

SUSTAINABILITY REPORT 2017



Sustainability influences the way we run our business, operate our facilities and contribute to communities around the world. We strive to conduct business in ways that respect the rights of stakeholders, including shareholders, employees, customers and the communities in which we operate. At its essence, we are committed to being a responsible corporate citizen and have backed our commitment with concrete actions in five core areas.



ENVIRONMENTAL RESPONSIBILITY & STEWARDSHIP

249

**FACILITIES ISO 14001
CERTIFIED**

36

**FACILITIES ISO 50001
CERTIFIED**

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) under “Corporate Governance”.

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 developed a strong global environmental compliance program that provides regular assessment of environmental performance. This environmental compliance program consists of regular third party and internal audits or inspections of our facilities for compliance with local regulations, our internal corporate standards and industry best practices. The results of our environmental program were reported to and are overseen by our Enterprise Risk Oversight Committee for periods up to March 30, 2018, and will be reported to and overseen by our Corporate Governance, Compensation and Nominating Committee (“CGCNC”) commencing April 1, 2018.

General environmental awareness training is provided to employees by facilities management and our environmental department, including as part of ISO 14001 certification compliance. In addition, our environmental department holds regular conferences with representatives from our manufacturing facilities to reinforce our commitment to environmental responsibility, keep our local and regional teams informed of changing regulations and to share best practices with respect to environmental compliance and sustainability initiatives.

We are also subject to environmental laws requiring investigation and clean-up of environmental contamination. To minimize the potential for our operations to cause significant impacts to soil or groundwater, we implement a number of best practices in the operation and

construction of our facilities, including: sealing surfaces where fluid chemicals can accumulate; secondary containment methods; providing spill awareness and response training and equipment to employees; and conducting regular facility inspections.

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. In 2017, we spent approximately \$1 million on environmental clean-up and remediation costs and currently estimate similar or slightly higher expenditures for 2018.

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 Original Equipment Manufacturers (“OEMs”) and suppliers in the automotive industry. We seek to realize the opportunities and address these risks in several ways, including sustainability-focused innovation, 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” and “Section 7 – Innovation and Research & Development – Innovations; and Innovation Awards”. Our AIF is located on our website (www.magna.com) under “Corporate Governance”.

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, with the exception of a manufacturing site in Europe and two sites in Canada each of which participate in local cap & trade regulatory programs. 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 not only reduce cost, but also 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. In addition, we use integrated extra-logistics and intra-logistics software that enables supply chain optimization. This “value stream mapping” and analysis allows us to simplify our logistics processes and determine ways to reduce our CO₂ emissions.

Property Risk Mitigation

Extreme weather events such as floods, windstorms, earthquakes and other natural weather hazards 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 Magna Factory Concept (“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 our operating divisions (“Divisions”) to benchmark their activities against other Divisions in Magna. In order to achieve a baseline MAFACT Energy efficiency ranking, the Division must, at the very least, establish structured energy teams comprised of 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 Divisional 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.

Our complete vehicle assembly plant in Graz, Austria, was awarded the Green Award – City of Graz, Austria Ecological Project for Integrated Environmental Protection (ECOPROFIT) for reductions in waste, chemicals, water and energy use.

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 such as the used 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 which aims to replace disposable packaging with reusable packaging for our parts, as well as redesigning product packaging to more efficiently use space when transporting products to our customers; reducing the number of trips needed.

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 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 provide our employees with information so that they know what is going on in the company and in the industry. We also conduct employee opinion surveys to help ensure employee involvement and feedback; and
- Employee 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”). The Magna Hotline is committed to investigating and resolving all concerns or complaints and must report the outcome to our Global Human Resources Department.

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.

Respecting Employee Rights

We are committed to providing working conditions and standards that promote dignified and respectful treatment of all of our employees, globally. Our Global Working Conditions, together with our Code of Conduct and Ethics (“Code”) prohibit the use of child, underage, slave or forced labour.

Our Global Working Conditions also articulate our belief that workers have the right to associate freely and join 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 in many of our European manufacturing facilities which 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 and Operational Principles.

Diversity

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 in the Employee's Charter, including the principle of fair treatment, can seek redress.

Gender Diversity

We aim to promote gender and cultural diversity in our talent attraction and recruitment processes. For example, we participate as a corporate member of a number of initiatives, associations and non-profit organizations dedicated to mentoring and advancing career development and inclusiveness for women, including the Women's Executive Network, Catalyst, Inc. and Inforum. In recent years, we have also sponsored over 40 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 into STEM.

Currently, 4% of our corporate officers are female. Recognizing that this level of gender representation is not sufficient, we have worked with Catalyst to develop an action plan to increase gender diversity in our organization. As part of this initiative, we have committed to take the following steps over the next three years:

- increasing senior leadership's support and accountability for gender diversity initiatives and agenda in a highly visible manner;
- helping leaders learn to reduce unconscious biases;
- analyzing our recruitment strategies and interview practices for hidden biases;
- reviewing and improving our flexible work-life policies;
- developing and sponsoring highly-qualified, but under-represented female talent;
- tracking data and creating an annual scorecard to measure progress; and
- reviewing and refreshing our action plan to drive continuous progress.

Occupational Health and Safety

Safe and Healthful Working Environment

Our employees are a key factor in our success and protection of their health and well-being is important to us. We have long articulated our commitment to providing a safe and healthful work environment for our employees and visitors to our facilities, as reflected in our Employee's Charter and demonstrated through the programs discussed below.

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 that is reviewed by senior operating Group management quarterly.

The compliance program incorporates international and regional standards, including: OHSAS 18001, Canadian Standards Association (CSA), American National Standards Institute (ANSI), Conformité Européenne (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 results of our health and safety audits and inspections are reported to and overseen by 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 our Magna Hotline.

Ergonomics Program

Utilizing international and regional standards, including best practices, our Divisions incorporate a management system approach to control risk, achieve legislative compliance and reduce accidents. Each Division incorporates different committees including joint health and safety, ergonomic and focus groups to prioritize and implement practices to address and control location-specific hazards. A key program for supporting employee well-being is our ergonomics program which aims to reduce the risk of musculoskeletal injuries. Managed by the Division's ergonomic committee and with the support and guidance of corporate ergonomists, the program regularly evaluates each Division's 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 24 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 function. 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.

Whistle-blower 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 24 hours per day, seven days a week, in over 20 languages, by phone or online (www.magnagbl.com). Submissions are received and tracked by an independent third party service provider. Reports to the hotline are reviewed by our Internal Audit and Corporate Legal departments and, when appropriate, an investigation is conducted. The Vice-President, Internal Audit together with our Corporate Legal department supervises all hotline-related investigations. 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 submissions are discussed by the head of Internal Audit with the Audit Committee. We have also recently launched an internal site for employee self-disclosure of any conflict of interest and to report expenditures on government officials.

Data and Cyber Security/Privacy

Cyber Security

Our enterprise cyber security strategy aligns with industry, customer and recognized standards, including the National Institute of Standards and Technology. This strategy includes cyber security risk assessments, continuous monitoring of networks and other information sources for threats to the organization and incident response plans/processes. Magna's centralized enterprise cyber security policies, compliance measures and training and awareness programs. Cyber security accountability is centralized for shared global telecom and computer infrastructure. We also have a centralized, common repository of critical IT systems across the entire IT platform, which includes risk exposures and security controls. We monitor and test our IT systems and seek to ensure our infrastructure receives appropriate upgrades and remediation in a timely manner. In addition to these centralized initiatives, our decentralized operating model requires decentralized cyber security accountability at our Divisions and operating Groups with respect to local plant infrastructures and risk/security issues inherent in certain products and services.

We re-evaluate and refine our cyber security initiatives, driven by three key considerations: being better able to fend off external attacks (including ransomware and malware); ensuring high profile visibility for cyber security requirements from many of our customers and emerging governmental rules and regulations regarding privacy (such as GDPR discussed below), which directly affect cyber security requirements. Our selection process for third party (e.g. Cloud-based) services includes a due diligence approach that seeks to align such services with our overall approach to cyber security. Our Audit Committee has risk oversight responsibility for our enterprise IT/information systems and cyber security program and receives periodic reports regarding the program at quarterly meetings.

Privacy

Magna is committed to preserving the privacy of all of its stakeholders in accordance with applicable law. Our Code articulates our approach to the privacy of our employees and protecting their personal information. Specifically, we will only collect, use and disclose personal information for legitimate business or employment purposes or if required by law. 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, we recently established a working group and launched a comprehensive review of our privacy policy to ensure compliance with the newly adopted EU General Data Protection Regulation ("GDPR"). The 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. In addition, we will be implementing a training program to address the new data privacy policy and procedures to all EU employees and those employees outside of the EU who are handling personal data of EU residents, including how data/data breaches have to be handled. The privacy policy will also be accompanied by a variety of formal and comprehensive procedures, which are currently being developed 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: respect for human rights; acceptable working conditions; prohibitions on harassment and discrimination; and occupational health and safety; 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) under "World Class Manufacturing – Our Suppliers".

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 and 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 sourcing boards 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 our over 1000 buyers.

Supplier Audits

From a risk management standpoint, we audit all new production suppliers in order to assess their overall quality, financial health and compliance with our Supplier Code. During each supplier quality audit, we score our suppliers based on business ethics and practices, human rights, social responsibilities and environmental standards. Suppliers must also be able to demonstrate that they will be able to comply and adhere to applicable workplace Health and Safety practices.

Supplier Diversity

To support those 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, as well as a number of supplier diversity advocacy events, conferences, and procurement fairs, including several organized by our OEM customers. 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 work 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.

Most of our donations and sponsorships are focused primarily on:

- Employee and Community Health and Wellness;
- Technical and Vocational Training/Education;
- Disaster Relief and Refugee Aid;
- Culture; and
- Youth Sports.

Magna Support for Employee Volunteerism

We also 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.

Concern for others is a cornerstone principle of our culture and we are proud of the efforts of our employees around the world to give back to their communities. In order to further support and enhance employee fundraising efforts, we maintain a Magna Matching Program, which matches donations to qualified, non-profit initiatives, up to specified amounts. Matched donations are required to be compatible with Magna's basic criteria for corporate giving. Over the past year, Magna has matched the funds raised by Magna employees in more than 40 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.

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 23, 2018, unless otherwise stated.

magna
.com

 **MAGNA**
DRIVING **EXCELLENCE.**
INSPIRING **INNOVATION.**

MAGNA INTERNATIONAL INC.
337 Magna Drive
Aurora, Ontario, Canada
L4G 7K1
Telephone: +1 905 726 2462

