste produced is transported and receive proper treatment and disposal.

#### *GRI 307: Environmental Compliance*

This Standard addresses the topic of environmental compliance, covering an organization's compliance with environmental laws and/or regulations. This includes compliance with international declarations, conventions and treaties, as well as national, sub-national, regional, and local regulations.

### Disclosure

#### 307-1 Non-compliance with environmental laws and regulations

There have not been non-compliances with environmental laws and regulations during the reported period.

#### *GRI 308: Supplier Environmental assessment*

Due diligence is expected of an organization in order to prevent and mitigate negative environmental impacts in the supply chain. These include impacts the organization either causes or contributes to, or that are directly linked to its activities, products, or services by its relationship with a supplier.

### Disclosure

#### 308-1 New suppliers that were screened using environmental criteria

#### 308-2 Negative environmental impacts in the supply chain and actions taken

All suppliers have to fulfill some basic criteria in order to do business with the Group. One of them is the commitment with actions that respect the environment on their part. A survey is sent during the process of selection, so they can indicate what are their commitments regarding environmental and social issues, and the answers are taken in consideration when selecting the new suppliers.

#### *400 Series: Social Topics*

The social dimension of sustainability concerns an organization's impacts on the social systems within which it operates.

#### *GRI 401: Employment*

This Standard includes the organization's approach to employment or job creation, that is, an organization's approach to hiring, recruitment, retention and related practices, and the working conditions it provides.

Disclosure
401-1 New employee hires and employee turnover
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-3 Parental leave

The information on hires and leavers during 2016 and 2017 was provided for each plant. They were gathered in the same table in the report, along with the calculated percentage of turnover. The turnover was calculated as the number of employees who left during the year divided by average number of employees during the year. The average number of employees during the year was calculated from the tables exemplified on Figure 6.

Regarding the benefits, the company makes no differentiation between full-time and part-time employees. Parental leave is an important accommodation designed to increase the ability of families to balance the needs of the workplace and home, and all Autoparts employees, men and women, have the right to take parental leave.

Table 5 Parental leave

		PARENTAL LEAVE		
		Gender	2016	2017
Southern Europe	Female		5	8
	Male		20	25
Central Europe	Female		8	10
	Male		7	5

**GRI 402: Labour/Management relations**

This Standard covers the organization’s consultative practices with employees and their representatives, including its approach to communicating significant operational changes.

Disclosure
402-1 Minimum notice periods regarding operational changes

An organization’s consultation practices are expected to be aligned with relevant international norms and standards. Minimum notice periods are a measure of an organization’s ability to maintain employee satisfaction and motivation while implementing significant changes

to operations. In this case, the minimal notice period regarding operational changes is 30 days (4 weeks).

**GRI 403: Occupational Health and Safety**

The right to a healthy and safe workplace is recognized as a human right and is addressed in various authoritative international instruments. Therefore, an organization is expected to be responsible for the occupational health and safety of:

- all workers performing work that is controlled by the organization;
- all workers whose workplace is controlled by the organization, whether or not their work is under the control of the organization.

Disclosure
403-1 Workers representation in formal joint management–worker
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
403-3 Workers with high incidence or high risk of diseases related to their occupation
403-4 Health and safety topics covered in formal agreements with trade unions

As it was explained in the meeting with the Environmental, Health and Safety departments, Autoparts Group has 100% of its employees represented by committees. Each production plant has its own Health and Safety committee, with 3 employees and 3 management representatives. They meet once every three months to discuss topics related to these issues, as well as the formal agreements with Trade Unions (UGT) and Worker’s Comissions (CCOO).

The mainly injuries reported are in the following table.

Main types of injuries
Torsions
Cuts
Foreign object in the eye
Entrapment
Springs
Impacts
Burns
In-itinere
Others

The lost day rate shows the impact of occupational diseases and accidents as reflected in time off work by the affected workers. The lost day rate was calculated by comparing the total lost hours to the total number of hours scheduled to be worked by workers in the reporting period, with the information provided by the company.

*GRI 404: Training and Education*

This Standard addresses the topic of training and education. This includes an organization’s approach to training and upgrading employee skills, and performance and career development reviews. It also includes transition assistance programs to facilitate continued employability, and the management of career endings due to retirement or termination.

Disclosure
404-1 Average hours of training per year per employee
404-2 Programs for upgrading employee skills and transition assistance programs
404-3 Percentage of employees receiving regular performance and career development reviews

The company provided a list with all the types of training carried out in 2016 and 2017, with their specific hours and number of attendants. From that list, the trainings were summarized in mainly training categories and the average hours of training per employee was calculated by dividing the number of training provided by the number of attendants.

Every six months, a performance evaluation of our employees is carried out in each department, providing constructive feedback so we can achieve continuous self-improvement. This connection not only strengthens the competitiveness of the Group as an employer, but also strengthens our customer service skills, contributing to the continuous growth of the business.

*GRI 405: Diversity and Equal Opportunities*

When an organization actively promotes diversity and equality at work, it can generate significant benefits for both the organization and workers. For example, the organization can gain access to a larger and more diverse set of potential workers. These benefits also flow through to society in general, as greater equality promotes social stability and supports further economic development.

#### Disclosure

405-1 Diversity of governance bodies and employees

405-2 Ratio of basic salary and remuneration of women to men

The Group makes no differentiation in the ratio on basic salary and remuneration of women and men. The remuneration varies according to the employee background experience. Regarding the Governance, there are no women in the Governing bodies, which indicates that a change should be implemented so the diversity could also be present in the highest positions of the company. The diversity of employees was calculated over the total number of employees, indicating what percentage was represented by women and people with disability.

#### *GRI 406: Non-discrimination*

For this Standard, discrimination is defined as the act and the result of treating people unequally by imposing unequal burdens or denying benefits, instead of treating each person fairly on the basis of individual merit. Discrimination can also include harassment.

#### Disclosure

406-1 Incidents of discrimination and corrective actions taken

An organization is expected to avoid discriminating against any person on any grounds, including avoiding discrimination against workers at work. It is also expected to avoid discriminating against customers with respect to the provision of products and services, or against any other stakeholder, including suppliers or business partners. The Code of Conduct and Business Ethics of the company is clear on its position regarding discrimination, as it is shown in the following topic extracted from the Code.

#### ***Equal treatment. No discrimination. No abuse.***

*We guarantee that our employees have equal, respectful treatment, not being discriminated due to race, age, gender, religion, nationality or any other type of circumstance. Any attitude of discrimination and abuse is penalised, and our employees are encouraged to denounce any situations susceptible of falling into that category.*

There have not been any incidents of discrimination during the reported period.

### *GRI 407: Freedom of association and collective bargaining*

Freedom of association is a human right as defined by international declarations and conventions. In this context, freedom of association refers to the right of employers and workers to form, to join and to run their own organizations without prior authorization or interference by the state or any other entity.

#### Disclosure

407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk

In Autoparts, workers' rights to exercise freedom of association or collective bargaining may be respected and not at significant risk. The company does not have the audited information of how this issue is carried out inside its suppliers, but they have to answer the survey where their commitments to social and environmental issues are exposed. None of the suppliers has reported risks to worker's right of freedom.

### *GRI 408: Child labor and GRI 409: Forced or compulsory labor*

Child labor is work that 'deprives children of their childhood, their potential and their dignity, and that is harmful to their physical or mental development including by interfering with their education.

#### Disclosure

408-1 Operations and suppliers at significant risk for incidents of child labor

Forced or compulsory labor is defined as<sup>2</sup> "all work or service which is exacted from any person under the menace of any penalty and for which the said person has not offered himself voluntarily".

#### Disclosure

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor

The Code of Conduct and Business Ethics of the company is clear on its position regarding these issues, as it is shown in the following topic extracted from the Code.

#### ***Respect for Human Rights***

*We are fully convinced that work is a right, not an obligation. We condemn any type of forced labour or service that is carried out against will and under the threat of punishment. Under no circumstances do we work with children younger than 16 years old, making sure that our providers and clients also comply with this premise.*

<sup>2</sup> International Labour Organization (ILO) Convention 29, 'Forced Labour Convention', 1930.

*GRI 410: Security Practices; GRI 411: Rights of Indigenous People and GRI 412: Human Rights Assessment*

These Standards were considered not applicable by the Group, so they were not even discussed during the meetings. They have no business that can affect indigenous people nor operations that have been subjected to human rights review.

*GRI 413: Local Communities*

In the GRI Standards, local communities are defined as persons or groups of persons living and/or working in any areas that are economically, socially or environmentally impacted (positively or negatively) by an organization’s operations. Where possible, organizations are expected to anticipate and avoid negative impacts on local communities.

Disclosure
413-1 Operations with local community engagement, impact assessments, and development programs
413-2 Operations with significant actual and potential negative impacts on local communities

Establishing a timely and effective stakeholder identification and engagement process is important to help organizations understand the vulnerability of local communities and how these might be affected by the organization’s activities. As the Group still does not have a structured engagement process for stakeholders, they chose not to report data regarding this Standard.

*GRI 414: Supplier Social Assessment*

The disclosures in this Standard can provide information about the organization’s approach to preventing and mitigating negative social impacts in its supply chain. Suppliers can be assessed for a range of social criteria, including human rights, employment practices, health and safety practices, industrial relations; incidents and working hours.

Disclosure
414-1 New suppliers that were screened using social criteria
414-2 Negative social impacts in the supply chain and actions taken

As mentioned before, all Autoparts suppliers have to answer the survey where their commitments to social and environmental issues are exposed. The Group does not make business with suppliers being assessed for negative social impacts.

*GRI 415: Public Policy*

This includes any organization's participation in the development of public policy, through activities such as lobbying and making financial or in-kind contributions to political parties, politicians, or causes.

Disclosure
415-1 Political contributions

There have not been any political contribution during the reported period.

*GRI 416: Customer Health and Safety and GRI 417: Marketing and Labeling*

These Standards were considered not applicable by the Group, so they were not even discussed during the meetings. The assessment of the pieces is made by their clients, according to their needs. Autoparts does not work on the design of the pieces nor is responsible for any marketing or labeling processes.

## Results

### Group companies

Table 6 List of group companies

Entity name <sup>3</sup>	Activity
Company 1	Business management. Holding.
Company 2	Auxiliary industry: die-cutting and metal stamping
Company 3	Welding and assembly of metal parts
Company 4	Painting of metal parts by cataphoresis
Company 5	Manufacture of metal molds and dies
Company 6	Lease and management of real estate
Company 7	Manufacture and sale of solar thermal panels
Company 8	Auxiliary industry: die-cutting and metal stamping
Company 9	Auxiliary industry: die-cutting and metal stamping
Company 10	Research and exploitation of solar energy systems
Company 11	Business management. Holding.
Company 12	Merchandising of automotive components
Company 13	Lease and management of real estate
Company 14	Logistics services for the automotive industry

Only information on Companies where Autoparts Group holds a majority interest are included in this report.

<sup>3</sup> The names of the entities were changed in order to respect the privacy of the industrial group in which this thesis is based.

## Purchase criteria

The Group's purchase criteria are:



Before coming to any agreement, **all suppliers receive a form where they must indicate whether they follow social and environmental criteria** when performing their own activities or not. Our decision making is also based on the suppliers concern regarding these topics.

The production purchases are separated in three main groups:



## Purchase details

Here it is possible to see the number of local and non-local suppliers and an estimated value of payments to the suppliers.

Tabla 7 Purchase details

		SUPPLY CHAIN	
		2016	2017
<b>Southern Europe</b>	Local suppliers	70	75
	Non-local suppliers	64	72
	Estimated monetary value of payments (in Euros)	251,286,110	250,063,930
<b>Central Europe</b>	Local suppliers	16	23
	Non-local suppliers	68	100
	Estimated monetary value of payments (in Euros)	112,212,940	222,924,940

Tabla 8 Percentage spent with local suppliers

PERCENTAGE SPENT WITH LOCAL SUPPLIERS		
	2016	2017
<b>Southern Europe</b>	82.3%	85.2%
<b>Central Europe</b>	6.17%	21.2%

In Southern Europe, although there is a considerable amount of foreign suppliers to attend the production needs, most of the budget is spent with local suppliers. In Central Europe, as there is a lack of suppliers and distribution centers, the Group negotiates with the closest ones in the region.

## The business in numbers

Here is the organized economic information provided by the Finance department.

### Total operations (billed units)

Tabla 9 Total operations

OPERATIONS						
	2017	2017	2017	2016	2016	2016
Billed units	Southern Europe	Central Europe	TOTAL	Southern Europe	Central Europe	TOTAL
Production	408,158,255	173,783,520	581,941,775	421,214,610	132,387,045	553,601,655
Tooling	1,690	1,195	2,885	785	375	1,160
Prototypes and others	7,173,425	144,285	7,317,710	1,834,680	529,035	2,363,715
<b>TOTAL</b>	<b>415,333,370</b>	<b>173,929,000</b>	<b>589,262,370</b>	<b>423,050,075</b>	<b>132,916,455</b>	<b>555,966,530</b>

### Net sales per business line

Tabla 10 Net sales per business line

NET SALES PER BUSINESS LINE (in euros)		
	2017	2016
Stamping and metal welding	543,950,560	521,805,410
Die and tooling manufacturing	224,220,640	48,533,805
Cataphoretic paintings	11,914,265	10,384,560
<b>TOTAL</b>	<b>780,085,465</b>	<b>580,723,775</b>

### Financial indicators

Tabla 11 Financial indicators - Capitalization

FINANCIAL INDICATORS: CAPITALIZATION (in euros)		
	2017	2016
Shareholders equity	455,118,240	405,280,490
Adjustments for changes in value	-776,835	-3,411,030
Grants, donations and heritages received	16,010,895	8,640,815
Minority interests	573,005	134,340
<b>EQUITY</b>	<b>470,925,305</b>	<b>410,644,615</b>

Tabla 12 Financial indicators - Financial debt

FINANCIAL INDICATOR OF FINANCIAL DEBT (in euros)		
	2017	2016
Long term debts	80,840,375	95,808,670
Short term debts	50,680,405	40,235,360
Cash and other liquid assets	-73,987,645	-74,439,790
<b>NET FINANCIAL DEBT</b>	<b>57,533,135</b>	<b>61,604,240</b>

### Subsidies received

The companies of the Autoparts Group have received certain public subsidies linked to investments in property, plant and equipment and personnel hiring, contributing to the creation of employment and the training of personnel.

Tabla 13 Subsidies received

SUBSIDIES (in euros)		
	2017	2016
Subsidies charged to income for the year	1,185,810	1,007,410
<b>TOTAL INCOME FROM SUBSIDIES</b>	<b>1,185,810</b>	<b>1,007,410</b>

The amounts pending attribution at the close of the 2017 and 2016 periods are shown below:

Tabla 14 Subsidies pending attribution

SUBSIDIES (in euros)		
	2017	2016
Government from Central Europe	10,990,615	3,016,870
European Union - Government from Central Europe	4,830,460	5,417,390
Government from Southern Europe - CTDI (Center for Industrial Technological Development)	164,220	164,220
Regional Government in Southern Europe	2,560	42,330
<b>TOTAL</b>	<b>15,987,855</b>	<b>8,640,810</b>

### *Tax deduction for R&D*

The Group constantly develops R&D projects in collaboration with Technological Institutes, Universities, Research Centers, etc. At the date of preparing this report, the amount of deductions associated with R&D expenses for the year 2017 was not available, as it must be certified by authorized entities whose work has not yet been completed. However, the information corresponding to the 2016 financial year is detailed below:

*Tabla 15 Tax deduction for Research and Development*

<b>TAX DEDUCTION FOR R&amp;D</b>		
	2016	
	R&D expenses	Deduction
Development of laser technology for welded parts with high precision (IT)	2,082,815	249,940
Design and development of automotive parts for new materials (IT)	1,455,125	174,615
<b>TOTAL</b>	<b>3,537,940</b>	<b>424,555</b>

### *Economic value generated*

*Tabla 16 Economic value generated*

<b>ECONOMIC VALUE GENERATED (in euros)</b>		
	2017	2016
Income - Direct Economic Value Generated	780085465	580723775
Operational costs	-573456860	-392512985
Salaries and benefits of employees	-135485395	-115298115
Payments to capital providers - dividends	0	0
Payments to governments. Tax on profits	-14148280	-14500175
<b>DIRECT ECONOMIC VALUE GENERATED</b>	<b>56994930</b>	<b>58412500</b>

## Corporate Governance

The Corporate Governance rules are corroborated by the following:



Each of the Governing Bodies has a specific part in the strategic development of Autoparts's business, as well as different administrative and management functions.

### ✓ **General Shareholders**

- Some of the shareholders directly participate in the Group's day-to-day management, holding senior management positions and, therefore, directly intervening in the decision-making process.
- The shareholders are part of the Board of Directors of the company.

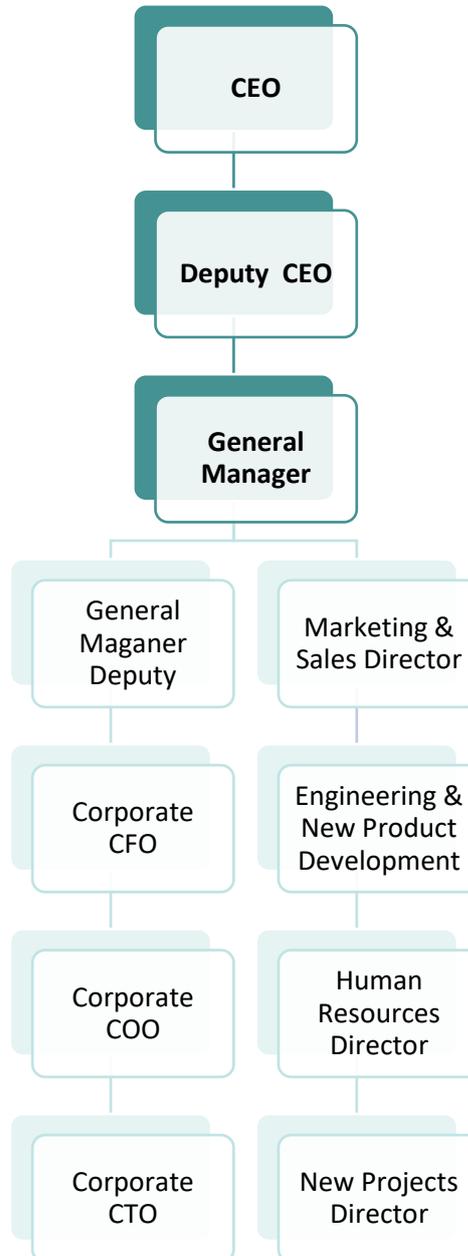
### ✓ **Board of Directors**

- The Board of Directors meets once every three months to review the system, discussing all that is related to changes in the productive process, new resources and improvement opportunities, also reviewing the minutes of their last meeting.

### ✓ **Management Committee**

- The Management Committee is responsible for disseminating, implementing and monitoring the business strategy, meeting once a week to ensure all the areas are coordinated.

The Board of Directors<sup>4</sup> is responsible for supervising and controlling the fulfillment of goals by the management, representing the company, its purposes and interests.

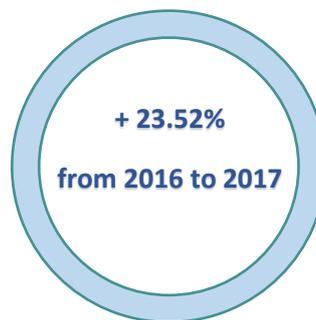


<sup>4</sup> The names of the members were hidden to respect the privacy of the real industrial Group in which this thesis is based.

## People

Tabla 17 Number of employees by gender and type of contract

		NUMBER OF EMPLOYEES			
		December 2016		December 2017	
Type		Female	Male	Female	Male
Southern Europe	Permanent	123	897	138	930
	Temporary	42	210	45	162
	Full time employee	165	1107	183	1092
	Part time employee	0	0	0	0
	<b>Total headcount</b>	<b>165</b>	<b>1107</b>	<b>183</b>	<b>1092</b>
Central Europe	Permanent	159	378	258	501
	Temporary	45	27	132	165
	Full time employee	207	405	387	666
	Part time employee	0	3	0	3
	<b>Total headcount</b>	<b>207</b>	<b>408</b>	<b>387</b>	<b>669</b>
<b>AUTOPARTS total headcount</b>		<b>1887</b>		<b>2331</b>	



In 2016, the Group expanded its plant in Central Europe and restructured the local team, resulting in higher staff hiring and turnover rates during these last two years.

Tabla 18 Hirings and turnovers

		HIRINGS AND TURNOVER	
		2016	2017
Southern Europe	Hirings	387	375
	Leavers	216	357
	<b>% Turnover</b>	<b>18.20%</b>	<b>28.20%</b>
Central Europe	Hirings	288	1,182
	Leavers	243	702
	<b>% Turnover</b>	<b>41.32%</b>	<b>94.35%</b>

## Training

The Directors and Managers take on the commitment, along with the employees, of ensuring the growth and development through training, focusing on delivering knowledge, abilities, leadership and management skills.

Tabla 19 Training hours and employees trained

Training		
	2016	2017
Employees trained	1,788	1,002
Training hours	19,668	18,762
Average training hours/employee/year	11	19

Main training categories
Compulsory
IT
Management
Professional
QA system
Language

Every six months, a performance evaluation of the employees is carried out in each department, providing constructive feedback so they can achieve continuous self improvement. This connection not only strengthens the competitiveness of the Group as an employer, but also strengthens customer service skills, contributing to the continuous growth of the business.

Tabla 20 Percentage of career reviews received

PERCENTAGE OF TOTAL EMPLOYEES WHO RECEIVED PERFORMANCE AND CAREER DEVELOPMENT REVIEWS	
Category	2016/2017
Administrative	7.46%
Technicians	78.82%
Managers	15.52%
Directors	5.91%

### Equality

The automotive sector, even though traditionally characterized by employing mainly male workers, recognizes that the diversity of thought and experience are crucial for success. At Autoparts Group, managers are aware that diversity improves performance, both financial and non-financial, so there are no distinctions by gender in our hiring and payment processes. From 2016 to 2017, the Group had an **increase of 48.5% in its female workforce**. In 2017, 24.5% of its employees were women.

The integration of disabled people in the job market is important from both a human rights and an economic perspective, resulting in more equal opportunities and higher employment rates. The Group works in favour of this integration, offering job positions and working along-side special employment centres. In 2017, 0.91% of its employees had some type of disability.

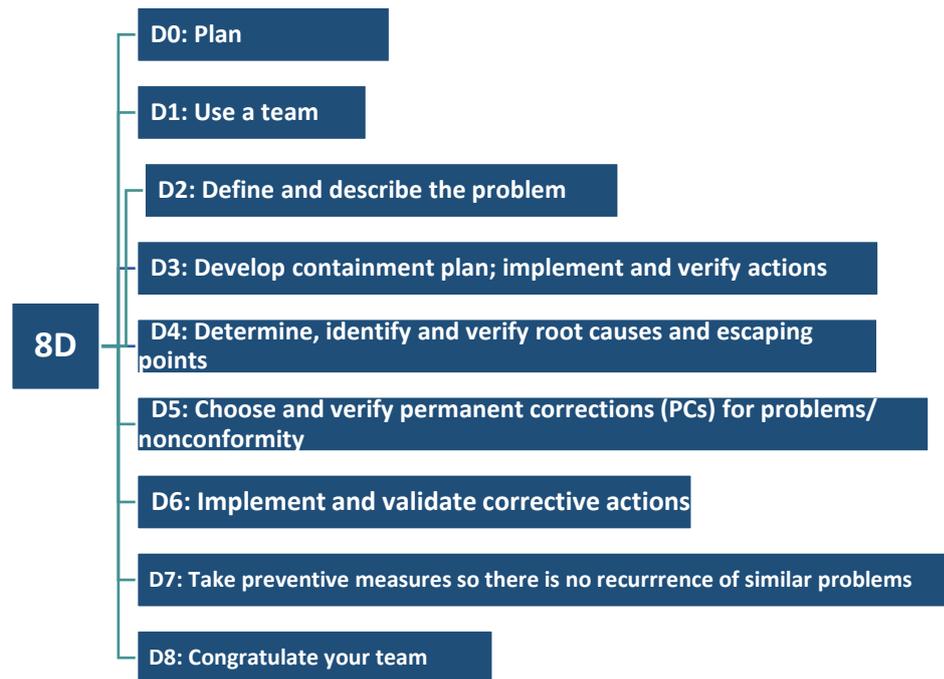
### Health and Safety

At Autoparts Group, 100% of our employees are represented by committees. The indicator of absenteeism refers to Group employees, not including temporary agency workers.

Tabla 21 Absenteeism

		Absenteeism	
		2016	2017
Southern Europe	% of manhours lost for absenteeism	4.16	2.78
	% of manhours lost for sick leaves due to accidents	2.17	0.13
Central Europe	% of manhours lost for absenteeism	6.42	9.50
	% of manhours lost for sick leaves due to accidents	0.29	1.07

Despite the hard work on prevention matters, sick leaves due to accidents increased in Central Europe, where they have just expanded the productive plant. In order to minimize these rates once again, they started focusing on making an 8D model more efficient.



The EHS department continuously makes 8D reports and accident investigations, counting on the collaboration of the different departments and an external safety expert to define the correct **Root Cause**, the **Escaping Points**, the **Corrective and Long Term Actions**.

The 8D reports are part of the action plan for risk management, defined by ten steps:

**1. Accident investigations:** 8D analysis and reports.

**2. Define actions, the person responsible and the deadlines:** Common agreement with the management.

**3. Monthly plant meeting:** Guarantee information flow to all employees.

**4. Continuously control:** Measurable key performance indicators (KPIs).

**5. Safety penalty usage:** Improves the mentality and behaviors.

**6. Control test:** Preparation of checklist to evaluate the skills and knowledge of the employees.

**7. Measurements and risk assessment:** Refresh the accredited measurements, update the risk assessment and follow up continuously.

**8. Visual elements:** Update visual aids regarding mandatory safety equipment, safety block system usage and waste management at the production area.

**9. Ensure safety equipment:** Ensure that all equipment used is safe.

**10. Monthly follow up meeting for chemical and dangerous waste:** Evaluation and follow up of chemical risk.

### *Rights and benefits*

- The company offers free bus transportation to its industrial facilities;
- All the employees are over minimum wage;
- They organize social activities and festivities to bring the employees together;
- They provide school support for employee's children and funding to pay for employee's eyewear

Despite of the benefits mentioned here, the company should work on better ones, such as retirement plans, to attract more qualified people and also retain talents.

### *Commitments*

#### *Luxemburg Declaration on Workplace Health Promotion*

This Declaration proposes a combined effort of employers, employees and society to improve the health and well-being of people at work. This improvement can be achieved through a combination of:

- ✓ Improving the work organization and the working environment;
- ✓ Promoting active participation
- ✓ Encouraging personal development

### *Quality and excellence*

The Group Quality Management System is based in two international standards that, when combined, help it to achieve best practices in the designing, manufacturing and providing of automotive products:

 <p>International Automotive Task Force</p>	<p style="text-align: center;"><b><u>IATF 16949</u></b></p> <p>Defines the fundamental quality management system requirements for automotive suppliers.</p> <p><u>Key benefits:</u></p> <ul style="list-style-type: none"> <li>Provides for continuous</li> <li>Emphasizes defect prevention</li> <li>Provides specific requirements and tools for the automotive</li> <li>Reduction of variation and waste in the supply chain</li> </ul>
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	<p style="text-align: center;"><b><u>ISO 9001</u></b></p> <p>Focuses on customer satisfaction and the ability to provide products and services that meet both internal and external demands of the organization, without distinction of sector or activities.</p> <p><u>Key benefits:</u></p> <ul style="list-style-type: none"> <li>Improve customer focus</li> <li>Enhance leadership involvement</li> <li>Improve engagement of people</li> <li>Adopt a process-based approach</li> <li>Enable people and process</li> <li>Facilitate evidence-based decision making</li> <li>Ensure management of relationships with third parties</li> <li>Establish a systematic approach to risk management</li> </ul>
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### *Caring for the environment*

In a global context, climate change was identified as one of the major risks to the well-being of humanity and the planet itself, being one of the key factors in the United Nations' Sustainable Development Goals. The automotive industry is directly connected to the climate change issue due to automobile's contribution to greenhouse gas emissions. Management is committed to aligning environmental management, quality management, and prevention of occupational hazards as well as the organization's strategies, establishing environmental goals and objectives, assigning responsibilities, resources and deadlines, always based on continuous improvement and sustainable development, thus reducing the environmental impact of the company's activities.

Autopart's Environmental Policy aims to:

- 🌱 Comply with **applicable environmental legislation and regulations**, and with other requirements derived from the needs and expectations of stakeholders.
- 🌱 **Prevent pollution** by using the most appropriate technology in order to reduce, as far as possible, discharges and emissions. **Prevent the generation**, and ensure the **recovery of waste**, and **preserve the consumption of natural resources**.
- 🌱 Train and sensitize employees/suppliers/customers in order to promote their **environmental commitment**.
- 🌱 Exercise a positive, responsible and honest **attitude** towards the community and promote **collaboration with all stakeholders**, making use of the material and human resources at their disposal.
- 🌱 Promote and allocate resources for **the efficient use of electricity consumption** in an environment of sustainable development and reduction of greenhouse gases and other pollutants emissions.

To enhance its commitment to continuous improvement and prevention of pollution, Autoparts has an Environmental Management System complying with the ISO 14001 standard, which covers the three manufacturing plants in Southern Europe and the one in Central Europe.

	<p><b><u>ISO 14001</u></b></p> <p>Specifies requirements for an effective environmental management system, providing a framework that the organization can follow.</p> <p><u>Key benefits:</u></p> <ul style="list-style-type: none"> <li>Demonstrate compliance with statutory and regulatory requirements</li> <li>Enhance leadership involvement</li> <li>Improve engagement of employees</li> <li>Improve company reputation</li> <li>Improve confidence of stakeholders through strategic communication</li> <li>Provide competitive and financial advantage through improved efficiencies and reduced costs</li> <li>Incorporate environmental issues into business management</li> <li>Encourage better environmental performance of suppliers</li> </ul>

*Raw materials*

*Tabla 22 Consumption of raw materials*

		RAW MATERAIL (kg/year)	
		2016	2017
<b>Southern Europe</b>	Steel	188,858,890	191,132,425
	Aluminium	14,915	46,135
	Stainless steel	6,635	126,620
<b>Central Europe</b>	Steel	75,732,120	116,975,825
	Aluminium	--	828,265

Although the raw materials are non-renewable, they are all recyclable. Furthermore, the company started working with stainless steel, which is a 100% recyclable material, with a long-term life and higher environmental performance.

### *Energy and emissions*

As an industry of the automotive sector, the company is aware that there must be a concern related to the CO<sub>2</sub> emissions and what can be done to minimize its contribution. The consumption of energy and fuels is directly related to CO<sub>2</sub> emissions, and the Group is constantly seeking improvement by taking actions such as:

- 🌱 Carrying out energy audits;
- 🌱 Monitoring and analysing periodically the consumption at facilities;
- 🌱 Implementing corrective actions and best practices;
- 🌱 Acquiring knowledge;
- 🌱 Setting goals and making sure there is an involvement at all levels.

*Tabla 23 Electricity consumption*

ELECTRICITY CONSUMPTION (kWh/year)			
	Facility	2016	2017
<b>Southern Europe</b>	Plant 1	6,815,160	6,777,960
	Plant 2	11,133,610	10,842,595
	Plant 3	5,525,030	6,859,020
<b>Central Europe</b>	Plant 4	10,448,545	14,552,220

*Tabla 24 Electricity consumption indicators*

ELECTRICITY CONSUMPTION INDICATORS				
	Facility	Indicator	2016	2017
<b>Southern Europe</b>	Plant 1	kWh/100 stamping units	3.08	3.13
	Plant 2	kWh/100 stamping units	7.5	8
	Plant 3	kWh/100 welded units	8	9.7
<b>Central Europe</b>	Plant 4	kWh/100 stamping units	7.4	7.3

Tabla 25 Indirect emissions

INDIRECT EMISSIONS (t CO <sub>2</sub> /year)			
Facility		2016	2017
Southern Europe	Plant 1	2,671.5	2,656.5
	Plant 2	4,364.4	4,250.5
	Plant 3	2,165.5	2,689
Central Europe	Plant 4	5,913.5	8,236.5

Standard emission factor in Southern Europe: 392 g CO<sub>2</sub>/kWh (The Catalan Office for Climate Change, 2017).

Standard emission factor in Central Europe: 566 g CO<sub>2</sub>/kWh (Covenant of Mayors – SEAP template).

Tabla 26 Direct emissions

DIRECT EMISSIONS FROM FUEL CONSUMPTION (t CO <sub>2</sub> /YEAR)	
2016	2017
891,75	1.045,78

Standard conversion factor in Southern Europe: 2,15 kg CO<sub>2</sub>/Nm<sup>3</sup> of natural gas (Catalan Office for Climate Change, 2018).

There was a reduction of 0.54% in the energy consumption of Plant 1 and a 2.61% reduction at Plant 2. Although there is still a long way to go, they are implementing measures for improvement such as:

- 🌱 Integral replacement of the current lighting system by LED technology;
- 🌱 Study and programming of production and maintenance;
- 🌱 Study of the 'Stand By' status of consuming elements that remain active during periods of inactivity of the company and the possible disconnection of them during these periods.

In Central Europe, with the increase of the productive capacity, there was also an increase in energy consumption. Having assessed the condition of the building structures, mechanical and electrical systems can and will be further improved from the point of view of energy saving.

## Water

Tabla 27 Total withdrawal of water by source

TOTAL WITHDRAWAL BY SOURCE (m <sup>3</sup> /year)					
	Facility	Public system 2016	Well 2016	Public system 2017	Well 2017
<b>Southern Europe</b>	Plant 1	7,320	0	6,750	320
	Plant 2	9,930	--	15,570	--
	Plant 3	4,775	--	6,940	--
<b>Central Europe</b>	Plant 4	9,670	--	4,673	--

## Waste and effluent

Tabla 28 Scrap generation

SCRAP GENERATION (kg/year)			
	Plant	2016	2017
<b>Southern Europe</b>	Plant 1	19,752,100	20,639,000
	Plant 2	59,078,400	59,604,145
	Plant 3	251,900	228,815
<b>Central Europe</b>	Plant 4	35,120,600	1,674,400

Tabla 29 Waste by type, not considering scrap generation

Type of waste	2016			2017		
	Recoverable (kg/year)	Non-recoverable (kg/year)	Total (kg/year)	Recoverable (kg/year)	Non-recoverable (kg/year)	Total (kg/year)
<b>Southern Europe</b>						
Plant 1						
NON-HAZARDOUS	572850	22300	595150	605900	0	605900
HAZARDOUS	146605	2120	148725	134935	1605	136540
Plant 2						
NON-HAZARDOUS	473550	0	473550	438490	3,36	438493,36
HAZARDOUS	197265	10775	208040	196295	685	196980
Plant 3						
NON-HAZARDOUS	178375	4,3	178379,3	286405	0	286405
HAZARDOUS	9355	0	9355	13150	0	13150
<b>Central Europe</b>						
Plant 4						
NON-HAZARDOUS	561945	0	561945	910725	0	910725
HAZARDOUS	94185	54875	149060	94110	54875	148985

Regarding waste management, the hazardous and non-hazardous waste are kept separately, in the correct containers and under correct conditions. Every container has an identification label with the main information needed to ensure proper segregation, such as a name, a code and a pictogram referring to each type of waste. Every department has a visual table on the wall, so everybody can remember how and where to manage the waste generated.

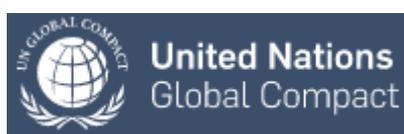
Regarding effluents, all of them fulfill the legislation requirements and do not represent a risk of pollution. All the parameters measured (pH, Conductivity, Biologic Oxygen Demand - BOD, Chemical Oxygen Demand - COD, Total Phosphorus, Suspended solid, Total Mercury, Total Chromium, Copper, Nickel, Zinc, Total Lead, Toxicity, Total Cadmium and Nitrogen Kjeldahl) are under the limits imposed.

In Central Europe, the plant effluents go straight to the wastewater collection network, owned by the Industrial Park where it is located. The Industrial Park monitors the waters discharged periodically. The Plants 1 and 2 carry out wastewater discharges of the processes through authorized managers. They do not pour industrial water into the municipal collector. In Plant 1 there is a wastewater treatment plant for sanitary water, ensuring that the effluent goes to the sewage network with better parameters.

Tabla 30 Effluents generated

EFFLUENTS GENERATED (m <sup>3</sup> /year)				
		Plant	2016	2017
Southern Europe	Plant 1		6590	6075
	Plant 2		6325	11455
	Plant 3		4300	6245
Central Europe	Plant 4		8705	21030

United Nations Global Compact Principles



The UN Guide to Corporate Sustainability defines five features of corporate sustainability, to which the Group strives towards.

- ✓ **Principled Business:** In every step of the business, from Corporate Governance to operations and supply chain, they seek integrity, respecting fundamental responsibilities regarding human rights, labor, environment and anti-corruption.
- ✓ **Strengthening society:** As a growing company with the possibility to impact lives positively, they are aware of their social responsibility. Among other actions, the company has been working on aligning core business with philanthropy campaigns in benefit of those who are in need.

- ✓ **Leadership commitment:** To keep pace with the changing world and ensure progress, sustainability requires a long-term vision and commitment. The company's leadership is aware that to lead by example is an effective method to motivate employees, so they are continuously adjusting the policies and practices in order to reflect their concern about building a sustainable business.
- ✓ **Reporting progress:** The Group wants its business to be more transparent, therefore they report their progresses periodically.
- ✓ **Local action:** Autoparts Group is concerned about how it can actively support local communities where we have business facilities. To be even more effective on bringing positive influence to local community, they must structure a robust stakeholder engagement plan and put it into practice, so the community feels closer and the benefits from it can start to show.

## Conclusions

The sustainability report is a great tool for a company to communicate with its stakeholders and to improve the internal communication between all hierarchic levels. By bringing an improvement to management and strategic planning of the organization, it becomes easier to establish objectives, measure its performance and manage the change towards a sustainable model. This planning is reflected in all departments and depends on all of them to succeed.

For this first report of Autoparts Group, it became clear what are the points where they still have work to do to be more organized and what are the opportunities they face in the automotive market. In comparison to the sustainability reports of other big companies on the market, the three main topics needed to improve the Group's performance for the next report are:

- Putting together a robust stakeholders' engagement plan, considering all the departments and stakeholders involved in every aspect of the productive process. A systematic stakeholder engagement, executed properly, is likely to result in ongoing learning within the organization, as well as increased accountability to a range of stakeholders. Accountability strengthens trust between the organization and its stakeholders. Trust, in turn, strengthens the credibility of the report.
- Stablishing specific goals for the years to come (for example: increasing women's participation in the Governing Body, reducing a percentage of waste generation, getting a higher percentage of energy from renewable sources, etc) so the comparison between ore report to the other can become even more clear.
- Using a specific system and template to compilate data. By doing so, it facilitates the exchange of information between production plants and offices across the globe and ensures that the same metric is being used. The way they processed data in Southern Europe was not the same as in Central Europe, and that delayed the process of getting the performance indicators.

The Group has real opportunities of growth, especially now that it is expanding its business to China. Over the last 15 years, the Chinese market has been a one-way winning bet for the automotive sector as the vehicle sales continue to grow. The key to building a successful strategy requires an understanding of China's economic outlook, the structure and capacity trends of its manufacturers and the facts that compel its consumer to buy cars. Another positive aspect of the company is the loyalty of the employees and how they are satisfied and motivated



by a good relationship with their superiors, which is much needed in company expanding business. Last, but not least, the fact that the Group started to report its sustainability performance reinforces its commitment to global trends that are now considered basics to a company that wants to expand and reach new consumers.

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