Environmental Responsibility & Stewardship

Our Commitment to Health, Safety and the Environment

We strive to be an industry leader in health, safety and environmental practices in all our operations through technological innovation and process efficiencies to minimize the impact of our operations on the environment and to provide safe and healthful working conditions. In furtherance of this objective, our Health, Safety and Environmental Policy ("HSE Policy") commits us to, among other things:

- complying with, and exceeding where reasonably possible, all applicable health, safety and environmental laws, regulations and conforming with our internal standards based on generally accepted environmental practices and industry codes of practice;
- regularly evaluating and monitoring past and present business activities impacting on health, safety and environmental matters;
- improving the efficient use of natural resources, including energy and water;
- minimizing waste streams and emissions;
- implementing effective recycling in manufacturing operations, in each case, through the use of locally set continuous improvement targets;

utilizing innovative design and engineering to reduce the environmental impact of our products during vehicle operation and at end of life;

ensuring that a systematic review program is implemented and monitored at all times for each of our operations, with a goal of continuous improvement in health, safety and environmental matters; and

reporting to the Board at least annually.

The full text of our HSE Policy is located on our website (www.magna.com).

Environmental Compliance

We are subject to a wide range of environmental laws and regulations relating to emissions, soil and ground water quality, wastewater discharge, waste management and storage of hazardous substances. Magna has a strong global environmental program that includes routine assessment of environmental compliance. This environmental program consists of third party and internal audits and inspections of our facilities for compliance with local regulations, internal corporate environmental requirements and industry best practices as detailed in the diagram below:
Each action item identified in an audit or inspection is assigned a risk score, and the risk scores of all action items are combined to establish an overall environmental performance rating for the Division. The Division is provided with a report containing recommendations which are prioritized based on the level of risk identified in the risk assessment. The Division is required to develop a corrective action plan to reduce/eliminate the identified risk.

Magna’s Environmental Department provides ongoing assistance to Division personnel in resolving action plan items and also reviews and approves action items that have been submitted for closure from Divisions. Audit/inspection findings are also communicated to our Operating Groups to enhance oversight and Group management commitment to resolving action items. A performance review takes place with Operating Group global and regional personnel on a quarterly basis. An escalation process is in place to deal with action items that are not being resolved on a timely basis, with additional environmental risk awareness training provided to the relevant Division.

Magna’s Environmental Department presents updates on environmental compliance to the Corporate Governance, Compensation and Nominating Committee (“CGCNC”) of Magna’s Board, which is comprised solely of independent directors.

General environmental awareness training is provided to employees by our Environmental Department at the corporate level and certain management representatives at the facilities, which is included as part of ISO 14001 certification compliance. In addition, our corporate Environmental Department holds regional conferences on a regular basis for representatives of our manufacturing facilities in order to:

- reinforce our commitment to environmental responsibility;
- communicate changes in local and regional regulations; and
- share best practices with respect to environmental protection, compliance and sustainability initiatives.

We are also subject to environmental laws that require prevention of environmental contamination and, where contamination has occurred, to investigate and remediate to acceptable levels. To date, the aggregate costs incurred in complying with environmental laws and regulations, including the costs of clean-up and remediation, have not had a material adverse effect on us. We have set aside approximately $14.3 million for 13 sites with active environmental remediation projects. No additions to this amount were required in 2018. During 2018, we spent approximately $1 million on environmental clean-up and remediation costs and currently estimate similar expenditures for 2019.

Responding to Climate Change Opportunities and Risks

Climate change – the alteration of long-term weather patterns and increasing frequency of extreme weather events – presents both opportunities and challenges for OEMs and suppliers in the automotive industry. We seek to realize the opportunities through sustainability-focused innovation, while addressing the risks in several ways, such as minimizing the impact of our operations, CO₂ reduction through lean logistics, and climate risk mitigation for our property portfolio.

Sustainability-Focused Innovation

We develop technologies that help our OEM customers bring to market vehicles which meet or exceed consumer expectations regarding fuel consumption and greenhouse gas (GHG) emissions. Our contribution in this regard is through:

- use of advanced and lightweight materials;
- components and systems with reduced mass through use of advanced/lightweight materials, innovative multi-material joining processes, increased use of electronics and reduced number of parts;
- solutions to help optimize internal combustion engines; and
- innovative powertrain products, such as hybrid and fully electric drivetrains, as well as electrified accessory systems.

Examples of our activities to develop sustainable products are discussed in our Annual Information Form (“AIF”) under “Section 4 – Our Business & Strategy – Our Business Strategy” and “Section 7 – Innovation and Research & Development – Innovations; and Innovation Awards”. Our AIF is located on our website (www.magna.com)
Minimizing the Impact of Our Operations

We strive to improve the efficiency of our manufacturing operations, including through the energy, water and waste reduction efforts discussed below under “Energy, Water and Waste Reduction”. Our operations are not major GHG emitters and generally do not exceed local GHG reporting thresholds. Accordingly, we do not currently anticipate that current or future regulatory targets for GHG reduction or future GHG emission caps would have a material impact on our overall operations.

Reducing CO₂ through Lean Logistics Management

Magna has implemented a lean approach that incorporates sustainability considerations in materials management and logistics. These sustainable lean logistics initiatives aim to achieve synergies and efficiencies that reduce both costs and our environmental impact, including by reducing CO₂ emissions, energy use, water consumption and waste.

We conduct analyses at our facilities and those of certain sub-suppliers to determine complete processing times from the initial supplier stage to the final customer delivery stage. Weekly deliveries, internal warehouse procedures, interim transporting, external warehousing and monthly deliveries to customers are areas of particular focus. These analyses allow us to simplify our logistics processes and determine ways to reduce our CO₂ emissions.

Property Risk Mitigation

Extreme weather events such as floods and windstorms and other natural disasters such as earthquakes may cause catastrophic destruction to our or our sub-suppliers’ facilities, which could in turn disrupt our production and/or prevent us from supplying products to our customers. Given the diversity of climates to which we are exposed in our operations across 28 countries globally, we maintain a global property risk control program that includes risk assessment and mitigation strategies to address, where practical, physical risks related to applicable extreme weather events. The program, which includes risk engineering with support from a third party property risk engineering consulting firm, includes the following and other elements to enhance the resiliency of our facilities and minimize the risk of disruption to our operations from extreme weather events: pre-screening of facility site selection; acquisition risk assessments; facility construction design review and recommendations; and training and education. In addition, the program extends the risk assessment by identifying and evaluating potential exposures to our direct supply chain (including natural hazards) which could disrupt business operations. Where such supply chain exposures are identified, a more detailed assessment may be performed to better understand the supply chain risk, including further on-site assessment, where practicable.

Reporting

We participate in the Carbon Disclosure Project, a not-for-profit project designed to provide investors with information relating to corporate GHG emissions, water use and perceived corporate risk due to climate change. In addition, Magna provides sustainability reporting directly to our customers. These assessments are supplier requirements and typically follow common reporting templates approved by automotive industry associations in North America (Automotive Industry Action Group) and Europe (CSR Europe/Drive Sustainability).

Hazardous Waste and Industrial Emissions

We operate a number of manufacturing facilities that use environmentally-sensitive processes and hazardous materials. We believe that all of these operations meet, in all material respects, applicable governmental standards for waste handling and emissions. Some of our facilities have in the past and may in the future receive a notice of violation or similar communication from local regulators during routine reviews. We have in the past and will continue in the future to address any such notices promptly.

Energy Efficiency, Water and Waste Reduction

We aim to achieve efficiencies in and minimize waste from our manufacturing operations by focusing on increasing energy efficiency, as well as reducing water consumption and waste generation.

Energy Efficiency

Our efforts to reduce energy consumption and operate facilities on a more energy efficient basis forms part of our formal MAFACT program – the primary operational assessment audit tool used to support our World Class Manufacturing initiative.

The MAFACT program establishes minimum standards for achieving operational efficiencies, and allows Divisions to benchmark their activities against other Divisions in Magna. In order to achieve a baseline MAFACT Energy efficiency ranking, the Division must establish structured energy teams which include the Division general manager or assistant general manager and key functional personnel within the Division, and also demonstrate that such teams meet at least monthly. In order to achieve a higher ranking, Divisions must demonstrate progressive actions including evidence that the Division has implemented at least two energy reduction initiatives.

The activities of the Division energy teams are also supported at the corporate level, including through: training courses designed to promote strategies for reduced energy use; regular communication through newsletters; an internal energy savings collaboration site which allows
Divisions to view implemented projects, associated costs and savings and implementation recommendations; and energy “champions” who identify and promote energy reduction initiatives.

Some of the incremental changes made by our Divisions to their facilities and processes to reduce our energy consumption and improve energy efficiency include:

- specific equipment start-up/shut-down/idling procedures to achieve energy-savings during production downtimes;
- compressed air leak identification and repair initiatives;
- use of ceiling fans to blend air temperatures and prevent heat over-delivery;
- computer-controlled utility and HVAC systems to allow for improved performance and energy reduction;
- monitoring of electrical panel efficiency;
- door upgrades to reduce heat loss;
- high efficiency chiller and compressor upgrades;
- integration of air economizers and heat recovery units into HVAC systems;
- software-managed and occupancy-sensor-controlled lighting and energy efficient lighting retrofits;
- use of solar panels at certain facilities;
- recovery of waste heat from certain processes for use in other areas;
- installation of variable frequency drives on motors and pumps; and
- participation in energy savings and incentives programs offered by utilities providers in many jurisdictions in which we operate.

We received an Energy into Action Innovation Award in the Best Industrial Customer (1 MW+) category at the 2018 Energy into Action Conference in Ontario. This award was presented to us for achieving over 3.6 million kWh in electricity savings through projects that improved our lighting, compressed air systems, chillers and other equipment.

**Water Consumption**

We collect global water use data to: understand the volume of water used in our business; identify facilities with high water use; benchmarking of water use at comparable facilities; and identification of water reduction opportunities. Some of our Divisions have undertaken initiatives to reduce water usage, such as use of recycled water in the manufacturing process. In water stressed regions, such as Mexico, some of our facilities are also implementing water reduction and re-use activities, including the use of treated wastewater for irrigation of green areas on site.

**Waste Reduction and Recycling**

Waste reduction and scrap elimination are important considerations in our manufacturing activities, including as part of our efforts to achieve World Class Manufacturing objectives in our facilities globally. One example of our waste reduction efforts is our “packaging and packing” initiative. This initiative aims to replace disposable packaging with reusable packaging for our parts, as well as redesign product packaging to more efficiently use space when transporting products to our customers, thus reducing the number of trips needed. Another example is our “Get Rid of Waste” program (“G.R.O.W.”), which allows employees to submit waste reduction suggestions at prominently placed computer kiosks. The program is aimed at saving money and eliminating wasted time, effort, inventory and cost.

**G.R.O.W.**

*Get Rid of Waste* Program

An electronic employee-driven waste reduction suggestion box. Submissions are quickly reviewed and employees can track their suggestions in real time.
FAIRNESS AND CONCERN FOR EMPLOYEES

Our Commitment to Our Employees

We are committed to an operating philosophy based on fairness and concern for people. This philosophy is part of our “Fair Enterprise” culture in which employees and management share the responsibility to help ensure our success. Our Employee’s Charter, a foundational document in our business, sets out this philosophy through the following principles:

- Job Security – Being competitive by making a better product for a better price is the best way to enhance job security. We are committed to working together with our employees to help protect their job security, including through job counselling, training and employee assistance programs to our employees;
- A Safe and Healthful Workplace – We strive to provide our employees with a working environment that is safe and healthful;
- Fair Treatment – We offer equal opportunities based on an individual’s qualifications and performance, free from discrimination or favouritism;
- Competitive Wages and Benefits – We provide our employees with information which enables them to compare their total compensation, including wages and benefits, with those earned by employees of direct competitors and local companies with which an employee’s Division competes for labour. If total compensation is not competitive, it will be adjusted;
- Employee Equity and Profit Participation – We believe that our employees should share in our financial success. Accordingly, 10% of our qualifying annual pre-tax profits before profit sharing are shared among participating employees in the form of cash and Magna equity, helping to create an “owner’s mindset” among employees and aligning them with shareholders;
- Communication and Information – Through regular monthly meetings between management and employees, continuous improvement meetings and through various publications and videos, we keep our employees informed on company and industry developments. We also conduct employee opinion surveys to help ensure employee involvement and feedback; and
- Magna Hotline – Should any of our employees have a problem, or feel the foregoing principles are not being met, we encourage them to contact our confidential and anonymous employee hotline to register their complaints (“Magna Hotline”). We are committed to investigating and resolving all concerns or complaints received through the Magna Hotline and must report the outcome of all HR-related submissions to our Global Human Resources Department. As part of the Magna Hotline, we also maintain a confidential and anonymous whistle-blower hotline for employees and other stakeholders that is overseen by our Audit Committee. See “Corporate Ethics and Compliance” below for further details.

We recently adopted a Global Labour Standards Policy, which codifies our existing practices consistent with our Fair Enterprise culture and provides a framework for our commitment to fundamental human rights and international labour relations. In particular, the Global Labour Standards Policy sets out key commitments with regard to:

- maintaining respectful work environments where our employees feel safe and welcome, with opportunities for personal and professional growth;
- refusing to tolerate harassment of any kind, including physical, sexual, psychological or verbal abuse;
- treating and compensating employees without discrimination based on race, nationality or social origin, colour, sex, religion, gender identity, disability, sexual orientation, or any other ground protected by applicable law in the way we treat, promote, or compensate employees;
- condemning child labour;
- rejecting forced or compulsory labour;
- maintaining safe and healthy workplaces;
- providing employees with appropriate rest and leisure time; and
- respecting the right of employees to associate freely and to bargain collectively where permitted by local laws and regulations.

Leadership Development and Succession Program

A key element to the success of our business remains our ability to attract, retain and develop skilled personnel to match the pace of our global growth. We have implemented and continue to enhance our Leadership Development and Succession program to help identify, train and develop future leaders with the skills and expertise needed to manage a complex, global business. See “Section 4 – Our Business & Strategy – Our Business Strategy – Talent” in our AIF for a more detailed discussion of our talent management priorities.
Respecting Employee Rights

We are committed to providing working conditions and standards that promote dignified and respectful treatment of all of our employees, globally, which are set out in our Global Labour Standards Policy and our Code of Conduct and Ethics (“Code”).

Our Global Labour Standards Policy also articulate that we respect the rights of workers to associate freely and have freedom of choice to decide whether or not they wish to be represented by labour unions or workers’ councils in accordance with applicable laws. Employees at: four of our Canadian Divisions are covered by national collective agreements between Magna and Unifor; seven of our Divisions in the United States are represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW); a number of our Divisions in Mexico and the United Kingdom are currently covered by collective bargaining agreements with various unions in these jurisdictions; and a number of our Divisions in continental Europe are covered by national industry-wide agreements relating to compensation and employment conditions and are also members of in-house employees’ associations, works councils and/or trade unions.

Fairness Committees and Employee Advocates

In furtherance of our commitment to fairness, as demonstrated in our Employee’s Charter, we have established Fairness Committees in most of our North American and European manufacturing facilities and in many of our manufacturing facilities in India and China. These Fairness Committees enable employees at such facilities to have many of their concerns resolved by a committee comprised of both management and employees. Most of our North American manufacturing facilities also have an Employee Advocate who works with our employees and management to help ensure that any concerns that arise in the workplace are addressed quickly and in accordance with our Employee’s Charter, Global Labour Standards Policy and Operational Principles.

Diversity and Inclusion

At Magna, our employees are critical stakeholders in our business. We strive to attract a variety of different people to provide us with diverse perspectives and capabilities. Diversity is important to us and we continually strive to create an inclusive work environment at Magna. We believe the principle of fair treatment in our Employee’s Charter – one which we reinforce through employee meetings, training and communications – has been a key element in fostering diversity at Magna. Any employee who believes that we are not living up to any of the principles of the Employee’s Charter, including the principle of fair treatment, can raise their concern through the Magna Hotline, Fairness Committees or Employee Advocates, as well as our ‘Open Door Process’, which encourages employees to speak with anyone at Magna who can be of assistance, without fear of retaliation.

We abide by all applicable labour and employment laws, including those prohibiting discrimination and harassment and those providing for reasonable accommodation of differences. We are committed to providing equal employment and career advancement opportunities for everyone, without discrimination based on sex, race, ethnic background, religion, disability or any other personal characteristic protected by law.

Gender Diversity

We promote and embed gender and cultural diversity through our talent attraction and management processes. Additionally, by working with diversity and inclusion thought leaders, associations and non-profit organizations dedicated to mentoring and advancing career development and inclusiveness for women, we continue to build our capabilities in this area. We have built strategic partnerships with the Women’s Executive Network, Catalyst, Inc., Inforum and several academic and governmental organizations dedicated to raising the profile of women in the automotive industry. In recent years, we have also sponsored several diverse student teams globally to support the development of the next generation of talent in Science, Technology, Engineering and Mathematics (STEM), including programs that engage and encourage young women to enter STEM as a career.

Currently, 5% of our senior corporate and Operating Group leaders are female. Recognizing that this level of gender representation is not sufficient, we established a Diversity & Inclusion Council with senior functional and business leaders globally, sponsored by our CEO. The Council, which meets on a quarterly basis to provide guidance to the business and focus on key diversity objectives, has adopted a council Charter that outlines a commitment to advance diversity and inclusion across Magna.

Occupational Health and Safety

Health and Safety Standards and Compliance

Our commitment to providing a safe and healthful work environment is fulfilled through a regular program of health and safety audits and inspections of our global facilities, covering health, safety, industrial-hygiene, industrial ergonomics and emergency preparedness policies and action plans. Audits are designed to address documentation requirements, while inspections assess physical hazards. Audits and inspections are conducted on-site and followed with a report requiring the facility to develop an action plan to address deficiencies or best practices which is reviewed by senior Operating Group management quarterly.
The compliance program incorporates international and regional standards, including: ISO 45001, Canadian Standards Association (CSA), American National Standards Institute (ANSI), Conformit é Europ éenne (CE), as well as country-specific standards. Audits and inspections are conducted by specialists with knowledge of Magna’s standards and country-specific requirements. Legislative changes, accident trends and changes to industry standards are incorporated into the program as part of the annual review of the program and updates of audit requirements conducted every three years. The key elements of the program are detailed below:

### Risk Assessment & Action Plan
- Each action item identified in an audit or inspection is assigned a risk score, and the risk scores of all action items are combined to establish an overall health and safety performance rating for the Division.
- The Division is provided with a report containing recommendations which are prioritized based on the level of risk identified in the risk assessment.
- The Division is required to develop a corrective action plan to reduce/eliminate the identified risk.

### Management Oversight, Performance Tracking & Reporting
- Magna’s Health and Safety Department provides ongoing assistance to Division personnel in resolving action plan items and also reviews and approves action items that have been submitted for closure from Divisions.
- Audit/Inspection findings are also communicated to our Operating Groups in order to enhance oversight and Group management commitment to resolving action items.
- A performance review takes place with Operating Group global and regional personnel on a quarterly basis.
- An escalation process is in place to deal with action items that are not being resolved on a timely basis, with additional health and safety risk awareness training provided to the relevant Division.

Magna’s Health and Safety Department presents updates on health and safety compliance to the CGCNC.

Our Health and Safety Department holds regular conferences with representatives of our manufacturing facilities to reinforce our commitment to providing a safe and healthful work environment and share best practices with respect to occupational health and safety. To the extent an employee believes we have not fulfilled our promise to provide a safe and healthful working environment, he or she has numerous avenues to elevate the concern, including the Magna Hotline.

### Ergonomics Program
A key program for supporting employee well-being is our ergonomics program which aims to reduce the risk of musculoskeletal injuries. Managed by each Division’s ergonomic committee and with the support and guidance of corporate ergonomists, the program regularly evaluates Division performance against a set of established criteria.

### CORPORATE ETHICS AND COMPLIANCE

#### Our Commitment to Ethics and Legal Compliance

**Code**

We are committed to conducting business in a legal and ethical manner globally. Our Chief Executive Officer, Executive Management, and our Operating Group management, have communicated and consistently reinforced our clear and unequivocal compliance expectations through all levels of our organization. Our Code, which applies equally to all of our directors, executive officers and employees, articulates our compliance-oriented values and our expectations generally. It also establishes our standards of conduct in a number of specific areas, including:

- employment practices and employee rights;
- respect for human rights;
- compliance with law, generally;
- conducting business with integrity, fairness and respect;
- fair dealing, including prohibition on giving or receiving bribes;
- accurate financial reporting;
- standards of conduct for senior financial officers;
• prohibition on insider trading and derivative monetization transactions;
• timely public disclosure of material information;
• compliance with antitrust and competition laws;
• environmental responsibility;
• occupational health and safety;
• management of conflicts of interest;
• protection of employees’ confidential information; and
• compliance with our corporate policies.

The Code is disclosed on the corporate governance section of our website (www.magna.com) and posted on our employee intranet in 25 different languages. The Code is reviewed regularly and proposed amendments must be approved by our Board. We have also supplemented the requirements of the Code through the adoption of policies covering: bribery and improper payments; tooling practices; gifts and entertainment; anti-retaliation; careful communication; conflicts of interest and antitrust and competition.

**Ethics and Legal Compliance Program**

In order to help our employees understand the values, standards and principles underlying our Code, we have implemented an ethics and legal compliance program (“ELC Program”), which is overseen by the Audit Committee, and includes both live and online training. We have also developed specialized compliance training modules which target specific functional audiences and high-risk regions. In addition to providing training on legal compliance and ethics topics generally, these specialized programs are designed to be interactive and incorporate real-life scenarios and exercises, which we believe amplifies our compliance expectations and resonates more powerfully with participants.

Our ELC Program aims to assist employees in understanding the values, standards and principles underlying the Code, as well as the application of such values, standards and principles to real-life situations. The global implementation of the program is supervised by the Magna Compliance Council, a body that includes key corporate officers representing our finance, legal, human resources, operations, internal audit, sales and marketing and ethics & compliance functions. The Compliance Council is tasked with, among other things, providing overall direction for our compliance program, approving key initiatives and ensuring that the required elements of our compliance program are being carried out globally by our cross-functional Operating Group Compliance Committees. These Operating Group Compliance Committees are supported by cross-functional regional Compliance Committees.

**Magna Hotline**

As part of the Magna Hotline, we maintain a confidential and anonymous whistle-blower hotline which is overseen by our Audit Committee. The hotline is available for employees and other stakeholders such as customers and suppliers to make submissions by phone or online at any time in over 25 languages. Submissions are received and tracked by an independent third party service provider. Reports to the Hotline are reviewed by our Internal Audit Department and, when appropriate, an investigation is conducted. Non-HR-related submissions to the Hotline are investigated by Magna's Internal Audit Department, Corporate Security Department, In-House Legal Department or external counsel (where applicable). Our Investigations Oversight Committee, a sub-committee of the Compliance Council, reviews such investigations on a quarterly basis to ensure consistency of discipline. The Audit Committee receives quarterly presentations regarding Hotline activity and details of fraud, financial reporting and other non-HR-related submissions are discussed by the Vice-President, Internal Audit with the Audit Committee.

The process for investigating and resolving HR-related submissions received through the Magna Hotline is discussed in greater detail in the “Fairness and Concern for Employees” section above.

**Data and Cybersecurity/Privacy**

**Enterprise Cybersecurity**

Our enterprise cybersecurity strategy has been designed by our Information Security, Risk and Compliance Department (“ISRC”) which ultimately reports to our Chief Financial Officer. The strategy was designed using guiding principles from our Code and enterprise risk considerations and aligns with industry standards including the National Institute of Standards and Technology, relevant ISO standards, and applicable customer requirements. Our Audit Committee has risk oversight responsibility for our enterprise IT/information security systems and cybersecurity program and receives periodic reports regarding the program at quarterly meetings.

We execute our cybersecurity initiatives, driven by three key considerations: Prevent – being better able to fend off external attacks including ransomware and malware; Detect – having 24 × 7 monitoring of all information traffic for anomalies; Respond and recover – our Security Operations Center has appropriate incident response plans/processes and the necessary resources and expertise to respond to detected threats and work with IT operations to recover as quickly as possible. We are committed to ensuring that we fulfill the cybersecurity requirements of our customers. In addition, we ensure that we comply with all emerging governmental rules and regulations regarding cybersecurity or privacy regulations (such as GDPR as detailed below), which directly affect cybersecurity requirements. Our selection
process for third party (e.g. Cloud-based) services includes a due diligence approach that ensures that such services are evaluated and aligned with our overall approach to cybersecurity.

We regularly evaluate and adjust our information security management system implementation strategy based on risk assessments, continuous monitoring and periodic independent cybersecurity maturity evaluations. This enables the ISRC to identify and prioritize responses to residual risk arising from changes to our business or the ever-changing threat landscape. Magna has developed and implemented centralized enterprise cybersecurity policies, compliance measures and training and awareness programs designed to ensure that our cybersecurity strategy is executed to minimize our exposure.

Governance of cybersecurity over our shared global telecommunications and computer infrastructure is centralized under the ISRC. ISRC has an understanding of the critical IT systems across the entire IT platform which facilitates identification of our risk exposures and the implementation of appropriate security controls. We have processes in place to ensure that our IT systems receive appropriate upgrades, including patching and other required remediation, in a timely manner.

**Product-Embedded and Solution Software Cybersecurity**

In addition to the above centralized initiatives, our decentralized operating model assigns cybersecurity accountability to our Divisions and Operating Groups with respect to manufacturing facility IT systems and risk/security issues inherent in production operations and products. However, the ISRC provides our Divisions and Operating Groups with a toolkit to help them assess their cybersecurity risk and maturity. From this assessment, our Divisions and Operating Groups are then able to determine the solutions and cybersecurity software that may be required.

**Privacy**

Magna is committed to preserving the privacy of our stakeholders in accordance with applicable law. Our Code articulates our approach to the privacy of our employees and protection of their personal information. We only collect, use and disclose personal information for legitimate business or employment purposes or if required by law or with an individual’s consent. In addition, like any other asset, confidential information, which includes trade secrets and proprietary information is a valuable part of our business and we aim to safeguard it.

In addition to our general privacy and confidentiality commitments, our European Data Privacy Policy (the “EU Privacy Policy”) contributes to ensuring compliance with the newly adopted EU General Data Protection Regulation (“GDPR”). The EU Privacy Policy sets out data protection principles, responsibilities of data controllers and processors, circumstances under which personal data can be transferred, rights of data subjects and actions that must be taken in case of data breach. Furthermore, a training program has been implemented to address data privacy awareness to all EU employees and those employees outside of the EU who are handling personal data of EU residents. Finally, those employees across our organization responsible for handing privacy requests by EU data subjects or for addressing data breaches have been provided with the tailored training and resources to carry out such responsibilities. The EU Privacy Policy is accompanied by a variety of formal and comprehensive procedures, developed and overseen by our Compliance Council.

### SUPPLY CHAIN RESPONSIBILITY

**Our Expectations of Our Suppliers**

We have introduced a Supplier Code of Conduct and Ethics (“Supplier Code”) which outlines the principles we apply internally at Magna through our Code, as well as expectations we have for every company that supplies goods or services to Magna, relating to, among other things:

- ethical business conduct, such as compliance with antitrust/competition, anti-corruption/bribery and export controls laws; conflict minerals reporting; avoidance and reporting of conflicts of interest; and protection of Magna intellectual property and confidential information;
- employee rights, including those rights set out in our Employee’s Charter, Global Working Conditions and Global Labour Standards Policy; and
- environmental responsibility and compliance.

The Supplier Code forms an integral part of our overall contractual relationship with our suppliers. We expect the standards set out in the Supplier Code to be met by our suppliers, even in jurisdictions where meeting such standards may not be considered part of the usual business culture and a failure to do so can result in the termination by Magna of the supply relationship. The full text of our Supplier Code is available on our website (www.magna.com).

We continue to support and participate in industry efforts to develop common standards relating to business ethics, environmental standards, working conditions and employee rights. We will continue to engage with our suppliers to raise awareness of the importance of sustainability in our supply chain.

**Global Working Conditions in our Supply Chain**

We expect that our supply chain will adhere to our Global Working Conditions and our Supplier Code, which prohibit the use of child, underage, slave or forced labour. Our Global Working Conditions are an integral part of our supplier package that emphasize the importance of maintaining global working conditions and standards that result in dignified and respectful treatment of all employees within all our global operating locations, as well as those of our supply chain. A failure by any of our suppliers to comply with its terms can result in the termination by Magna of the supply relationship.
Supply Chain Management

**General**

Magna’s supply chain management group focuses on a number of elements that we believe are integral to world class supply chain management, such as: common global key performance indicators (KPIs); specific roles and responsibilities; processes and standards; global training; and risk management.

The global KPIs we use are focused on purchasing savings, supplier ratings, supplier quality measurements and supplier diversity. All four of these KPIs are standardized globally. We also maintain a strong financial and commercial risk management process focused on supplier quality and financial risk. We use cross-functional sourcing teams to help ensure compliance with our internal standards when we place new business within our supply base. In order to promote awareness of the key elements of our supply chain risk management program, including the requirements in our Supplier Code, we provide a four-module global training program on an ongoing basis to over 1000 internal purchasing employees.

We continue to increase digitization of our supply chain management, including focusing on spend analytics and online transportation risk tracking, as well as electronic tagging and tracing of certain assets.

**Supplier Reviews**

From a risk management standpoint, we aim to review all new production suppliers in order to assess their overall quality and financial health. During any assessment, we also consider the presence and effectiveness of any internal policies and programs that suppliers have in place to address issues concerning the environment, health and safety, human rights, social responsibility, business ethics and compliance. Furthermore, we use our Supplier Scorecard to provide ongoing monitoring and assessment of suppliers that we have contracted with. Among other criteria, our Supplier Scorecard tracks whether suppliers have certain industry-recognized environmental and health and safety certifications, such as ISO 14001 and ISO 18001. No suppliers were terminated in 2018 as a result of a violation of working conditions or human rights.

**Phytosanitation Program**

We maintain a phytosanitation program aimed at preventing the introduction and spread of plant diseases (i.e., pests and mold) through the cross-border import/export process. Our phytosanitation policy which applies to suppliers and shippers aligns with the International Plant Protection Convention (IPPC) standard for treatment of wood packaging material (e.g., wooden pallets), and includes the requirements of ISPM-15 (International Standards for Phytosanitary Measures).

Our phytosanitation program includes training sessions for internal employees and suppliers, as well as reviews aimed at confirming compliance with our policy.

**Supplier Diversity**

To support the supplier diversity efforts which form part of our supply chain management program, we participate as a corporate member of several industry-recognized supplier diversity organizations, including the Michigan Minority Supplier Development Council (MMSDC), Great Lakes Women’s Business Council (GL-WBC) and the Canadian Aboriginal and Minority Supplier Council (CAMSC). We are also involved with a number of supplier diversity advocacy events, conferences, and procurement fairs, including several organized by our OEM customers, such as GM Supplier Connections and FCA MatchMaker. We are proud to have received awards for our supplier diversity efforts from two of our customers, GM and Toyota in past years.

**Conflict Minerals Reporting**

Consistent with the approach taken by our customers, suppliers and other fellow members of the Automotive Industry Action Group with respect to “conflict minerals”, we are engaged in an annual process of determining whether any products which we make or buy contain such “conflict minerals”. Our latest conflict minerals report is available on our website www.magna.com and on the SEC’s EDGAR website (www.sec.gov/edgar). We continue to engage with our suppliers to increase awareness, and accuracy, of “conflict minerals” reporting requirements and, through our membership in the Responsible Minerals Initiative (RMI) (formerly the Conflict Free Sourcing Initiative), support continuing cross-industry efforts to identify and validate conflict-free smelters and refiners.

**CONTRIBUTING TO COMMUNITIES IN WHICH WE OPERATE**

**Our Commitment to Our Communities and Society**

Magna recognizes that sustainability goes beyond our processes and products and we believe it is important to give back to the communities in which we are based.
Corporate Giving

We have a long history of supporting many global social and charitable causes, primarily in the communities around the world in which our employees live and work. In 2018, our Corporate, Operating Groups and Divisions made over 800 charitable donations and sponsorships around the world.

Most of our donations and sponsorships are focused on:
- Employee and Community Health and Wellness;
- Technical and Vocational Training/Education;
- Refugee Aid;
- Culture; and
- Youth Sports.

In addition, Magna’s Employee Disaster Relief Fund provides financial assistance to eligible employees and their families in the event they are victims of a disaster. In 2018, the program helped 35 employees in China, Czech Republic, Italy, Mexico, Poland, Serbia and the United States.

Magna In Action

We encourage and support our employees who devote their time, energy and passion to making a positive contribution to their workplace and communities through direct giving, special events, fundraising and volunteer work.

In order to further support and enhance employee fundraising efforts, we maintain a Magna Matching Program, which matches donations by Magna employees to qualified, non-profit initiatives, up to specified amounts. Since the beginning of the program in 2017, Magna has matched the funds raised by Magna employees in more than 100 projects globally, including Magna employees’ participation with World Vision’s Global 6K for Water to help set up new clean water sources in Africa, India and Haiti. Each year, more than 2,000 of our employees from 13 different countries support this one-day, worldwide event that unites thousands of people who run and walk to help bring clean water to those in need. In 2017 and 2018, our employees raised more than $375,000 as part of the Global 6K for Water event, which was matched under the Magna Matching Program for a total of $750,000.

We are also a leading sponsor and supporter of For Inspiration and Recognition of Science and Technology (“FIRST”), an international youth organization which supports students with an interest in engineering and technology fields. FIRST organizes mentor-based programs that help participants build science, engineering and technology skills while also fostering self-confidence, communication skills and leadership. For more than a decade, Magna has volunteered with, provided mentorship to and led various FIRST teams and programs, including its robotics competition, that have engaged thousands of students globally.

DEFINITIONS & OTHER INFORMATION

- we use the terms “you” and “your” to refer to the shareholder, while “we”, “us”, “our”, “Company” and “Magna” refer to Magna International Inc. and, where applicable, its subsidiaries.
- we use the term “Executive Management” to refer to our Chief Executive Officer, together with all other corporate Executive Vice-Presidents.
- we use the term Operating Group management to refer to our management within each of the product capabilities described in our AIF in “Section 6 – Description of the Business – Products & Services”.
- all amounts are presented in U.S. dollars, unless we have stated otherwise.
- information is current as of March 22, 2019, unless otherwise stated.