

Applus⁺ / CSR REPORT 2018



Together
beyond
standards



About this report

This report has been prepared in accordance with the **GRI Standards, Core option**. The information reflects all of the Applus+ Group's operations and activities during **2018 (1st January – 31st December)**. The Applus+ CSR Report is **published annually**.

The report covers the requirements under the Spanish **Law 11/2018, 28th December**, which modifies the Commercial Code; the revised text of the Capital Companies Act approved by Royal Legislative-Decree 1/2010, 2nd July; and Law 22/2015, 20th July, of Audit of Accounts, in the matter of **non-financial information and diversity**.

Finally, this report constitutes the **2018 Global Compact's Communication on Progress (CoP)** of the Applus+ Group (**GC Active level**).

In the **Cross-reference table (Annexes VI-VII)**, we link the information required by GRI Standards, the UN Global Compact, and Law 11/2018 to the corresponding section within the report.

CSR Report summary

We understand corporate responsibility as the set of actions developed to establish trusting relationships which are stable, sound and of mutual benefit to the Group and our stakeholders.



OUR PEOPLE

Focus on DEVELOPMENT AND TALENT RETENTION

At the end of 2018, Applus+ had a **workforce of 22,852 professionals**, made up of many different cultures, backgrounds and age groups. We are pleased to report that we filled approximately **73% of all available management positions internally**. Training is one of our key areas of focus. In 2018, we increased the average annual number of **training hours per person** from 36 hours to **47 hours**, and we launched our first **Global Management Development Programme** to support the **growth in our people's capabilities**, while ensuring the future success and **sustainability of the Group**.

In addition, after analysing the outcomes of our **employee satisfaction survey**, we identified nearly **500 action plans** for potential areas of improvement, both globally and locally, with **78%** of the actions planned for 2018 being **implemented** before 31st December 2018.



GOOD GOVERNANCE AND BUSINESS ETHICS

The principles of effectiveness and transparency GOVERN our decision-making, in accordance with the main recommendations and standards across the world's regulatory markets.

In 2018, we developed the **General Data Protection Regulation project** to implement the new EU Regulation 2016/679 covering personnel data privacy, and we approved **four new policies and procedures**.

In 2018, our whistleblowing channel received **125 communications**, of which **104** were **opened** for investigation as potential breaches. Out of these, **90 were closed** in 2018 and **12 remain under investigation** by the Chief Compliance Officer (CCO). Out of the 90 cases closed, in **44 cases** there was **evidence of irregular behaviour or breaches** of the *Code of Ethics'* values and/or contrary to the *Global Anticorruption Policy and Procedure*, which resulted in some type of correction or disciplinary action.



SOCIETY

Our Company's sustainability and growth, our innovation projects, as well as the services we provide to our clients, generate direct and indirect benefits for SOCIETY.

Beyond our sponsorship or direct financial contributions to social initiatives, the percentages of new **employees hired locally** in 2018 (**94%**) and **local suppliers (81%)**¹ show our commitment to the local communities in which we operate.

In addition, we benefit communities through our innovation activity and by developing a wide range of **projects**, which often address a **social and economic imbalance** within a community and/or ensure and optimise the **proper use of** its assets and **resources**.



INNOVATION

Through INNOVATION, we create knowledge and technologies that give us an advantageous position in the markets where we operate.

Our innovative approach generates **efficiency improvements**, as well as new revenue streams, which **benefit our Company**, our **clients**, **society** and the **environment**.

In 2018, we carried out **217 innovation projects** that addressed various sustainability goals, with **825 employees** involved and devoting approximately **355,568 working hours**. Our innovation process also led to **28 new patents**, and we collaborated with **101 external bodies** to share our capabilities and resources, helping us to increase our knowledge base and explore new technological solutions.



ENVIRONMENT

Through our projects and services, we help our clients to minimise their ENVIRONMENTAL impacts.

We focus our management and prevention efforts on our **office activities** and **fieldwork** and on their most significant environmental impacts: **energy** and **water consumption** and **vehicle emissions**. We deploy environmental management systems at the local level, and we reinforce our employees' environmental awareness to reduce our direct impacts.

In 2018, we **reduced** our **energy intensity rate by 6.4%**, our **GHG emissions intensity rate by 6.3%** and our **water consumption by 1.4%**.

Beyond the internal control of our direct impacts, our key contributions to the environment are the services our business teams provide to our clients. These **services lead** to a **reduction**, either **directly or indirectly**, in the potential **environmental impacts** of our clients' business operations.

¹ This figure is limited scope to countries covered in SAP.

Index

01

Letter from the Chairman and the CEO — 09

02

Company description — 15

2.1 Applus+ at a glance — 16

2.2 Expansion of divisions and new business lines — 18

2.3 Our history — 22

2.4 Our value chain — 24

2.5 The TIC industry — 25

03

CSR approach — 27

3.1 CSR framework — 28

3.2 CSR Policy — 30

3.3 CSR strategic lines — 32

04

CSR performance — 35

4.1 Key figures — 36

4.2 Our main CSR achievements — 38

4.3 Material topics — 39

4.4 Impact evaluation — 40

05

Economic performance — 45

5.1 The Group's strategy 2018-2020 — 46

5.2 Economy management approach — 48

06

Our people — 53

6.1 Employment — 54

6.2 Fulfilment of Human Rights — 64

6.3 Occupational health and safety — 65

07

Corporate governance and business ethics — 71

7.1 Corporate structure — 72

7.2 Corporate governance — 74

7.3 Business ethics — 77

08

Stakeholder engagement — 81

8.1 Dialogue with stakeholders — 84

8.2 Market focus — 90

8.3 Social management approach — 94

8.4 Our social contribution — 97

09

Innovation — 105

9.1 Our innovation in figures — 106

9.2 Our innovation projects — 107

9.3 Innovation through collaboration — 112

9.4 Intellectual property — 115

10

Sustainable performance — 117

10.1 Environmental management approach — 118

10.2 Energy and emissions — 120

10.3 Waste, water and effluents — 124

10.4 Climate change related issues — 126

10.5 The role of our projects and services — 129

11

Annexes — 135

11.1 Annex I: Principles underlying this report — 136

11.2 Annex II: Definition of the report's content — 138

11.3 Annex III: Economic Value Added (EVA) — 140

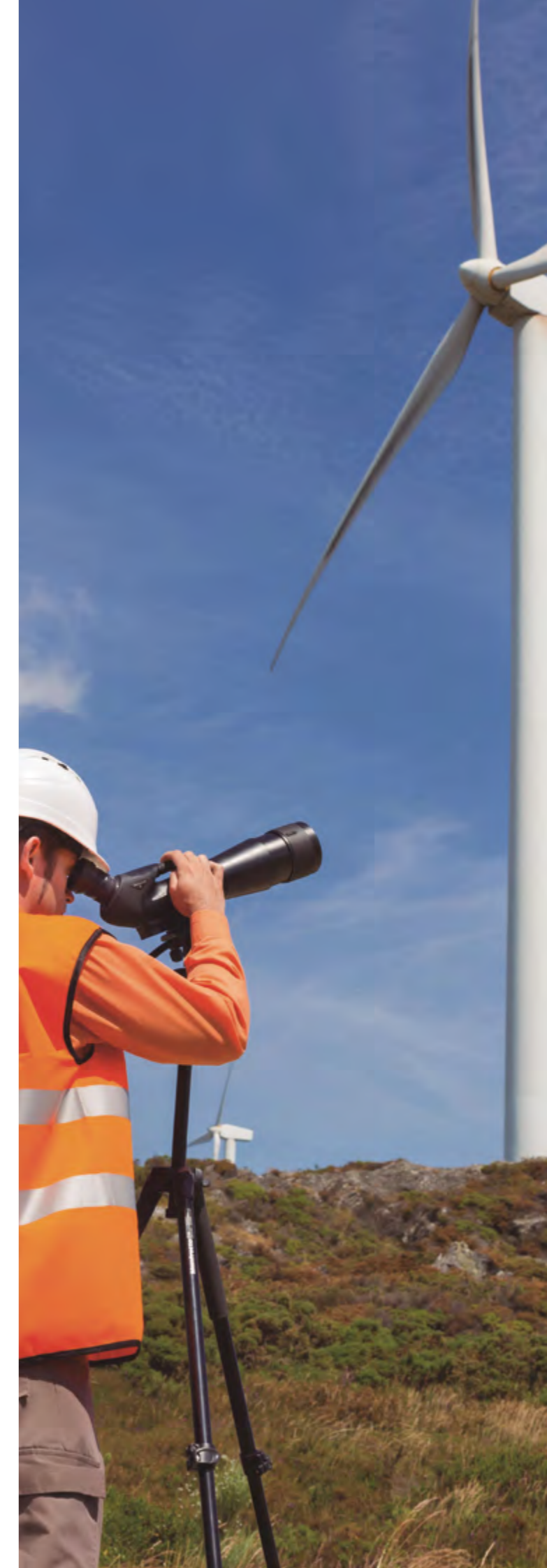
11.4 Annex IV: Methodology for the evaluation of impacts — 141

11.5 Annex V: Data related to Human Resources — 143

11.6 Annex VI: Cross references table: GRI and Global Compact — 157

11.7 Annex VII: Cross references table: Law 11/2018 — 164

11.8 Annex VIII: Report's verification statement — 170



Letter from the
Chairman and
the CEO



Letter from the Chairman and the CEO

GRI 102-14



Christopher Cole
Chairman of the Board of Directors



Fernando Basabe
Chief Executive Officer (CEO)

INTRODUCTION

Welcome to the Applus+ Group's Corporate Social Responsibility Report for 2018, in which we are pleased to present the Group's progress in strengthening our CSR policies and embedding the actions into working practices.

In December 2018, the Spanish government introduced a new law on the reporting of non-financial information. Therefore, this year's report integrates these requirements, and details our advances in the areas covered within the legislation, such as diversity, employment and the environment.

Our Group's policies and values follow the Ten Principles of the UN Global Compact; we remain committed to supporting and renewing practices in line with these principles. The Group has prepared this report in accordance with the new Global Reporting Initiative's standards, and our management teams have been consulted widely to develop these CSR policies and employee practices.

In 2017, we adopted the United Nations' Sustainable Development Goals (SDGs), and in 2018, our teams continued their dialogue with stakeholders to review and refine the nine sustainability goals that guide the Group's commitment to operate responsibly, sustainably and ethically. We detail the results of this interaction under "Our Approach" in **section 3**.

As in previous years, the Group's policies have adapted to these changing requirements, and here we highlight these developments under the five pillars that guide our behaviour, responsibilities and vision for CSR at the Applus+ Group.

OUR PEOPLE

Delivering and innovating TIC services requires specific technical knowledge and expertise in each industry sector. To develop and retain this talent, the Group filled 73% of our vacancies internally in 2018, and we increased our employees training by 30%, up to 47 hours per person per year. This year was also the inaugural year of our *Global Management Development Programme*, for which 30 selected executives from 17 countries, 20% of whom

were women, strengthened their skills and acumen for the Group's future leadership by successfully completing the programme.

Our TIC services also rely on the judgement and dedication of our employees. Our technicians and engineers apply their skills in sectors that, by their very nature, require absolute levels of safe-working practices to mitigate the dangers when working in challenging conditions. Our employees' safety is paramount within the operations of each division, so we are profoundly sad to report a fatality at work within the Group in Honduras. Naturally, we have extended our support to the family and employees concerned, and a full investigation tested the robustness of safety practices and our training policies. We continue to reinforce our procedures to safeguard against these risks.

In addition, we continually refresh all of our policies and training efforts to instil a safety-first mind-set within our working practices. In 2018, this general approach has led to an overall reduction in the yearly accidents rate of approximately 8%.

CORPORATE GOVERNANCE AND BUSINESS ETHICS

The Group's good governance and CSR related policies are overseen by the Board of Directors with the valuable and specialised assistance of the Audit Committee and the Appointments and Remunerations Committee and the lead of the Corporate Social Responsibility Committee, each chaired by an independent Director. We have maintained our annual corporate governance engagement campaign to contribute to the ongoing open dialogue with key investors and relevant proxy advisors ahead of our shareholders' Annual General Meeting.

In the area of compliance, the Group has drafted new policies deploying the *Code of Ethics* and the *Global Anticorruption Policy and Procedure*, training 100% of our employees on areas covering anti-bribery and anti-corruption, integrity and issues on conflict of interest. These policies also promoted our whistleblowing channel for suspected non-compliance with these codes, and our employees' positive engagement with the messages for reinforcing high ethical standards led to investigations into 104 potential breaches, with 44 irregularities detected and resolved.

The Group's industry sectors and day-to-day operations are driven by a diversity of skills, working practices and cultural settings. Correspondingly, the diversity of the Group's stewardship is therefore critical to bring the right balance of business perspectives, sectorial experience and management skills. The Board of Directors at Applus+ includes seven independent Directors to meet these requirements, with a broad variety of skills, and we have welcomed a second woman to the Board following our policy of merit-based appointment.

STAKEHOLDER ENGAGEMENT

Stakeholder inclusiveness is fundamental to the way we govern the Group, so we engage continually with our stakeholder groups through specific policies to direct our actions with a mix of programmes for their specific needs.

For investors and shareholders, our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* sets out our commitment to transparency and dialogue, and our Vice-President of Investor Relations and management team attended 209 meetings and conference calls in 2018, along with 12 investors' conferences and 10 road shows, apart from the governance mentioned earlier.

Within the sectors in which our clients operate, our divisions actively participate in developing better safety, quality and technical standards through our membership of regulatory institutions in the automotive, oil and gas, aerospace, telecommunications and power industry sectors, detailed in **section 8.1**.

The Group is also actively developing policies that reduce impacts on the wider community in the area of quality, CSR and business ethics. In 2018, the Applus+ Group joined the Carbon Disclosure Project, and we continued our collaboration with associations to develop safe product and environmental standards, such as with the European Standardisation Committee (CEN).

INNOVATION

Innovation and its application is central to the services provided by our Group. Across all of the divisions' sectors, these advances contribute to, both directly and indirectly, safeguarding assets and personnel and reducing risk to the environment.

In 2018, our innovations continued to create value for the Group by helping our clients to reduce multi-faceted risks, increase operational efficiency and sustain the operations of their facilities. These include our applied technologies on a European project to develop infrastructure cybersecurity certification for smart technologies now being used at refineries, chemical facilities and power plants.

Our technical teams also collaborate with many international bodies and associations to apply their know-how and technology to new social challenges. In **section 9**, we present the wide array of new technologies and processes innovated across the divisions of Applus+, such as the IDIADA Division's participation in the European Multi-Car Collision Avoidance project to develop systems that will help reduce traffic accidents and personal injuries.

Each year, our focus on innovation generates new value for the Group, our clients, industry sectors and society. To support this strategy, the Group participated in 217 projects and our research and development led to 28 new patents being granted in 2018.

ENVIRONMENTAL AND SOCIAL CONTRIBUTION

The services that the Group delivers generate low environmental impacts, and our main impact remains related to vehicle emissions, during fieldwork, and energy and water use at our offices or laboratories.

To manage these, the Group has implemented our *Global Policy of QHSE*, developed to ISO 14001 standards, and we have dedicated tools to report and manage these key indicators across the Group. We also equip our employees with a *Guide to Best Environmental Practices* to promote sustainable working practices in energy, water and fuel consumption and we are happy to report the reduction by more than 6% of our energy intensity, and emissions intensity rates in 2018.

For our clients, the Group's services make a substantial contribution to developing sustainable business practices and safe facilities and products.

In **section 10**, we detail the positive impacts our services deliver to different industry sectors. These include helping society and business to reduce transport emissions, such as our contribution to developmental work on the European Clean Sky 2 programme to reduce emissions by improving the aerodynamics of aircraft wings.

We are also proud of the variety of direct and indirect contributions we bring to the societies where our Group operates. This closeness to our communities allows local managers to champion employment policies for the social inclusion of less favoured groups. In Australia, we have created specific employment and training opportunities for indigenous communities, and in Colombia, our *Semillas* ("Seed") programme welcomed 40 young students in 2018 to our training programme for technical and professional careers.

In 2018, our employees' kindness and generosity also assisted with many social causes, like our ribbon campaigns for cancer in Panama, and we are delighted to showcase our employees' passion and efforts in **section 8**.

CONCLUSION

The Group has made good progress in our social responsibility to develop management systems and programmes that deliver our critical services sustainably and ethically. These achievements are to be welcomed and recognised, although the loss of a colleague in 2018 also reminds us that our work and dedication requires constant vigilance and progress. We will strive to fulfil this obligation.

We thank the professionals working across the Applus+ Group for their values and commitment to the Group's good governance and their communities' welfare. Their talent drives the Group forward, and we will continue to invest in their skills. With this investment in our workforce, the Group's divisions keep on innovating to protect assets and contribute to the welfare of the public and our environment.

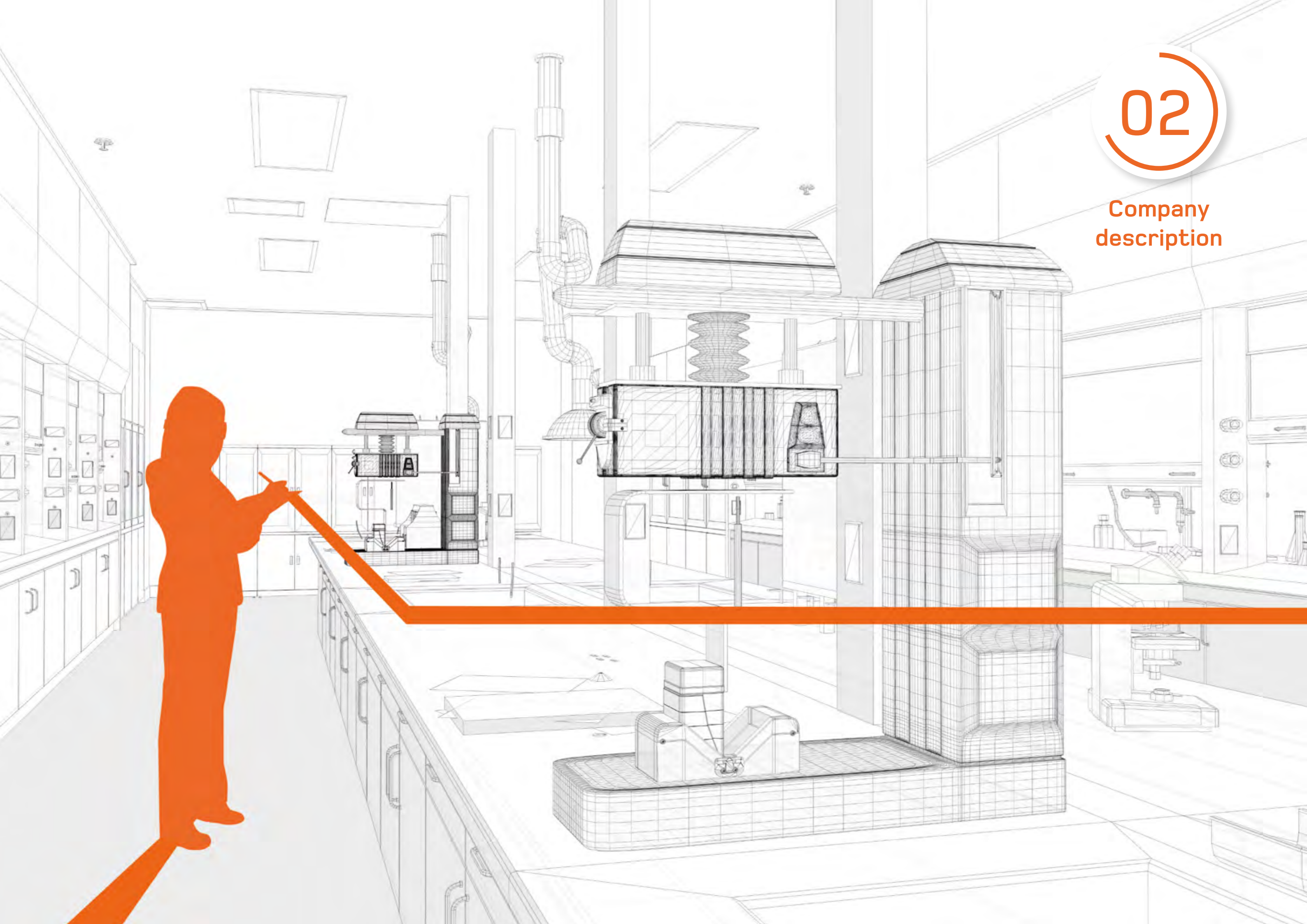
We also express our gratitude to our shareholders, customers and other stakeholders for their continued support and trust in the Applus+ Group and in our services. Through your encouragement and our dialogue, we have continuously strengthened our CSR management in the past four years, and we therefore welcome and encourage your feedback to continue this progress together.



Fatigue test on an aerospace engine mount.

02

Company
description

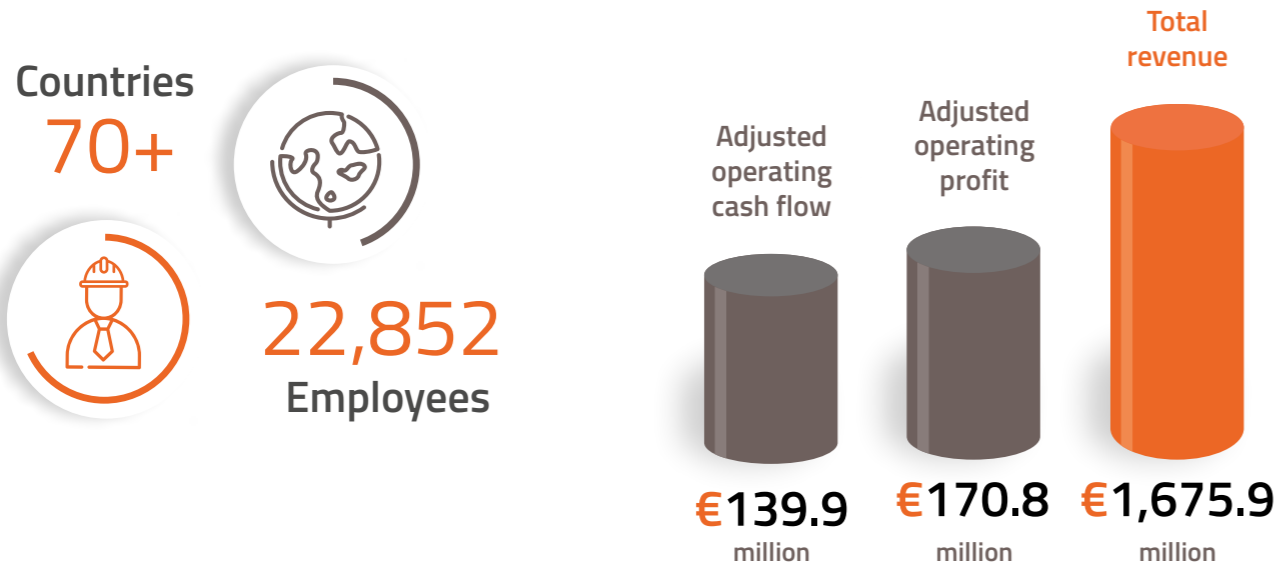


Applus+ at a glance

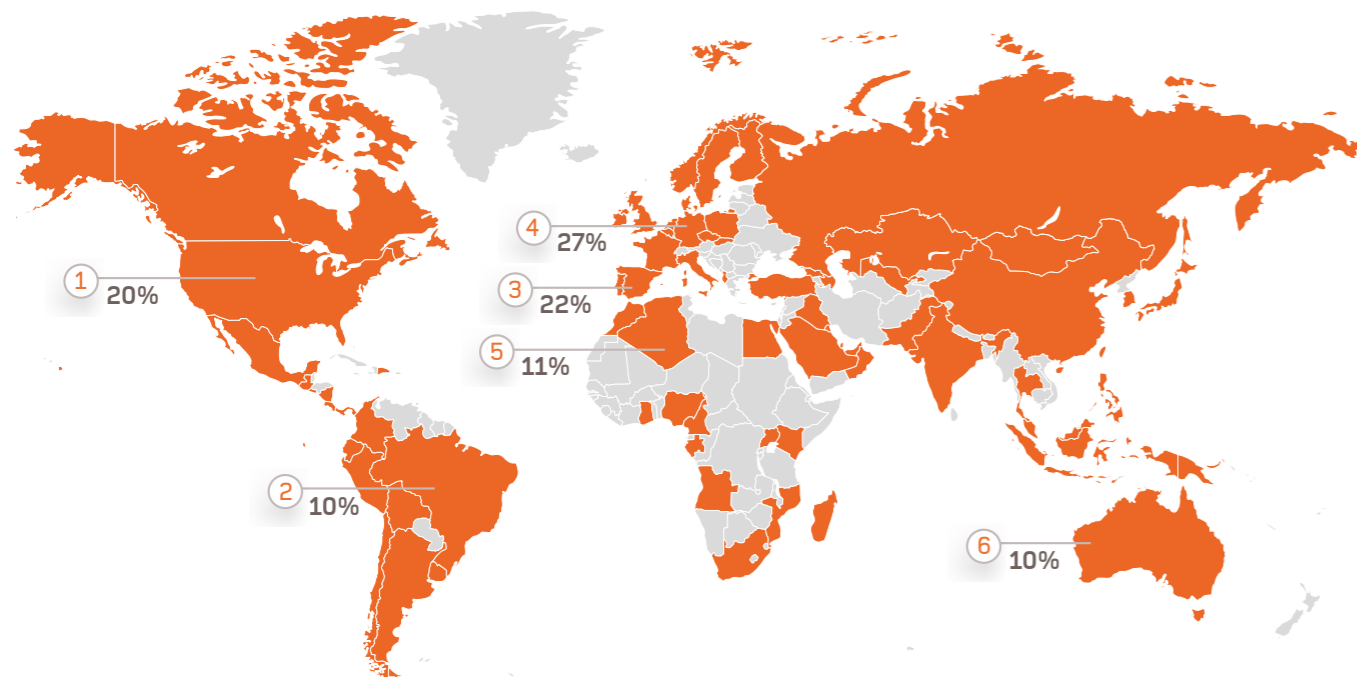
GRI 102-4 GRI 102-5 GRI 102-6 GRI 102-7 GRI 201-2

Applus+ is a premier choice in testing, inspection and certification (TIC) services. Across the Group, our divisions provide innovative services to national and multi-national companies in a diverse range of products, services and industry sectors.

A MARKET LEADER IN GLOBAL TIC SERVICES



GLOBAL PRESENCE



Region	Employees	%total revenue in 2018
1 US and Canada	2,281	20%
2 Latin America	5,337	10%
3 Spain	7,523	22%
4 Rest of Europe (excluding Spain)	3,285	27%
5 Middle East and Africa	2,662	11%
6 Asia Pacific	1,764	10%

OUR DIVISIONS

ENERGY & INDUSTRY DIVISION

Revenue €1,014.3M
Employees 14,830

Services. Industrial and environmental inspection, technical assistance, non-destructive testing (NDT) and technical staffing.

Industries. Oil and gas, industrial manufacturing, power, telecommunications, construction and aerospace.

LABORATORIES DIVISION

Revenue €76.6M
Employees 965

Services. Industrial testing laboratories, engineering, certification and metrology services.

Industries. Oil and gas, industrial manufacturing, power, telecommunications, construction and aerospace.

AUTOMOTIVE DIVISION

Revenue €371.3M
Employees 4,538

Services. Statutory vehicle inspection services for safety and emissions.

Industries. Government and public transport agencies.

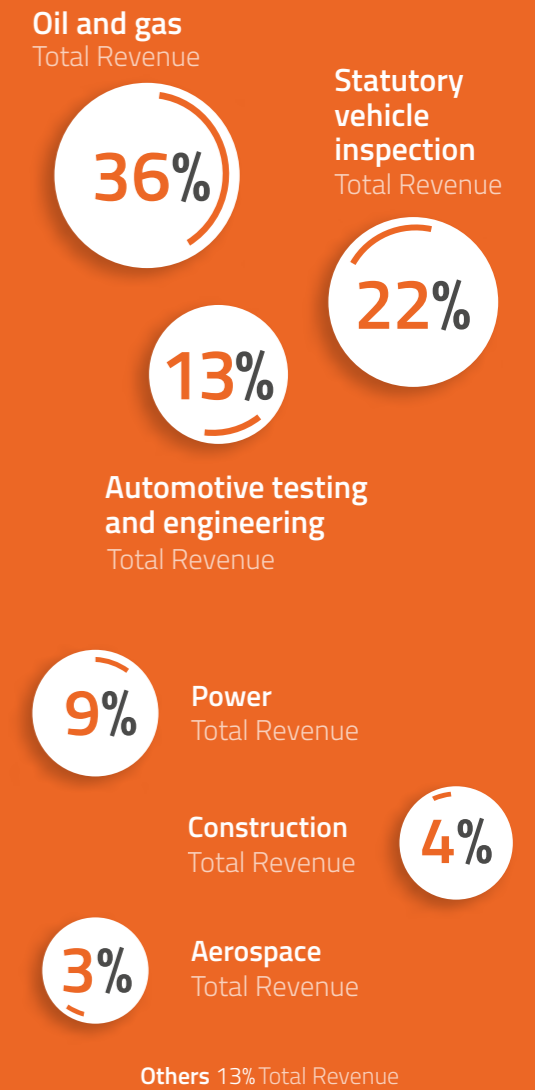
IDIADA DIVISION

Revenue €213.7M
Employees 2,519

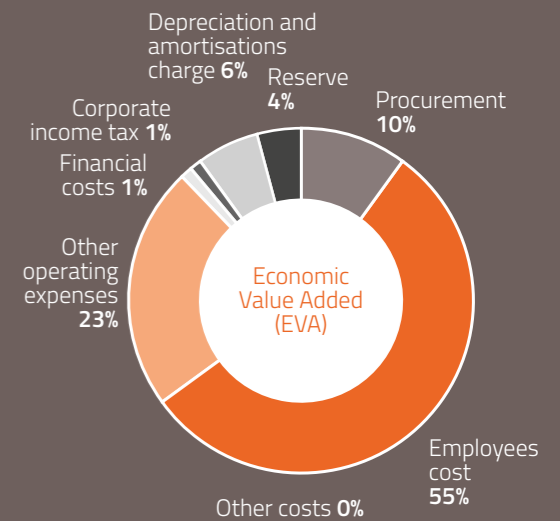
Services. Proving ground, design, engineering, testing and homologation services.

Industries. Automotive.

Applus+ BY INDUSTRY



Consolidated Annual Accounts



The Economic Value Added (EVA) shows the economic value generated by the Applus+ Group and also describes how that value is distributed between those elements contributing to its creation. In 2018, the EVA generated by Applus+ came to €1,676,234 of which 90.1% has been distributed and 9.9% has been retained by the organisation.

Capital and shareholder structure ⁽²⁾



Southeastern Concentrated Value Limited ⁽³⁾



River & Mercantile Group P.L.C



Threadneedle Asset Management Limited



Norges Bank



Eric Bendahan (Eleva Capital SAS)



DWS Investment GmbH

⁽²⁾ According to figures notified to CNMV at 31st December 2018.

⁽³⁾ Southeastern Concentrated Value Limited was represented by one Director on the Board of Applus+ Services S.A. until his resignation on 5th November 2018.

Expansion of divisions and new business lines

ENERGY & INDUSTRY DIVISION



Asset Integrity Management

Applus+ offers a comprehensive range of asset and facility integrity-management services in a wide variety of sectors to ensure that our clients' operations remain safe and reliable. We provide companies with **tailor-made solutions** for all their asset integrity challenges, helping our clients to **optimise** their **operations and maintenance** work while complying with the relevant national and international standards.



International Certification for professional skills

Applus+ administers written and practical examinations to **certify lifting-equipment operators and riggers** across the **United Arab Emirates**. The Company's Certification of Persons schemes complies with international standards and any specific requirements issued by U.A.E. government authorities. Through this service, Applus+ provides the recognition of the professional skills required for crane operators, forklift operators and riggers.



Preventing and responding to major industrial accidents

Applus+ acquired **Trámites, Informes y Proyectos (TIPs)**, a company specialising in industrial safety and the environment. With this acquisition, the Energy & Industry Division has strengthened its engineering, industrial-consultancy and environmental-consultancy services, especially as a service provider for the **EU's Seveso Directive**, which covers the prevention of, preparedness for and response to **major industrial accidents**.

The Energy & Industry Division now has a wide-ranging service portfolio that includes services for studies and reports on industrial projects (risk analysis, major incidents, emergency planning, occupational health and safety, environmental-impact assessments, etc.), as well as issuing technical documentation such as operating permits.

LABORATORIES DIVISION



Electro-magnetic compatibility tests (EMC) on automotive components and vehicles

With the **acquisition of 3C Test Ltd** in UK, Applus+ operates cutting-edge facilities for carrying out EMC tests on both automotive components and vehicles.



New IoT testing and certification services

The Laboratories Division has launched a number of new services to **verify the functionality, reliability and security of IoT (Internet of Things) solutions**. Solutions tested and certified by Applus+ can obtain the "IoT Certified" voluntary quality mark, a guarantee of quality to the end-user.



New materials characterisation services (US)

The **acquisition of DatapointLabs** represents a technological leap for the Division in the field of materials technology. DatapointLabs specialises in materials property characterisation for design and finite element **numerical simulation**, and develops **software tools** that enable the industry to tap into information about materials used more efficiently.

AUTOMOTIVE DIVISION



New laboratory for refrigerated vehicles inspections: Spain

Through our **Supervisión y Control, SAU Auto Company** in Galicia, Applus+ has set up a laboratory to carry out inspections under the **Agreement on the International Carriage of Perishable Foodstuffs (ATP)**. This new capacity offers services to a wide range of vehicle manufacturers, bodybuilders and transport companies, while reducing the time and costs of inspections.



Expanding statutory vehicle inspections services: Ecuador and Uruguay

Applus+ won a contract with the **regional government of Durán** to provide services in statutory vehicle inspections, and the Group invested in the construction and equipping of our first statutory vehicle inspection station in **Ecuador**. In **Uruguay**, Applus+ was awarded the sole concession for statutory vehicle inspections on passenger vehicles and heavy-goods vehicles, operating under the jurisdiction of **the country's National Transport Directorate (DNT)**.

IDIADA DIVISION



Construction of automotive test tracks: Spain and China

The IDIADA Division has the necessary resources for the testing and development of autonomous and connected vehicles. At the end of 2018, further investments included the **construction of specific test tracks in Spain and China**.



Passive-safety vehicle engineering and testing services: California

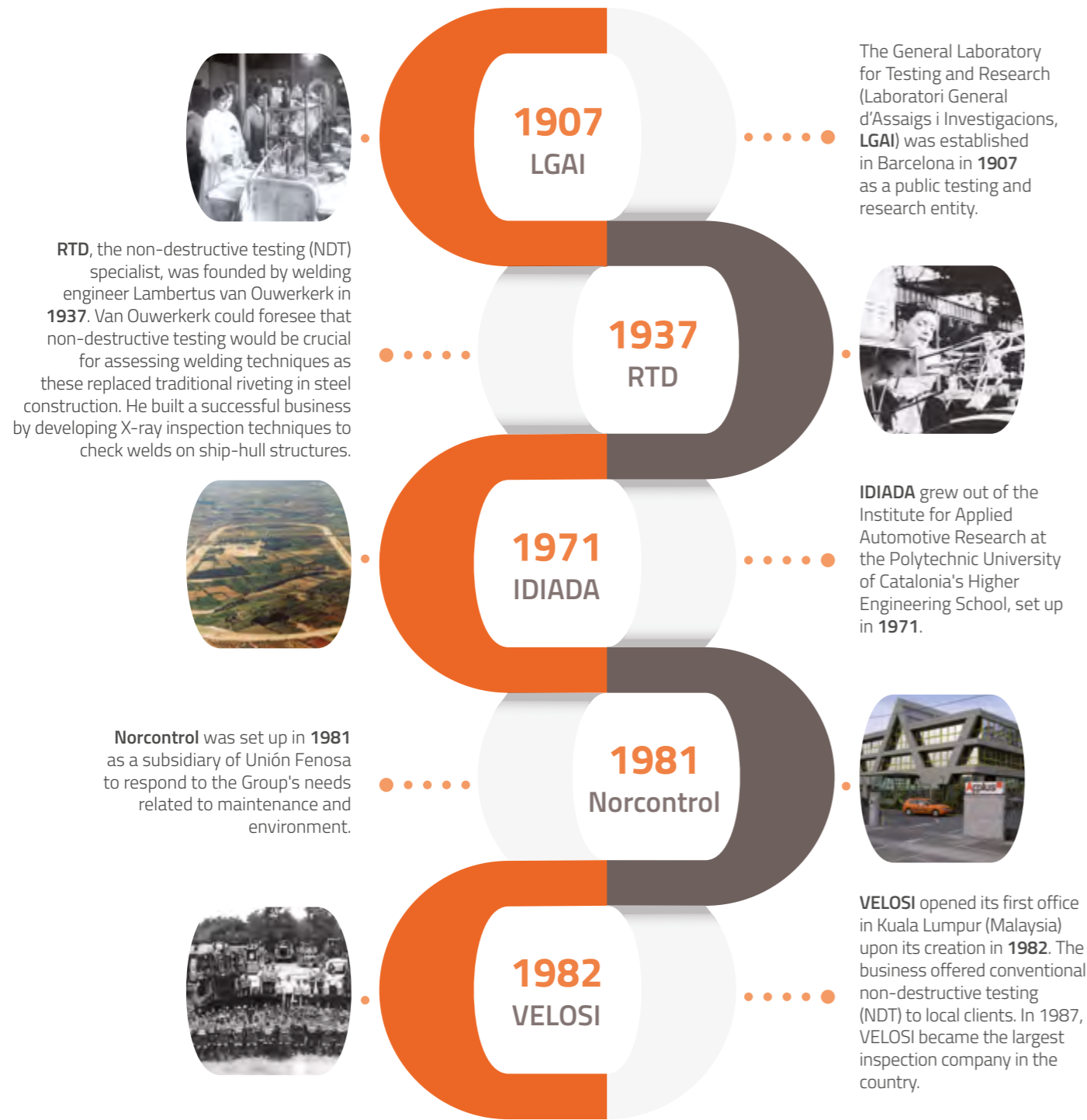
Applus+ acquired **KARCO Engineering LLC**, a company based in Adelanto, **California**, which is operated through our IDIADA Division in the US. Karco's automotive research centre adds to the Division's capabilities for design evaluation, research support and homologation services in the US-regulated automotive sector.



Dynawheel is a wheel position measurement system developed by Applus+ to provide real-time calculation of wheel position in real driving conditions.

Our history

The Company's origins



The Applus+ Group's history



- **Agbar Automotive** established
- **IDIADA** joined the Group
- **Laboratories** joined the Group

Revenue €200M



- **Norcontrol** joined the Group
- **RTD** joined the Group

Revenue €675M



- **20 businesses** joined the Group
- **VELOSI** joined the Group
- **Applus+ IPO**

Revenue €1,619M

- **New Energy & Industry Division**
- **19 acquisitions** including **Inversiones Finisterre**
- **Capital increase**

Revenue €1,675.9M

1996
2003

2004
2007

2008
2014

2015
2018

Our value chain

Accreditations and certifications

We are trusted by clients and partners. Our accredited and certificated services confirm our TIC sector expertise and create value for clients.

Service delivery

We reduce risk in our clients' projects by offering knowledgeable advice and an excellent service.

Quality

We have a systematic approach to developing quality in our services to achieve client satisfaction.



Knowledge

We employ talented people, who are specialists, technicians and engineers with high technical qualifications.

Strategic alliances

We partner private companies and public bodies to advance global technology solutions.

Innovation

We invest in innovation to add value to our clients' products, assets and services.

The TIC industry

TIC services encompass **many types of tasks**, including laboratory and on-site testing, management process audits, documentary checks, inspections across the entire supply chain and data-consistency verification. These activities may be carried out on the behalf of the **end-user** or **purchaser**, at the request of a manufacturer or on the behalf of **public** or **private authorities**.

TIC services are required at **every stage** of the **supply chain** and apply across **all industries**. The biggest markets are those relating to consumer products, followed by oil and gas, construction, chemicals and mining. The TIC market can be split into three **main regions: Europe, North America and Asia**. The Applus+ Group is present across all of these regions following our investments made over the past 15 years.

TIC MARKET: DRIVING FACTORS AND TRENDS

The TIC market depends on the administrative organisation of a country and type of industry being regulated, and in particular on the **government's regulatory policies** or changes in **practices within industry** sectors. This is the case in China, where certain sectors are opening up gradually. Both factors may have a significant impact on the size of the market.

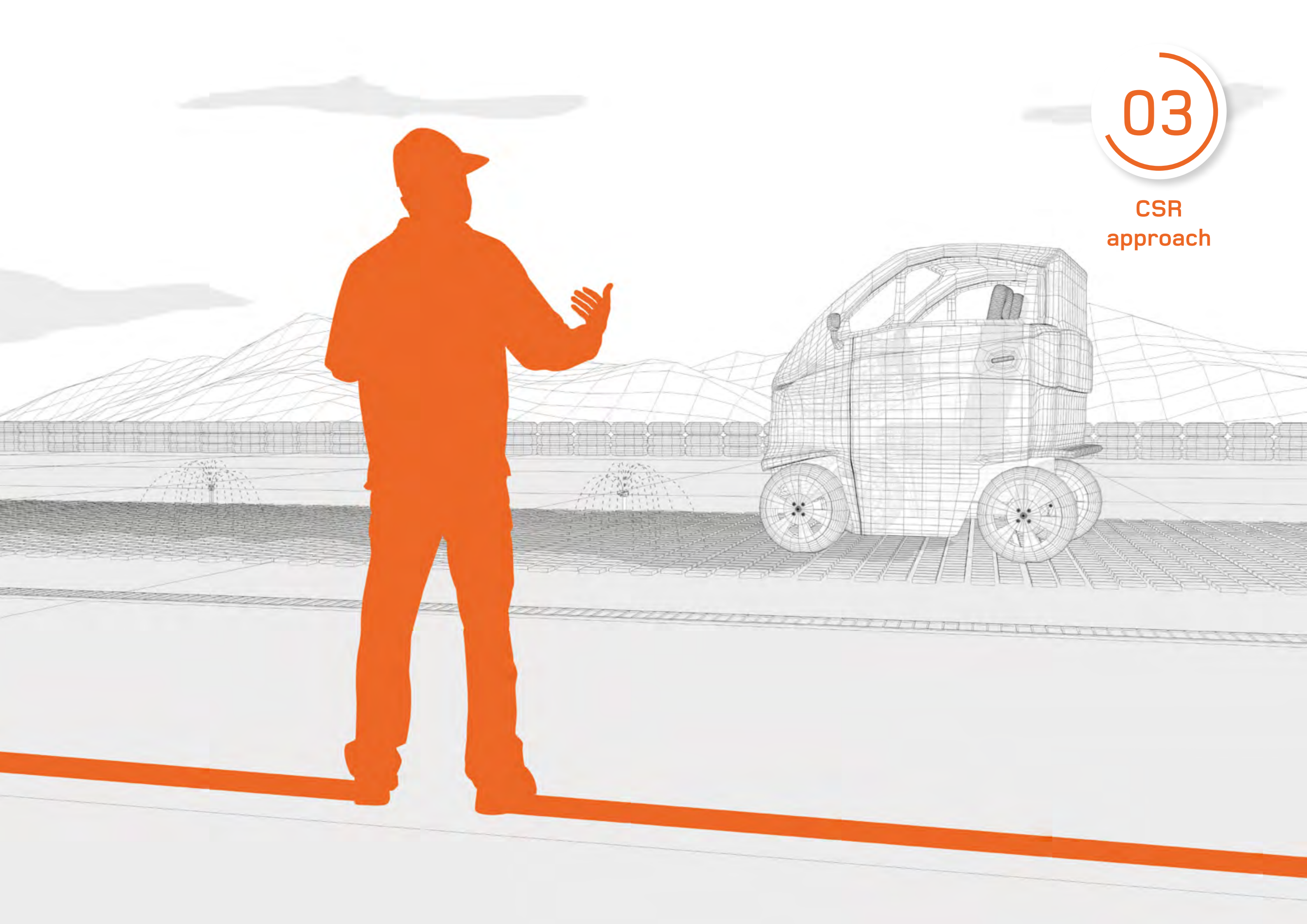
The **six main factors** driving **growth** in the TIC market are:



The **relevance** of the **control activities** for the manufacturer of a product or the operator of an asset. These tends to be fairly stable in the short term but increases over the long term due to **stricter standards and regulations**

03

CSR
approach



CSR framework

GRI 102-12

In 2017, Applus+ adopted the United Nations Sustainable Development Goals (SDGs) as a framework for designing its Corporate Social Responsibility (CSR) goals, and in 2018 we have continued developing and strengthening this framework.

The following **nine** of the UN's 17 SDG goals are **the most relevant** to the Applus+ Group's businesses:



Our **stakeholders**, through **materiality analysis**, ranked their **key SDGs**, resulting in a similar list of goals:



Inspection and certification of telecommunications antennas.

CSR Policy

Our approach to CSR is described in **five pillars**, each containing at least two SDGs:

OUR PEOPLE



- Foster working conditions based on effective health and safety programmes, as well as human and employment rights. Maintain our commitment to a *QHSE Policy* at the highest level, and deploy the policy across all divisions and countries, with specific programmes to increase awareness and involve all employees at Applus+ in health and safety issues.
- Provide a fair and competitive environment to enable professional development opportunities and skills-building for all employees at Applus+.
- Promote diversity amongst our staff based on *Global Anti-discrimination Policy* applicable at a global level.
- Train our professionals to develop their existing skills and acquire new abilities – both managerial and technical – through specific training and internal skills-building programmes.

STAKEHOLDER ENGAGEMENT

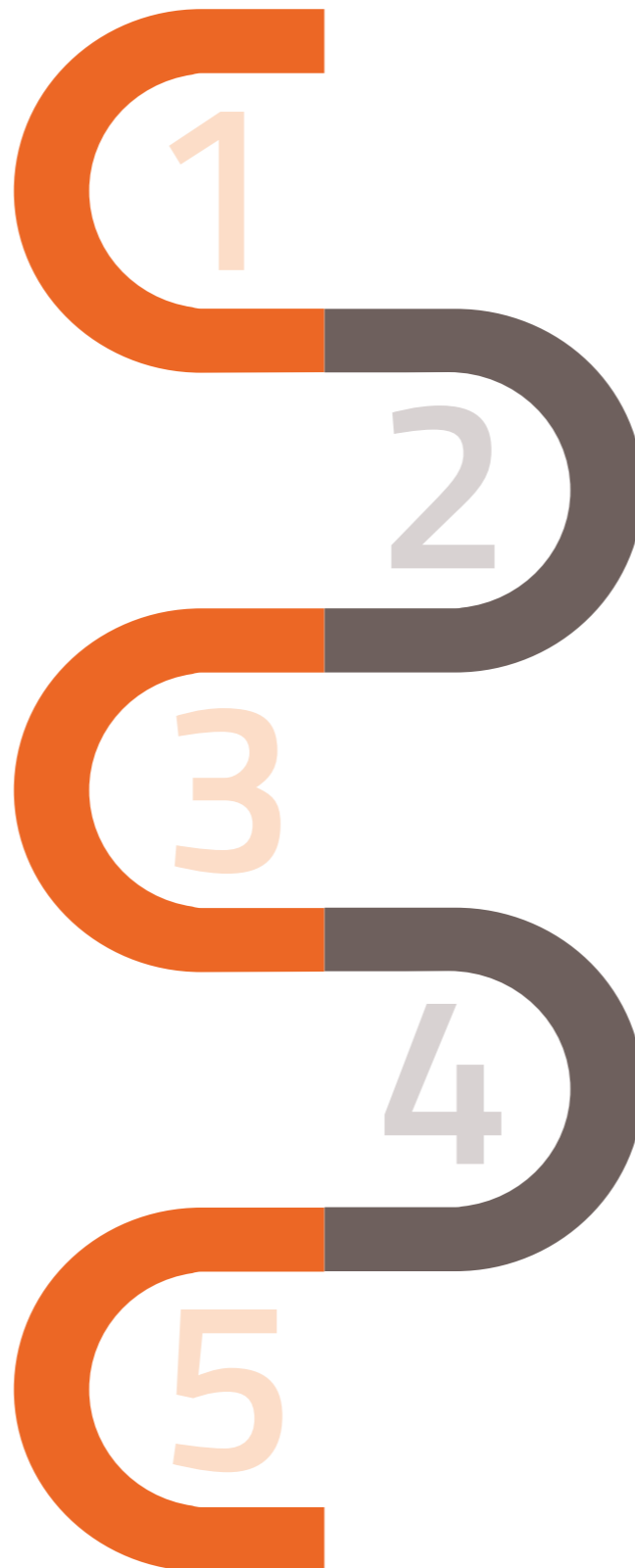


- Focus our business through a client-oriented strategy based on close communication with our clients.
- Implement procedures to maintain high service-standards to clients and high-quality procedures across all of our geographies and business units.
- Develop our services and business management (through ethics, innovation, safety and environmentally friendly conduct) to maintain our reputation as a trusted business partner at every stage.
- Develop our own Investors Relations Strategy to ensure communication complies with legal responsibilities and market practice, while allowing the global investor community to make informed investment decisions.
- Create communication channels to provide quick and effective responses to our stakeholders.

SUSTAINABLE PERFORMANCE



- Ensure active prevention and limitation of potential impacts on climate change and the environment caused by our operations.
- Observe a series of environmental rules focused on waste minimisation, emissions reduction and natural and clean-energy resource optimisation.
- Develop innovative services to help reduce the potential environmental impact of our clients' businesses in the communities where they operate.



CORPORATE GOVERNANCE AND BUSINESS ETHICS

- We are sensitive to changes in the laws and trends for corporate governance, and we are committed to transparency as a key principle to managing a publicly listed company. Together with these permanent checks and balances, such view has driven us to achieve a solid governance model.
- The Group's commitment to business ethics is managed by the Board through the CSR Committee and the Chief Compliance Officer to ensure our *Code of Ethics* and associated policies are integrated across all of our business units, geographies and operations.
- We ensure disclosure and promote observance of our *Code of Ethics* across our divisions, suppliers and contractors. The Applus+ Group also has a zero tolerance against corruption and undertakes regular supervision of our activities in accordance with the *Global Anti-Corruption Policy*, which includes due diligence processes to evaluate ethical issues covering suppliers and partners.
- We integrate sustainable development criteria to drive positive social, economic and environmental behaviour throughout our value chain, with our stakeholders and in the communities in which we operate.

INNOVATION

- Promote and share innovation openly across all business units that embeds corporate social responsibility into our employees' technical expertise and into our internally-developed services, as well as within our clients' operations.
- Create a working environment that nurtures innovation supported through the resources to facilitate this progress.
- Integrate specific innovation programmes across business units, stimulating and organising initiatives to promote innovative thinking amongst employees.



CSR strategic lines



OUR PEOPLE

- Engage our people through periodic training and maintaining the **continuous monitoring** of the application of all our Group's policies and procedures related to the protection of **Human Rights, non-discrimination and equal opportunities**.
- Continue with the implementation and follow-up of the **action plans** designed to improve and increase the **satisfaction and commitment** of our **employees**.
- Launch in **2020** the **second promotion** of the **Global Management Development Programme** to ensure the continuous development of our management team.
- Launch in **2019** the next **Global Satisfaction Survey**.



STAKEHOLDER ENGAGEMENT

- Framing our social action in the **local communities** where we operate, and **promoting** the **autonomy** of our **local teams** to **implement specific programmes** for social action.
- Progressively increase** the **percentage of suppliers covered** by our **vetting and verifying processes** until reaching 100% of our suppliers in the short term.
- To carry out **annual corporate governance road shows** to maintain our constructive dialogue held with institutional investors and proxy advisors, in line with our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*.



INNOVATION

- Reinforce** year after year our **investment and dedication** in **innovation** to create technologies that promote **safety and quality of life** in our society.
- Promote and share innovation** openly across all business units that **embeds corporate social responsibility** into our employees' technical expertise and into our internally developed services, as well as within our clients' operations.



CORPORATE GOVERNANCE AND BUSINESS ETHICS

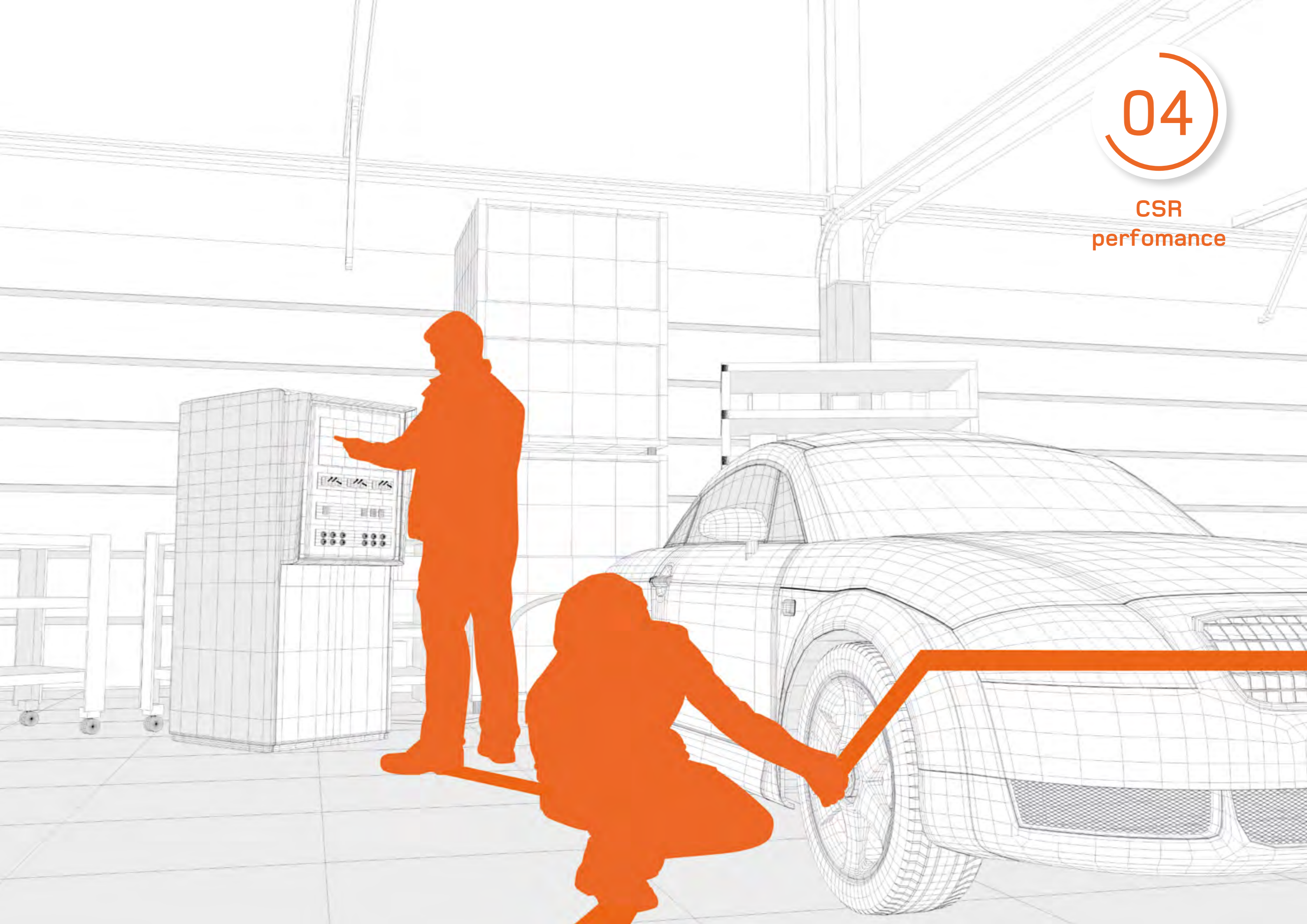
- The Board of Directors shall keep on promoting **diversity** and embedding 2020's goal of a 30% women representation
- Regarding our **Compliance Management System for Criminal Risks (CMS)**, as best practice, we have recently updated our risk map analysis and introduced or adapted the mitigating controls in parallel with the issuance of a number of new policies and procedures.
- As key actions for **2019**, the Corporate Legal Department has drafted and will publish and distribute worldwide new **Competition Compliance Guidelines** to develop **training** aimed at the **entire organisation**. Another key action will be to focus on the protection against unlawful acquisition, disclosure and use of **trade secrets** in light of the recent changes in the law and the new Policy and guidelines on **tenders**, together with in-house training.



SUSTAINABLE PERFORMANCE

We focus our management efforts on the **minimisation** of our **energy and water consumption** and on the **reduction of emissions**:

- Maintaining the **progressive improvement** of these indicators by reinforcing our employees' **involvement** through new awareness campaigns.
- Designing **specific actions** on the **activities that cause** these impacts (mobility plans, periodic renewal of the vehicle fleet, lighting programming in offices, etc.).
- We consider that **changes** affecting the market **due to climate change** will be gradual; consequently, we will adapt and extend our services progressively to meet the needs of our clients.



Key figures

ECONOMIC PERFORMANCE

Revenue:
1,675.9
million




Adjusted operating
170.8 profit
million



CORPORATE GOVERNANCE AND BUSINESS ETHICS

86 %
Effective compliance
ratio over CNMV's Code
Recommendations



Ethics non-compliance
notifications:
104
(44 breached the Code of Ethics,
and were addressed and closed)



INNOVATION

Hours invested
on innovation:
355,568



Employees involved
(not full-time dedicated):
825



OUR PEOPLE

Training hours:
1,000,000+



22,852
Employees



STAKEHOLDER ENGAGEMENT

Countries:
70+



Local
employees:
88%




SUSTAINABLE PERFORMANCE

Energy
consumption:
823,068 GJ



Water consumption:
692,734 m³



Quality control and technical assistance in building.

Our main CSR achievements

01

Closing of our successful First Global Management Development Programme with the participation of **30 people** from **17 different countries**, 20% of whom were women.

06

Designed and implemented a new procedure for the **management of individuals' rights under GDPR** (General Data Protection Regulation).



05

Approved **three new policies** related to **Compliance Management System for Criminal Risk (CMS)**.

04

Carbon Disclosure Project survey in **2018** was **rated B**, which represents an important improvement with regards to the previous year.

02

Deployment of more than **500 action plans** designed on the outcomes of our Global Satisfaction Survey, with **78% of the actions** planned for 2018 being **implemented** and with a focus on those areas with potential for improvement.

03

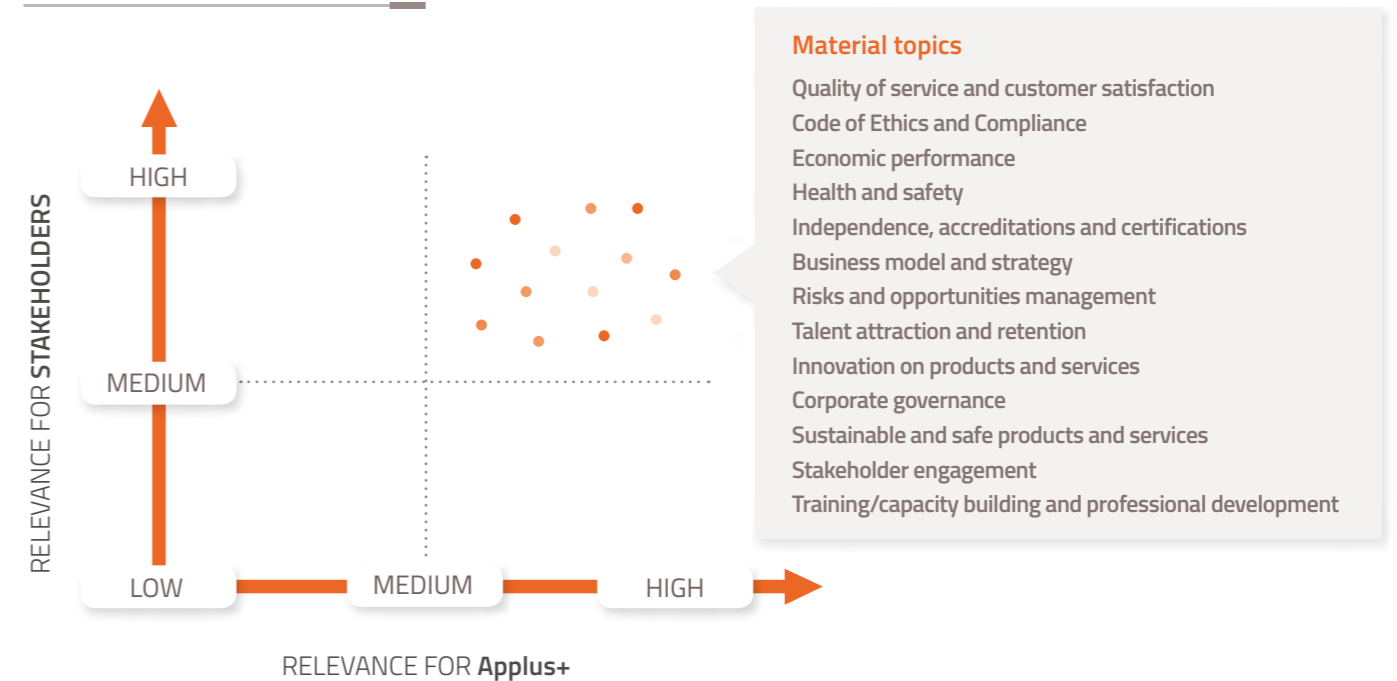
Energy and water global-consumption register and monitoring at the Group through two new applications: ASM and ClickView. Reduction of our **energy intensity rate by 6.4%**, our **GHG emissions intensity rate by 6.3%** and our **water consumption by 1.4%**.

Material topics

GRI 102-47 GRI 203-2

To define the relevant content for this report, we undertook a **materiality analysis** by following the **methodology** described in **Annex II**. The resulting **topics** were shown to be **material**:

MATERIALITY MATRIX



These material topics formed the **starting point** to **identify and evaluate the impacts** described in the following section.



Pipeline integrity management

Impact evaluation

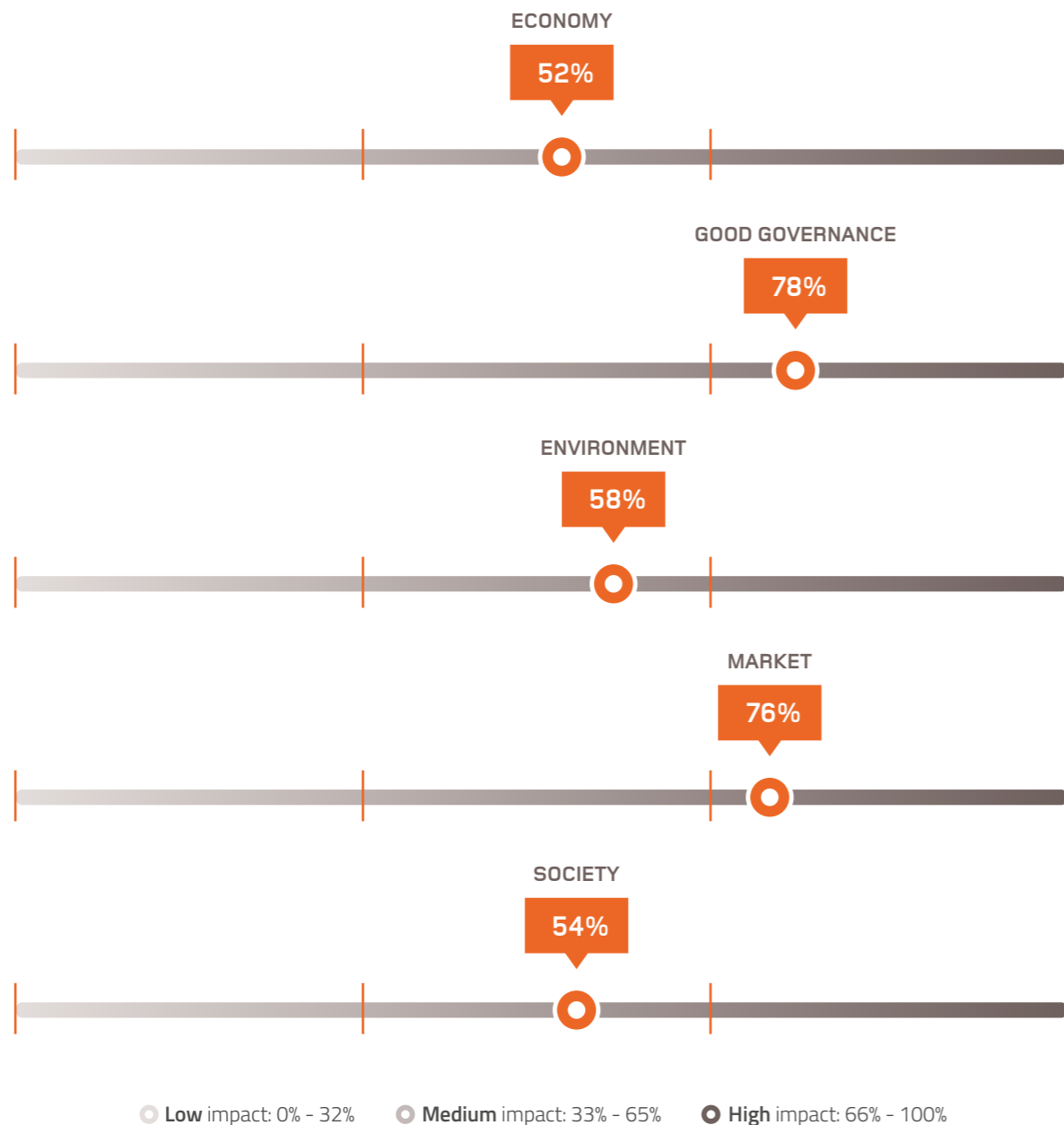
DIRECT IMPACTS

To identify and evaluate our direct impacts, we have considered **five areas relevant to** our business: economy, good governance, environment, market and society. We have established **three levels of impact**:



These levels represent the degree to which Applus+ can make a positive **contribution** to improvements **in the five relevant areas of its external context**. This means that our impact in the area is very positive when the impact is high, positive when the impact is medium and not very relevant when the impact is low.

The following graphics show the **results** of the evaluation covering our direct impacts, after applying the **methodology** detailed in **Annex IV** of this report.



INDIRECT IMPACTS

GRI 102-9

The identification of impacts, and the subsequent evaluation process, also includes the qualitative evaluation of our indirect impacts, that means, we evaluated **our contribution to the direct impacts of our value chain**.

We performed the evaluation through the **methodology** described in **Annex IV** of this report. Below is the **result of the evaluation** of our indirect impacts:

OUR VALUE CHAIN'S MAIN IMPACT AREAS	Applus+ CONTRIBUTION	
ECONOMY	CLIENTS	REST OF ENTITIES
Improvement of economic performance	Our services enhance their business development and sustainability. An optimal service and a reasonable price-service ratio build a relationship of trust that provides continuity to our commercial relationship, and gives us the opportunity to transfer our good practices. For some sectors (statutory vehicle inspection, automotive testing and engineering or NDTs), we become drivers of improvement in defining work standards.	We collaborate in developing the business, social and economic environment when contracting products and services.
Job creation		
Community development		
GOOD GOVERNANCE	CLIENTS	REST OF ENTITIES
Compliance with industry regulations	Our services to clients improve compliance with national and international regulations and standards.	We vet suppliers and require them to comply with national and international regulations.
Corporate governance	We comply with their codes. We apply our policies, which include <i>Global Anticorruption Policy and Procedure</i> , and the values and principles of our <i>Code of Ethics</i> .	We have implemented a <i>Compliance Management System for Criminal Risks (CMS)</i> to support the application of the Code's principles related to the criminal acts. We have deployed internal controls at Group level to mitigate risks.
Good reputation		
ENVIRONMENT	CLIENTS	REST OF ENTITIES
Operational efficiency	Definitely, our services improve our clients' sustainable performance. In addition, we reduce their environmental impact through the development and application of new services, in many cases, because of our innovation projects.	We require suppliers in our vetting processes to meet environmental legislation in their work. In addition, we positively value the application of good environmental practices, or the implementation of environmental management systems complying with international standards.
Consumption		
Climate Change		



OUR VALUE CHAIN'S MAIN IMPACT AREAS	Applus+ CONTRIBUTION	
MARKET	CLIENTS	REST OF ENTITIES
Operational efficiency	<p>In developing and implementing innovation within projects, our aim is to improve our clients' processes, bring efficiency, reduce costs and prevent pollution.</p>	<p>We ask suppliers to be active in respecting the environment. Likewise, we require suppliers to provide us with innovative tools to optimise their services to us for improved efficiencies. These terms are set out in our technical descriptions for supplied services.</p>
Pollutant reduction		

OUR VALUE CHAIN'S MAIN IMPACT AREAS	Applus+ CONTRIBUTION	
SOCIETY	CLIENTS	REST OF ENTITIES
Fulfilment of Human Rights and removal of inequalities	<p>Due to our position in our supply chain, our influence on social aspects is not significant. We apply our <i>Code of Ethics</i> and principles when we deliver customer services. However, in the case of the prevention of occupational risks, our contribution is significant because of the nature of our services.</p> <p>We also contribute to improving the specialisation and knowledge of our clients' staff when we provide technological services or develop innovation projects.</p> <p>Our processes and services, through the application of good practices and standards of quality, safety and environment reduce risks for our clients' people, assets and products.</p>	<p>We have strong vetting processes to ensure external suppliers and partners meet our commitment to ethics. These processes include verifying compliance with certain social aspects before contracting, especially those contracts connected with the prevention of occupational risks. Our goal is to cover 100% in the short term.</p>
Community development		
Specialisation, knowledge and experience		
Quality work environment		
Quality of services and customer satisfaction		
Preventing occupational risks and reducing accidents		



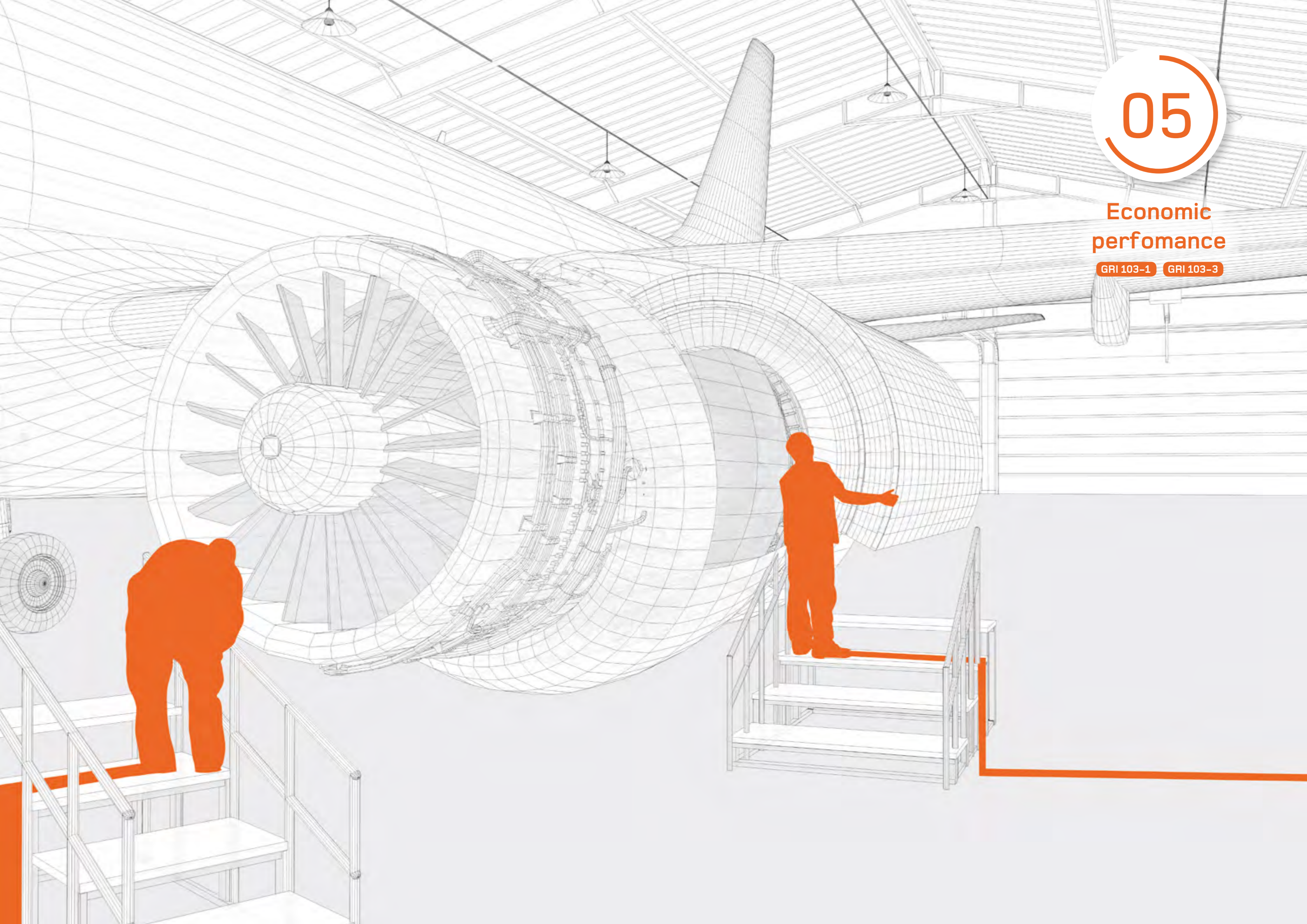
Wireless device testing.

05

Economic performance

GRI 103-1

GRI 103-3



The Group's strategy 2018 – 2020

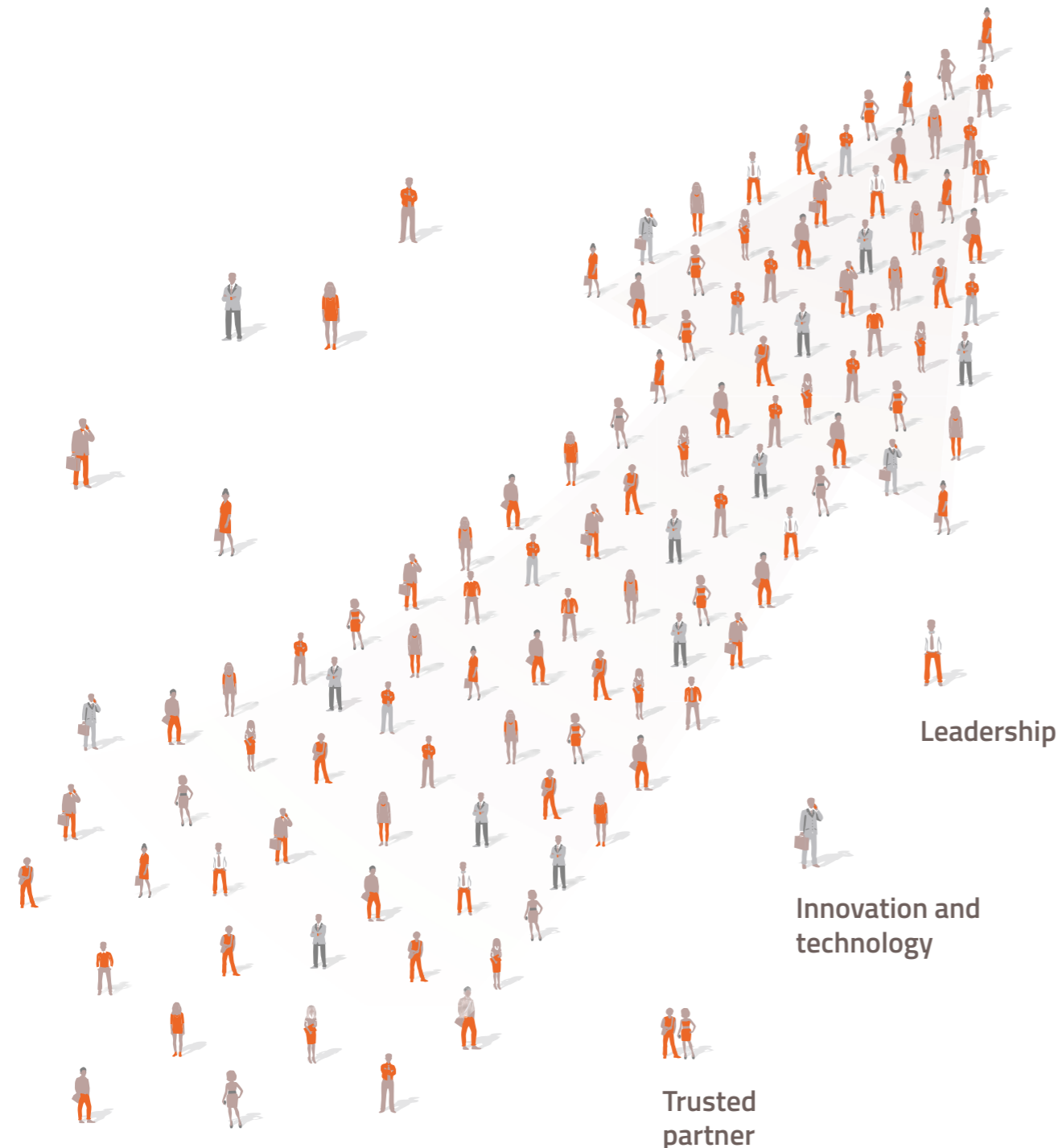
In **February 2018**, we updated the shareholders and equity analysts on the medium term strategy of each division and of the Group. This included **targets** for **financial performance** and **priorities** for **capital allocation** during the period of **2018 to 2020**. Below are the **key points** of our strategy:

The Group focused the 2018-2020 operational strategy on:

Leadership – to be market leaders in our verticals.

Innovation and technology – to offer the best technical solutions.

Trusted partner – to build long-term relationships.



LEADERSHIP

Leadership provides **investment capacity**, drives **global coverage**, **attracts talent** and enhances **reputation** and **trust**. We provide mission-critical services to our customers and they choose the leading companies.

In our largest vertical of **oil and gas**, we are the **market leader for non-destructive testing**. In the broader **Energy & Industry Division**, we are the **second largest** in the **TIC market by revenue**. In our **Automotive Division**, we are number **two** in terms of the **number of inspections** carried out **directly** by the companies themselves. For the **IDIADA Division**, whose market is more fragmented and leadership is therefore harder to measure, we believe we have the **most advanced independent testing facility** for original equipment manufacturers. Our smallest division is the **Laboratories Division**, and they hold strong positions in certain areas and **leadership in some regional markets**.

INNOVATION AND TECHNOLOGY

To maintain this leadership position in our verticals, we continue to **invest in innovation and technology** and ensure we are always able to offer the **best technical solutions**. We constantly seek to improve the performance efficiency of our services and the management of our business, and we drive this by **adopting the latest technology and practices** from within the **market** or from the **ideas and insights** originating from **our own teams**.

Every year, alongside our clients or government departments, Applus+ invests in innovation projects and files **patents** for the unique and proprietary solutions that our divisions' teams discover.



TRUSTED PARTNER

In the business of providing quality and technical assurance and reducing risks in operations, our **customers** and **partners** have to **trust us**. **Integrity** is therefore central to our business and practice, supporting the ability to consistently provide a **good service** and **value**. These aspects of service confidence have helped the Group to build and maintain **long-term relationships** with our clients.

We are proud to say that **over 70% of the revenue** from our top 100 clients (not including the Automotive Division) comes from **companies** which we have **worked** with for **over 10 years**.

With our **top 25 clients** in the **Energy & Industry Division**, we have Master Service Agreements (MSA) with those that account for almost **three quarters of the revenue**. These MSA's are difficult to obtain, especially from the oil majors and blue chip clients, and this commitment demonstrates their trust in Applus+. And finally, for the **Automotive Division**, the **very high contract renewal rates** show the strength of our client relationships.

FINANCIAL TARGETS AND CAPITAL ALLOCATION PRIORITIES FOR 2019 AND 2020

Financial targets were given for the period 2018 to 2020 at the time of the strategy update, and we are pleased to report that the **2018 targets** were **exceeded** and the explicit **guidance for 2019** reported within the 2018 results publication is **in line with the targets**. The **2020 target** for the Group to be able to **continue growing organic revenue at mid-single digits** at constant exchange rates, with the **adjusted operating profit margin** improving **by between 20 to 30 basis points** remains intact.

Furthermore, we expect cash flow to continue to be strong, with a **cash conversion rate** (adjusted operating cash flow as a ratio of adjusted EBITDA) of **about 70%**, from which we will continue to propose an **annual dividend** of **approximately 20%** of **adjusted net profit**. We target a **net debt to EBITDA leverage ratio below three times** and we retain **capacity for acquisition spend** in the **range of €150 million per year**.

an identified risk; and any possible damages to reputation in the event of an incident occurring.

As a listed company, the Applus+ Group has designed an **Internal Control System over the Financial Information (ICFR)** to mitigate the risk of any relevant errors occurring during the preparation of financial information. This system sets out **processes** for the Board of Directors, the Auditing Committee, the Management and the Group's personnel to carry out in order **to ensure** reasonable **security** in relation to the reliability of published financial information.

The **Board of Directors** is ultimately **responsible** for the existence and maintenance of the internal control system over the financial information (ICFR). This function has been **delegated to the Audit Committee**. In Section F of the Annual Corporate Governance Report, the model implemented is described in full.

An **external auditor** reviews the ICFR and its

implementation **annually**. These reviews have been conducted since the Company was listed in 2014, and the conclusions have always been favourable.

The Applus+ Group's **consolidated annual accounts** are prepared in accordance with the **International Financial Reporting Standards**, as approved by the European Union (IFRS-EU) in accordance with the EC Regulation 1602/2002 of the European Parliament and of the European Council.

Our consolidated annual accounts also follow all of the **mandatory accounting principles and standards and the valuation criteria**, and those of the Code of Commerce, the Capital Stock Companies Law and other applicable trade standards and regulations.

In this regard, the Group has an **IFRS Manual and a unique reporting package** with homogenous charts of accounts applicable to all dependent companies when recording transaction, making estimates and ultimately when preparing the financial reporting package.

Economy management approach

Managing the financial results of Applus+ Group is a task shared between the Board of Directors, the Group's Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Vice-Presidents of the Group's four divisions.

Executive Committee meetings are held periodically within the Group to analyse the financial results by divisions. The executive members attend these meetings, along with the directors of the corporate functional areas including: General Counsel, Chief Compliance Officer (CCO), Human Resources Vice-President, Business Development Vice-President, Internal Quality, Health and Safety Vice-President and the Investor Relations Vice-President.

RISK MANAGEMENT

The Regulations of the Board of Directors (arts. 7.2 and 39.7) define the responsibilities of the Board of Directors and its Audit Committee, in the determination of the control and risk management policies, periodic monitoring, and evaluation of financial and non-financial risk that the Company is exposed to.

During 2018, the Applus+ Group has defined a new *Risk Management Policy and Procedure*, and has updated a **Risk Map** to identify any critical risks, from **strategic, operational, financial, fiscal and legal** points of view, that could affect the strategic

objectives of the Group being met. The Risk Map includes all factors considered to be critical, and the assessment covers all of the Group's **lines of business**, the **geographical areas** where we operate and our **business divisions**. This includes any risk factors considered critical to the operations of the Group's business-supporting functions (finances, human resources, legal and fiscal). Both measures will be approved by the Board in 2019.

To identify the critical risks, we **applied priority criteria** according to the impact on turnover; the possibility of trade interruption resulting from



Acquisition of 3C Test: Whole-vehicle EMC testing facilities in Silverstone, UK.

TAX CONTRIBUTION

From an economic and financial point of view, the main breaches of laws and regulations that could lead the Group to be **exposed to sanctions** are **tax or fiscal breaches**. To prevent this, the Applus+ Group's **fiscal strategy** focuses on:

- Ensuring responsible **compliance** with prevailing tax laws while safeguarding the corporate interests.
- Following the **business strategy and values** of the Applus+ Group, which require strict observance of the law and the criteria set by regulatory agencies in the conduct of our business.
- Developing and implementing **best practices** in areas of tax governance.
- Combining compliance with tax obligations with the commitment to **create value for shareholders**.

The fiscal strategy was **approved** by the **Board of Directors** since this responsibility cannot be delegated. Therefore, through a tool called **Applus+ GRC**, the Group **monitors compliance** with our fiscal and tax obligations in all the countries where we operate.

The Applus+ Group has also defined **internal procedures** in the event of **inspection notifications**, which describe how the Corporate Fiscal Department must be informed and involved in order to minimise any possible ensuing sanctions. In the financial year ending on 31st December 2018, the Group received **no significant fiscal sanctions**.

The Applus+ Group gives priority to fulfilling its obligation to pay the taxes that are due in each territory in accordance with the applicable regulations. **Income tax paid** by the Group amounted to **€ 23,952,000** in 2018. The following table shows the breakdown of the **individual profit before tax** and the **income tax** actually paid by the Applus+ Group **by region**:

REGION	INDIVIDUAL PROFIT BEFORE TAX (*)	INCOME TAX PAID
	Thousands of Euros	Thousands of Euros
Spain	62,170	6,745
Rest of Europe	25,633	6,580
Netherlands	11,659	3,179
Rest of Europe (excluding Netherlands)	13,974	3,401
Middle East and Africa	12,164	3,142
US and Canada	137	75
Latin America	24,137	5,651
Costa Rica	13,997	5,572
Rest of Latin America	10,140	79
Asia Pacific	6,854	1,759
Total	131,095	23,952

(*)The individual profit before tax by region, is net of dividends paid between legal entities within the Group. The other main difference with the consolidated profit before tax is the annual amortisation charge associated with the intangible assets in business combinations.



Vehicle dynamics assessment.



06

Our people

GRI 103-1

GRI 103-3



Employment

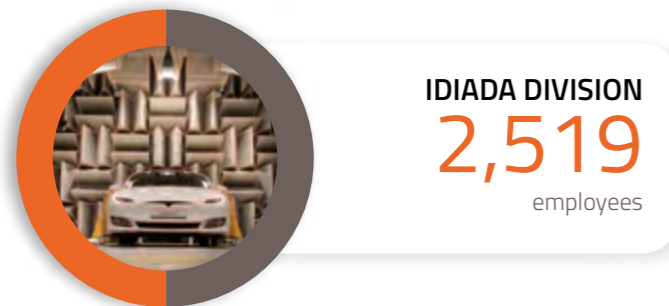
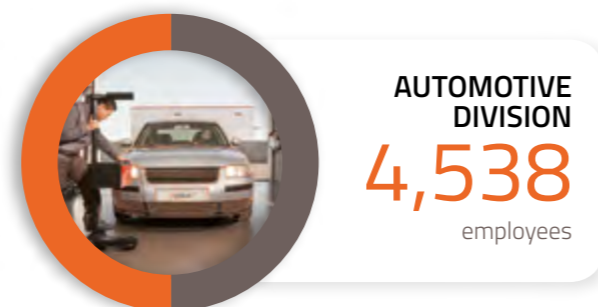
GRI 102-8 GRI 401-2

At Applus+, we are aware that **our professionals** are one of the Group's **most important assets**. That is why we are committed to their professional development, through respect for and the promotion of the rights enshrined in benchmark **international treaties and conventions** relating to employment conditions, and by maintaining a close and transparent relationship with them in order to understand their needs and expectations.

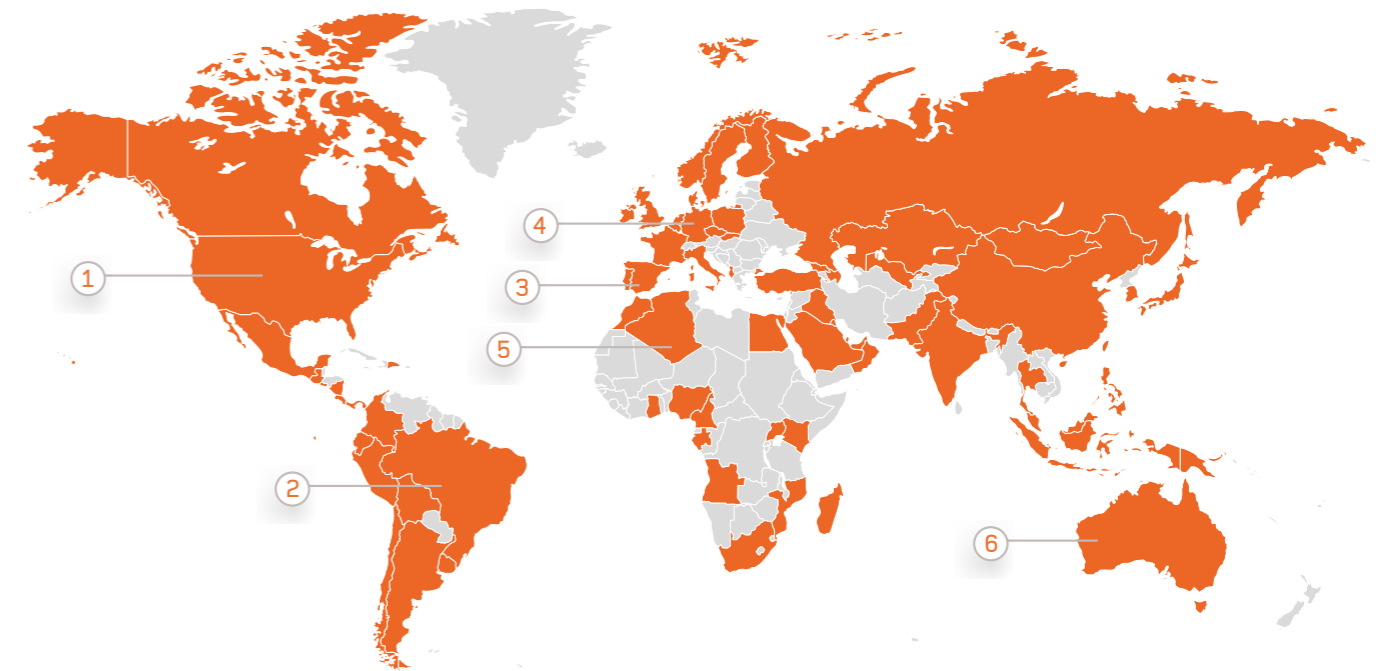
With this objective in mind, we are currently reviewing the **Global Human Resources Policy**, which is aimed at all our professionals irrespective of the operating country. Once approved, the policy will consolidate all the rules implemented at corporate level. In addition, the Corporate Human Resources Department has established the following milestones as **objectives** to further the Group's progress in employee management:

- Publicise the Group's main **decision-making structures** in the Human Resources area
- **Mitigate financial risks** in the Human Resources area (ICFR)
- Unify Applus+ employee **welcome information**; for example:
 - Dissemination of the **Induction Manual**, which contains information on the main policies applied globally.
 - Delivery of **local handbooks** containing all the Human Resources information of which employees must be informed pursuant to local legislation.
 - Unification of global employment **clauses**.
 - Development of **local policies** in the Human Resources area to adapt to the local requirements of each operating environment.
 - **Ensuring compliance** with the provisions of the *Conflict of Interest Policy*, etc.

In the **Annex V** of this report, we **detail the data** related to **Human Resources**.



EMPLOYEES PER REGION



1 US and Canada	2 Latin America	3 Spain	4 Rest of Europe	5 Middle East and Africa	6 Asia Pacific
2018 2,281	2018 5,337	2018 7,523	2018 3,285	2018 2,662	2018 1,764
2017 2,200	2017 4,200	2017 6,800	2017 3,500	2017 2,400	2017 1,600
2016 2,100	2016 3,300	2016 6,000	2016 3,700	2016 2,000	2016 1,900

22,852
employees
in 2018

19,000
employees
in 2016



20,700
employees
in 2017

The **voluntary turnover rate** of employees decreased to **12%** in the year. We are aware that the entry into operation of the action plans following the Global Satisfaction Survey had a significant impact on the motivation and commitment of our teams and, therefore, we would like to express our gratitude to you for your ongoing dedication.

The **collective agreements** and, in some cases, the **local handbooks**, govern the **organisation and scheduling of work** at each operations site as regards to everything related to annual working hours, breaks, paid leave of absence, etc.

The **contract distribution by gender** shows that 81.5% of women have **permanent contracts**, compared to 80.3% of men.

More than 500 employees benefited from **maternity or paternity leave** in 2018, and we expect them all to return to their positions when the leave ends. We wish all the best to those who voluntarily chose not to rejoin the Company, in both their personal and professional lives.

At Applus+, we are committed to the **work-life balance** of our teams and that is why we provide

flexibility strategies to ensure the balance between personal and family life is achieved. Worthy of mention among these measures is the possibility of **adapting working hours** to personal requirements. Globally, 15.3% of women benefit from **part-time hours**, as compared to 3.1% of men.

In 2018 **absenteeism** stood at 1.9% of hours worked.

The Applus+ Group has not implemented global measures regarding the **right to labour disconnection**. However, we comply with the provisions included in the applicable collective agreements and local regulations in this area.

INDIVIDUAL DEVELOPMENT PLAN

We facilitate **geographical and functional mobility**, which ensures we have highly motivated employees who are committed to developing their potential and endeavor to contribute to the Group's success every day. We also foster **internal promotion** for vacancies in management roles, with **73%** of all positions filled internally in 2018.

GLOBAL SATISFACTION SURVEY

To ascertain our professionals' assessment of the working environment at the Applus+ Group, the **Global Satisfaction Survey** was conducted in **2017**. This survey was sent to **80%** of the **Group's employees**, and included employees representing all of our divisions in 60 countries. We greatly appreciate and value their participation, in view of the added difficulty generated by the activities carried out by our teams and their delocalisation.

Based on the responses obtained, in **2018** our efforts focused on the **analysis** and **communication** thereof. The objective of the third phase of the project was to establish action plans in areas with potential for improvement. As a result, we prepared around **500 action plans**, of both a local and global nature, **78%** of which have already been **implemented**. The plans focused mainly on the aspects assessed in the survey. The **current level of implementation** of the action plans is as follows:

IMPLEMENTATION OF GLOBAL SATISFACTION SURVEY'S ACTION PLANS AT END OF YEAR 2018		NUMBER OF IMPLEMENTED ACTION PLANS	TOTAL OF ACTIONS PLANS	%
Engagement	How the employee actively contributes to the Company's success	38	46	83%
Collaboration	How the employees feel relationships work in the Company	37	47	79%
Diversity and Inclusion	How the Company treats personal differences and how the employees perceive them	36	42	86%
Empowerment - Autonomy	The influence the employee has over their work	28	36	78%
Enabling Infrastructure	How processes and tools provided by the Company help employees to be as productive as possible	29	37	78%
Learning and Development	How the Company cares about the learning and development of its workforce	52	71	73%
Performance Management	The understanding the employees have of their own and the Company's goals	23	37	62%
Reward and Recognition	The rewards and recognitions that the employee receives for their contribution to the Company	77	98	79%
Safety	How safety issues are treated by the Company and managers	45	50	90%
Supervision	How the employees see their manager and how s/he acts	55	70	79%
Talent and Staffing	Workforce policies on attracting, retaining and promoting people	37	52	71%
Work-Life Balance	The balance between work and personal commitments	40	51	78%
Total		497	637	78%

Fostering satisfaction: Transversal Leadership Model

Based on the results of the Applus+ Group's *Global Satisfaction Survey*, we prepared an action plan at one of our divisions to define and implement a Transversal Leadership Model. The ultimate objective is to create a **Management Academy** at which all **managers** can receive **ongoing training** in the skills required to develop the **LEADERS** that the organisation desires.

To achieve this objective, the project has **three major phases**:



Definition of the Team Leadership Model: to establish the appropriate direction of the project. To this end, the **behaviour and key competencies** required of the organisation's leaders were detected.



Snapshot of the current leadership: to learn how to increase management efficiency, work is currently being performed on the **Talent Map**. The current Talent Map, a survey of management of the organisation, will enable the identification of potential development requirements and an increase in precision in the strategic planning and management of talent, the objective of which is to determine the **performance of each manager** together with **his/her potential for development**.



Creation and design of development routes: starting from the idea that "what can be measured can be achieved", this last phase will **implement the development initiatives** identified

The Human Resources Department has provided all the **support** required, acting as a facilitator to implement the proposed **initiatives**, fostering the participation of all units, and performing systematic monitoring of the progress thereafter. At Applus+, we hope that implementation will enable the **satisfaction and commitment** of our employees to be **increased**, and that this will be reflected in **enhanced participation and involvement** in future **surveys**. All the above will contribute to the sustainable growth of our business, and to improving the culture and pillars on which our people-development model is based.





DIVERSITY AND EQUAL OPPORTUNITY/ NON-DISCRIMINATION

GRI 202-2 GRI 405-1

Establishing a working environment based on respect, ethics, equality and diversity is key in a company such as Applus+, characterised by its diversity and geographical dispersion. The *Global Non-Discrimination Policy* and the *Code of Ethics* provide guidelines for employees to aid their understanding of how they are expected to behave, both at work and in their relationships and interactions with each other and with our stakeholders.

The **human capital** of Applus+ is distributed across **more than 70 countries**, and includes a large number of nationalities, cultures and religions, as well as gender and age diversity, which we feel makes a very positive contribution to the success of our business.

Accordingly, we have **policies and procedures** that **prevent any type of discrimination** on the grounds of race, religion, gender, marital status, disability, age, political or sexual orientation, and any intimidation, harassment and/or bullying in our selection processes, and in the management of our human capital, thereby ensuring that we treat people in a fair and respectful manner.

In addition to prevention, the *Global Non-Discrimination Policy* contains the **commitments** made by Applus+ to foster equal treatment and opportunities at the organisation:

- Ensure the **availability** of curricular and extracurricular **activities for all employees**.
- Include scenarios in the **Training Plan** that recognise discrimination as a factor that debases society and could affect anybody in the Group.
- **Promote equality**, by avoiding scenarios based on any type of discrimination and/or stereotype.
- Effectively **notify** all employees of this **Policy**, through an induction process conducted when hiring new employees, through courses aimed at managers, and through the policy's application during employee selection.
- Make managers and all other employees responsible for the provisions of the Policy by means of an **appropriate related training course**.

In accordance with our activities and the environments in which we carry out our operations, at Applus+ we have adopted the following **specific measures** aimed at the prevention of any type of discrimination against the following **most vulnerable groups**:

- Pursuant to the legislative requirements of **Organic Law 3/2007**, for the effective equality of women and men in **Spain**, some of the companies within the Applus+ Group have Equality Plans to back up the commitments made in the policy. **Beyond Spain**, we have developed **26 Equality Plans**, following the local legal requirements.
- We foster the economic development of the **indigenous communities** located in our operating environments, and guarantee equal opportunities in terms of their access to jobs on offer at Applus+.
- To guarantee the **integration of people with disabilities** in the labour market, we have integration mechanisms in place at the Group and **227 employees (1%)** of the people we employ globally have some kind of disability.

In **2018**, we started an **assessment of accessibility of our buildings** in all those countries where local regulations oblige us to ensure this. Once the results are received and analysed, we expect to develop an action plan with concrete measures to be applied in every building.

We are proud of our local contribution as a global employer with **88% of the employees being local** on 31st December **2018**.

At a local level, we design **specific initiatives** or plans to reinforce our commitment to the *Global Non-Discrimination Policy*. For example, the Energy & Industry Division in **Panama** celebrated "**Black Ethnicity Month**" in May 2018. The aim of this initiative was to eliminate inequalities and attract and retain talent from this minority.

We continue collaborating with the **BBBE-E's (Broad Based Black Economic Empowerment)** initiative.

The BBBE-E is an initiative by the **South African** government to redress the apartheid-era legacy of the social and economic imbalance. Applus+ in South Africa achieved **Level IV BBBE-E certification**.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

GRI 102-41 GRI 402-1

As indicated in our *Code of Ethics*, at Applus+ we are committed to and foster **freedom of association** by working in conjunction with our employees' representatives, who are chosen in accordance with the labour legislation in force in each country.

Ensuring our clients can count on a motivated and committed labour force is vital for Applus+. Therefore, in order to respect the rights of employees we actively cooperate with trade union representatives in those countries that have **collective bargaining agreements** as stipulated by local legislation. In **2018**, we signed or renewed **42 collective agreements** and **49% of our professionals** are currently covered by collective agreements.

The majority of these **collective agreements** include health and safety issues that demonstrate the Company's commitment to our employees on **health and safety** issues.

We have employee **information and consultation mechanisms** that respect **minimum prior notice periods** as well as significant changes that might affect operations, while at all times complying with the existing labour legislation in each location.

The Group is operating in **21 countries** where the collective agreements include **committees, working councils or unions** to advise, supervise or control **health and safety** actions or regulations.



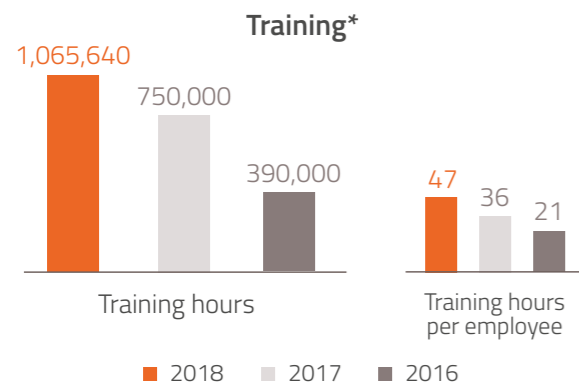
Safety Day in Malaysia.

TRAINING AND PROFESSIONAL DEVELOPMENT

GRI 404-1

In **2018**, we continued to rollout our **professional development model** through **personalised development plans** focused on the geographical or business environment.

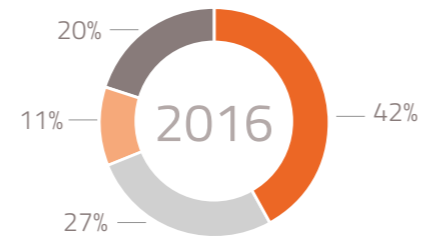
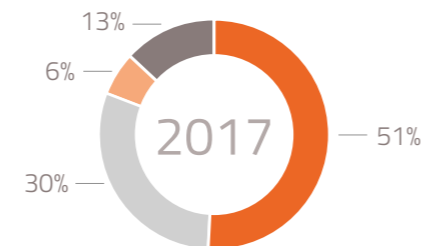
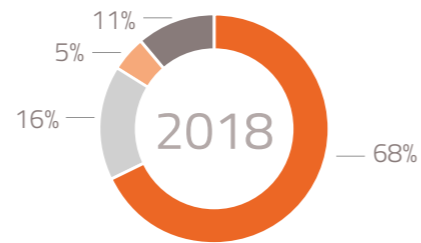
In 2018, over **one million hours** were spent (an average of **47 hours per employee**).



* The figures cover 91% of our employees.

Applus+ is committed to offer greater detail with regards to the **scope** of training programmes that its employees participate in and the disclosure of the **type of training** received, within **each professional category**.

Percentage of training hours*



■ Technical skills ■ QHSE
■ Language ■ Other

* The figures cover 91% of our employees.

TRAINING	Training hours	% Training hours
TIER 1, 2 AND 3	12,995	1.2%
TIER 4	13,169	1.2%
OPERATIONAL EMPLOYEES AND OTHERS	1,039,476	97.5%
Total	1,065,640	100%

The retention and development of the best talent is vital in our business and a challenge when the current dynamism of the labour market is considered. Accordingly, we provide our employees with real **opportunities for development, both personal and professional**, through specific training initiatives, coaching, mentoring, etc.

For Applus+, ensuring that the services provided are performed with the greatest satisfaction guarantee is vital as we owe our reputation to our highly qualified personnel. Therefore, the success of our projects and our clients' satisfaction depend on our employees having the necessary training to carry out their functions safely, with the necessary technical knowledge and the practice of the appropriate management skills.

Accordingly, every year we strive to make a considerable investment to maintain the **necessary certifications and accreditations** at a local level.

Our **training and development programmes** are **managed locally** to ensure that these satisfy our clients' needs and expectations. Every location, country or region has the necessary expertise to guarantee that globally we meet the quality standards that Applus+ wants to offer its customers, maintaining local specialisation and the status of a trusted partner.

Having an **online tool** like **ApplusNet**, with which we are capable of reaching all locations where we provide services, enables us to increase our action capability in relation to the training delivered locally. This tool enables **global assessment and control** while we maximise the required economic investment to keep our teams suitably trained.

We provide development opportunities through **programmes that develop** our teams' **ability to innovate**. This allows us to adapt to technological change, provide our customers with a competitive advantage and satisfy our personnel's development needs.

At the end of **2017**, a **new intensive induction training** for new employees was completely deployed worldwide. With the aim of optimising the initial training process for all new recruits and, easing the integration of new employees into the Group, in **2019**, this training will begin to be delivered through our **global eLearning platform**.

For Applus+ it is of vital importance to ensure our teams' professional and ethical integrity, which is why for yet another year we have made every effort to give **all of our employees annual Code of Ethics** training. In connection with this, it should be noted that all our new recruits receive *Code of Ethics* training, which, through an integrated regulatory framework, establishes the values and commitments that govern their activities at the Group.

In addition, in **2018**, we worked to guarantee data processing security, and accordingly, **cybersecurity training** was introduced in all the countries where we operate.

FOCUSED ON MANAGEMENT AND RETENTION OF TALENT

Guaranteeing the sustainability of the services rendered to our customers is key for Applus+. For this reason, in **2018**, the **first Global Management Development Programme** was introduced. It was designed **exclusively** for Applus+ in conjunction with one of the most **renowned international business schools**, combining training delivered by our Executive team and by teachers of the highest academic level. With a blended learning format and focus on developing the management skills of **30 high-potential candidates** from **17 countries**, this programme has contributed to the exchange of ideas and experiences, creating new synergies between various divisional teams in the Group.

In **2019**, the first intake of this programme will end with a **presentation** to the **Group's Executive team** on the **final projects** developed by the participants. These projects are focused on encouraging knowledge transfer between teams and stimulating innovation.

With the experience that this programme provided us, the **second Global Management Development Programme** intake will **commence in 2020**. We are certain that the launch of these programmes guarantees our teams' continuous development and



Training to work at height.

the Group's future success and sustainability. Another tool available to us to attract and retain the best talent is our **remuneration policies**. Employee remuneration is made up of a fixed portion and, for some professional categories, a variable portion. When **setting our professional practitioners' remuneration**, there are **two stages**:

- **Starting work at Applus+**: depending on the organisational level the individual is at, the starting remuneration is fixed at the relevant country or unit, in accordance with the Applus+ decision making structure. To guarantee the **principle of equity in compensation**, we have a dual internal and external control mechanism wherever it is needed. For certain levels, we carry out an external review of remuneration offered in the market, to which is added an internal review to ensure that we respect all of the Group's current policies.
- **Salary review**: every year, as part of budget preparation and approval, a **study** is performed on whether a review should be carried out on the salaries we offer to our professional practitioners taking into account both **internal and external factors** (inflation, average salary, etc.). Once the budget is approved, each country in which we operate presents a proposal of the salary increases that will be offered individually (statutory and discretionary, based on performance).

We strive to encourage and guarantee **equal remuneration between the women and men** who belong to the organisation and thus meet the equality and non-discrimination commitments contained in our **Code of Ethics** and the **Global Anti-Discrimination Policy**. At present, there is a **gender pay gap⁴** of **-18%**.

The remuneration data provided in **Annex V** solely considers our **employees' base salary** because, due to the peculiarity of our activities, allowances, overtime and bonus systems are closely linked to the projects performed, and therefore including them would distort the data provided for gender. On the other hand, to guarantee the **comparability of the information**, data regarding part-time and employees contracted for less than a year has been extrapolated to full-time employees for the whole year.

The **remuneration setting process** follows the **applicable legal provisions** in each country where Applus+ operates at all times. In those countries where, by law or cultural practice, this is required, such as is the case in the Netherlands, this process includes the cooperation and opinion of workers' representatives.

⁴ Salary gap, understood as the difference between the gross hourly wage of men and of women, expressed as a percentage of the gross hourly wage of men. It should be noted that the calculation of this indicator is not adjusted to the individual characteristics and may explain part of the salary differences between men and women.

OBTAINMENT OF TOP EMPLOYER IN SPAIN CERTIFICATION

We are proud to announce that Applus+ in Spain has been certified as a Top Employer by the **Top Employers Institute Certification Programme**.



At Applus+, we make every effort to offer the best work environment and to improve it every day so that all our employees feel part of our Together Beyond Standards project.

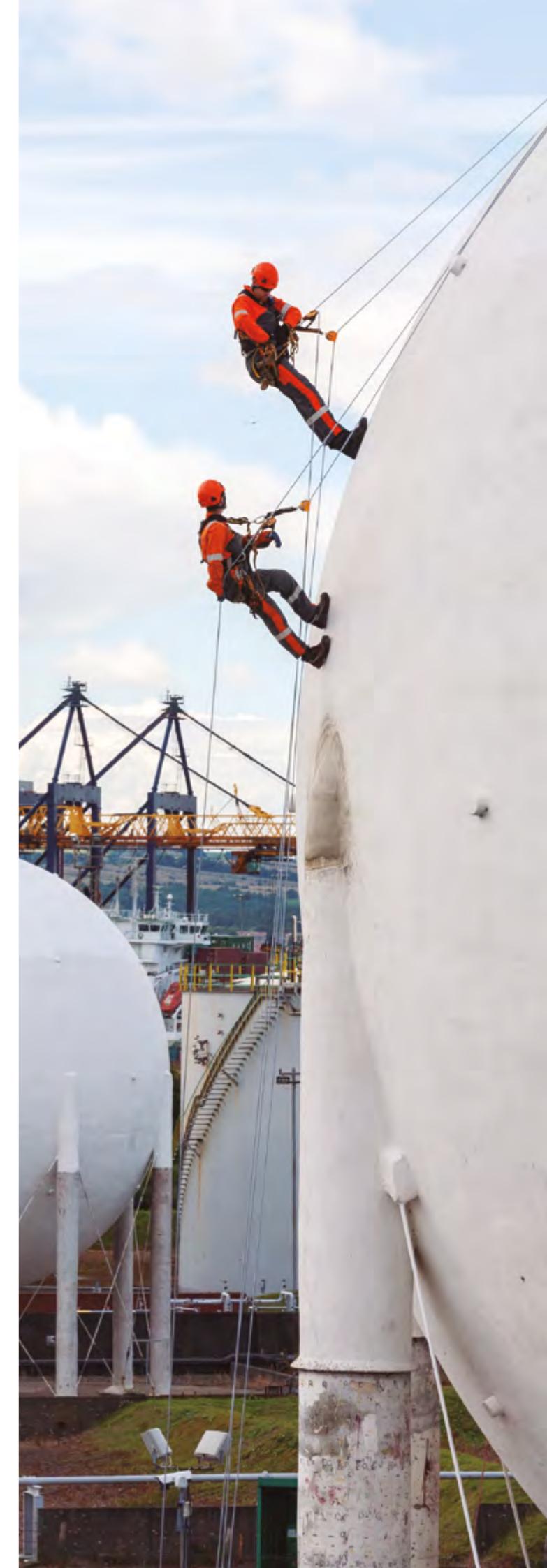
This certification is the result of the analysis and audit, carried out at Applus+ in **Spain**, of the following **10 aspects**: talent strategy, workforce planning, talent acquisition, incorporation, learning and development; performance management, leadership development; career and succession management; compensation and benefits; and culture.

This certification makes us stand out as part of a global community of forward-looking organisations and encourages us to continue to strive for best practices for our people. In addition, the recognition further reinforces our commitment to improve our business results.

We contribute to the **promotion of employment** through different **initiatives** such as our participation at university fairs in **Spain**, or the "Seeds" programme in **Colombia** that facilitates the incorporation of young people into the labour market, as well as the hiring of indigenous people in **Australia**.



Automotive styling development.



Fulfilment of Human Rights

GRI 411-1 GRI 408 GRI 409

As part of our commitment to the **UN Global Compact's Ten Principles**, Applus+ seeks to support and respect the protection of internationally proclaimed human rights (**Principle 1**); and to make sure that we are not complicit in human rights abuses (**Principle 2**).

The Applus+ Group's commitment to respecting Human Rights is reflected within the **policies and procedures followed** by the Group. These include our *CSR Policy, Code of Ethics, Non-Discrimination Policy, Suppliers Policy, Global Anticorruption Policy and Procedure and QHSE Policy*.

In respect to **human rights**, among other rights, the policies' content **covers**:

- Equity and non-discrimination
- Dignity
- Work and favourable conditions of work
- Equal pay for equal work
- Forming and joining trade unions
- Education (through our training programmes)
- Health and safety
- Indigenous people's rights
- Children's rights

These policies foresee **mechanisms** to **ensure their fulfilment** by the employees and, in case any of their provisions are broken, enforce disciplinary and corrective measures through appropriate channels.

In respect to other human rights, the delivery of our services requires employees with high levels of

education and specialisation. Therefore, the **modern slavery and child labour** regulations governing our activities, in all the countries where we operate, are not considered as potential human rights issues for the Group.

Nonetheless, all of our offices must abide by **local legislation** relating to **minimum working/school-leaving age**, with a non-compliance procedure for our management at all levels to immediately pursue in the event of any potential issues or breaches.

Moreover, the Group's practices are designed to **prohibit actions** that **restrict personal freedom**, such as the withholding of passports, visas or work permits. Conversely, any perceived notion of such activities occurring would be rejected and remedied quickly and comprehensively.

In accordance with the **UN Guiding Principles on Business and Human Rights**, where business enterprises identify that they have caused or contributed to adverse impacts on human rights, entities should provide or cooperate in their remediation through legitimate processes. To facilitate this requirement, the Applus+ Group operates a **whistleblowing channel**, and the Group **has not confirmed any complaints** regarding Human Rights violations.

HUMAN PROTECTION POLICY – ENERGY & INDUSTRY DIVISION

In **2018**, the Energy & Industry Division approved a **Human Protection Policy** to reinforce our commitment to protect Human Rights. This Policy sets guidelines regarding **four fundamental rights** of the Division's employees:

01

We ensure all employees are paid an **acceptable wage** that meets local minimum-wage legislation, ensuring remuneration levels that allow for housing and sustenance.

02

All offices are required to abide by local legislation relating to **minimum working/school-leaving age**. In addition, we have formal procedures for work experience, internship or apprenticeship programmes to ensure the welfare of the individuals joining these schemes.

03

We are committed to supporting the elimination of **modern slavery and human trafficking** and the Group fully meets the obligations under all relevant legislative requirements (e.g. *Modern Slavery Act 2015* in the UK).

04

We ensure that the **hours worked by employees** are safe and comply with contractual and local legislative requirements. Therefore, both our management and employees ensure the hours worked do not lead to fatigue nor threaten the safety of the employee and those around them.

Occupational health and safety

GRI 403-2

MANAGEMENT PILLARS

The Applus+ Group has **five internal documents** that form the basis of our safety and health management:

- **Global QHSE Policy**: this Policy applies to all employees at Applus+ associated with the business of the Applus+ Group and our legal entities. The Policy establishes the framework for the QHSE management at the Applus+ Group. In addition, the Policy includes specifications for our different divisions.

The Applus+ *QHSE Policy* provides our services with quality, safety and health and environmental criteria to ensure that the organisation's objectives are achieved efficiently, effectively, safely and sustainably.

Through this Policy, the Group reinforces its commitment to effective QHSE management at all levels of the organisation by empowering key personnel and providing sufficient resources to meet the Group's required standards.

- **Health and Safety Corporate Guidelines**, this document provide detailed guidelines related to all the minimum requirements to establish health and safety programmes, through which, our organisation can control our occupational health and safety risks, and improve our health and safety performance.

- **Health and Safety Programmes**: these apply at the local level and in accordance with the international **OHSAS 18001** standard. These programmes are certified by third parties in **more than 30 countries** and include Safety Awards.

- **Health and Safety Reporting Procedure**: this document develops the Group's reporting processes regarding HSE indicators per legal entity.

- **Golden Safety Rules Programme**: delivered to eliminate and reduce the risks associated with the 11 activities that have historically caused a greater number of injuries or serious incidents.

Among these Applus+ Golden Safety Rules, in **FOUNDATIONS –THE FUNDAMENTALS**, Applus+ values the right to stop work when it is considered unsafe by employees, and shows the commitment of Applus+ management to support everyone in their right to exercise their **stop work authority**.



Hazard identification and risk assessment

The hazard identification and risk assessment is done and made known to the workforce **prior to commencement** of work and **reviewed periodically** for any **relevant changes** in working conditions.

These hazard identification and risk assessment requirements cover **offices, sites** and **all of the services or activities** that we provide:

- Following **legal requirements, codes** of practice, manufacturers' **recommendations** and third party requirements.
- Using a **risk ranking matrix** method or other methods, consider the possible results of someone being exposed to a hazard and the likelihood of this occurring.
- Following the **hierarchy of control**, a systematic

approach to select control measures for the actions resulting from risk assessments.

There are **internal controls implemented at local level** to ensure that these requirements are met, such as internal and external audits conducted by customers or third parties such as certification bodies. The outcomes of these audit processes together with incident investigations, incident reports, lessons learned, hazardous observations and field inspections help us to continuously improve the management and our performance.

Incidents investigation

Applus+ has established **documented procedures**, at divisional or local/country level to **control incident reporting** and **incident investigations**. The incident evaluation and corrective action process provides a systematic approach to investigation, analysis, and review of all incidents involving the Group.

We use different methodologies to investigate the cases according to the criticality or complexity of the case. The aim of the investigation process is to determine the **root cause** of the incident, to define



the appropriate **action plan**, and to ensure that we will be able to avoid reoccurrences. In the cases where the potential and **consequences are relevant**, we draft "**Lessons learnt**" that are shared across the organisation.

All incidents and non-conformities are monitored and controlled to establish the corresponding action plan including **corrective and/or preventive actions**.

REPORTING SYSTEM

The scope of this reporting system includes the Group's worldwide activities, and must be followed by the Group's entire management, including corporate and all business divisions. The principal purpose of collecting the data is to **analyse the Group's global HSE performance**; to develop the prevention culture across the organisation; and to reduce the business risk.

The data collection includes **leading and lagging indicators**, which are recorded and monitored **monthly**. A report is submitted to Corporate QHSE Department by the country's HSE representatives on a periodic basis as follows:

- **HSE Monthly Reporting:** legal entities are required to provide their health and safety incident data through the tool *GRC Suit*.
- **HSE Quarterly Training Records:** divisions are requested to provide their HSE training records to the Corporate QHSE Department.

Data is reported for all operations per legal entity and on a country basis. The reporting of this data is done through the **Governance Risk Compliance (GRC) tool**.

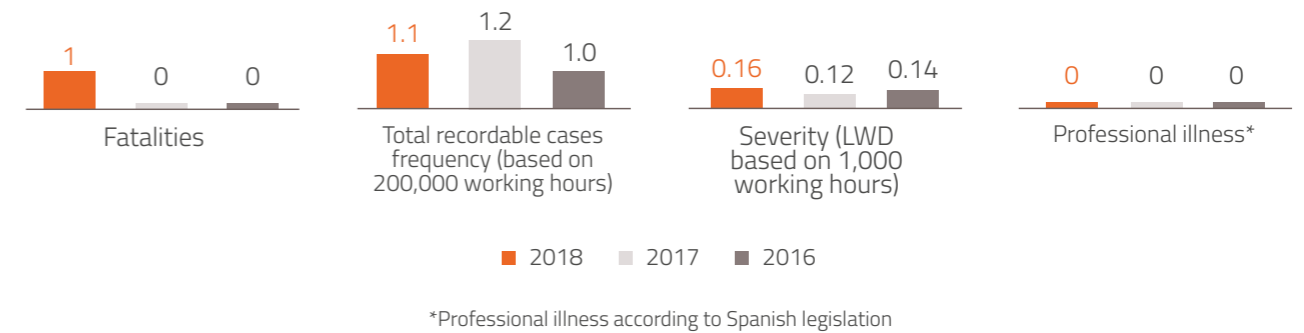
This information is consolidated by the Corporate QHSE Department. In addition, the department **monitors and analyses** the quantitative and qualitative data received, while the Internal Audit team, the external certification bodies and the clients **verify and control** the security and safety information.

The outcome of this process is monitored by the **Group's management** to evaluate the performance of Applus+, and to identify any activities where focused efforts must be made for improvements. The **Board of Directors** also periodically reviews the process.

The Company **fosters the communication** of incidents and any other issues related to hazardous observations and improvements suggestions with the objective of having a preventive approach instead of a corrective approach. Applus+ aims to be a learning organization that doesn't blame its people but promote good attitudes and lessons learnt across the Group.

Moreover, preventing health and safety risks and respecting employees' rights is one of our **Code of Ethics'** rules of conduct, and therefore, any questions, doubts or infringement of these rules must be communicated through our **whistleblowing channel**.

Health and safety indicators



We are profoundly sad to report a **fatality at work** within the Group in **Honduras**. Naturally, we have extended our support to the family and employees concerned, and a full investigation tested the robustness of safety practices and our training policies. We continue to reinforce our procedures to safeguard against these risks.

Overall, Applus+ performance in **2018** has improved **reducing the accident rate by 10%**.

Below is the **contribution by gender to the frequency of total recordable cases** at Applus+. **Accidents** suffered by **women** are about **11%** of the total accidents rate, which is **lower** than the **percentage of women** at Applus+. Concerning the **severity**, the rate is also below:

Contribution by gender to accident rates in 2018



In 2018 there was one male fatality.

TRAINING

HSE Induction training is an essential process for all new employees. Applus+ ensures that everyone is familiar with its HSE programmes, understands its procedures and acts or behaves in accordance with their training.

The HSE induction training encompasses face-to-face and on-line sessions, and employees complete this before starting work, or always within the first month of their arrival. The induction training is **documented** and **registered**.

Awareness and motivation tools

In the year's final quarter, we celebrated our **fifth Safety Day** under the catchphrase "Safety is the first step". Across the Group's divisions and regions, management and employees participated in the Safety Day to engage in presentations, debates, workshops and games. These activities reinforce our best practice in health and safety by increasing knowledge and awareness.

Additionally, this year we have continued with the awareness campaign under the banner "**Time for Safety**". In 2018, the campaign included:

- **Published bulletins** to reinforce the Applus+ Golden Safety Rules and additional issues such as: "Use handrails when going up or down the stairs"; "Healthy eating"; "Protect yourself from extreme heat"; "Be physically active" and "Protect yourself from cold".
- Shared "**Lessons learnt**" across the Group to avoid reoccurrences of incidents or accidents.
- Promoted and targeted **specific banners** on the Applus+ Global Intranet.
- **Safety awards** at local level to value employees' ideas or actions which safeguard health and safety.

The Safety awards started several years ago, and here are examples of some countries that continue to celebrate these awards: Applus+ ACE Award programme in US, Canada, Middle East, Oceania and North Europe; Good Catch programme in US, Canada, Singapore and Brazil; and "*Valoramos Tu + en Seguridad*" ("Beyond the Call of Safety") in Spain.

The awards recognise the efforts made by our employees in the area of health and safety. These were set up for the Company to focus attention on the prevention of occupational risk, both within Applus+ itself and within our clients' companies.

In addition, **other local initiatives** promote and help to improve our health and safety awareness. For instance, in **Panama**, Applus+ ran courses on training for **Road Safety and Defensive Driving**. This training was geared towards employees assigned to activities that require the driving of vehicles and with the aim of increasing their road safety.

Awards and recognitions



Our **clients** and **partners** have **recognised** our **efforts to prevent occupational risks** and protect health:

- The **Association of Chemists in Castilla-La Mancha (Spain)** gave Applus+ a double award on 15th May in the "*Clodoaldo Jiménez awards*". These awards recognise the exemplary work done for institutions, personalities, companies and preventive resources. Applus+ was awarded for our work in occupational risks prevention.
- In April 2018, Applus+ was selected as the "**Prelude Contractor of the Month**".

The Prelude Project developed the first deployment of a **major oil company's Floating Liquefied Natural Gas (FLNG) technology** in **Broome, Western Australia**.

The Applus+ team was awarded due to safe and secure **storage, handling and labelling of radioactive sources**, as well as for the excellent use of protection barricades and signage to **demarkate radioactive areas**. As well as gaining this deserved recognition for their proactive approach to safety, the team was awarded a monetary prize, which was donated to the Cancer Council (Australia).

Safety Day 2018

Slips, trips and falls are preventable



- ✓ Secure cords that cross traffic areas
- ✓ Clean up spillages

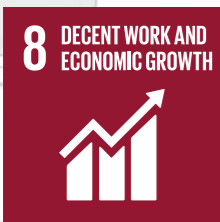


- ✓ Use a ladder instead of a chair, table or box
- ✓ Hold the handrail
- ✓ Check floors for hazards
- ✓ Move obstructions

Safety is the *first step*



Safety Day in US.



07

Corporate governance and business ethics

GRI 103-1 GRI 103-3



Corporate structure

GRI 102-18

Our efforts to improve the good governance of our Group respond to the following **objectives**:



Over the **past four years**, the Board of Director's commitment to good governance has resulted in the **strengthening of procedures** to provide greater transparency and ensure a long-term vision through sustainable actions.

The Board has continued to promote good-governance practice through the **core rules of governance** of the Company (the By-laws, the Regulations of the Annual General Meeting (AGM), the Regulations of the Board of Directors, and the Internal Regulations for Conduct in the Securities Markets) and by **approving the following policies**:

- *Corporate Social Responsibility Policy*
- *Remuneration Policy for the Directors*
- *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors.*
- *Directors' Selection Policy.*

In **2019**, the Board of Directors will also approve a new **Policy on Risk Management**.

Being a listed company, good governance has proven to be even more relevant to our shareholders and other stakeholders and has indeed contributed to building trust and credibility in the Applus+ long-term vision. A **yearly corporate governance engagement campaign**, to which the Board and

Senior Management devote time and efforts, has been incredibly useful for understanding investors and proxy advisors' expectations, driving Applus+ to evolve our governance model towards best-in class standards.

The Board of Directors has also set up **three dedicated Committees**, each focusing on specific relevant areas and assisting the Board to ensure its continuous oversight and improvement: **the Audit Committee**, the **Appointments and Remunerations Committee** and, finally, the **Corporate Social Responsibility Committee**. The latter is not mandatory under Spanish law, but was the Board's decision to effectively strengthen and promote the Applus+ approach over the long-term.

This governance structure also reflects the Group's **commitment to international best practices** in corporate governance. Another trait worth mentioning is **its size** (currently at **nine members** and with a possible increase, subject to shareholders' approval, towards a slightly higher number to gain flexibility). The reasonable size of the Board provides for **diversity of opinion** while keeping **decision-making efficient**.

The **proportion of independent Directors** is also of utmost importance to the Board:

- Throughout **2018**, **seven** Directors out of nine were **independent**.
- The Board is chaired by an **independent Chairman** with **separation** from the Chief Executive Officer (CEO).
- All **Committees** are chaired by **independent Directors**.
- All **three Committees** are composed of at least a **majority of independent Directors**.
- The **Audit** and the **Appointments and Remunerations Committees** are **fully** composed of **independent Directors**.

To govern in a rapidly changing business environment, the Board composition also reflects the broad **diversity of skills and experience** required to meet the Group's challenges. Indeed, current selection processes focus on increasing such diversity with particular focus on gender and age.



The Applus+ Board of Directors

The Board effectively assumes the responsibility for the **supervision, management, control**, and **representation** of Applus+ and, as its core mission, approves the **strategy** and the specific **organisation** for its implementation, as well as supervising and controlling the completion of the **objectives by the management** and the **observance** of the **corporate purpose** and interests.

The Board of Directors **reports** to the **Annual General Meeting (AGM)**.



The Audit Committee

The main function of the Audit Committee is to **support** the **Board of Directors** in all its tasks of surveillance, through **regular review** of the process of preparing **the economic and financial information**, the function of the internal audit and the independence of the external auditor together with the **risk management oversight**.



The Appointments and Remunerations Committee

The Committee **reports** to the **Board** on **proposals** for the **appointment** of **Executive and Nominee Directors** and it proposes the appointment of independent Directors after due selection process. Another main area of activity for the Committee is to propose **changes** to the Board for the **Remuneration Policy for the Directors** and thereafter ensure compliance with the Policy, upon its approval by the AGM, and approve the compensation of senior managers. Additionally, the Committee **reports annually on the duties performed** by the Chairman, the Chief Executive Officer (CEO) and the Senior Management and it examines their development and succession plans.



The Corporate Social Responsibility (CSR) Committee

The CSR Committee promotes the **Group's CSR strategy**, ensuring the effective adoption and implementation of the **CSR Policy**, our **Code of Ethics** and other good governance practices. In addition, this Committee **coordinates** each of the **processes on reporting non-financial information**. Exceptionally, the Chief Executive Officer sits on the CSR Committee to ensure that policies and defined actions are fully embedded into the Group's strategy and day-to-day management.

All **three Committees** report **quarterly** to the **Board of Directors** in full and provide a **yearly report** on their progress.

The **Internal Audit Department** **supervises** and **controls CSR monitoring**. Applus+ is committed to monitor, evaluate and share its CSR efforts to keep continuously improving using internal controls and audits. We **regularly review** our **global CSR strategy and Policy** and **support internal structures** to ensure effective CSR performance improvement across our business operations, in a respectful manner to local marketplaces and cultures.

Monitoring of each of the **CSR strategic lines** – and the activities in which they are deployed – is regularly performed through a **specific set of KPIs**.

Corporate governance

The **ACGR** (Annual Corporate Governance Report) shows an **overall good level of compliance** by Applus+, moreover for a medium cap company, with over 64 of the **CNMV Code's Recommendations** in total (of which 8 are not applicable), 48 are fully complied which means an **effective compliance ratio of 86%**, and 8 are partially complied or explained.

The main **developments** in corporate governance during **2018** include:

- **Shareholder engagement:** in view of the constructive dialogue held with institutional investors and proxy advisors, in 2018 we carried out a new **corporate-governance engagement campaign** in line with our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*.

As a result of the Company's efforts to involve shareholders in governance at Applus+, shareholders offered an increasing widespread support to the Board's proposals with a participation at **Annual General Meeting (AGM) 2018 of 72.25% of share capital** (Vs. 68.03% at AGM 2017 and 66.36% at AGM 2016).

- The Board discussed and approved a **reviewed strategy** as presented in February to investors and examined leadership succession and cyber-security; meetings with Senior Management were regularly included in the agenda.
- **Selection process to fill two vacancies:** focusing on gender and age diversity and therefore prioritising female profiles with the support of an external consultant.
- **Self-evaluation process:** the Board enhanced the self-evaluation process with one-on-one interviews with the Chairman, in addition to specific topics within the self-assessment questionnaires.
- The **Audit Committee analysed changes in applicable regulations:**
 - The **CNMV's Technical Guide on Audit Committees in Public Interest Entities**, to assess compliance.
 - Company's adaptation to new requirements under the recent **Spanish Royal Decree-law 18/2017 of November 24th**, in matters of **non-financial information and diversity**, thereafter proposing changes to the Board Regulations as approved at its December meeting.
 - **New rules on market abuse**, proposing to the Board to maintain the Internal Regulations for Conduct as best practice.
- The **CSR Committee** continued to review and follow up on the level of the achievement of

good corporate governance recommendations, submitting conclusions and proposals to the Board of Directors.

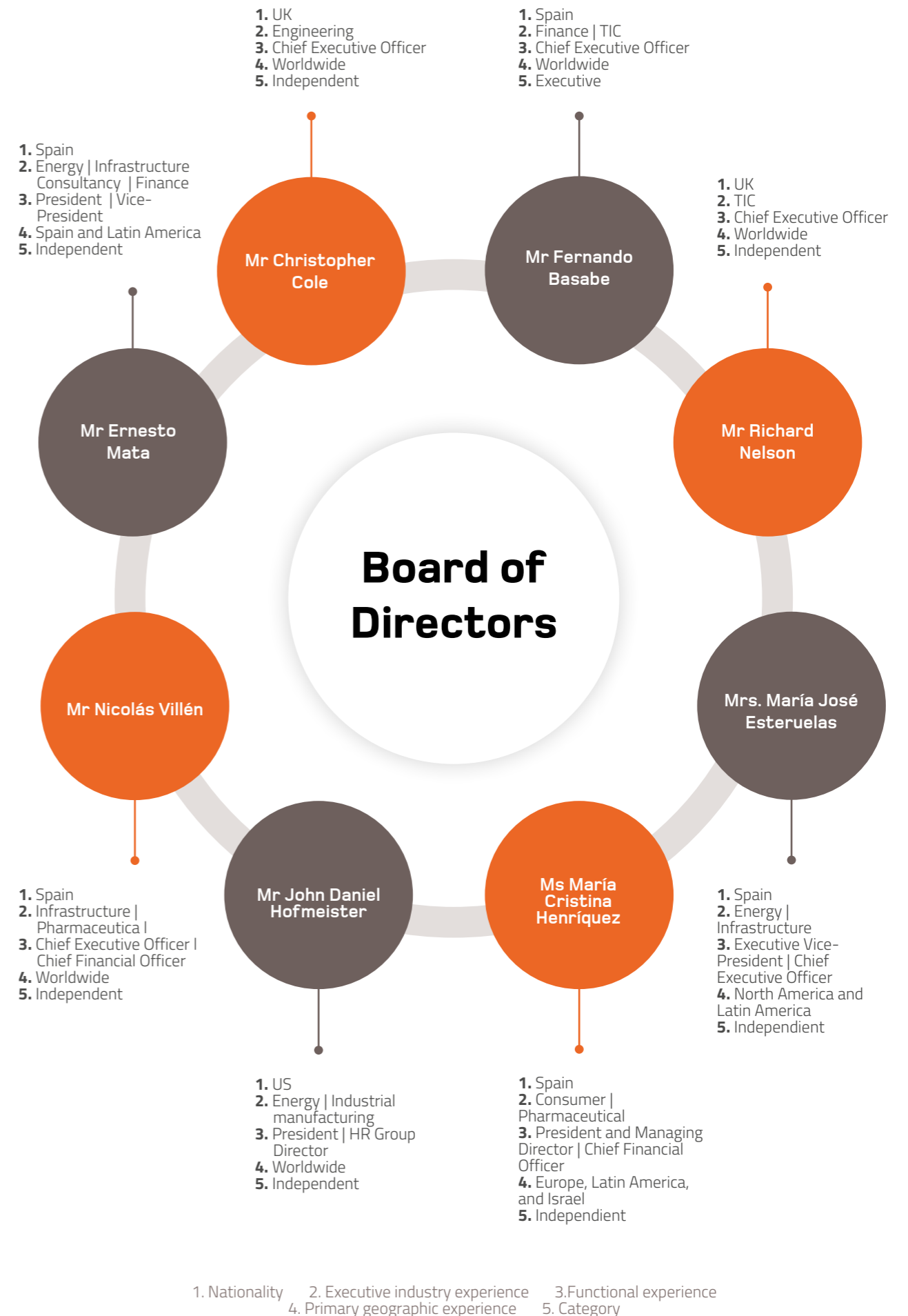
With regard to Ethics and Compliance, the **Compliance Management System for Criminal Risks** launched in 2016 was globally implemented and a review of the current risk map analysis with every business and corporate head was performed to keep risk assessment and subsequent effective controls up to date. Ongoing training has also been preserved.

APPROACH TO DIVERSITY ON THE BOARD OF DIRECTORS

The Board of Directors at Applus+ is committed to **promote diversity** and company policies and regulations to prevent any discrimination in our selection processes:

- **Article 14.3 of the Board's Regulations** stipulates that "the Board of Directors shall ensure that the appointment procedures of its members promote gender diversity and a diversity of experiences and knowledge and have no implied bias that might entail any discrimination and, in particular, that they facilitate the selection of female Director."
- Applus+ **Directors' Selection Policy** states the following objective and main principle: "The selection procedures shall be aimed at achieving an adequate balance on the Board of Directors as a whole. The Applus+ Board of Directors shall ensure that the selection procedures favour diversity in gender, experience and knowledge and that they do not suffer from implicit bias that might imply any discrimination and in particular, that might make it more difficult for the selection of female candidates, promoting an increase in women's presence on the Board in view of best corporate governance practices and in line with the specific analysis of the Company's needs performed by the Board of Directors."

As a result of its commitment towards ensuring diversity as a whole, the Board appointed its **first female Director in 2016** and its composition in terms of origin and age range is built to account both for the **more than 70 countries** where Applus+ business is present and for a rapidly changing business environment, while preserving **valuable experience**.



The previous **chart** shows the **current directorship**; in August 2018, Mr. Claudi Santiago left from the Board of Directors due to an increase in his other professional commitments. Thereafter, in November, Mr. Scott Cobb also left his seat due to the reduction of the shareholding of Southeastern Concentrated Value, the shareholder whom Mr. Cobb represented as a proprietary Director in Applus+.

The selection processes developed in **2018** to cover vacancies are definitively seeking to enhance diversity at the board, both in skills and experience and, importantly, gender and age. Indeed, at its 20th February meeting the Board has appointed **Mrs. Esteruelas** as **independent Director**.

REMUNERATION TO THE BOARD OF DIRECTORS

On 31 May 2018 the **Remuneration Policy for the Directors** of Applus Services, S.A. for **2018-2020** was **approved**. This document regulates the remuneration received by the members of the Board of Directors and the specific remuneration and contractual elements that apply to the directors who perform executive functions. Although they are dealt with in detail in the **Annual Remuneration Report for 2018**, the **main elements** that govern the remuneration of Board members are as follows:

Board remuneration

The Board's remuneration is made up of a **fixed emolument**, resolved on individually at the Annual General Meeting, based on the functions and responsibilities attributed to each Director, membership of Board Committees and other objective circumstances that it might consider relevant. Under **no** circumstances can this remuneration **exceed € 1,500,000**.

Travel and subsistence expenses associated with attendance at Board and Board Committee meetings are fully reimbursed, provided that they are duly supported. The Company also has **third-party liability insurance** for its Directors under market conditions.

Remuneration of the Directors for performance of executive functions

Remuneration applicable to Directors who perform executive functions in the organisation is governed by the Policy on a separate basis. It is made up of a **fixed portion** and another **variable portion** tied to the attainment of targets and a **long-term incentive plan** following best practices.



Business ethics

GRI 102-16

Applus+ is aware that business ethics drives **value generation**, improves our **economic performance**, helps to **build trust** in our teams and increases our stakeholders and investors trust. Accordingly, it is critical for us to ensure its effective and efficient governance and integration into our business operations and daily agenda.

Therefore, the Group has an **ethics model**, which commits to robust compliance and evolves with on-going reviews. This model, and its underlying ethical values, brings **credibility** and builds stakeholder confidence. Applus+ guarantees compliance with the principles governing the conduct of our employees through a specific regulatory framework.

Our *Code of Ethics*, which outlines the **values, principles and rules of conduct**, is available in **23 languages** to all members of the governing body, professionals, business partners and other interest groups all around the world, and these set out the commitments that guide our workforce's activities:

CODE OF ETHICS' CONTENT	
Respecting dignity at the workplace	Social responsibility, sponsoring and donations
Preventing health and safety risks and respecting employees' rights	Veracity of information and record keeping
Data protection and privacy	Confidential and non-public information
Environmental protection	Integrity in our services
Market competition and consumers	Conflicts of interest
Fighting against corruption in Applus+	Use of Applus+ resources

The revision of the **Code of Ethics** introduced the following **main changes** in **2018**:

- Alignment of **definitions used in recently approved documents** (*Criminal Compliance System Handbook, Applus+ Whistleblowing Procedure, Compliance Terms of Reference*) **such as Applus+, professionals and third parties**.
- Clarification that the *Code of Ethics* **applies to all professionals** and they must sign agreement to it.
- Alignment of the role of the Chief Compliance Officer (CCO)** per last documents approved and published regarding disciplinary measures.
- Highlighting the **Applus+ Whistleblowing Procedure**
- Inclusion of the request to use the **corporate email** for **professional communications**, if provided with one.

In order to ensure that all professionals **comply with the ethical standards**, throughout the year **new hires** must go through a **training session** on the *Code of Ethics* and the *Global Anticorruption Policy and Procedure*, signing an agreement where they state that they know, understand and comply with them. It is also mandatory for our **suppliers** and **third parties** to **sign and comply** with the standards described in our *Code of*

Ethics and the *Global Anticorruption Policy and Procedure* when contracting with Applus+. Furthermore, all **our professionals** must go through an **annual training** that includes the most relevant issues on ethical standards as well as those subject to modifications during last year. In **2018**, the **training** included **issues** related to:

- Anti-bribery and Anti-corruption (Managers only)
- Integrity
- Conflict of interest
- Health and safety
- Appropriate use of IT tools

In 2018, **100%** of the existing **employees** undertook **training** related to the *Code of Ethics* in the annual training period. The new employees are being trained during the induction period according to the Compliance's guidelines.

The compliance with our *Code of Ethics* is essential for us. Therefore, the **recruiting and selection** procedure for **Directors** considers their merits, capacity and **commitment** with the **Code's values**. The degree of fulfilment of the obligations listed above is taken into **account** both in their **performance evaluation** and **promotion decisions**, as well as in the determination of their **remuneration**.

In addition to the *Code of Ethics*, our compliance model also includes a **whistleblowing channel** available for everybody in the section of Applus+ website (<http://www.applus.com/en/aboutUs/ethicsAndCompliance/communication-channel>). Our stakeholders can **raise any doubts** or notify any **indication or suspicion** on any act or breach that **may violate** the rules of this *Code* or any other **Applus+ internal regulations**. Moreover, the reporting parties will find available on this **webpage**, all the information regarding the **minimum required identifying data**. These data are our commitments in terms of confidentiality, anonymity and against any kind of harassment or retaliation; as well as the process of managing, processing and resolving complaints by the Chief Compliance Officer (CCO).

In 2018, there were **125 communications received** and out of these, **104** were opened for **investigation of potential breaches** of which **90** have been **closed** in the year **2018** and **12** continue open and are being

COMPLIANCE MANAGEMENT SYSTEM

In **2015**, the Board of Directors approved the **Compliance Management System for Criminal Risks (CMS)**, which was launched in **2016**. The implementation of this system enables the Group to detect possible criminal offences under the Spanish Criminal Code, UK Bribery Act and the US Foreign Corrupt Practices Act.

In **2018**, we **developed** the following **new internal regulations**:

- *Group's Policy on the use of IT Facilities.*
- *Global Conflict of Interest Policy.*
- *Applus+ Sanctions & Export Control Policy.*

We **improved** and **updated several existing policies** and internal procedures including: *Code of Ethics and Anti-Corruption Procedure, Compliance Terms of Reference, Criminal Compliance System Handbook, A+ Whistleblowing Channel Procedure, Anti-money-laundering procedure,*

investigated and managed by the Chief Compliance Officer (CCO). Out of the 90 cases investigated there was **evidence found in 44 cases** of irregular behavior or breaches of the *Code of Ethics values and/or the Global Anticorruption Policy and Procedure* that resulted in some type of **correction or disciplinary action**.

Out of the 125 communications, **92** came from **internal sources** and **33** from **external people** out of the Group. **82%** of the cases **used** the **formal communication channels** of the Group to send the allegations, **12%** **contacted someone** from the **management team**, and the **rest** came in via **audit process or other** sources.

During 2018, the Group made several **acquisitions** and completed the **integration** of the companies acquired during **2017**. These acquisitions resulted in an **increase of frequency of reporting** due to the higher volume of the Group, but in absolute terms, the **trend has improved**.

Treasury Policy, Anti-Discrimination Policy.

The **Compliance Handbook** details the **procedures** to be followed on crime prevention and sets out the **content** and **periodicity of reporting** to the **CSR Committee**:

- **Quarterly:** progress on the implementation of these policies in all countries where we operate.
- **Yearly:** annual activity report, which includes all activities and investigations carried out and the action plan for the coming year.

Due to the newness of these policies and procedures, in **2018**, the Corporate Compliance Department at Applus+ has focused their efforts globally on **ensuring** that the policies are **implemented** across all divisions and regions.

Our *Code of Ethics, the Global Anti-corruption Policy and Procedure* and the *CMS* are included in the scope of the **periodic controls** carried out by the **Internal Audit Department**.

CORRUPTION AND BRIBERY

To prevent, detect, investigate and remediate any corrupt act within the Group, we have a **Global Anti-corruption Policy and Procedure**. The **divisional Executive Vice-Presidents**, under the **leadership** of the **Chief Compliance Officer (CCO)**, are responsible for **monitoring** that professionals at Applus+ and third parties comply with the *Global Anti-corruption Policy and Procedure*.

These **documents describe** all the **prohibited** and **controlled conducts** in Applus+, including:

- **Bribery and corruption:** *Active and Passive Bribery and Corruption, Facilitation Payments and Influence Peddling.*
- **Requirements** applying to **gifts and hospitality** given or received by Applus+ professionals and third parties in the context of its businesses.
- **Political donations.**
- **Charitable donations.**
- **Policy on Conflicts of Interest.**

The *Code of Ethics* expressly **prohibits** any kind of **contribution to political parties or trade unions** in the name of Applus+ all around the world. Furthermore, any sponsorship or donation must be legitimate, formalised and authorised according to the *Global Anti-corruption Procedure*.

In **2018**, we have contributed to **foundations and non-profit entities** valued at **€164,437**.

The *Global Anticorruption Procedure* also regulates the relation with suppliers, third parties, venture partners and consortium partners, as well as the process of Mergers and Acquisitions, in order to prevent any potential corruption-related cases.

To continue improving our compliance model, in **2018**, we have developed a **Policy on Conflicts of Interest** that regulates the principles and rules to identify, prevent and manage potential conflict of interest situations involving our employees. Derived from its adoption, we are **currently reviewing** our **Suppliers and Clients Policies** to ensure that they include and align with these new provisions.

Any questions, doubts or infringement of these rules can be communicated through our whistleblowing channel.

MARKET COMPETITION

GRI 206-1

At Applus+, we believe that **innovation** and **compliance with antitrust and unfair competition laws** are the basis for economic growth, and therefore these constitute **one of the values** covered by our *Code of Ethics*.

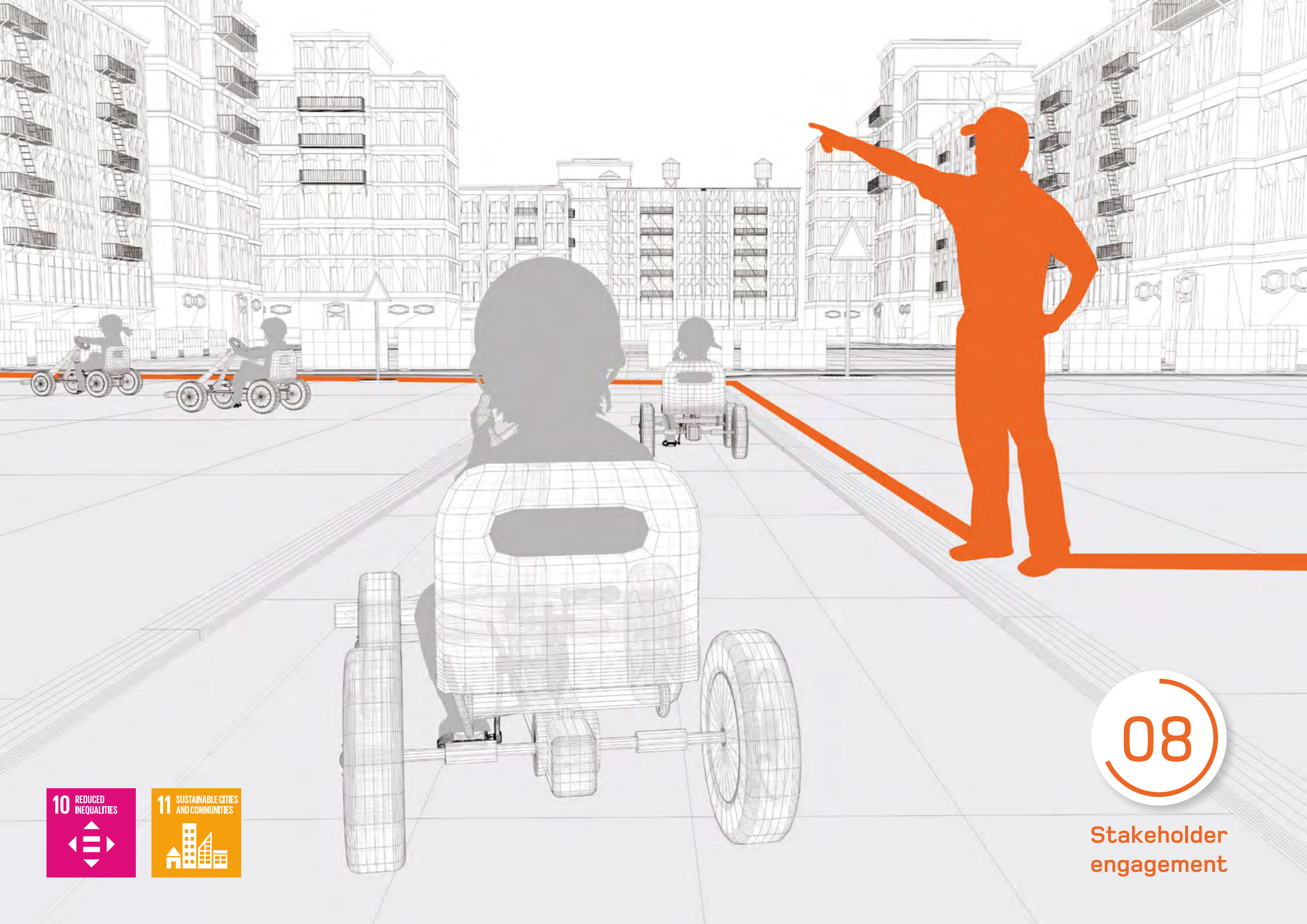
Our **sector** is characterized by an **intense competition** amongst organisations, whether on private tenders or public ones and specifically under contracts where tariffs may be regulated such as in vehicle inspection. There are specific lines of internal review and approval for instance with regards to **public bidding processes, consortiums, trade associations membership** ensuring the involvement of Applus+ Corporate Legal Department as applicable.

Employees can access the decision making process defined for the whole organisation through the intranet, and such process includes a mention of the **projects, operations or dealings** with competitors being **subject to Chief Executive Officer's approval**.

The **Executive Committee** members and the global **Legal team** are **trained** in this matter. However, as key actions for **2019** and being an area in which regulators have increased focus, the Corporate Legal Department is expected to issue the **Competition Compliance Guidelines** and to develop further **training** for the **wider organisation**. Moreover, related training materials such as on public bidding do include a section on best practices under antitrust rules.

In **2018**, no proceeding has been initiated against Applus+, **nor** has Applus+ been served with **claims for monopolistic or unfair competition practices**. Correspondingly, **no sanction** has been **imposed**, pecuniary or not, due to the practices described.





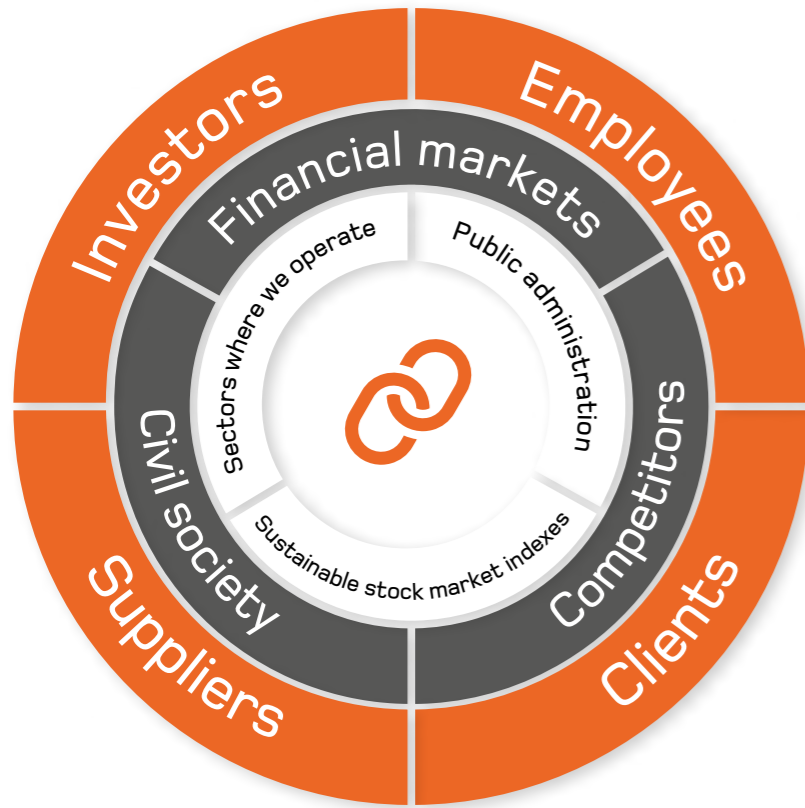
08

Stakeholder engagement

Stakeholder engagement

GRI 102-40 GRI 103-1 GRI 103-3

Under the principle of stakeholder inclusiveness, the Group's Management Team and the in-house professionals' team identified the **key stakeholders** as:



Dialogue with stakeholders

GRI 102-12 GRI 102-13

In our approach to stakeholder inclusiveness, we concentrate on **organisations or individuals** who we consider significantly **affected by our services** and **on actions** that can **affect our ability** to successfully **run our business**. To improve our responses to their expectations and needs, we continue consolidating and improving our communication channels with them.



Clients

We organise **open days, road shows, conferences and technical forums** for our clients. In addition, our divisions periodically **survey clients** on their satisfaction. We also have **local systems for complaint management** to analyse and quickly remedy issues raised from any claim. Finally, we communicate continuously with our clients as we develop projects, by holding **periodic meetings** to review the progress of our projects. In 2018, we received **590 customer complaints** of which **487** are already **closed** and the remaining are in progress.

Employees

We **survey** our **employees** on satisfaction periodically to identify improvements covering areas such as teamwork, empowerment, engagement, and recognition.

All of our professionals have the Group's **whistleblowing channel** available to them to pass on questions or suggestions, or report any infringement of anything set out in any of the Human Resources policies. In addition, infringements or incidents can be delivered through **local Human Resource managers** who, in the event of receiving information about any possible violation that might affect the *Code of Ethics*, must forward the report to the **Chief Compliance Officer (CCO)**, so these communications can be processed through the channels provided.

In **2018**, we received **35 communications** relating to employment issues that, after analysis by the Chief Compliance Officer, **were considered not to be in breach** of the principles and obligations contained in the *Code of Ethics*, or any other of our policies and procedures, and the complaints were placed on file.

Suppliers

Working with suppliers, the Group has a **vetting process** to ensure that external suppliers and partners adhere to our commitments to ethics, society and the environment.

We also develop supply-management practices through our membership in the **Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE)**. This organisation shares experience, publishes information, imparts knowledge and conducts research on issues related to purchases in Spain.

Shareholders, investors and proxy advisors

Our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors* promotes our commitment to maintaining a good dialogue with the investor community. Our main communication channels with our shareholders are:

- **Investor Relations Vice-President**, who is exclusively dedicated to managing communications with the investment community.
- An **annual institutional investor and proxy advisor road show**, where the largest investors are invited to meet with our Senior Management and a non-executive independent Director.
- The shareholders' **Annual General Meeting (AGM)**, where we provide a platform for those wishing to participate, either personally or through representation.
- Our **website** at www.applus.com, where our Investor Relations can be contacted for information.

This year, we attended **209 meetings and conference calls**, of which **126** were **first contacts** with Applus+ since the Group's Initial Public Offering (IPO) in May 2014. In addition, we attended **12 investor's conferences** and **10 road shows**.

Other stakeholders

Our **involvement** in **organisations** and **associations** allows us to **foresee** new **regulatory changes** and to **understand** the **needs** of the **stakeholders**, who are linked to those organisations' or associations' activities.

In the principal **sectors in which we operate** and for the **activities and services we provide**, we are members of:

- Applus+ is a member of **CITA (International Motor Vehicle Inspection Committee)** and is represented in all working groups: **WG1** (Safety Systems), **WG2** (environmental protection systems assessment), **WG3** (training and quality outcomes of inspections), **WG4** (continuous compliance) and **WG5** (information systems).



- The **Spanish Association of Defence, Aerospace and Space Technology Companies (TEDAE)**, representing and promoting its members' interest both nationally and internationally.
- **European Telecommunications Standards Institute (ETSI)**. An organisation that produces globally applicable standards for information and communications technologies, including fixed, mobile, radio, broadcast, internet and aeronautical. Applus+ is actively involved in the development of new test standards.
- **Pipeline Research Council International (PRCI)**, which is a community of the world's leading pipeline companies and their vendors, service providers, equipment manufacturers and other organisations supporting this industry sector.
- **European Strategy on Cooperative Intelligent Transport Systems (C-ITS)** adopted by the European Commission in 2016, which is a milestone initiative towards cooperative, connected and automated vehicles and mobility. The C-ITS's objective is to facilitate the convergence of investments and regulatory frameworks across the EU to realise the deployment of mature C-ITS services in 2019 and beyond.
- Applus+ is a member of **ASTM International**. Over 12,000 ASTM standards operate globally.

ASTM standards enhance performance and bring confidence when purchasing goods or services. ASTM harnesses the expertise of over 30,000 members to create consensus and improve performance in **manufacturing and materials, products and processes, systems and services**.

- The **International Federation of Automotive Engineering Societies (FISITA)**. A non-profit organisation that acts as the global voice for the automotive industry. FISITA members share knowledge on automotive engineering and contribute to the worldwide development of new technologies.

The divisions at Applus+ also participate in **associations specialised in quality, CSR and ethics**:

- Since **2015**, several **Applus+ subsidiaries** joined the **UN Global Compact**, committing to "Ten Principles" related to human rights, labour, the environment and anti-corruption. In **2018**, **all the Applus+ Group** joined the UN Global Compact.









- Applus+ works closely with the **European Standardisation Committee (CEN)**. European Standards (ENs) are based on a consensus, which reflects the **economic and social interests of 34 CEN Member countries**, channelled through their national standardisation organisations.
- At **FORÉTICA** – a leading association for corporate social responsibility and sustainability businesses and professionals in Spain and Latin America.
- Applus+ is a patron of the **ADCOR Foundation** (Disabled adults from A Coruña), which is a non-profit organisation dedicated to improving the lives of **adults in situations of dependency**.
- In **2017**, Applus+ joined the **CDP (Carbon Disclosure Project)**, with our reporting we were **scored "C"**. The CDP is a non-profit organisation that directs the global disclosure system for investors, companies, cities, states and regions in order to manage their impact on the environment. In **2018**, we reported again and Applus+ was **rated as "B"** improving **2 levels in one year**.




KEY TOPICS AND CONCERNS

GRI 102-44 GRI 103-2

As part of the Group's materiality analysis, our **stakeholders ranked** their key **topics and concerns**. The results below show how our stakeholders prioritised topics, and the components or elements of our management linked to them:

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	SECTION IN THE CSR REPORT
1. Quality of service and customer satisfaction SDG: 12. Responsible consumption and production	Public administration	<ul style="list-style-type: none"> ▪ <i>QHSE Policy</i> ▪ Quality-management systems at a local level ▪ Customer satisfaction surveys ▪ Local complaint-management systems ▪ World Quality Day 	8.1 Dialogue with stakeholders 8.2 Market focus
	Society		
	Clients		
	Competitors		
	Financial market		
2. Code of Ethics and Compliance SDGs: 5. Gender equality, 8. Decent work and economic growth and 10. Reduced inequalities	Public administration	<ul style="list-style-type: none"> ▪ <i>Code of Ethics</i> ▪ <i>Compliance Management System for Criminal Risks (CMS)</i> ▪ <i>Global Anti-corruption Policy and Procedure</i> ▪ <i>Compliance Terms of Reference Norm</i> ▪ <i>Applus+ Whistleblowing Procedure</i> ▪ <i>The Anti-Money Laundering Policy</i> ▪ <i>The Suppliers Policy</i> ▪ <i>The Customer Policy</i> ▪ <i>Blocks of Control: Compliance – Monitored by Compliance and SCIF – Monitored by Internal Audit</i> ▪ <i>Active and Passive Bribery and Corruption, Facilitation Payments and Influence Peddling</i> ▪ <i>Gifts and hospitalities requirements.</i> ▪ <i>Political donations</i> ▪ <i>Charitable donations</i> 	7.3 Business Ethics
	Society		
	Clients		
	Competitors		
	Financial market		
3. Talent attraction and retention SDGs: 5. Gender equality, 8. Decent work and economic growth and 10. Reduced inequalities	Investors	<ul style="list-style-type: none"> ▪ <i>Code of Ethics</i> ▪ <i>Non-Discrimination Policy</i> ▪ <i>Global Management Development Programme</i> ▪ <i>Global periodic survey of employee satisfaction</i> ▪ <i>Annual training programmes</i> ▪ <i>Human Protection Policy (Energy & Industry Division)</i> ▪ <i>Competitive compensation system</i> ▪ <i>Global Human Resources Policy</i> 	6.1 Employment 6.2 Fulfilment of Human Rights
	Society		
	Clients		
	Competitors		
	Financial market		
4. Health and Safety SDG: 3. Good health and well-being	Public administration	<ul style="list-style-type: none"> ▪ <i>QHSE Policy</i> ▪ <i>Health and safety Group's Guidelines</i> ▪ <i>Health-and-safety programmes at a local level (OHSAS 18001 standard)</i> ▪ <i>Health and Safety Reporting Procedure,</i> ▪ <i>Golden Safety Rules programme</i> ▪ <i>Local safety awards</i> ▪ <i>Safety Day and awareness campaigns</i> ▪ <i>Local awareness actions</i> 	6.3 Occupational health and safety
	Society		
	Clients		
	Competitors		
	Suppliers		

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	SECTION IN THE CSR REPORT
 5. Business model and strategy SDGs: 8. Decent work and economic growth. 17. Partnerships for the goals	Investors	<ul style="list-style-type: none"> Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors Implementation of the recommendations of the CNMV Risk Control and Management Model Global conflict of interest Policy Strategy 2018-2020 	2. Company Description
	Sectors where we operate		5. Economic performance
	Competitors		7.2 Corporate Governance
	Financial market		7.3 Business ethics
 6. Risks and opportunities management	Suppliers		8. 1 Dialogue with stakeholders
	Investors		5.2 Economy management approach
	Society		6.3 Occupational health and safety
	Competitors		7.1 Corporate structure
SDG: 8. Decent work and economic growth	Financial market	<ul style="list-style-type: none"> Risk Control and Management Model Internal Audit process 	7.3 Business ethics
	Employees		8.2.1 Purchase management
 7. Economic performance	Investors		8.3 Social management approach
	Competitors		10.4 Climate change related issues
SDG: 1. No poverty	Financial market	<ul style="list-style-type: none"> Annual account audit Financial Statements Report Corporate Governance Annual Report Directors' Remuneration Report Internal Audit Process 	5. Economic performance
	Suppliers		7.1 Corporate structure
 8. Independence, accreditations and certifications	Employees		
	Public administration		6.3 Occupational health and safety
SDG: 9. Industry, innovation and infrastructure	Clients	<ul style="list-style-type: none"> We maintain and obtain the accreditations and certifications required by government regulations and industrial standards to operate in the global market 	8.2 Market focus
	Competitors		10.1 Environmental management approach
 9. Stakeholders engagement	Financial market		
	Investors		6.2 Fulfilment of Human Rights
	Society	<ul style="list-style-type: none"> QHSE Policy Quality and environment-management systems at a local level Health-and-safety programmes at a local level (OHSAS 18001 standard) Human Protection Policy (Energy & Industry Division) UN Global Compact Carbon Disclosure Program Global Procurement Policy and Procedures 	6.3 Occupational health and safety
	Suppliers		8.1 Dialogue with stakeholders
SDGs: 10. Reduce inequalities and 11. Sustainable cities and communities	Employees		8.2 Market focus
	Public administration		10.1 Environmental management approach
 10. Corporate governance	Investors	<ul style="list-style-type: none"> By-Laws and Regulations of the Board of Directors. Long Term Incentive Plan for the CEO (LTIP) Directors' Selection Policy Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors Remuneration Policy for the Directors Implementation of the recommendations of the CNMV 	8.2.1 Purchase management
	Financial market		7. Corporate governance and business ethics
SDG: 8. Decent work and economic growth and 17. Partnerships for the goals	Sectors where we operate		8. Stakeholder engagement

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH	SECTION IN THE CSR REPORT
 11. Sustainable and safety products and services	Society	<ul style="list-style-type: none"> QHSE Policy Environmental-management systems at a local level Global or local awareness campaigns amongst our employees Innovation projects development Carbon Disclosure Program Global Procurement Policy and Procedures Guide to Best Environmental Practices 	6.3 Occupational health and safety
	Financial market		8.1 Dialogue with Stakeholder
SDG: 12. Responsible consumption and production; and 13. Climate action	Suppliers		8.2 Market focus
	Clients		10.1 Environmental management approach
 12. Training/capacity building and professional development	Competitors	<ul style="list-style-type: none"> Global Management Development Programme Annual training programmes 	8.2.1 Purchase management
	Suppliers		9. Innovation
SDGs: 5. Gender equality and 8. Decent work and economic growth.	Employees		10.4 Climate change related issues
	Employees		6.1.3 Training and professional development
 13. Innovation of products and services	Clients		7.3 Business ethics
	Competitors		9. Innovation
SDG: 3. Good health and wellbeing, 9. Industry, innovation and infrastructure and 12. Responsible consumption and production	Employees	<ul style="list-style-type: none"> Innovation Report Innovation projects development Continuous collaboration with universities, R&D centres and other innovating companies 	
	Employees		



Marine inspections services.

Market focus

We design and execute services covering the economic, environmental and social expectations of all of our stakeholders. Our **passion for improvement** drives us to go **beyond standards** for our clients, and we fulfil this motivation with a sense of **eagerness and creativity**.

QUALITY

We deploy our **quality management systems** at a **local level in more than 30 countries**. These systems are certified and periodically audited in accordance with the international **ISO 9001 standard**.

During November, the Group ran a global campaign to celebrate the **World Quality Day (WQD)**. As part of the programme, employees at Applus+ watched an informative video to promote ideas on how to build good working-relationships through best practice in communication, and apply these steps when working on clients' projects to continuously enhance the quality in the delivery of the Group's services.

CERTIFICATIONS

Our certifications confirm the Group's expertise and create value for clients, while reaffirming the trust held by our clients and partners. In 2018, we acquired many new accreditations, amongst which are:

In **Latin America**, Applus+ obtained the following certifications:

- **RUC qualification** (*Registro Único de Contratistas*) from the **Colombian Security Council**.
- **SICEP-Ingelog** and **SICEP-Norcontrol**: work methodology focused on **mining**.
- **DNVGL-CP-0484**: homologation of **NDT services at offshore platforms and on classified projects**.

Smog Data Acquisition Device (DADdy)

The California Bureau of Automotive Repair - BAR (**California - US**) recertified officially our Smog DADdy Data Acquisition Device for its **use on the California Smog Check programme**.

ACCREDITATIONS

Applus+ maintains the necessary accreditations and homologations in **multiple jurisdictions across the globe**, which assures the quality, safety and integrity of both our services and our clients' assets. In 2018, we acquired many new accreditations, amongst which are:

Lift operator

Applus+ obtained the **DAC 17024 - Lifting operator certification**. With this certification, we are able to deliver this service in the **United Arab Emirates** for construction, oil and gas, real estate and transport, which will enhance our cranes and lifting equipment business.

Asset inspections

In the **United Arab Emirates**, Applus+ obtained **ISO 17020 certification** (Conformity assessment - requirements for the operation of various types of bodies performing inspections), enabling the Group to pursue opportunities in real estate, facilities management and the hospitality sector.

Marine inspection services

In **Australia** and **Latin America**, Applus+ has been accepted for certification by the **DNV-GL Classification Society** as an approved service supplier. By gaining this certification, the Energy & Industry Division is able to **expand** its portfolio of **marine inspection services** aimed at the oil and gas, defence and maritime industries. This latest certification adds to our existing Lloyds Register and ABS certifications.

Human exposure to electromagnetic fields

Applus+ was accredited to undertake electromagnetic compatibility testing and evaluations of human exposure to electromagnetic fields, under **UNE-EN ISO/IEC 17025:2005**. This reference standard is applied by test and calibration laboratories. Applus+ will carry out these tests in zones which house **electrical infrastructure and may generate significant power-frequency electromagnetic fields (50Hz)**.

Chemical products storage

Applus+ is the **only Authorised Inspection Organisation** in **Spain** which is able to certify the **alternative technical solutions** of the regulation of **chemical products storage (APQ)**. This means that we make risk assessments; we analyse the technical solutions required under APQ legislation and we certify that installations comply with the legal regulations.

Certification of wireless products in Canada

Applus+ has been named Foreign Certification Body (CAB Identifier ES0001) by the **Canadian Department of Innovation, Science and Economic Development (ISED)**, formerly Industry Canada (IC).

From now on, Applus+ will be able to carry out the mandatory wireless-products certification process to access the Canadian market. Canada's conformity processes involve product testing and certification by a testing laboratory accredited for **ISO/IEC 17025** and a certification body accredited for **ISO/IEC 17065** that has been recognised by ISED.

Cybersecurity services in China

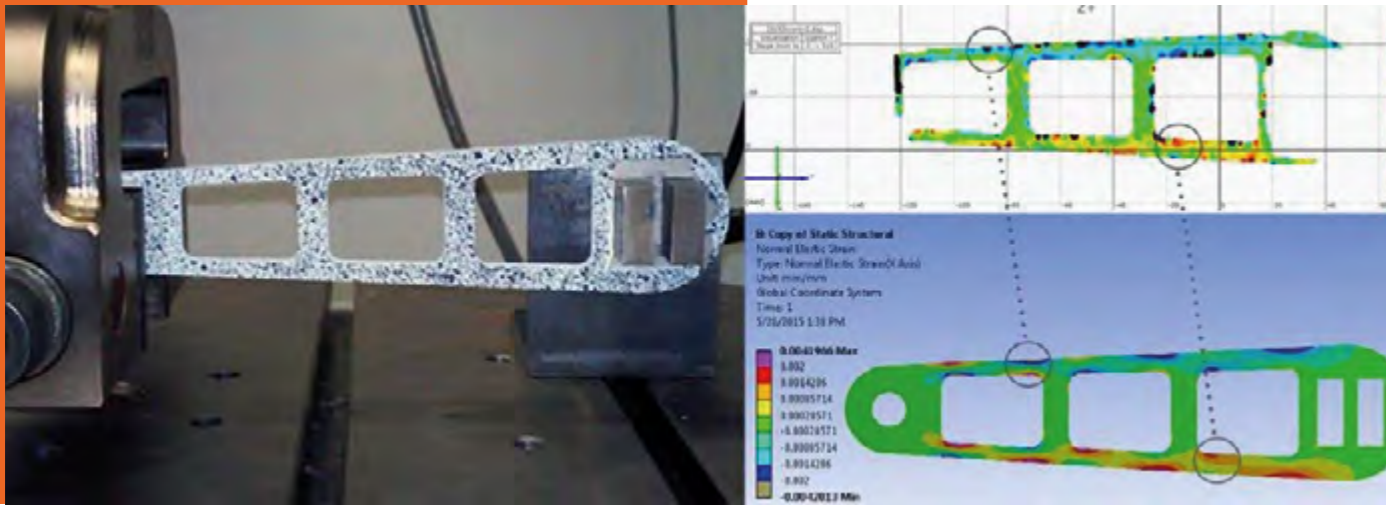
Applus+ extended its cybersecurity services to China. This accreditation recognises the Applus+ **Shanghai** laboratory's expertise in undertaking evaluations in line with the **Common Criteria** methodology. Common Criteria is the sector's **most widely recognised standard**, with applicability to a wide range of **IT industries and products**.

Awards and recognitions



Our passion for improvement continually drives Applus+ towards an **excellence** that allows us to **exceed the expectations** of our **clients**. In **recognition** of this motivation, both our customers and our commercial partners rewarded our services **for high quality**:

- For the **fourth consecutive year** since 2015, the IDIADA Division in Denmark has been nominated for **"Best Inspection Station"** in **Denmark** by the Auto Awards, as voted for by private customers, workshops and a jury panel.
- **Awards by major oil companies:**
 - Applus+ recently released the **PU12**, a new remote tool to visually inspect complex pipe racks used in on-plot piping systems. Our engineers developed the PU12 in response to the need to **inspect on-plot piping safely and efficiently**, and their innovation won an award in **Rotterdam** from a major oil company.
 - Applus+ was selected for a **"Quality Award"**, following our excellent performance and contribution to the **Majnoon Oilfield Project** in **Iraq**.
 - In **Saudi Arabia**, seven engineers from Applus+ were awarded **Certificates of Appreciation** in recognition of their "outstanding contribution" to the construction works as part of the **Master Gas System Phase-I Pipeline Project**. For this project, we supplied a team of highly qualified technicians who carried out thousands of inspection visits at various sites across the world.
- Applus+ in **Panama** received recognition from a **major power company for reaching the goal proposed** by the client to perform more than **10,000 measurements**, thus contributing to improving the quality of energy supply to end-users.
- **Other acknowledgments:**
 - The **NTSEL** - National Traffic Safety and Environment Laboratory (**Japan**) **extended** the scope of our designations in the field of **vehicle emissions**.
 - The **VSCC** - Vehicle Safety Certification Center (**Taiwan**) **extended** the scope of our designations in the field of **vehicle safety**.
 - We obtained the designation by the **Spanish Approval Authority (MINCOTUR)** for the **UN Regulations 136, 139, 140, 141 on active safety systems** and the European Regulation (EU) 2017/2400 for **heavy-duty CO₂ emissions**.



Acquisition of DATAPOINTS Labs: New materials testing services for Computer Aided Engineering (CAE).

PURCHASE MANAGEMENT

GRI 102-10

The Company prioritises procurement practice since it is not a negligible amount of the Group's expenditure. To this aim, the Applus+ Group has a dedicated procurement department to manage its purchase costs efficiently. Our **Corporate Purchasing Department** is responsible for the Group's entire spend (excluding payrolls), including policies for suppliers, processes and procedures, and they ensure that objectives are met while allowing the Company and our employees to meet their business needs.

The Department's **management objectives** ensure that our policies are deployed in every country correctly and the processes and procedures are sufficiently efficient to generate cost-savings. To do that, the Corporate Purchasing Department works as a matrix organisation, where there is a **corporate team** overseeing the whole function, and **divisional/regional/country teams** are responsible for functional reporting and dependence on procurement. **Annually**, the Department conducts a **procurement plan at all levels** (corporate, divisional, regional and country), which allows the Group to review and follow its procurement objectives.

Global Procurement Policy and Procedures and Suppliers Policy are framework policies at the corporate level that are further developed and implemented at regional or country level. These corporate policies set out the guidelines on the

content and state the minimum requirements for the **local policies**. The Corporate Purchasing Department reviews and approves these local policies.

The **Global Procurement Policy** applies to all purchase commitments made on behalf of the Applus+ Group and includes all employees authorised to purchase goods and services associated with the business of the Applus+ Group and our legal entities.

With the application of our procurement procedures, we aim to **achieve excellence** by simple and homogeneous processes that optimise cost-efficiencies and provide our employees with the most suitable purchase options. In addition, our procurement policies are developed to allow our employees to carry out their **work safely and efficiently**, whilst applying **cost insights, process optimisation and our corporate responsibility requirements**.

All purchase processes are aligned to our **Code of Ethics** and rules of conduct, and employees at Applus+ and suppliers must comply with our **Global Anti-corruption Policy**.

Within the Applus+ Group's practices is the definition and submitting of specifications, requirements, etc. in a manner that will permit **fair and equitable consideration of all tenders qualified**.

Each member of the Applus+ Group's entity management and purchasing teams are responsible for assuring that the entity does not knowingly enter into any purchase commitment that could result in a **conflict of interest**. To resolve questions about what may constitute a conflict of interest, our employees seek guidance from the Local Chief Financial Officer or the Purchasing Manager.

Finally, our **Global Procurement Policy** includes the guidelines to meet, inter alia, the following **purposes**:

- Strengthen the **integrity and confidence** in the purchasing process within Applus+ Group.
- Consider the **environmental, health and safety and social impacts** of our purchases.
- Ensure that the Applus+ Group **complies** with all regulatory and funding **obligations**.
- Ensure goods and services are **procured by approved suppliers**.

Supply chain management

Applus+ has a **Supplier Policy**. This Policy sets the framework of the **basic standards** that Applus+ requires from our suppliers, and we apply this to all existing suppliers and potential new suppliers of products or services to Applus+. The Policy outlines the process for initially **becoming an approved supplier** to Applus+, and details the Group's **performance monitoring system**.

Correct and efficient supply chain management is a key issue of our procurement management. An efficient supply chain management permits the Group to offer to our employees in a timely manner, the products or services to **meet our final customer's needs**.

We develop our supply-chain management processes to be as efficient as possible in order to **avoid supply risks**. To support this, we **strengthen local suppliers** (orders made within the same country), which optimises delivery times, reduces costs and allows us to have the necessary local support in place to react to unforeseen events.

Our purchasing model plays a vital role in **appropriate supply-chain planning**, and we therefore implement an operational model based

on the correct segmentation of materials and on a classification and control of the different types of purchases, such as: common, contractor, one-off, special entity, intercompany or strategic.

Once a new supplier is selected, we initiate the **qualification process**. To pass this, each local entity must define their own supplier-qualification process, and the potential supplier is required to comply to the **Code of Ethics**, the Group's **Compliance regulations and QHSE requirements as a minimum**. All suppliers subject to qualification according to global and/or local requirements must acknowledge that Applus+ reserves the rights to make further audits or checks, and commit to facilitate access and information to the auditors and observers agreed.

Supplier assessment

Suppliers undergo **periodic performance evaluation** to update their classification; monitor and assess their performance and compliance with the Company's standards; and improve key supplier processes that may affect the Group or divisions operations.

The Group's **local entities must define the evaluation methodology for their suppliers**, which defines the criteria for the rating and the definition of the criteria for being removed from the supplier list. To complete this, our **Supplier Policy** recommends covering the following **type of evaluations**:

- **Evaluation when receiving goods/services.**
- **On-demand evaluation:** An open evaluation, performed whenever needed, in which the operational department is offered the possibility of carrying out an assessment of a vendor, whether it is a general comment and/or an incident.
- **Periodic evaluation:** At least **annually**, an evaluation performed to assess performance and to monitor compliance to the **Company's standards**.

The **Corporate Purchasing Department** supervises global procurement practices, and the **Internal Audit Department** supervises and controls the monitoring of them. In 2018, the **Internal Audit Department** audited **19 legal entities compliance with Global Procurement Policy and Procedures and Suppliers Policy**.

Social management approach

GRI 203-2 GRI 418-1

SOCIOECONOMIC AND ENVIRONMENTAL COMPLIANCE

Applus+ has an overriding concern about its impacts on the social contexts where it operates, and its *Code of Ethics* includes a considerable number of references to compliance with **applicable laws in various fields**.

Given that Applus+ has presence in more than **70 countries** and is subject to a **wide and complex range of laws**, regulations, conventions, treaties, codes and recommendations with global, national, sub-national, regional, and local reach, and that all those texts may be subject to interpretation, its **compliance record is positive**.

Applus+ **ensures compliance** through a **mix of processes and ownership**, which include from its top management, local management and corporate departments, such as Legal, HR, Finance, QHSE, and Compliance (always including in-house and external advice) each focusing on its area of expertise and responsibility.

PUBLIC POLICY

The Applus+ Group participates in numerous **technical groups** to develop regulations, and in **professional associations** to establish dialogue with stakeholders that promotes the development and implementation of technological and legislative policies. These policies **guarantee greater security and reliability of the products and services**.

In addition, and as part of our activity to identify and understand our **stakeholder's needs**, we maintain a dialogue with public stakeholders, such as **unions or organisations** on an ongoing basis.

Finally, Applus+ **explicitly forbids monetary contributions to parties and/or political representatives**.

INFORMATION SECURITY MANAGEMENT

Managing any business today requires the **protection of personal data** generated across a vast array of **day-to-day business operations**, which rely on different data-processing activities. Acting on these considerations, Applus+ will always strive to protect an individual's privacy, and their

corresponding fundamental rights when processing their personal data.

Personal data protection and privacy is one of the values upheld within our *Code of Ethics*, and, therefore, all of our professionals must respect the basic rules stated therein, even where laws related to **data protection vary in the different countries where we operate**.

In light of the **EU General Data Protection Regulation (GDPR) enforcement on 25th May 2018**, redefining the way organisations across the EU approach data privacy and so as to adapt to these new requirements, our Corporate Legal department has been working since October 2017 on a **GDPR Implementation Project** (with the support of other areas and with a cross business divisions and EU wide scope), consisting of the following actions:

- **Gap analysis** between the current situation and the model to comply with the new EU requirements.
- **Compliance documentation and data inventory.**
- **Due diligence on key data processing:** as part of this process, we visited our European subsidiaries for Automotive, Energy & Industry, Laboratories and IDIADA Divisions in Spain, Portugal, Ireland, UK, Denmark, Finland, the Netherlands, Germany, Italy and Czech Republic. We held meetings (supported by a local external counsel) together with the business areas in order to analyse GDPR impact on each business, understand the personal data processed by each of them (HR, IT, QHSE, Finance, Operations) and determine which policies and procedures could be maintained or had to be adapted in order to comply with the GDPR.
- **Templates adaptation.**
- **Implementation of materials and additional measures:**
 - Approval of three new policies and one procedure:
 - *Applus+ Data Protection Policy*
 - *Applus+ Policy and Procedure for Management of Individual Rights*
 - *Applus+ Data Breach Policy*
- **Additional lines in the DLA (Decision Level Authority)** that define the decision-making process within the Group.

- **Specific materials and measures** for Human Resources, clients, internet users, third parties, and suppliers (privacy statements in contracts, notices when collecting personal data from third parties, etc.).
- On a regular basis, we provide training (online and on-site) to raise awareness among our employees on personal data matters and regulatory compliance and we monitor the implementation of the measures described above with the assistance of the Internal Audit function. In 2018, we had **face-to-face training** in Spain, Ireland, Finland, Denmark, The Netherlands and UK. In addition, we held **videoconference meetings** with the Czech Republic, Germany and Italy. Attendees on our **data protection courses** included personnel from IT, Human Resources, Finance, Operations and QHSE departments.

The Applus+ Group has **appointed a data protection team** responsible for enforcing the implementation of GDPR and for managing any doubts raised over data protection. The Corporate Legal Department, with whom the team hold periodic follow-up meetings, coordinates these managers and establishes the action plan for each of them to follow.

Considering the deadlines and resources allocated, and the decentralisation of its business model, Applus+ made a major effort on implementing the GDPR in those **businesses/areas** presenting **major risks** in terms of personal data protection, such as, the **automotive business** (B2C- Business to Consumer) and the **employees' personal data management**. The **Chief Executive Officer (CEO), Executive Committee and Audit Committee** receive periodic updates on GDPR compliance model and key processes' status.

For our operations **outside the European Union**, unless they process personal data of a subject located in the EU, they are not bound by the policies and procedures stated above, but by **applicable local legislation**.

All our stakeholders can exercise the rights recognised by the law (rights to be informed, access, rectification, erasure, restrict processing, data portability, to object and rights in relation to automated decision making and profiling). They can send complaints concerning their personal data through our **whistleblowing channel**, data privacy corporate email address (dataprivacy@applus.com) or the division/regional Applus+ email addresses provided for this purpose (only for European Union).



Pavement management equipment: Pioneer auscultation and instrumentation.

Furthermore, the policies and procedures developed include the **communication and notification procedures** to be followed when identifying any breach on data security, or receiving a requirement to exercise personal data rights by an individual.

Information security is also preserved through the *Applus+ Group Policy on the Use of IT Resources* and the confidentiality clauses included in the **contracts** we sign with our **employees and clients** (confidentiality clauses and NDAs).

In the case of the **IDIADA Division**, we may add the *Information Technologies General Policy*. Moreover, we have **extra security measures** in place in our *Laboratories and IDIADA Divisions' Headquarters* located in **Spain**, which ensure our commitment with the confidentiality and security of the products and services we develop for our clients. External visitors are subject to a **face-to-face access control**, receive an **identification card** at the entrance and must be accompanied at all times by an Applus+ worker. Additionally, all **new accesses, must sign a confidentiality agreement** (this requirement also applies when 6 months have elapsed since the last visit). **Employees** are also provided with an **identification card**, configured, when necessary, with access permissions to restricted areas such as IT (a personal code is also required), automotive, aeronautics and fine chemicals.

In **2018**, we have not suffered **any material leak, theft or loss of information** in any case. In addition, **no claim or complaint** has been served in relation to information security or data protection. However, Applus+ has answered the **more than 4,000 rights' exercise requirements received** (mostly focused on our vehicle inspection activities in Spain) through the channels mentioned above.

To reinforce our commitment, **next year** Applus+ efforts on information security will be **enhanced** through **an increased focus on privacy and confidentiality**, where we foresee the development of several initiatives. The GDPR compliance obviously remains in place.

SUPPLIER SOCIAL ASSESSMENT

Applus+ extends its *Code of Ethics* to its suppliers. It sets out the rules of conduct for our suppliers including **current labour and social legislation**, and our *Global Anti-corruption Policy* complements these rules.

Our **supplier social management** has two main objectives:

- **Compliance** by both contracting parties with the **rules of ethical conduct and anti-corruption** to ensure that the relationship with our suppliers is based on legality, efficiency and transparency.
- **Guarantee that all products and services delivered** by the supplier comply with the quality and safety standards required in accordance with principles of business ethics and transparent management.

To ensure this, the **Corporate Purchasing Department reinforces control in contracting operations** to minimise complaints and legal procedures in relation to our suppliers, and the **Internal Audit Department** includes contracting operations between its **supervision and control** functions.

Our **compliance model** also includes a **whistleblowing channel** available for everybody in the section of Applus+ website (<http://www.applus.com/en/aboutUs/ethicsAndCompliance/communication-channel>).



Robotic system: interoperability tests on payment terminals, cards and mobile payment solutions.

Our social contribution

GRI 204-1 GRI 413-1

The Applus+ Group deploys its social commitment at a local level. Our presence in the communities where we develop our operations, allows us to **create close relationships** with local communities. This close relationship facilitates the identification of their needs, thereby ensuring the **social benefit of the initiatives we promote** or support.



ECONOMIC GROWTH AND SOCIAL EMPLOYMENT CREATION

One of our most relevant commitments is the **creation of employment** and the economic growth of the communities in which we operate. This commitment is supported both by our percentage of **local hiring (94% of the workforce in 2018)** and by our percentage of **local suppliers (81%)⁵**.

⁵This figure is limited scope to countries covered in SAP.

Our **decentralised model of human resource management** allows more autonomy for our teams, resulting in improved efficiency that satisfies the needs of our customers, and facilitates the design and implementation of **specific social responsibility programmes**. Examples of our social recruitment programmes at a local level include:

Preferential selection of candidates

In **Colombia**, Applus+ has continued its *Corporate Social Responsibility Programme* focused on the recruitment and professional development of **local personnel with disabilities**. The programme is led by the Human Resources team to prioritise employees with disability status in administrative roles, where there is equality of competencies between candidates.

At the same time, Applus+ also operates a programme to recruit and develop personnel from the **military and police forces, who have suffered injuries because of armed conflict**. These personnel tend to join Applus+ at entry-level positions and develop within the organisation.

The "Semillas" programme: promoting social inclusion

With the aim of developing new talent and **facilitating the recruitment of young people into the job market**, The Human Resources Department at Applus+ in **Colombia** launched their "*Semillas*" ("Seeds") programme. This programme provides students with the opportunity to support Applus+ professionals across the various offices within the Group.

This programme is aimed at young people who are considering technical and professional careers. The scheme welcomes those looking to undertake a **traineeship at Applus+**, as well as those still in full-time education, with a view to them **returning to Applus+ for a traineeship on completion of their studies**. In 2018, approximately **40 students** took part in the programme.

These types of initiatives strengthen our ties with the local educational community and help young people to develop their skills by promoting inclusion and access to the job market.

Recruitment of indigenous employees

The Applus+ Group is working with **Indigenous Workstars**, a local recruitment company for indigenous workers within a contract for testing and inspection. Working in the energy exploration and production sector, we have collaborated with a major oil company in **Australia** to **create employment opportunities for the indigenous community**.

Our collaboration with this major oil company and Indigenous Workstars has enabled us to set participation targets and to define KPIs. During last year, **20% of all employees involved** in the project **were employed** from the local indigenous community.

Recruitment of people with functional diversity

The Automotive Division in Galicia (**Spain**) continues with their social and labour programme to integrate people with functional diversity through the **Son Capaces ("They are capable") Project**.

The Division currently has **20 colleagues** with intellectual disabilities, **occupying the position of porter**, and covered exclusively with people with this diversity function.

Their employment support **includes orientation and individualised mentorship** that is provided by job coaches and trainers in the workplace. The project also has a period of training in the Company prior to employment. We are now expanding this program to other regions of Spain with the aim of becoming a benchmark in this kind of programme.



SOCIAL CAUSES

During 2018, the Applus+ Group supported numerous **social causes across our divisions**.

DIRECT FINANCIAL CONTRIBUTION OR SPONSORSHIP

AIM high programme at the Automotive Division

Applus+ provides **financial support and event sponsorship** to **Companies that Care**, a Chicago-based non-profit organisation that channels the power of **Chicago** and its businesses to address tenacious social issues, improving the lives of individuals, families and communities.

One of their community initiatives is the AIM High programme, a long-term, structured university-completion and workforce-development programme that aims to **increase university-graduation rates among the youth in ethnic minorities**. To achieve this, a group of **Applus+ employees mentor local high-school students** to provide them with leadership and support. This includes regular contact with the students via email, text and face-to-face meetings.

Mentors also participate in **larger career and job-shadowing events**. Even when the students graduate from high school, the mentoring team at Applus+ will continue to provide support and guidance as the students continue through university.

Social programme: Arremangados

Arremangados ("Roll up our sleeves") is the name of the Automotive Division's programme in **Costa Rica** through which **employees identify and promote social welfare projects** for their neighbouring communities. Through an internal contest, the different stations present their projects for **budgetary approval**, and the projects are developed with **voluntary labour**.



Australian team.

This initiative, which started in 2016 as a pilot plan, celebrated its second year's work in 2018. This year, **four schools and one community hall** have benefited. These types of initiatives help us integrate into our local communities and culture, support our coexistence and facilitate the identification of opportunities for mutual development.

WE EDUCATE FOR THE UPTAKE OF NEW TECHNOLOGY

Teaching next year's talent at the Energy & Industry Division

A technical expert at the Energy & Industry Division in **the Netherlands** makes regular visits to a **secondary school** to talk to engineering students about non-destructive testing (NDT), a field in which the engineer has 40 years of experience.

By giving students the opportunity to draw on the expertise of an Applus+ professional, these sessions help to deepen their knowledge of weld inspection. Our technical expert offers a **practical approach to standard NDT methodology**, aiming to interest the students in this field.

Petroleum Club: Next Generation Programme

Applus+ was involved with the Petroleum Club Next Generation Open Day in July. The open day was an opportunity for **STEM (Science, Technology, Engineering & Mathematics) students** from across Western **Australia** to gather together and gain an **insight into the oil and gas industry**. Applus+ displayed the Automated Universal Scanner (AUS) educating the students on inspection and testing techniques, and providing them with the opportunity to get hands on with technology. Applus+ was proud to assist with educating youth and contributing to the development of the next generation of professionals.

WE SUPPORT DISADVANTAGED GROUPS

Helping one another after Hurricane Harvey: Energy & Industry Division

In the wake of Hurricane Harvey, many people in the **Houston** and surrounding areas were left devastated, with the homes and personal property of some completely destroyed. Many clients of Applus+ and their employees were affected, so Applus+ rolled out a number of **initiatives to help normality return** in the area as quickly as possible.



We arranged for an **assistance group** to help **move affected employees out of their flooded houses**, and we **collected money** for affected employees. Applus+ also developed an **employee assistance programme** for employees who had lost some or all of their property.

Some **clients** in the area were also affected, with critical infrastructure damaged by the storm. Applus+ made every **effort to continue operations** and even **mobilised immediate inspections** of pipeline infrastructure to help reassure our customers that their assets were safe for continued operation.

Supporting local community celebrations

Every year, Applus+ employees and associates in **Panama** organise a **charity event** to mark either **Christmas or Epiphany**, to which they invite **underprivileged members of a local community**.

This year, it was the turn of **Bajo Bonito**, a community located in **Panama's Capira District**,



and we hosted **130 children at a party especially for them**. A variety of activities took place over the course of several months to raise funds and attract donations. In addition, employees sponsored children from the community and organised the party – everything from the logistics of getting everyone involved through to the decorations, entertainment and gifts.

Bicycle donation

Applus+ in A Coruña (**Spain**) launched an initiative together with the **SEUR Foundation**. The main objective of the campaign was to **donate unwanted bicycles to people who need them the most**. This project, in addition to being environmentally aware, runs with the collaboration of **people with disabilities** who carry out **repairs to the bicycles**. The scope of this campaign will be extended throughout **Spain, Portugal and Andorra**, and the bikes can be delivered to the SEUR stores attached to the project.

WE CARE FOR LIFE-THREATENING ILLNESS

Moustache donation for men's health

Seven team members from Applus+, working at the **Woodside Karratha Gas Plant (Western Australia)**, **donated their moustaches to Movember Foundation to raise money for men's health**. They stopped shaving on 1st November until the end of the month, when they shaved their moustaches for donations.

Additionally, our employees **also raised donations from their friends, family and colleagues** for the foundation. Relatives and friends made these donations to support each employee's candidature for "the best moustache".

The **Movember Foundation** is a global charity for men's health, addressing the factors that can lead to men experiencing physical and mental health issues and dying too young.



Blood donation

Applus+ in the Middle East organised a **Blood Donation Event** on 17th January 2018. The rapid growth for the demand of blood is proportionate to the fast-growing population of the **United Arab Emirates** and their **expanding healthcare facilities**. We collaborated with the **Abu Dhabi Blood Bank**, and **25 employees** participated in the donation. These blood-donation initiatives have also been carried out at **two Spanish offices in Barcelona and A Coruña**.

"Plugs for a new life"

Applus+ in A Coruña (**Spain**) launched an initiative together with the **SEUR Foundation** called: "Plugs for a new life", with the objective to **help children with serious health problems**.

"Pink and Light Blue Ribbon"

In October 2018, Applus+ in **Panama** ran an initiative, promoted by the Ministry of Health (Minsa), for the **"Pink and Light Blue Ribbon"** campaign, as part of the month for the **prevention and early diagnosis of breast and prostate cancer**. The campaign seeks to raise awareness among the population about the importance of achieving comprehensive control of cancer, including prevention, early detection, diagnosis, rehabilitation treatment and palliative care.



WE PROMOTE SAFE AND HEALTHY LIFESTYLES

Informative campaigns and responsible motorcyclists

Applus+ **informative campaigns** are targeted actions to raise awareness of specific public issues. For example, they have promoted the installation and use of **Child Restraint Systems in vehicles** and the need to closely **supervise school transportation**. These topics in **Costa Rica** currently require more knowledge or awareness from the country's citizens.



The **Responsible Motorcyclist Programme** was developed during 2018 to educate motorcyclists and to provide them with the **tools to prevent accidents**. Currently, motorcyclists represent the highest rate of deaths on the roads in **Costa Rica**, so we were pleased that the event attracted approximately **1,500 motorcyclists** to participate in these life-saving activities.

Training for students, private companies and authorities (Costa Rica)

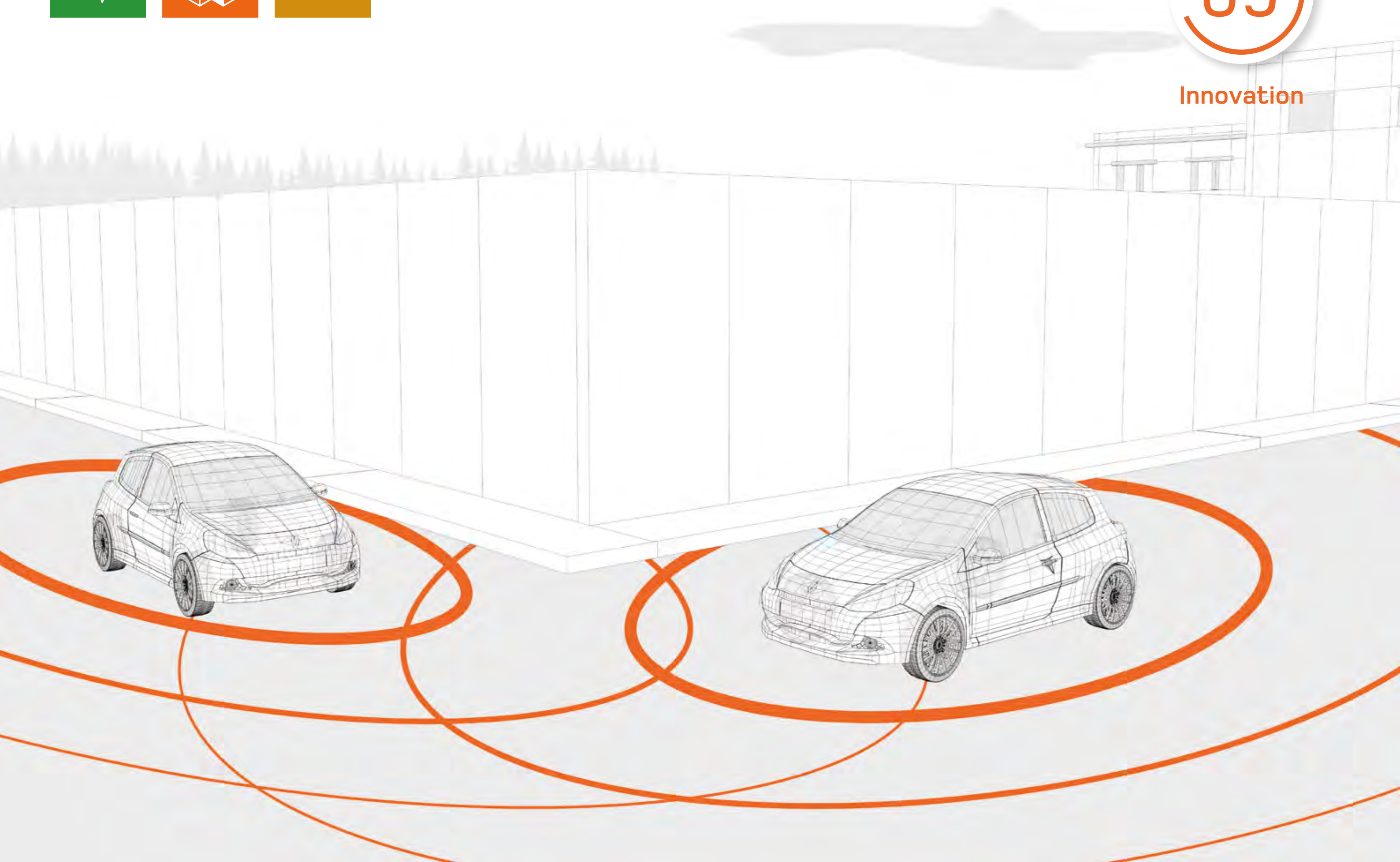
We develop training through **three programmes**:

- **Aprendamos con Bumper** ("Let's learn with Bumper" – Bumper is a pet-) is targeted at school students to promote **values and concepts about road safety** using board games, bingo or puppet shows. This program covers around **2,000 students from more than 20 schools**.



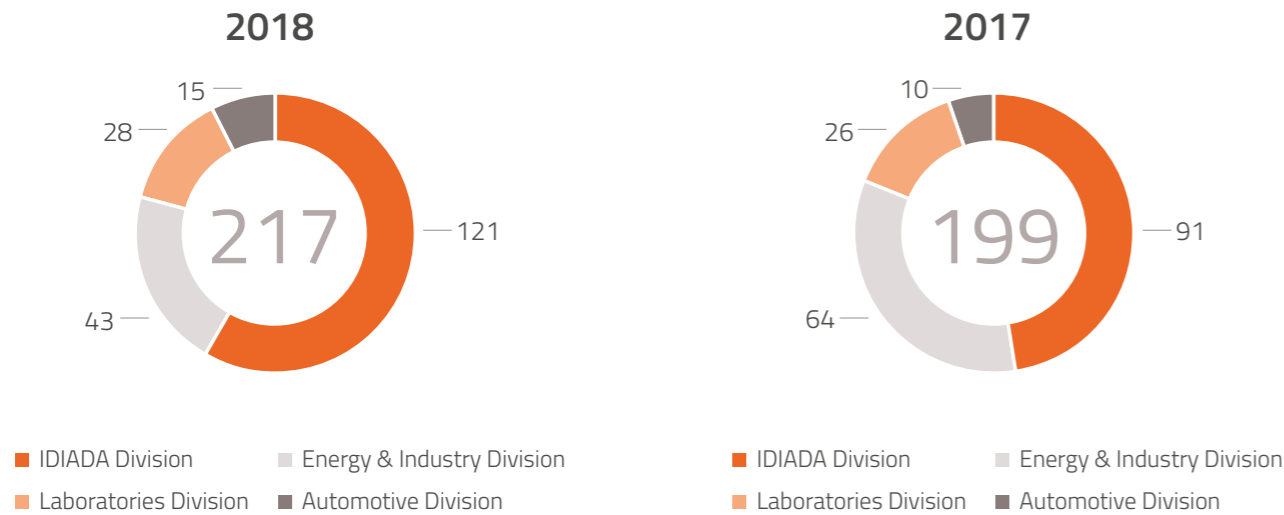
- For **teenagers at high school**, who are about to **become drivers**, Applus+ has developed the programme **Soy Autorresponsable ("I am Self-responsible")**. This interactive mobile application teaches the concept of "Having the keys of a vehicle is having a responsibility", and our employees supporting the programme visited **15 high schools** in 2018.
- Through **Technical Education Programmes**, Applus+ provides **training talks** at public institutions, private companies or associations, where we present a variety of topics such as preventive maintenance, technical revision, effective driving, etc. Especially important are the training talks aimed at **traffic police, security police and Judicial Investigation Bureau (OIJ)**, which covers, for example, vehicle identification, fraud attempts and fake vehicle-inspection certificates. Each year, Applus+ runs approximately **25 courses**.



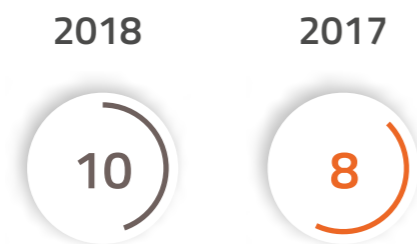


Our innovation in figures

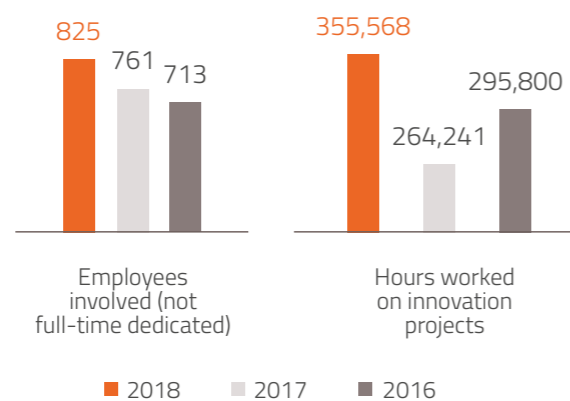
Number of innovation projects (Total and per division)



Number of information technology projects at the corporate level



Employees and hours



Our innovation projects

GRI 203-2 GRI 413-1

We invest in innovation to **create value** for our customers through the development of products, services and technical expertise. Our innovative approach generates **efficiency improvements**, as well as new revenue streams, which **benefit our Company, our clients, society and the environment**.



SOCIAL CONTRIBUTION

Our greatest social contribution is to actively participate in the process of **creating the methods, technologies and infrastructures** required to **improve the safety and quality of life** in our society.

Our knowledge and skills in technological development play an essential role in our social contribution. The following projects are an example of the **social character** of our **innovation activity**:

ICM: International Climbing Robot

Applus+ in **Oceania** has developed a **modular system for internal and external inspection of stainless steel assets**. The system features a crawler with various remote visual cameras and inspection technologies, which can travel along non-ferromagnetic assets. This development demonstrates the capabilities of Applus+ to develop and deliver **innovative and safe inspection systems** that meet and exceed the needs of our customers.



especially by **addressing** one of the **challenges of autonomous driving**.

MuCCA: Multicar Collision Avoidance

The IDIADA Division will participate in the Multi-Car Collision Avoidance (MuCCA) European Project. This project will develop a **multi-car collision avoidance system** that aims to **reduce the occurrence and consequences (injuries and damage) of multi-car collisions on motorways**.

PIONEERS: Protective Innovations of New Equipment for Enhanced Rider-Safety

The main objectives of the European PIONEERS project are: to develop a deep understanding of the injuries sustained by **Powered Two Wheelers users** (i.e. motorcycles); to **improve the performance of safety systems** (Personal Protective Equipment and on-board systems); to develop **better test and assessment methods**; and to **increase the use rate of Personal Protection Equipment**.

The technologies developed and used will be very similar to those to be included within a fully autonomous vehicle, including sensor systems, machine learning, vehicle-to-vehicle communications and vehicle control systems. This project will contribute to **increasing road safety**,

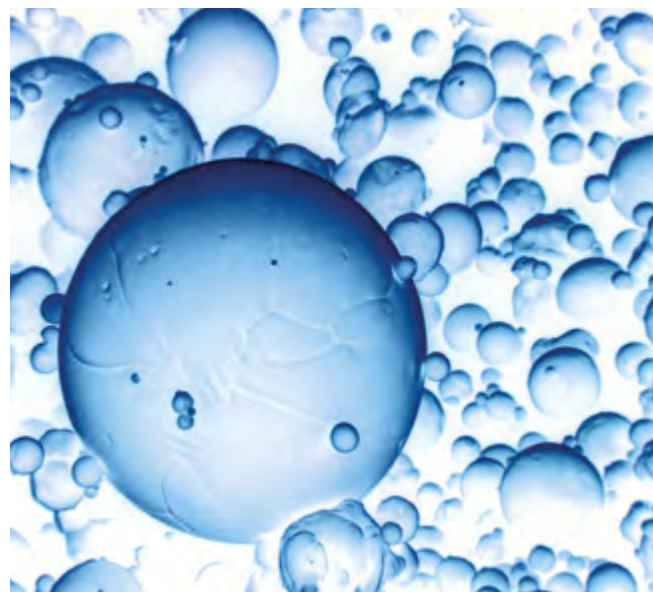
Applus+ is leading this project with 16 partners, which will contribute to the **increase in the safety of for motorcyclists**.



NANOFACTURING: Manufacturing of pharmaceutical nanoparticles for medical applications

Our Laboratories Division has successfully developed **two routes of synthesis** to scale up ligands, or binding-molecules, for the **production of nanoparticles** used in pharmaceutical applications, which focuses on the **treatment of certain diseases**.

Their work, carried out within the **European Union's H2020 NANOFACTURING research project**, has allowed for the development and supply of these ligands in an appropriate quantity for further trials in the project. Thanks to this project, the Laboratories Division has entered into the field of manufacturing pharmaceutical nanoparticles for medical applications.



ICCF - ERNCIP Laboratories: Cybersecurity

The Laboratories Division participates in a European project to develop a **cybersecurity certification scheme for industrial automation and control system** applied on **critical infrastructures**. The project, part of the European Reference Network for Critical Infrastructure Protection (ERNCIP), will propose an initial set of common European requirements that will help foster certification for cybersecurity on industrial automation and control systems in Europe.

The Laboratories Division is participating through **Spain's National Exercise Team (NET)**. The regulations focus on automation and control systems at **refineries, chemical plants, power plants, pipelines** and other critical infrastructures.



Weld distortion: Safer assets

Distortion is a common problem in the **fabrication of welded structures**. An usual mitigation approach involves defining an intermittent weld sequence - a process that is extremely difficult to define. Applus+ in **North America** has developed a solution to this problem, which defines the **best weld sequence based on Sequential Rigidity Calculation using simulation tools**, such as FEA analysis (finite elements). This enables the designer to **optimise a complex weld design without relying on intuition or experience on similar work**. The new technique (provisional patent pending) allows structures to be welded more efficiently without distortion and therefore guaranteeing better safety of assets.

Appwatcher: Technology information automated update

Applus+ has designed and developed the AppWatcher+ system, a **web-based tool** for monitoring **technology on the internet** that systematically detects, collects and organises any **news** related to the **technological interests** of the **different areas** of the Company.

The tool has been successfully implemented at **IDIADA Division** and in **Corporate Innovation Area**, allowing updates on relevant information that assists our employees to make **more informed decisions** and to **reduce risks**.



ENVIRONMENTAL PROTECTION

Our innovation projects have led to the development of a range of new products and services within different sectors, which addressed **various sustainability goals**.

OBD Auto: air quality preservation

From May 2018, the Automotive Division has implemented an On Board Diagnostic (OBD) system for **monitoring potential engine malfunctions related to excessive emission pollutants**. The statutory-vehicle-inspection facilities at Applus+ have integrated this new system into their day-to-day procedures and guidelines for inspections using our specialised proprietary software called P1s.

This new system **fulfils mandatory regulations** and reinforces our commitment, as an inspection company, to guarantee an excellent service to both the users and the contracting administration in the **key environmental area of air-quality preservation**.

GEOAPP: Digital solution for paper reduction

In previous years, the Energy & Industry Division has been successfully developing and implementing a **paper reduction plan for the inspections and site activities**. Within the framework of the mobility innovation, many solutions have already been implemented, although there are specific areas still highly dependent on the **paper records**, such as **geotechnical data capture and the associated reports**.

This activity generates a great deal of paperwork, and the complexity of measures and structure of reports make digitalisation especially challenging. As a **digital solution**, Applus+ has started developing our **GEOAPP**, to solve steps within the **geotechnical monitoring process**, which reduces time on geotechnical surveys and at pits for field-data collection in areas already explored. This applied-technology saves costs and paper and reduces the potential environmental impact of site visits.





- ECVET-Lab Qualification Standard of Ecolab technician.
- A free **Online Training Course** across the ECVET-Lab IT training-course platform, on which participants can gain this new qualification. The training course is available in **English, Polish, Greek and Spanish**.

ADDAPTTA SEALS Laboratories: Fuel-consumption and CO₂ emissions' reduction in aviation

ADDAPTTA SEALS is an **R&D Project**, funded by **European Clean Sky 2 programme**, to **optimise the profile of rubber seals on aircraft wings to increase their aerodynamics**. The project is developing a new concept in rubber production by **using the 3D-printing technology** to produce the better-performance seals, at a lower cost.

The new rubber seals optimise the wing's aerodynamics which **reduces fuel consumption, the CO₂ emissions** and the overall environmental impact of air transport. Deploying our expertise in materials testing and homologation, the Laboratories Division **validates the seals manufactured by this innovative 3D-printing process**.

ECVET-Lab: Best environmental practices for European Laboratories

The **ECVET** is the European Credit system for Vocational Education and Training. The **European Project ECVET-Lab** (funded through the support of the European Commission's Erasmus+ Programme) was led by **NOVOTEC** and finalised in September 2018.

The project had **three main objectives**:

- To gather and disseminate **best environmental practices** for laboratories.
- To develop an **online ECVET1 qualification course** on improving environmental management, specifically for laboratories technicians in Europe.
- To present a **new qualification standard** that demonstrates **best environmental practices** for the existing VET programmes for laboratory technicians across Europe.

The project has been developed with the collaboration of more than **40 organisations**, which includes laboratories, Universities and VET centres from **13 countries** from European Union. In the **project's final conference**, hosted by EUROLAB (European Federation of National Associations of Measurement, Testing and Analytical Laboratories) in Brussels, ECVET-Lab **project consortia presented**:

- ECVET-Lab Guide for Environmental Best Practices.

Awards and recognitions



Our **clients** and **commercial partners** have also **recognised our innovation** activity:

- In **Spain**, the jury panel of the **TIC Galicia Awards** gave Applus+ the prize for the **Best tractor company of innovation projects**.

This award recognises our commitment and confidence in the Galician start-up for the technological development of innovation projects.

- Applus+ has been recognised for the **Best international paper at Congress SAE Brazil 2018**, for its paper "Tracking 3D technology for HIC calculation and

restraint systems improvements", which is a pressing topic in the field of safety improvements for automotive passengers.

- In June, Applus+ in **the Netherlands** was invited to receive the **"Latest Gadget" award**, from the Measurement Technology Department of Europe's largest refinery, for its **innovative use of thermographic research**.

The award followed a trial project, which successfully convinced the client of the benefit of thermographic research. This research is **currently applied** daily in a large-scale Corrosion Under Insulation (**CUI**) project.

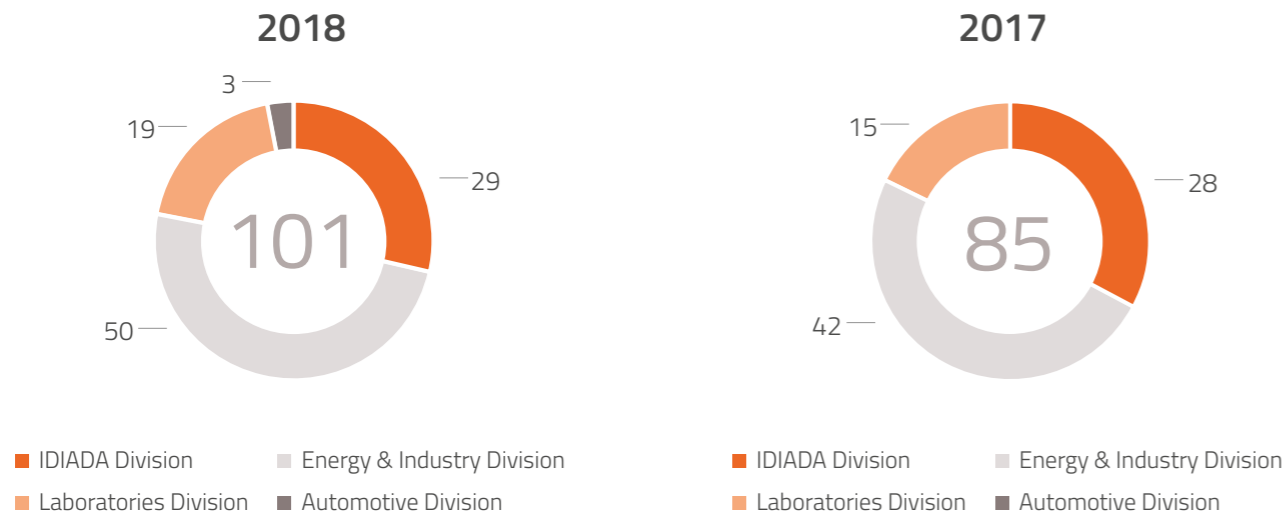


Wind farm inspection team.

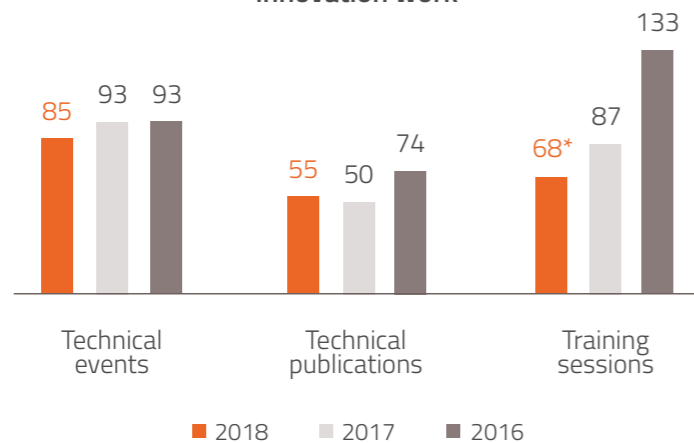
Innovation through collaboration

Sharing capacities and resources helps us to increase our knowledge base and to explore new technology solutions for our clients.

Number of agreements with external bodies (Total and per Division)



Activities to promote our innovation work



* The number of training sessions depends on the changes in regulations, standards or new testing, inspection or certification procedures that have to be communicated to the clients. Our experts provide tailor-made training for their clients and market needs, and this training is not recurrent year after year and is not constant in each region. The fluctuation does not indicate that the trend is necessarily downward since the figure may be higher the following year.

Below we show some examples of our technical events and other collaborative activities in the field of innovation:

Participation in FISEVI - CITA: Accident prevention, road safety and pollution

The Automotive Division, whose activity has a direct role to play in road safety, has participated, through CITA (International Motor Vehicle Inspection Committee), in the 3rd International Child Road Safety Forum (FISEVI), in CABA, Argentina.

of our inspection business in the field of accident prevention, road safety and pollution in their speech "More safe vehicles, the role of technical vehicle inspection". FISEVI is an initiative to establish a dialogue among the stakeholders that have a role in road safety, such as governments, international organisations, civil and road engineers, health workers, teachers, among others.

Applus+ participated as a support sponsor and provided a speaker, who presented the benefits



Presentation of the SENIORS project: Road safety for older road users

SENIORS (Safety Enhancing Innovations for Older Road Users) European project has investigated and assessed the injury reduction that can be achieved through innovative tools and safety systems, aiming to better protect elderly car occupants and external road users, such as pedestrians, cyclists and e-bike riders.

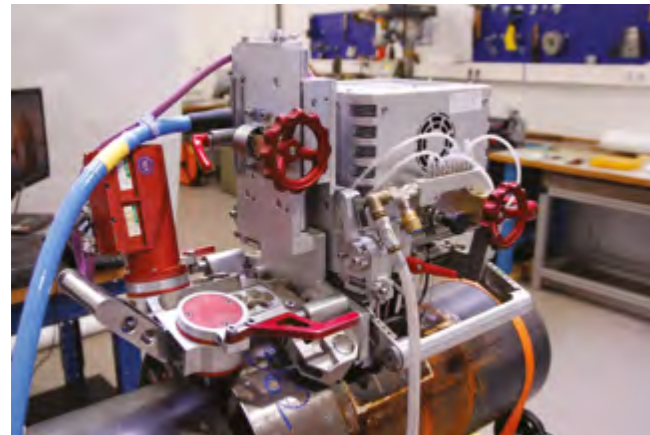
The project closed with a final event in September 2018 in Athens (Greece). The event was organised by the IDIADA Division, and was attended by more than 50 automotive safety experts, including many industry representatives and other fellow researchers.

PRCI event: IWEX demonstration

The Energy & Industry Division in Texas (North America) demonstrated our IWEX technology in the PRCI Technology Development Center (TDC) Open House on 31st May 2018.



PRCI Technical Programme Associate Members discussed and demonstrated various **ILI (In-line inspection) and non-destructive evaluation (NDE) technologies and solutions**, which contribute to minimising potential environmental damages caused by leakages at oil and gas premises.



The 7th International Cycling Safety Conference: Safety and mobility aspects

The International Cycling Safety Conference (ICSC) is a **forum for researchers and experts** in the field of **cycling safety** to exchange their knowledge and bring up **new research topics or safety solutions**. The initiative was started by the Netherland's the Ministry of Infrastructure and the Environment, TNO, Fietsberaad (Dutch Centre of expertise on bicycle policy), SWOV and Delft University of Technology

The IDIADA Division participated at the **seventh edition** of the conference, held in **Barcelona** (Spain) in **October 2018**. The topics at the conference covered an array of **safety and mobility aspects**, encompassing: cycling mobility, bicycle "accidentology", cycling behaviour, safety of children and young bicyclists, e-bikes, devices to improve safety, road design, infrastructure, urban elements and traffic regulation, bicycle-motor vehicle interactions, driver behaviour, active safety systems and automated vehicles.

FORM Forum: European road mobility

The IDIADA Division participated in **FORM Forum** (The Future Of Road Mobility Forum), a conference organised by **EARPA** - the association of automotive R&D organisations.

This Forum brought together researchers, professionals and practitioners from industry and government for a productive and rewarding exchange of insights, experiences, achievements and perspectives on **current and future developments** in the **European road mobility and automotive area**. The theme of **2018's FORM Forum**, held in **Brussels** in **October**, was **"The future of road mobility; research with impact"**.

Seminars in Oceania: Solutions for oil and gas inspection and maintenance

The Energy & Industry Division in **Oceania** has organised a series of events for our clients to present the most promising and advanced **technologies and solutions** for a better **inspection and maintenance** of the **oil and gas** premises. Through practical sessions, our team offered our insight and expertise during themes entitled **"ANDT and Engineering Lunch and Learn"**, **"UAV Lunch and Learn"** and **"ECA Show and Tell"**.



The new technologies presented covered the **use of drones** to contribute to the better detection of defects and to minimize the **risks** for the **inspectors and the environment**, caused by potential accidents and leakages in the infrastructures.

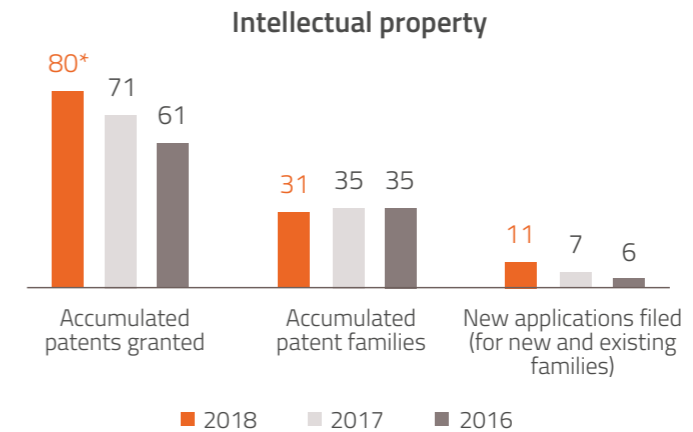
7th Annual Meeting of Companies on the Integrity of Oil and Gas Pipelines

Applus+ in **Spain** held on 13th November the 7th Annual Meeting for companies on the integrity of oil and gas pipelines at our facilities in Bellaterra (Spain). This meeting had an extensive participation of different companies in the sector, and in the

forum, they presented and shared experiences related to **cathodic protection and the inspection of buried metal structures**. This exchange of

information **helps advance knowledge to minimise environmental risks and optimise preventive maintenance**.

Intellectual property



**During 2018, 28 new granted patents have been incorporated into Applus+ patent portfolio (17 of them coming from the validation of a European patent in 17 countries, and two of them due to a company acquisition), with an increase of two patent families.*

In patent families, there has been a **decrease of 19** granted patents belonging to **six** patent families. Twelve of them **expired** and **seven** were **abandoned** in order to **optimise value – cost – business opportunity** within the patent portfolio.

Consequently, the **net increase** in the accumulated patent portfolio has been **only nine patents**, giving a **total portfolio with 80** patents granted, and the number of **active patent families** has **decreased from 35 to 31**.



A+ Glide Forming: technology for carbon-fibre reinforcements

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



10

Sustainable performance

GRI 103-1 GRI 103-3 GRI 203-2



Environmental management approach

GRI 102-11

ENVIRONMENTAL ASPECTS OF OUR ACTIVITIES

The **direct environmental impact** of our Company's activities is mainly related to our **office activities and fieldwork**. Therefore, we focus our management and prevention efforts on these activities and on their most significant environmental impacts: **energy** and **water consumption**, and **vehicle emissions**.

We extend our management framework to the **generation of waste** with respect to the activities developed by the **IDIADA and Laboratories Divisions**. These divisions generate additional waste to urban waste, and this requires specific storage and management conditions (hazardous waste, inert waste, etc.), so we focus our efforts on the control and improvement of its management.

In the same way, and only in the case of the **IDIADA Division**, we include **discharges** in our management framework, since a significant part of the water consumption of the Division's facilities in Tarragona (**Spain**) is used for the operation of some test tracks.

The activities of the Applus+ Group do **not** generate **direct impacts on biodiversity**. In fact, some of the services provided to our clients aim at minimising and controlling the impacts their activities have upon ecosystems (see **section 10.5**).

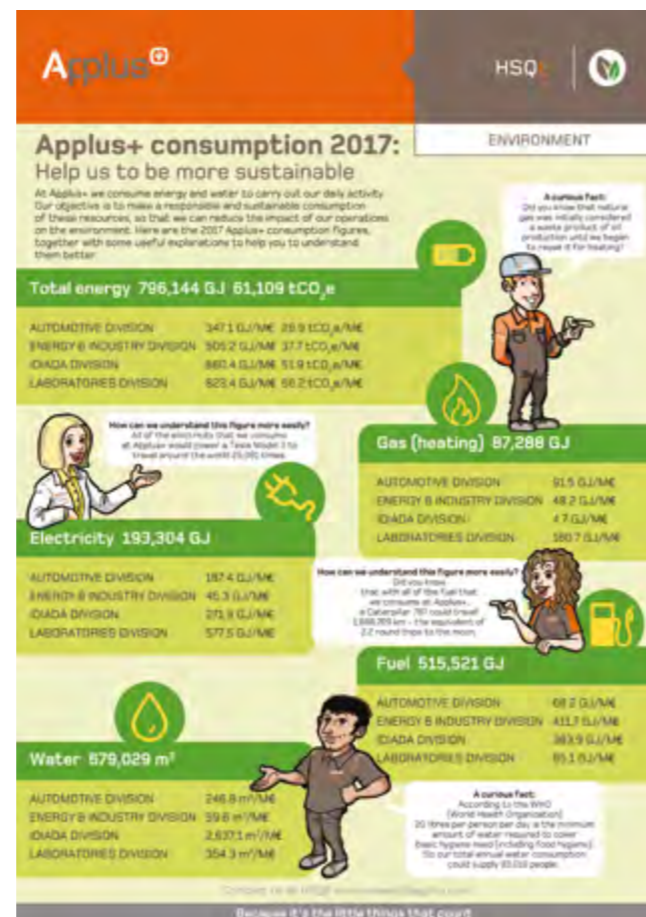
GLOBAL POLICY AND ENVIRONMENTAL MANAGEMENT SYSTEMS

The **Global Policy of QHSE** integrates the *Group's Environmental Policy* with the *Quality, Health and Safety policies*. This Policy applies to all employees at Applus+ or those associated with the business of the Applus+ Group and its legal entities.

With this Policy, Applus+ reinforces its commitment to manage its possible environmental impacts effectively by **empowering key personnel** and by **providing sufficient resources** to meet the requirements of the Applus+ Group's standards, giving priority to a preventive approach as opposed to the corrective approach when developing QHSE processes.

To deploy the Policy, we implement **environmental-management systems at the local level**. The systems are periodically **certified and audited** in accordance with the international standard ISO 14001. In 2017, we adapted the new requirements of the **ISO 14001:2015** standard to our management systems. At present **close to 30 countries** have legal entities with certified environmental management systems such as: United Kingdom, Italy, United Arab Emirates, Kuwait, Saudi Arabia, US, Canada, China, Thailand, Australia, Norway, Mongolia, Indonesia, Papua New Guinea, Angola, South Africa, Colombia, Spain, and Ireland.

In addition to these environmental management systems, the Group has a **Guide to Best Environmental Practices** applicable to all employees at the offices of Applus+. This guide includes best practices for the management of waste, the consumption of materials and the consumption of energy and fuel. In **2018**, we launched a **new awareness campaign** under the banner **"Because**



it's the little things that count" to reinforce these best practices.

This is a campaign in which we converted some environmental indicators to other magnitudes of immediate interest for our employees (number of rounds around the world, number of football fields, etc.) and includes some "curiosities". All with the aim of increasing the environmental awareness of our employees and improve the deployment of best practices in the development of our activities.

ENVIRONMENTAL DATA MANAGEMENT

The Applus+ Group has **two applications to manage, control and verify energy, water and fuel indicators**.

Applus+ Site Management (ASM)

The local and regional QHSE officers **register data** on the environmental indicators of each region using this tool. In the case of consumption, the tool collects the invoices as **evidence of information reported**, and these documents are key to validating and verifying the reported indicator.

In addition, the tool sends **periodical reminders** to ensure that users report in every reporting period on time.

After the information of the indicators has been completed, the **Corporate QHSE Department verifies the reliability and veracity** of the information by contrasting the information reported with the information included on the invoices of our suppliers. The process concludes when the QHSE Corporate Department has **validated** the information provided by the local and regional QHSE officers within the ASM tool. Consumption Database is **transferred to the QlickView tool**.

QlickView

Using this tool, the Corporate QHSE Department can **monitor progress of the reporting process** and, simultaneously, **consolidate the data globally**. QlickView can visualise the information by region, country, office, etc., which facilitates **detailed analysis** of the indicators' evolution.

The **Internal Audit Department supervises and controls the monitoring** of the Policy and processes described in this section.

SUPPLIER ENVIRONMENTAL ASSESSMENT

The Corporate Purchasing Department is **governed** by the quality and environmental **guidelines** defined by the **Corporate QHSE Department**, and included in our **QHSE Policy**.

In the selection and qualification of our suppliers, the Corporate Purchasing Department integrates the Group's **mandatory QHSE requirements within its supplier management process**.

To meet the requirements set by the Corporate QHSE Department, the Corporate Purchasing Department ensures that there are **adequate processes** in place and that **suppliers comply with requirements** established by the **QHSE Policy**.

The supplier, within the **approval process**, must **know and adhere** to our **QHSE Policy**. In the **initial evaluation** of our suppliers, we **positively value** those who have implemented and certified an Environmental Management System according to **ISO 14001** or the European regulation **EMAS**.



The **adhesion** to our **QHSE Policy**, and the consideration of the **environmental management systems** implementation in their selection and qualification, currently cover **60%** of our **total suppliers**.

Energy and emissions

GRI 302-1 GRI 302-3 GRI 305-1 GRI 305-2 GRI 305-4

The consumption of energy and its emission are the **relevant impacts of our activity**. The Applus+ Group’s **Guide to Best Environmental Practices** includes a set of guidelines to reduce energy and fuel consumption. These guidelines are applicable to all employees across the Applus+ Group.

In respect to energy consumption, the guide includes best practices for the **use of IT equipment** (computers, printers, etc.) and for the **regulation of lighting and office temperature**.

Consumption from no renewable sources*



(*Source of the conversion factors used: IPCC Guidelines for National GHG Inventories (AR4).

(**) In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time

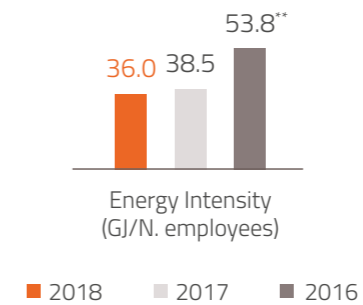
Fuel is the **more important source of energy consumption**. Within Applus+, it is directly related to our business activity when we carried out **services at customer’s sites**. The fuel consumption comes from non-renewable sources. The types fuel used are **diesel and gasoline**.

The **increase** of approximately **5% of fuel** from the previous year is mainly due to the increase in operations, new acquisitions such as *Inversiones Finisterre* and the inclusion of Oman in the reporting’s scope. However, there is a **reduction of the heating consumption** using the same scope as 2017.

Electricity consumption remains **steady** from the previous year and the increase comes from new acquisitions.

The **total energy consumption** increases due to new acquisitions, so using the same scope as 2017, it remains steady because the increase of fuel is compensated for by the reduction in heating.

Consumption*



*Source of the conversion factors used: IPCC Guidelines for National GHG Inventories (AR4).

** In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time.

Employees is the metric that Applus+ selected to calculate the **ratio of energy intensity**. The **type of energy** included in the intensity ratio are **all sources of consumption** within the organisation (fuel, electricity, heating...). With regards to the **Energy Index, it decreases**, for the third consecutive year, by **6.3%**, which shows a positive trend.

We have designed our **inventory** including the **main sources of energy and water** consumption, and have created an online platform called **ASM** where all energy and water usage data are reported, so we can monitor the **performance year after year** and establish **goals and programmes** to improve it.

The organisational boundaries to measure the GRI indicators are the number of legal entities reporting their financial statements and we measure the intensity of emissions with regards to their revenue. The assumptions made are mainly based on the **ownership and accountability for the meters**: if the meters are shared with other companies or the owner of the facility is assuming the accountability

for the consumptions, then this data will not be included in our total count of consumption.

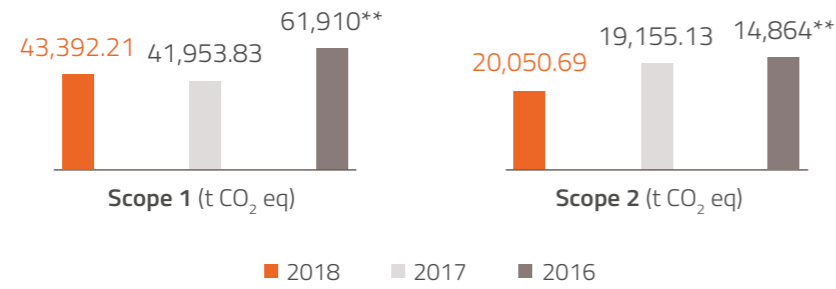
Calculations have been made for **12 months**; for pragmatic reasons the consumption period requested runs from 1st November 2017 until 31st October 2018.

In addition to these impacts, **vehicle-fuel consumption** is one of our **main sources of emissions**. The Applus+ Group’s **Guide to Best Environmental Practices** includes guidelines related to the three main elements that can reduce fuel consumption: use of the vehicle (route planning, use of air conditioning and heating, etc.), maintenance and driving style (changing gears, speed, etc.).

To obtain the information on the emissions Applus+ use the **Greenhouse Gas Protocol** as a guidance. The rest of the criteria, methodologies and boundaries are described above. The source of the emission factors and the Global Warming Potential (GWP) rates used come from **IPCC Guidelines for National GHG Inventories (AR4)**.



Emissions*

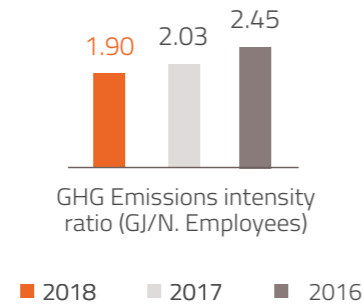


* Gases included in the calculation are CO₂, CH₄ y N₂O. Applus+ has not biogenic CO₂ emissions.
 ** In 2016 the reported scope covered energy consumption for 90% of the legal entities consolidated at the time.

Applus has chosen 2017 as a base year because this year was the first in which we had a high representative degree of complicated information throughout the company (98%).

Total **Scope 1** and **Scope 2** have **increased by 3.4% and 4.7%** respectively in respect to 2017, mainly due to the new acquisitions, such as *Inversiones Finisterre* among others. Actually, the **emissions' intensity decreased by 6.3%** from 2017.

GHG Emissions*



* Criteria, methodologies, Global Warming Potential rates (GWP), boundaries, types of gases, assumptions are as described in the previous page.

ACTIONS AND INITIATIVES TO REDUCE ENERGY CONSUMPTION

Light Renewal Project at Barcelona's HQ and other offices

A light renewal project is being completed at Applus+ in **Bellaterra (Barcelona)** to replace the current fluorescent lights with LED lights. In anticipation of this change, we estimate that our CO₂ emissions will be **reduced** by approximately **304 tons per year** and **€27,000 per year will be saved**.

Similarly, a number of energy saving measures are being taken at Applus+ in **Sada (A Coruña)**. To reduce electrical costs, all aluminium frame windows have been replaced with **windows featuring a**

thermal bridge break. In addition, the lights in the laboratory have been **replaced by LED**, progressing our short-term goal of a complete renewal with LED throughout the building.

The world celebrated Earth Hour

As the world celebrated Earth Hour by **switching off all non-essential lights on 24th March 2018**, Applus+ in the **Middle East** acknowledged this initiative by switching off lights and non-essential electric equipment for one hour on 22nd March 2018. The offices in the **United Arab Emirates, Saudi Arabia** and **Oman** participated in the event this year.

The main idea behind the participation was to **help our staff to be energy-conscious at all times**, not just for one hour in a year, and encourage our employees to adopt energy-saving practices in their daily lives.



Environmental inspección, water sampling in a mine.

Waste, water and effluents

GRI 303-3

WASTE MANAGEMENT

Our office activities generate **urban waste** and **other types similar to urban waste**. All offices across the Group must follow the guidelines established in the *Guide to Best Environmental Practices* regarding waste management as well as the local regulations. Additionally, employees who provide services at client's facilities must apply these best practices for the management of the waste generated through our services.

The rule of the **3Rs (reduce, recycle, reuse)** provides the framework of the management guidelines included in the Guide. In offices at Applus+, the segregation of waste is mandatory when the country has a public or private infrastructure for selective recycling and treatment. The office and centre managers are responsible for providing the necessary resources to comply with these management guidelines, as well as for monitoring their application.

The *Guide to Best Environmental Practices* establishes, with the aim of **reducing** the **consumption of paper, toner and ink**, some action guidelines:

- Using **both sides of the page** when printing or photocopying documents, and the use of **electronic mail or fax** in internal and external communications.
- Restricting the number of copies** of the documents to be filed **and** the amount of **printed drafts** by giving priority to the storage of electronic files in the first instance, and by reviewing documents on screen in the second.

Additionally, the **IDIADA and Laboratories Divisions** generate **hazardous waste and other types of waste** that, **by their characteristic, require a specific management** [e.g. tyres (IDIADA Division) or fire resistance tests waste (Laboratories Division)].

The IDIADA and Laboratories' activities that generate **these types of waste** are concentrated in **Spain**. The management control of this hazardous or specific waste is **focused on ensuring strict compliance** with the regulations applicable. As a rule, the hazardous or specific waste generated in both divisions is managed through **duly authorised companies**.

Because of compliance with the applicable legislation, the centres and facilities of these divisions **record the type and quantity of hazardous waste** generated, as well as the **documentary evidence** necessary to verify the traceability of their management.

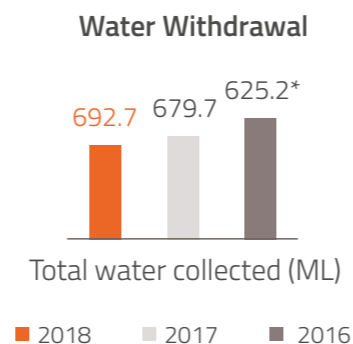
Collaboration in the initiatives of our clients

Applus+ in **Abu Dhabi** participated in a **"Clean-Up Campaign"**. The company which manages **ports in Abu Dhabi** organised the clean-up campaign to promote environmental and sustainability awareness. The clean-up drive was organised near the ports in the surrounding areas and volunteers from Applus+ scattered across the site to **collect waste**, equipped with **biodegradable trash bags and protective clothing**. These campaigns help maintain hygiene and cleanliness of the community and promote recycling as an integral part in promoting environmental sustainability.



WATER CONSUMPTION AND EFFLUENTS

The Applus+ Group quantifies the water consumption within the organisation using same parameters as the consolidated financial figures.



*The reported scope in 2016 covered water consumption for 71% of the legal entities consolidated at the time.

The **increase** in water consumption comes from **new acquisitions**, which represents about 28 ML. Actually the company has reduced its water consumption by **1.4%** in 2018.

The water withdrawn at Applus+ comes from **groundwater and third-party water**. With the exception of IDIADA Division, the rest of the divisions use clean drinking and sanitation water. IDIADA is the **only Division** of the Group that **uses water in the development of its activities** at its facilities in **Tarragona (Spain)**. At these facilities, the Division consumes about **500,000 m³ of water per year**, of which **40%** is used to **irrigate green areas and hedgerows**, and the **remaining water** to perform **tests on four tracks**: two braking-tracks, one wet-handling track and one fatigue track. Actually, their consumption is slightly lower than the previous year due to an efficiency plan to recover water that they are implementing. We hope to see the improvement in following years.

The sources of water come from **three groundwater wells** (in IDIADA) **as well as municipal water supplier**. Water consumption was 436 ML from the three groundwater wells and the rest of the water (approximately 257ML) comes from the local water supplier. The Division has the corresponding

administrative authorisation to extract water from these three wells.

The water is extracted from the wells to a **5,000 m³ main tank** using a pump, from where it is distributed to the **four accumulation tanks** at the track sides (**one tank per track**). The tracks' longitudinal gutters collect the spilled water and a common collector recirculates the water to the main tank for reuse. It is a closed circuit in which **85% of the water used on the testing tracks is reused**, with the remaining 15% of volume lost to filtering or evaporation.

The type of **spill generated** on the tracks does **not** require the installation of **grease-hydrocarbon separators**. In fact, the water recirculated has **only a filtering treatment** before being returned to the main tank.

In respect to **water-quality controls**, the **pH and chlorine** levels of the water in the main tank and the accumulation tanks are **continuously analysed**. The **main tank has an osmosis treatment**, so the conductivity (water hardness) is also analysed continuously. In addition, the Division analyses the **organic and chemical parameters of the five water deposits twice a year**.



Environmental inspection, soil sampling in a mine.

Climate change related issues

In 2018, Applus+ identified and evaluated different types of climate-related risks and opportunities. The **outcome of the evaluation analysis** showed that the identified **risks were not relevant to the Group's operations**. Moreover, the results show that a number of these risks are **actually clear opportunities** for our business:

REPUTATION

Reputational risk is of **vital importance** to Applus+ due to the **nature of our business**. In the TIC business sector, the Group's operations and services must demonstrate professionalism, impartiality and transparency to give confidence to all of our stakeholders. However, our reputational risk in this case plays a minor role. In fact, our employees mainly work at our **clients' sites** to perform **inspection, testing or certification** activities on our clients' assets and processes, so the **possible reputational impacts would be linked to our client's activities** but not to the services we provide.

TECHNOLOGY

The **technologies** we use are **clean** and will not be affected by climate-related issues. They basically use **electrical power** (test machines, test bench, etc.) to perform mechanical, electrical, vibration and electro-magnetic compatibility tests. In these technologies, the electrical **sources may change**, although this will **not affect** our operations **in a relevant way**. We also do tests with **radioactive sources**; however, we are developing the application of new technologies that will reduce the use of these energy sources.

CURRENT AND EMERGING REGULATIONS

We did **not consider** the current or emerging regulations as a **relevant risk** due to the **nature of our activities**, which are services. We are **not a big contributor to CO₂ emissions** or other climate-related impacts. Our main CO₂ contribution is related to business travel, for which the rate is **1.7t CO₂e per employee**. Additionally, the Group's **vehicle fleet**, which could be affected by emerging regulation, is **renewed regularly** and changes will be gradual, so we did not consider our vehicle emissions to be a relevant risk.

In addition, we considered this risk from a **business perspective**, and we concluded that this risk was **an opportunity** to develop **new services** that could strengthen our position in emission-related testing and help our customers to meet new regulations.

PHYSICAL RISKS

We did **not foresee** any physical risks that could be **significant** to the Company in respect to our **geographical locations**. The Group has **small operations** in countries that could be affected by **severe atmospheric phenomena** due to climate change, such as India, Pakistan, Afghanistan, South East Asia, North Africa, Peru, Mexico, Colombia, Ukraine and Papua New Guinea. Therefore, any issue, even if it happened in more than one country at the same time, would **not** have a **relevant financial impact** on our operations.

LEGAL COMPLIANCE

We did **not foresee relevant legal risks** due to the **nature of our services** (testing, inspection and certification). The main purpose for addressing these risks is to reduce the risks of **legal breaches**, and we have established the **suitable controls** to manage these risks.

Within this risk, we identified a specific risk related to the **obligations to increasingly report on climate change related issues**. In this respect, we considered this risk low because we have implemented an **internal plan for gathering and following up** our energy consumptions. The plan's processes will increase in scope year by year, and **include new management tools** to manage this process, such as our ASM (Applus+ Site Management).

In addition, we also considered this specific risk in **light of the clients' operations because** our clients could substantively **increase the scope of the services that they require**. Conversely, for our Company, this risk is low compared to the **opportunities** that could emerge to **develop services** that assist our clients to achieve legal compliance in their sectors.

MARKET

The **services** we provide in testing, inspection and certification are **cross-sectorial**. We are currently **exposed** to the **oil and gas** market. However, our exposure to this sector has increasingly reduced **from 53% to 36% of revenues over the last four years** because the Group has diversified the markets where we offer TIC services.

We consider changes that can affect the oil and gas market due to climate change will be gradual. Consequently, we will be able to adapt and extend the services that we provide to other market sectors. The approach that we have taken is **diversification**, and, in our view, this presents **more of an opportunity** than a risk.

In addition, the **extension of services to new markets** within in our current portfolio, and the new services being developed, will compensate this effect.

GLOBAL ENERGY TRANSITION: AN OPPORTUNITY ACROSS OUR BUSINESS

From the analysis described above, we identified the **global energy transition as an opportunity to access new markets** and strengthen our **position in emerging markets**.

Global energy transition will affect the **oil and gas** industry, and although this may affect part of our business, the change will be an opportunity for Applus+ to support the sector in **adapting** their industry during **this transition process**.

Importantly, the transition process will **increase** our **market share** in the **power and automotive** (electric/hybrid) sectors and both of these sectors will benefit from the global energy transition. This opportunity will compensate the risks identified.

This energy transition means a **change** in the **basis of the economy**, moving from the contemporary economy based on fossil fuel resources to a sustainable economy by means of renewable energy, energy efficiency and sustainable development.

The **evaluation process performed** by Applus+ showed that this **opportunity had a medium impact**:



Global energy transition could represent an **increase** of our **revenues** in services we provide to the **power** sector in the next years. These benefits will come from our support of the power sector with a **wide range** of independent **inspections, audits and consultancy services**.

Those **services and the management actions** describe in the next paragraphs apply not just to this opportunity. In fact, this is a **global process** embedded in our business that includes services for other sectors as well as services that we are going to implement in the short to mid-term. Therefore, it is **difficult to segregate the costs** related to specific sectors such as power or automotive.

Opportunity management

The Group has been working on a **diversification plan**, and, consequently, the revenue generated from the oil and gas industry has been reduced from 53% to 36%, in favour of other sectors over the last four years. In addition, the Group has drafted the **2018-2020 Strategic Plan**, which is deployed throughout each division. Throughout the report, we will show examples of the Group's divisional diversification in 2018.

Delivering our strategy

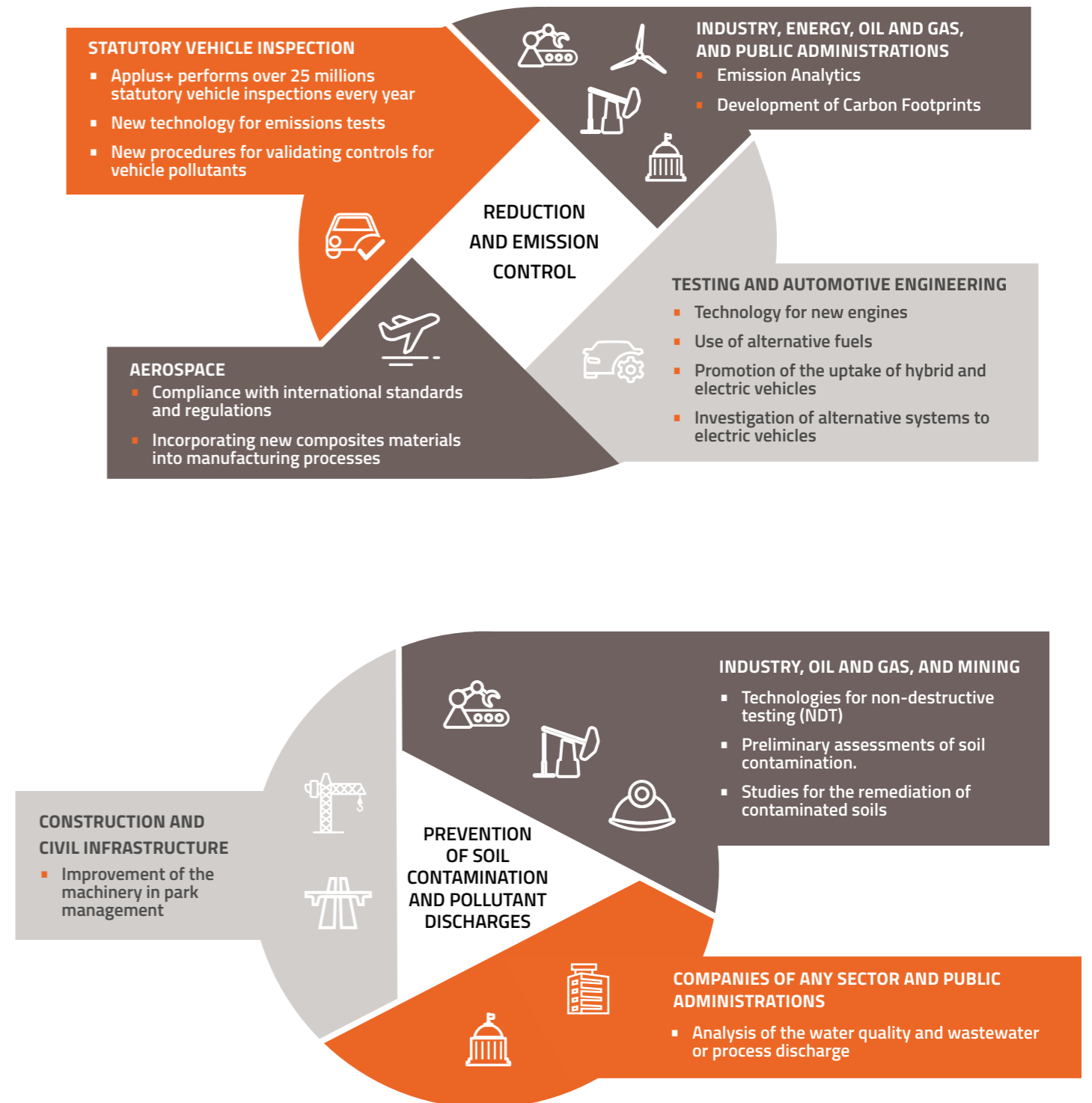
We will deliver this opportunity by pursuing the opportunity to **enhance the services** we provide to the **power** sector, and **extend these services across geographies** to grow our other regions' portfolios. For example, these extensions will include services for power-network monitoring to ensure their proper operation and to prevent environmental impacts; preventive mechanisms to minimise impacts of power producers' activities (carbon or water footprints); and environmental risk analysis or environmental impact assessments.

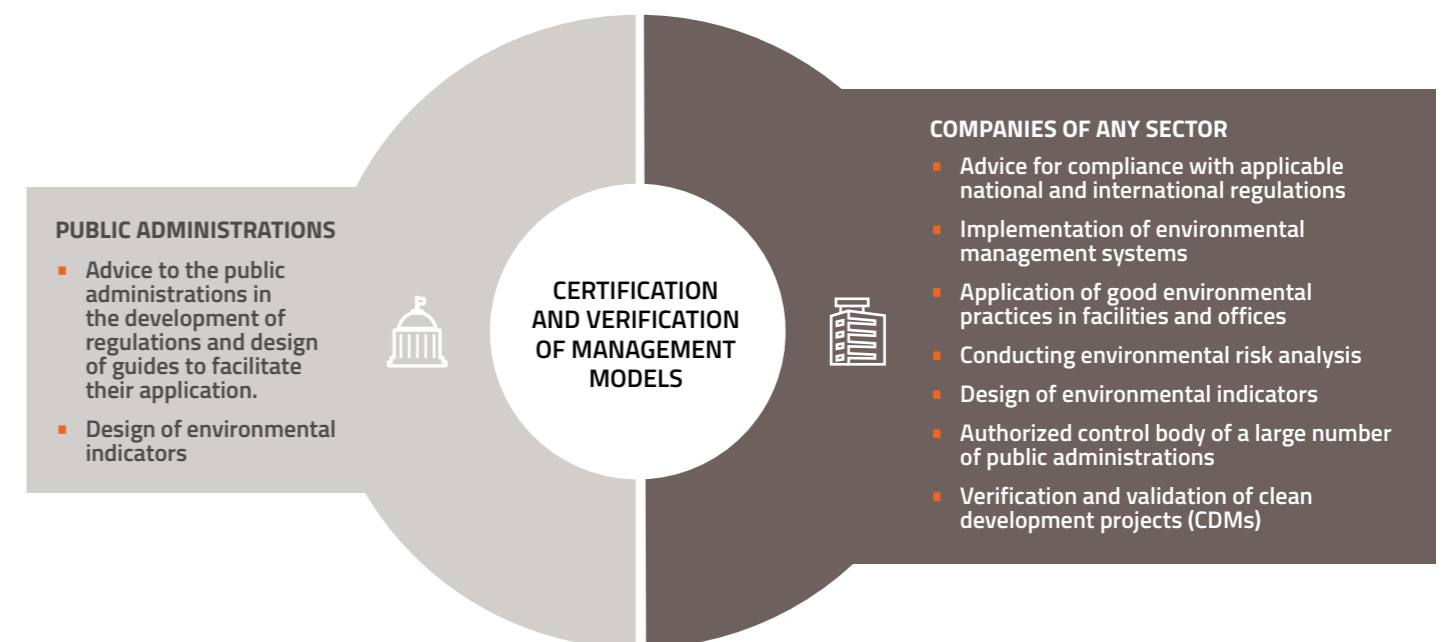
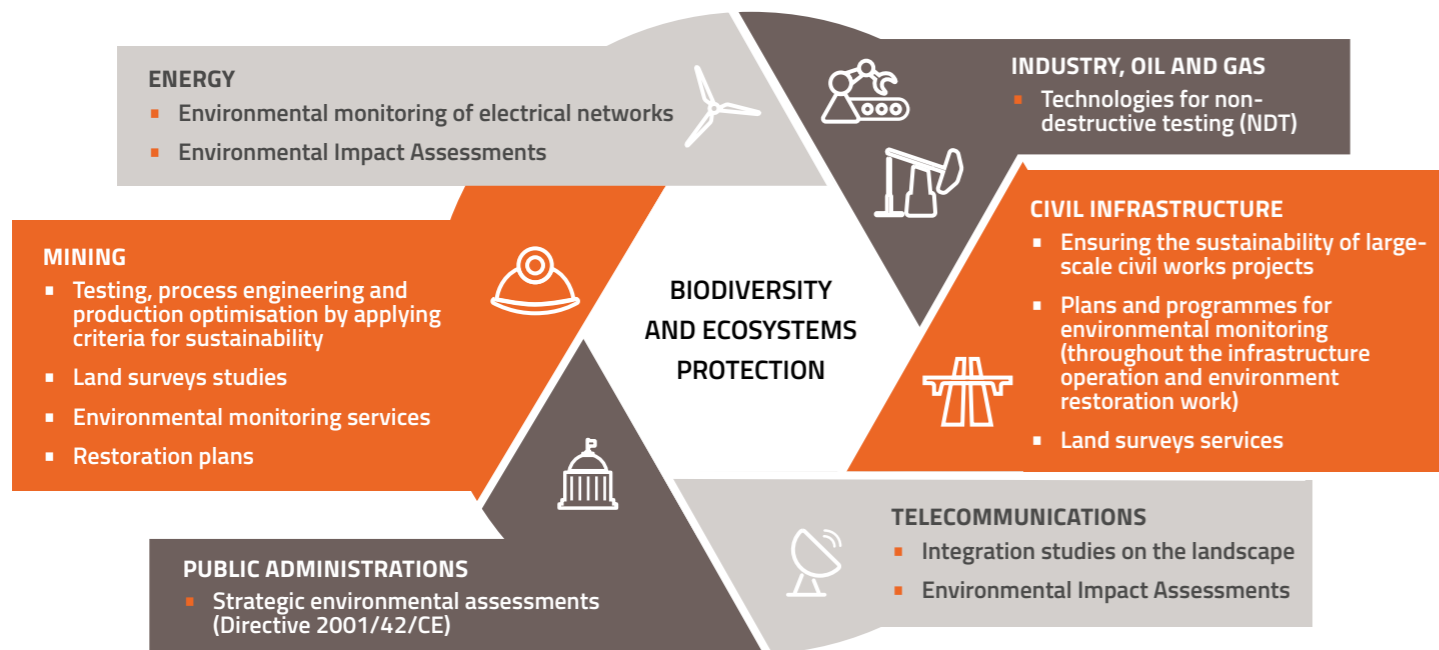
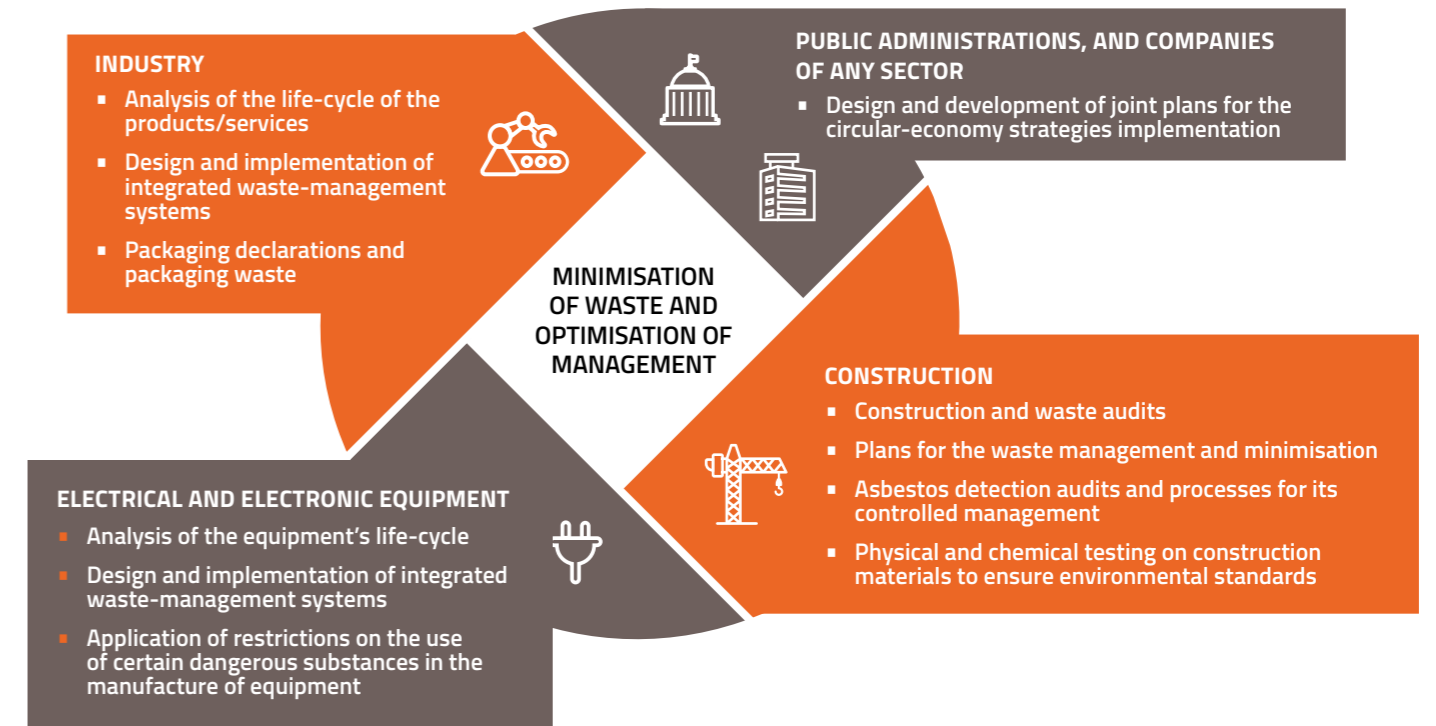
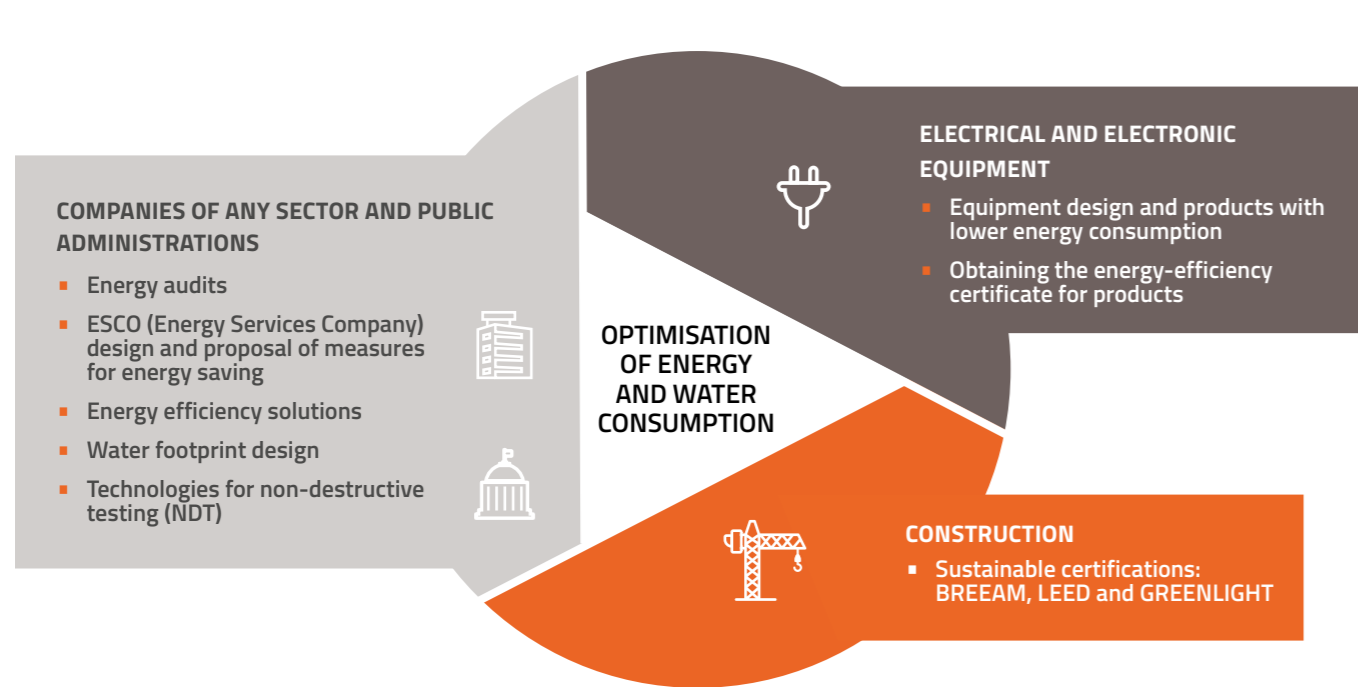
We have defined **plans to extend services** that the Group currently provides in some geographical areas **to other regions**, including the monitoring of tenders from other sectors and geographical areas and specific commercial plans at country level to introduce our services in other sectors. We have also defined **internal programmes to train and share capabilities**. These plans include the Group's current services and new ones.



The role of our projects and services

Beyond the internal control of our direct environmental impacts, the Applus+ Group's **key contribution** to the environment is the **services our divisions provide** to our clients that **lead to a reduction**, either directly or indirectly, in their **potential operational impacts**.





OUR ENVIRONMENTAL CONTRIBUTION

Below, we show some **examples of the environmental projects and services** and their application:

Tyre collection

This campaign is permanent; the Automotive Division places **tyre-collection points** to reduce the problems in **Costa Rica** caused by disused tyres, for example, breeding grounds for **Dengue and Zika** diseases. This campaign, supported by the Ministry of Health, includes a **compensation program** called “**Ecolones**”, which allows the participants to obtain points for the tyres delivered, which can be exchanged at affiliated businesses. Thanks to this campaign, **more than 3,000 tyres** have been collected **from the two collection points currently active**.



Environmental Impact Study

Applus+ in **Panama** carried out the environmental impact study (EIA) at the **Mufas Patio for a major gas company**. The project set out to quantify the **reduction of the social impacts** produced, and to verify the development of the necessary activities to **comply with the measures included in the Environmental Management Plan**. Applus+ prepares and delivers the Compliance Report required by the National Environmental Authority (ANAM) in the Republic of Panama.

Emission and noise testing for a public transport agency

Applus+ in **Denmark** has won a four-year contract to carry out **emission and noise testing for a public transport agency for buses** in Denmark.

These emission and noise tests are ground-breaking in Denmark, and the tests are carried out while the vehicle is driving at 80 km/h. Applus+ is becoming a **pioneer in the “on-road, real testing” of emission and noise**, which ensures that the test results are as close to real time readings as possible.

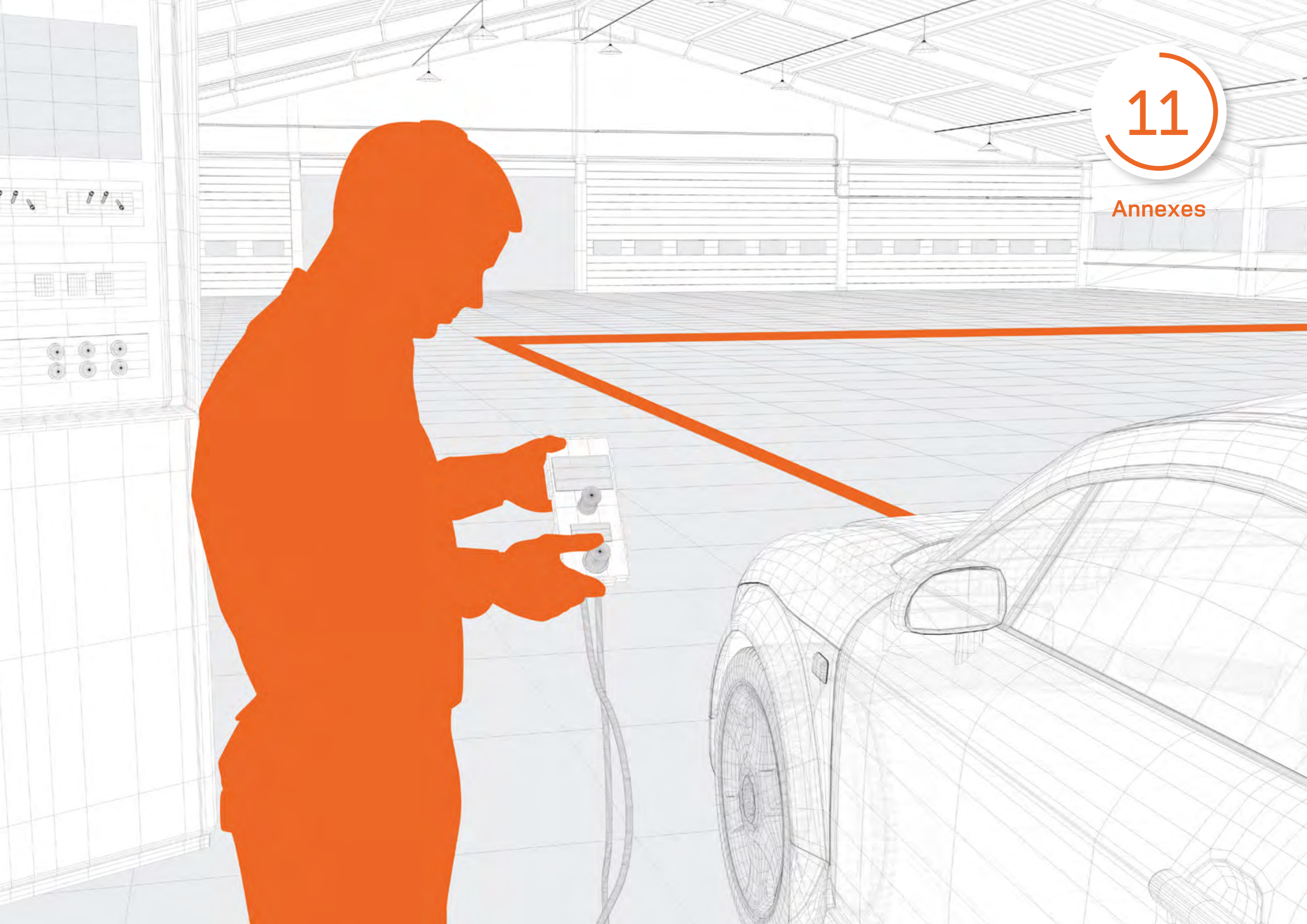


Awards and recognitions



Our **clients and commercial partners** have also **recognised our commitment to the environment**:

- Applus+ has received an **Honorary mention at SIMEA 2018 - 26th International Symposium of Automotive Engineering**, in the category “Project and Technology of vehicle”, for its work in connectivity services for automotive-mobility applications, which will contribute to **more efficient mobility, with a lower environmental impact**.
 - Applus+ was **awarded** for a new project in **Bahrain**. The scope of work includes conducting **energy audits** and proposing/ designing **energy efficiency solutions** for various facilities and structures in the Kingdom of Bahrain. This will include government buildings (schools, hospitals and municipal buildings), sewage and pumping networks, industrial plants and commercial buildings (shopping centres and hotels).
- **Other recognitions:**
 - Applus+ in **Spain** was selected for **another European Investment Bank (EIB) Framework Agreement**. This shortlist concerns the **consortium** led by **NTU International A/S** for the following project: European Investment Bank, Call for Tenders PC-1426, Consultancy Services for the Urban Development, Water and Solid Waste Sectors, Lot 1 - Urban Development. The project scope includes **urban regeneration, social housing, tourism and the circular economy**. The agreement will cover all EIB countries from the following regions: the EU, Enlargement Countries, EU Eastern Neighbours, FEMIP1, ACP2, ALA4 and South Africa.



Annex I: Principles underlying this report

GRI 101

PRINCIPLES FOR DEFINING REPORT CONTENT

Stakeholder inclusiveness

The report's content draws from the outcomes of our stakeholder-engagement processes, which are undertaken specifically for the report (see Annex II [11.2.1 Materiality Analysis]). The outcomes inform decisions taken for the report and are consistent with the material topics included in the report (see Annex II and section 8.1.1, Key topics and concerns).

Sustainability context

Applus+ presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognised sectorial, local, regional or global instruments (see section 3. CSR Approach).

Materiality

In defining the material topics, Applus+ considers the following factors (see Annex II [11.2.1 Materiality Analysis]):

- Reasonably estimable economic, environmental, and/or social impacts, identified by expert bodies with recognised credentials.
- The interests and expectations of stakeholders specifically invested in the organisation, such as employees and shareholders. Broader economic, social, and/or environmental interests and topics raised by stakeholders, such as suppliers and civil society. The main topics and future challenges for a sector, as identified by peers and competitors.
- Laws, regulations, international agreements, or voluntary agreements of strategic significance to the organisation and its stakeholders.
- Key organisational values, policies, strategies, operational management systems, goals and targets.
- The core competencies of the organisation and the manner in which they can contribute to

sustainable development.

- Consequences for the organisation related to its impacts on the economy, the environment and/or society (for example, risks to our business model or reputation).
- Material topics are appropriately prioritised in this report.

Completeness

Comprehensiveness mainly covers the following dimensions:

- List of material topics covered in the report.
- Coverage of the theme and time.

PRINCIPLES FOR DEFINING REPORT QUALITY

Accuracy

- The report indicates the data that have been measured. The measurements for data, and bases for calculations, are adequately described, and can be replicated with similar results. The margin of error for quantitative data is not sufficient to substantially influence the ability of stakeholders to reach appropriate and informed conclusions.
- The report indicates which data have been estimated, and the underlying assumptions and techniques used for the estimation, or where that information can be found.
- The qualitative statements in the report are consistent with other reported information and other available evidence.

Balance

- The report covers both favourable and unfavourable results and topics. The information in the report is presented in a format that allows users to see positive and negative trends in performance on a year-to-year basis.
- The emphasis on the various topics in the report reflects their relative priority.

Clarity

- The report contains the level of information required by stakeholders, but avoids excessive and unnecessary detail. Stakeholders can find the specific information they want without unreasonable effort through tables of contents, maps, links or other aids.
- The report avoids technical terms, acronyms, jargon, or other content likely to be unfamiliar to stakeholders, and includes explanations (where necessary) in the relevant section.
- The information in the report is available to stakeholders.

Comparability

- The report and its information can be compared on a year-to-year basis. The reporting of the organisation's performance can be compared with appropriate benchmarks.
- Any significant variation between reporting periods in the list of material topics, topic boundaries, length of reporting period or information covered in the report can be identified and explained.
- When they are available, the report utilises the generally accepted protocols for compiling, measuring and presenting information.

Reliability

- The organisation can identify the original sources of the information in the report.
- The organisation can provide reliable evidence to support assumptions or complex calculations.
- Representation is available from the original data or information owners, attesting to its accuracy within acceptable margins of error.

Timeliness

- Information in the report has been disclosed while it is recent and relative to the reporting period.
- The information in the report clearly indicates the time period to which it relates, when it will be updated, and when the latest updates were made, and separately identifies any restatements of previous disclosures along with the reasons for restatement.

Annex II: Definition of the report's content

GRI 102-46

To define and develop this report, Applus+ has **covered and prioritised the topics** in accordance with the principles of materiality, sustainability context, stakeholder inclusiveness and completeness.

MATERIALITY ANALYSIS

GRI 102-42 GRI 102-43 GRI 102-47 GRI 102-49

We assign relevance to these topics, or **materiality**, based on their importance concerning the economic, environmental or social impact of our organisation; or because the topics directly influence the decisions of our stakeholders.

As with the past three years, Applus+ has conducted the materiality analysis, and the CSR Committee delegated this task to an in-house team, which provides similar services to our clients.

To begin materiality analysis, the stakeholders included and the topics from last year have been **reviewed**. After this revision, the **stakeholders** identified the same as in the previous year:

- Public administration
- Clients
- Competitors
- Employees
- Investors
- Financial market
- Sectors where we operate
- Suppliers
- Society

To identify the topics, we **reviewed** the **validity** of the **previous year's 30 topics** by **benchmarking** against **three competitors** and **four companies** from different sectors in which Applus+ operates. Oil and gas, automotive, aerospace and power sectors were considered. At the same time, the topics included in the **Dow Jones Sustainability Index (DJSI)** and in the **FTSE4GOOD** were also taken into account as a global benchmark.

Following this assessment, the inclusion of **any additional** topic was considered, and the **anti-bribery and integrity topic** was **integrated into** the **code of ethics and compliance** topic. As a result, we produced a **definitive list of 29 topics**.

We established the **materiality and relative priority** of each topic via **two paths**:

- Firstly, we consulted the ranking of the topics published by our **competitors, companies** from different **sectors in which Applus+ operates** and **stock exchange indices of sustainability**. As part of this inquiry, we also considered the **ratings** for the economic, environmental and social issues published in the **RobecoSAM Corporate Sustainability Assessment**.
- **Secondly**, we consulted the **Management team**. Personal interviews were held, in which the management team rated each topic as high, medium or low with regards to its **internal importance (Applus+)** and its **external importance**, that is, for those stakeholders not considered in the previous inquiry: public administration, clients, employees, investors, financial markets, suppliers and society.

By cross-referencing the importance for Applus+ with the stakeholders' importance, we determined the **materiality matrix**, and we obtained our **material topics list prioritized** with: **13 material aspects**, ten aspects with a medium importance and six of them with low importance.

Three new topics have been added to our list of **material topics** this year. These topics are:

- Business model and strategy.
- Stakeholder engagement.
- Training/capacity building and professional development.

MATERIALITY MATRIX



Annex III: Economic Value Added (EVA)

GRI 201-2

EVA consolidated (thousands of Euros)	2018	2017	2016
Economic value generated (thousands of Euros)	1,676,234	1,586,272	1,590,621
Revenue	1,675,942	1,583,094	1,586,496
Profit/Income equity method	13	647	1,724
Financial Income	2,510	1,339	2,293
Results on disposals of non-current assets	(2,231)	1,192	108
Economic value distributed (thousands of Euros)	1,509,706	1,446,285	1,467,684
Procurements	159,242	180,926	216,974
Staff costs	919,205	861,574	840,391
Other operating expenses	379,524	356,986	352,324
Other costs	4,646	8,264	5,224
Financial costs	23,739	22,807	20,859
Corporate income tax	23,350	15,728	31,912
Economic value retained (thousands of Euros)	106,334	94,381	94,362
Depreciation and amortization charge	106,334	94,381	94,362

Annex IV: Methodology for the evaluation of impacts

DIRECT IMPACTS

We have structured the process of identification and evaluation of our direct impacts in **five areas**: economy, good governance, environment, market and society.

To carry out an objective evaluation of our direct impact on the five areas, we have developed a methodology based on the identification of the **main performance indicators of each area**. Then, we have applied **weights from 0% to 100%** to the **indicators** of each area based on the following criteria:

- Material topics prioritisation by stakeholders.
- Material topics prioritisation by our Company.

In doing so, we **weight** the **indicators' values** in respect to the importance that both Applus+ and the stakeholders give them within the corresponding area. After considering our stakeholders' expectations when assigning a weighting, we **incorporate** the **external context** of our Company as one more element of the evaluation process.

Finally, we **calculate** the **indicators' value** by establishing a **scale from one to five** for each one. We assigned **quantitative criteria** to the indicators **levels**, according to their **historical performance** in our Company and by taking into account the **framework** established by the **expectations** of our internal and external stakeholders.

The **indicators selected** for each area are:

Economy

- Indicators:** Revenue trend, AOP (Adjusted Operating Profit) trend, trend in the number of employees and proportion of spending on local suppliers.

Good governance

- Indicators:** Complaints/sanctions on economic obligations, unfair competition, Human Rights or corruption. Percentage of implementation of CNMV recommendations, percentage of independent Directors and management of risks and opportunities.

Environment

- Indicators:** Complaints/penalties for legal breach, energy-consumption reduction, emissions reduction, positioning in the Carbon Disclosure Program (CDP), application of environmental criteria in the selection of suppliers and water-consumption reduction.

Society

Employees

- Indicators:** Voluntary turnover rate, employee satisfaction index, accident-rate variation, increase in employee training hours/year, increase in the percentage of women employed, trend in *Code of Ethics* breaches.

Local communities

- Indicators:** Percentage of local hiring, percentage of suppliers evaluated regarding compliance with the Company's ethical and conduct standards.

Market

- Indicators:** Complaints/sanctions for breach of Testing Inspection and Certification (TIC) legislation and confidentiality. Increase of hours dedicated to innovation, recurring clients' percentage considering a period of more than 10 years, increase of agreements with external organisations (innovation).

The **assignment** and **ranking of percentages** allowed us to establish **three levels** of **direct impact** in the context of our Company:

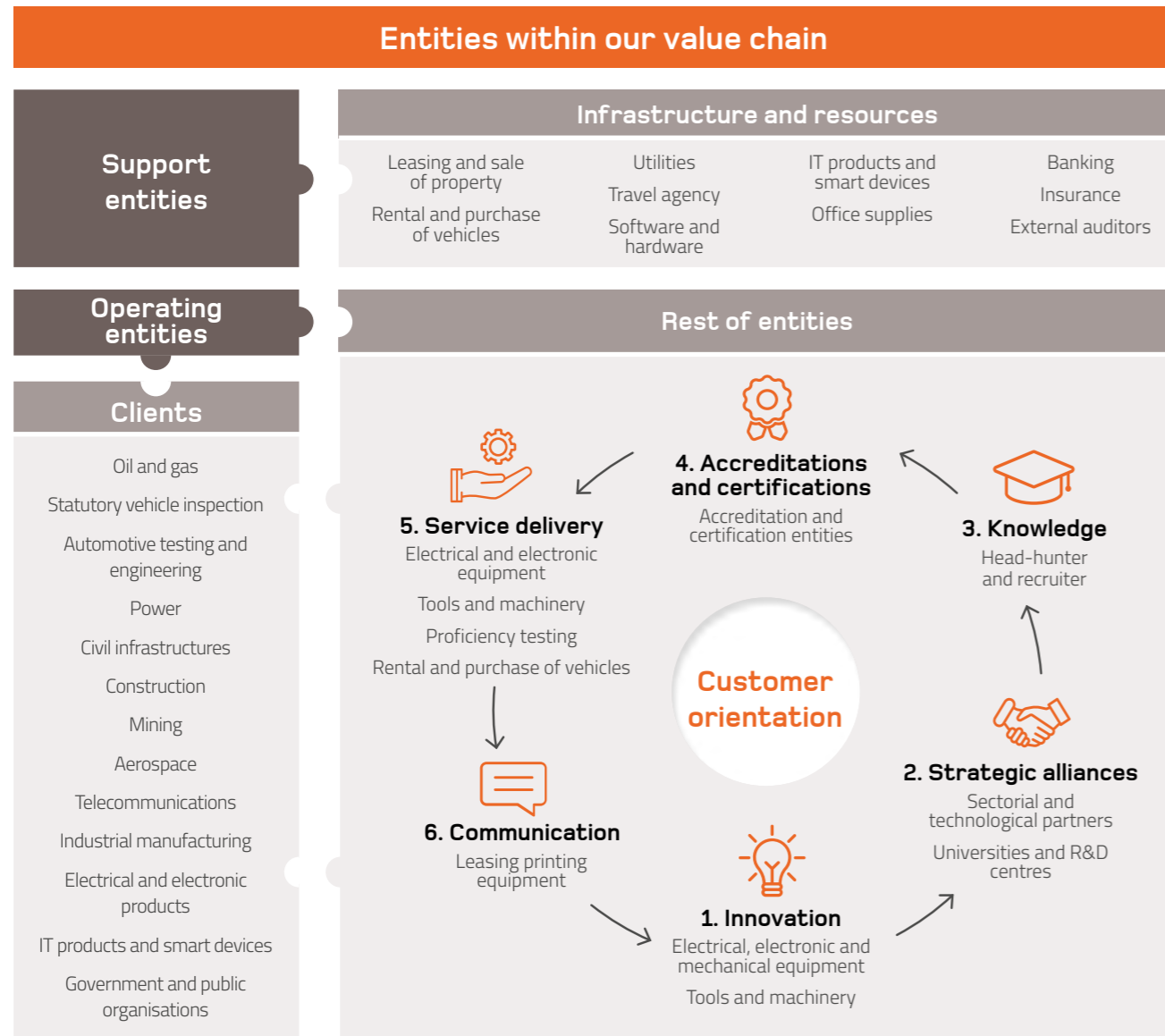
- Low Impact:** 0% - 32%
- Medium Impact:** 33% - 65%
- High Impact:** 66% - 100%

The **impact level** of our performance in each **area** was calculated by assigning the quantitative criterion (scale) corresponded under the **indicators value** in 2018.

INDIRECT IMPACTS

GRI 102-9

The table below shows the entities involved in our value chain:



To assess our contribution to the impacts across the entities involved in our value chain, we identified and **grouped the entities' main impacts into five areas**, as we did with the direct impacts: economy, good governance, environment, market and society.

To complete the evaluation, we **separated the entities into two large groups: our clients and the rest of entities**. We established these based on our ability to either directly control or influence their decisions.

When assessing the magnitude of our contribution to the impacts identified, we have **limited quantitative information** because of the Group's **extensive global presence**; our **decentralised contracting of services**; and our responsibility for **client confidentiality**.

Therefore, we perform a **qualitative evaluation** through the argumentation and **justification of our contribution**.

Annex V: Data related to Human Resources

ORGANISATIONAL LEVEL	NUMBER OF EMPLOYEES
Tier 1, 2 and 3	580
Tier 4	1,241
Operational employees and Others	21,031
Total general	22,852

Tier 1: Managers who report directly to Applus+ Group CEO

Tier 2: Managers who report directly to Tier 1 (Corporate areas directors, Regionals, Business unit area managers or Country managers if they report directly to Tier 1)

Tier 3: Managers who report directly to Tier 2 (Corporate areas managers, Heads of departments, Regionals, Business unit area managers or Country managers, Key account managers, Business line managers (if they report directly to Tier 2))

Others: Any other employee not included in the categories detailed above

NUMBER OF EMPLOYEES BY GENDER	2018	2017	2016
Overall employees	81% M – 19% F	82% M – 18% F	81% M – 19% F
Management	Tier 1 and 2 86% M- 14% F Tier 3 83% M - 17% F	Tier 1 and 2 84% M- 16% F Tier 3 79% M - 21% F	83% M – 17% F

REGION	REGION/ COUNTRY	GENDER	TIER 1, 2 AND 3	TIER 4	OPERATIONAL EMPLOYEES AND OTHERS	TOTAL
Asia Pacific	Australia	M-Male	22	26	360	408
		F-Female	3	4	45	52
	Other countries	M-Male	51	76	902	1,029
F-Female		14	17	244	275	
Latin America	Brazil	M-Male	10	18	412	440
		F-Female	3	5	60	68
	Chile	M-Male	2	49	558	609
		F-Female	0	14	170	184
	Colombia	M-Male	1	8	1,263	1,272
		F-Female	0	1	462	463
	Guatemala	M-Male	0	4	441	445
		F-Female	0	3	46	49
	Panama	M-Male	0		419	419
		F-Female	0		171	171
	Other countries	M-Male	16	112	883	1,011
		F-Female	3	13	190	206
Middle East and Africa	Oman	M-Male	13	9	488	510
		F-Female	0		13	13
	Qatar	M-Male	0	10	426	436
		F-Female	0	1	29	30
	Saudi Arabia	M-Male	13	35	987	1,035
		F-Female	0		3	3
Other countries	M-Male	30	13	541	584	
	F-Female	3	3	45	51	
Rest of Europe	Germany	M-Male	14	21	402	437
		F-Female	1	2	70	73
	Ireland	M-Male	18		620	638
		F-Female	3	1	149	153
	Netherlands	M-Male	14	34	478	526
		F-Female	1	2	59	62
	Other countries	M-Male	72	130	1,000	1,202
		F-Female	15	9	1 70	194
Spain	Spain	M-Male	134	315	5,152	5,601
		F-Female	27	107	1,788	1,922
US and Canada	USA and Canada	M-Male	76	146	1,650	1,872
		F-Female	21	53	335	409
Total			580	1,241	21,031	22,852

REGION	REGION/ COUNTRY	MALE <30 YEARS OLD	FEMALE <30 YEARS OLD	MALE 30≥YEARS OLD<50	FEMALE 30≥YEARS OLD<50	MALE ≥50 YEARS OLD	FEMALE ≥50 YEARS OLD
Asia Pacific	Australia	44	9	301	35	83	8
	Other countries	183	82	550	172	75	13
Latin America	Brazil	73	36	313	29	53	3
	Chile	159	49	318	103	71	59
	Colombia	319	190	750	227	102	9
	Guatemala	248	35	191	19	4	1
	Panama	284	129	119	40	18	1
	Other countries	461	81	464	109	82	12
	Middle East and Africa	Oman	126	4	301	9	83
Saudi Arabia		326	3	569	5	92	0
Other countries		76	6	425	32	32	3
Rest of Europe	Germany	38	12	255	38	143	23
	Ireland	76	13	413	96	152	40
	Netherlands	61	9	302	34	163	19
	Other countries	230	43	655	99	324	35
Spain	Spain	1,132	263	3,512	1,397	865	240
US and Canada	USA and Canada	406	76	984	218	477	121
Total		4,242	1,040	10,422	2,662	2,819	587

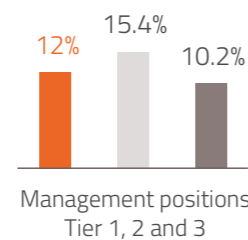
GENDER	MALE			FEMALE		
	AGE*	<30 years old	30≥years old<50	≥50 years old	<30 years old	30≥years old<50
NUMBER OF DISMISALS	289	714	234	74	135	35

(*) The figures cover 94% of Applus+ employees

GENDER	MALE		FEMALE		TOTAL	
	ORGANIZATIONAL LEVEL*	Tier 2 and Tier 3	Others	Tier 2 and Tier 3	Others	Dismissals
NUMBER OF DISMISALS	26	1,211	14	230	1,481	8.4%

* The figures cover 94% of Applus+ employees

Voluntary turnover*



■ 2018 ■ 2017 ■ 2016

* The figures cover 98% of Applus+ employees

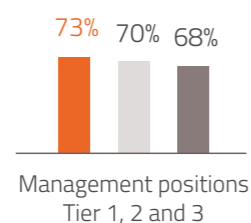
REGION	REGION/COUNTRY	GENDER	PERMANENT	NO-PERMANENT	TOTAL
Asia Pacific	Australia	M-Male	226	182	408
		F-Female	40	12	52
	Other countries	M-Male	573	456	1,029
Latin America	Brazil	M-Male	436	4	440
		F-Female	66	2	68
	Chile	M-Male	609		609
		F-Female	184		184
	Colombia	M-Male	1,272		1,272
		F-Female	463		463
	Guatemala	M-Male	390	55	445
		F-Female	46	3	49
	Panama	M-Male	228	191	419
		F-Female	88	83	171
Other countries	M-Male	674	337	1,011	
	F-Female	153	53	206	
Middle East and Africa	Oman	M-Male	272	238	510
		F-Female	13		13
	Qatar	M-Male	120	316	436
		F-Female	25	5	30
	Saudi Arabia	M-Male	1,033	2	1,035
		F-Female	3		3
Other countries	M-Male	313	271	584	
F-Female	39	12	51		
Rest of Europe	Germany	M-Male	400	37	437
		F-Female	70	3	73
	Ireland	M-Male	605	33	638
		F-Female	114	39	153
	Netherlands	M-Male	469	57	526
		F-Female	50	12	62
Other countries	M-Male	1,091	111	1,202	
F-Female	175	19	194		
Spain	Spain	M-Male	4,248	1,353	5,601
		F-Female	1,448	474	1,922
US and Canada	USA and Canada	M-Male	1,871	1	1,872
		F-Female	402	7	409
Total			18,400	4,452	22,852

PARENTAL LEAVE BY GENDER*		TOTAL NUMBER OF EMPLOYEES WHO ENJOYED PARENTAL LEAVE WITHIN THE PERIOD		FROM THESE EMPLOYEES, TOTAL NUMBER WHO RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED		% RETURN	
		Male	Female	Male	Female	Male	Female
		Asia Pacific	Australia	8	3	8	3
	Other countries	5	12	5	11	100%	92%
Latin America	Brazil	7	7	7	7	100%	100%
	Chile	0	1	0	0		0%
	Colombia	15	20	11	18	73%	90%
	Guatemala	0	2	0	1		50%
	Panama	4	6	4	6	100%	100%
	Other countries	4	9	4	8	100%	89%
	Middle East and Africa	Oman	0	1	0	1	
Qatar		0	1	0	1		100%
Saudi Arabia		3	2	3	1	100%	50%
Other countries		2	0	2	0	100%	
Rest of Europe	Germany	26	9	23	5	88%	56%
	Ireland	19	9	19	9	100%	100%
	Netherlands	12	1	12	1	100%	100%
	Other countries	26	13	26	3	100%	23%
Spain	Spain	185	65	176	59	95%	91%
US and Canada	USA and Canada	41	7	32	7	78%	100%
Total		357	168	332	141	93%	84%

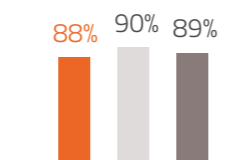
* The figures cover 92% of our employees.

REGION	REGION/COUNTRY	GENDER	FULL TIME	PART TIME	TOTAL
Asia Pacific	Australia	M-Male	366	42	408
		F-Female	42	10	52
	Other countries	M-Male	1,022	7	1,029
		F-Female	272	3	275
Latin America	Brazil	M-Male	430	10	440
		F-Female	52	16	68
	Chile	M-Male	609		609
		F-Female	184		184
	Colombia	M-Male	1,202	70	1,272
		F-Female	431	32	463
	Guatemala	M-Male	445		445
		F-Female	49		49
	Panama	M-Male	419		419
		F-Female	171		171
Other countries	M-Male	1,011		1,011	
	F-Female	206		206	
Middle East and Africa	Oman	M-Male	510		510
		F-Female	13		13
	Qatar	M-Male	435	1	436
		F-Female	29	1	30
	Saudi Arabia	M-Male	1,034	1	1,035
F-Female		3		3	
Other countries	M-Male	561	23	584	
	F-Female	47	4	51	
Rest of Europe	Germany	M-Male	425	12	437
		F-Female	42	31	73
	Ireland	M-Male	633	5	638
		F-Female	117	36	153
	Netherlands	M-Male	507	19	526
		F-Female	29	33	62
	Other countries	M-Male	1,148	54	1,202
F-Female		149	45	194	
Spain	Spain	M-Male	5,406	195	5,601
		F-Female	1,505	417	1,922
US and Canada	USA and Canada	M-Male	1,735	137	1,872
		F-Female	368	41	409
Total			21,607	1,245	22,852

Internal promotion rate

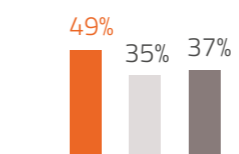


% local employees



■ 2018 ■ 2017 ■ 2016

% Employees covered by Collective Agreements



■ 2018 ■ 2017 ■ 2016

Ratio: Annual Compensation of the highest-paid individual compared to the AVG Compensation W/O the highest paid individual.

REGION	REGION/COUNTRY	EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS	% EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS
Asia Pacific	Australia	118	26
	Asia Pacific	18	1
Latin America	Brazil	401	79
	Chile	118	15
	Other countries	233	19
	Other countries	34	5
Rest of Europe	Germany	346	68
	Ireland	750	95
	Netherlands	580	99
	Other countries	563	40
Spain	Spain	7,332	97
US and Canada	USA and Canada	627	27
Total		11,120	49%

ANNUAL COMPARISON RATIO*	RATIO	
Asia Pacific	Australia	2.6
	Other countries	4.6
Latin America	Brazil	5.5
	Chile	6.4
	Colombia	11.8
	Guatemala	5.7
	Panama	6.0
	Other countries	11.7
Middle East and Africa	Oman	6.3
	Qatar	8.3
	Saudi Arabia	5.6
	Other countries	13.1
Rest of Europe	Germany	3.5
	Ireland	4.4
	Netherlands	4.1
	Other countries	5.7
Spain	Spain	5.6
US and Canada	USA and Canada	7.3

Executive Committee in Spain not included.
* The figures cover 92% of our employees.

Minimum salary within the Region/Country by law: minimum salary by law provided by HR local teams.

Minimum salary within the Region/Country (Applus+): minimum salary received by an employee within the region/country.

Minimum salary gap by Gender (Applus+): gap between male and female minimum salary as a percentage of male minimum salary.

% Δ Minimum salary: gap between the minimum salary paid in Applus+ and the minimum salary by law, compared to the latter if available.

% Δ AVG salary: gap between the average salary in the Applus+ and the published average salary, compared to the latter if available.

RATIO OF MINIMUM SALARY AND AVG SALARY BY LAW WITHIN THE COUNTRY COMPARED TO THE LOCAL COUNTRY*		Minimum salary within the Region/Country by law		Minimum salary within the Region Country (Applus+)		Minimum salary gap by Gender (Applus+)	% Δ Minimum salary		% Δ AVG salary	
		Male	Female	Male	Female		Male	Female	Male	Female
Asia Pacific	Australia	20,208	20,208	31,183	23,370	-25%	54%	16%	8%	21%
	Other countries	3,161	3,161	5,538	5,231	-6%	75%	65%	93%	29%
Latin America	Brazil	2,943	2,943	2,973	2,973	0%	1%	1%	8%	5%
	Chile	4,511	4,511	4,704	4,704	0%	4%	4%	137%	105%
	Colombia	2,670	2,670	2,670	2,670	0%	0%	0%		
	Guatemala	4,634	4,634	4,765	4,635	-3%	3%	0%		
	Panama	5,619	5,619	7,712	7,712	0%	37%	37%		
	Other countries	1,398	1,398	3,608	2,534	-30%	158%	81%	59%	43%
Middle East and Africa	Oman			3,432	9,336	172%				
	Qatar			2,815	8,563	204%				
	Saudi Arabia	8,460	8,460	8,460	10,669	26%	0%	26%	-1%	
	Other countries			2,903	3,302	14%				
Rest of Europe	Germany	17,004	17,004	21,598	22,815	6%	27%	34%	23%	49%
	Ireland	19,367	19,367	25,723	25,723	0%	33%	33%	0%	0%
	Netherlands	20,661	20,661	24,630	24,630	0%	19%	19%		
	Other countries	7,635	7,635	9,007	9,382	4%	18%	23%	60%	18%
Spain	Spain	8,831	8,831	10,303	10,303	0%	17%	17%		
US and Canada	USA and Canada	12,739	12,739	12,739	12,739	0%	0%	0%	79%	46%

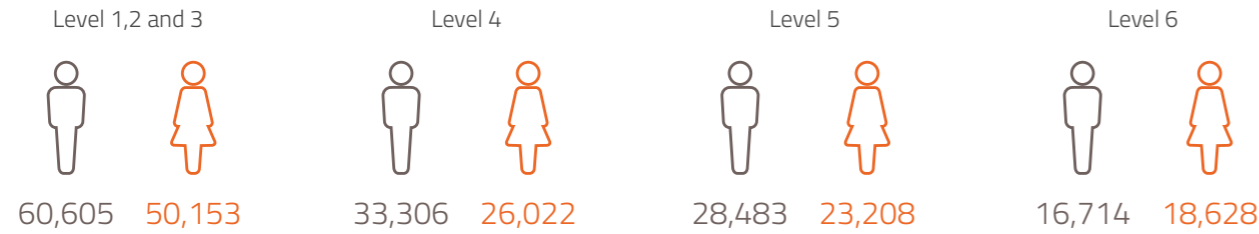
* The figures cover 92% of our employees

Number of employees with Benefits*		Life insurance		Health care		Educational Allowance		Disability and invalidity coverage		Parental leave		Retirement provision		Stock ownership		Others	
		Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time	Permanent	Temporary/Part-time
Asia Pacific	Australia	0	0	0	0	0	0	0	0	10	1	524	56	0	0	0	0
	Other countries	42	0	42	0	0	0	1	0	17	0	0	0	0	0	0	0
Latin America	Brazil	545	62	526	62	0	0	0	0	14	0	0	0	1	0	98	28
	Chile	35	0	44	0	0	0	0	0	1	0	0	0	0	0	5	0
	Colombia	1,557	126	61	0	1	0	28	0	35	0	4	0	1	0	1	0
	Guatemala	0	0	0	0	0	0	0	0	0	2	0	0	1	0	0	0
	Panama	301	0	4	0	1	0	0	0	9	1	0	0	1	0	0	0
	Other countries	30	172	8	341	5	0	0	0	10	3	0	0	3	0	86	0
	Middle East and Africa	Oman	288	235	288	235	2	0	0	0	1	0	0	0	1	0	0
	Qatar	150	333	150	333	0	0	0	0	1	0	0	0	0	0	0	0
	Saudi Arabia	0	0	984	10	0	0	1	0	5	0	1	0	0	0	0	0
	Other countries	306	6	316	11	0	0	0	0	2	0	1	0	4	0	0	0
Rest of Europe	Germany	0	0	336	1	0	0	0	0	30	5	35	2	0	0	69	1
	Ireland	805	91	23	0	0	0	15	0	22	6	467	44	1	0	287	0
	Netherlands	0	0	0	0	0	0	0	0	13	0	0	0	0	0	0	0
	Other countries	904	94	640	72	0	0	19	2	38	1	436	20	1	0	279	0
Spain	Spain	134	0	363	4	3	0	1,026	445	205	45	67	0	59	0	148	8
US & Canada	USA & Canada	2,924	6	2,857	1	11	0	610	1	48	0	2,923	219	8	0	0	0
		8,021	1,125	6,642	1,070	23	0	1,700	448	461	64	4,458	341	81	0	973	37

* The figures cover 92% of our employees

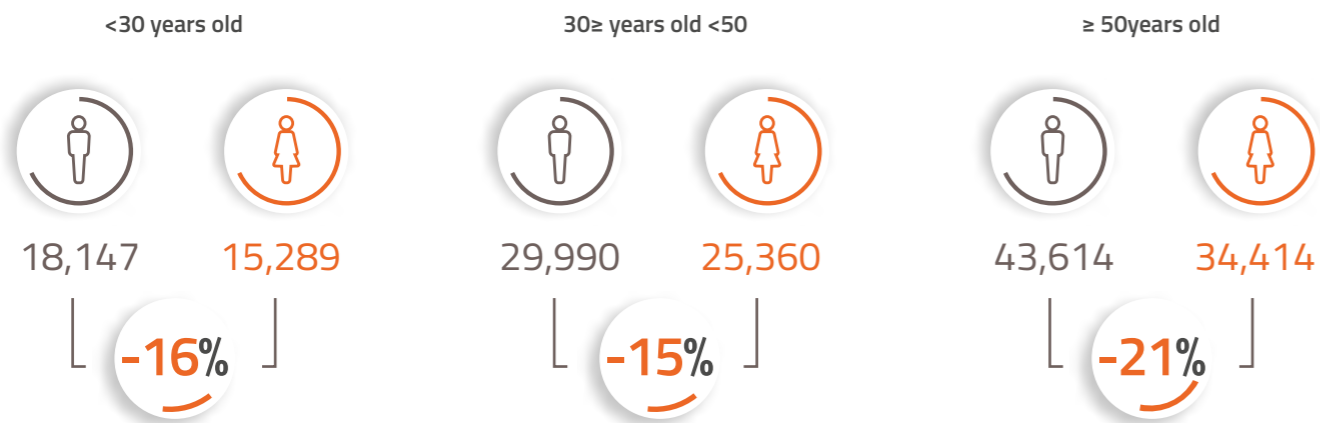
Life insurance	Employees who had life insurance as a benefit. In Spain most of the Collective agreements have this due to business trips.
Health care	Employees who had Health care as a benefit.
Educational Allowance	Employees who enjoyed specific training programmes such as Masters, PhD, etc.
Disability and invalidity coverage	Employees who enjoyed disability or invalidity coverage.
Parental leave	Employees who enjoyed parental leave.
Retirement provision	Employees who received monetary assignments in their retirement plans on top of the local regulations
Stock ownership	Employees who received RSUs
Others	Employees who received any other benefit.

Salary gap by organisation level (€)



AVG Salary		Salary gap	Δ Level 1, 2 and 3 – Level 4		Δ Level 4 – Level 5		Δ Level 5 – Level 6	
Male	Female		Male	Female	Male	Female	Male	Female
29,612	24,218	-18%	82%	93%	17%	12%	70%	25%

Salary gap by age (€)



The remuneration data provided solely considers our employees' base salary. The variable remuneration, once analysis performed, for SAUDI ARABIA, QATAR, NETHERLANDS, GERMANY, SPAIN, IRELAND, COLOMBIA Y BRAZIL is about 18.85% of the total remuneration of these countries.

Annex VI: Cross references table: GRI and Global Compact

GENERAL CONTENTS			
GRI Indicator	DEFINITION	CSR Report 2018	UN Global Compact
101	Foundation	11.1 Annex I Principles underlying this report	
102-1 102-5	Name of the organisation Legal form	Applus Services, S.A	
102-2	Activities, brands, products, and services	2.1. Applus+ at a glance	
102-3	Location of headquarters	Applus Services, S.A. head offices: <ul style="list-style-type: none"> Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4ª planta 28022 Madrid Campus UAB – Ronda de la Font del Carme, s/n 08193 Bellaterra – Barcelona 	Organization's profile and operational context
102-4	Location of operations		
102-5	Ownership		
102-6	Markets served	2.1. Applus+ at a glance	
102-7	Scale of the organisation		Principle 6
102-8	Information on employees and other workers	6.1 Employment	Principle 6
102-9	Supply chain	11.4.2 Indirect impacts	
102-10	Significant changes to the organisation and its supply chain	Applus+ has not seen organizational changes during 2018 8.2.1 Purchase management	
102-11	Precautionary principle or approach	10.1 Environmental management approach	
102-12	External initiatives	3.1 CSR framework 8.1 Dialogue with stakeholders	Sustainability context
102-13	Membership of associations	8.1 Dialogue with stakeholders	
102-14	Statement from senior decision-maker	1. Letter from the Chairman and CEO	Statement by the Chief Executive
102-16	Values, principles, standards, and norms of behaviour	7.3 Business ethics	Principle 10 Decision-making processes

GENERAL CONTENTS			
GRI Indicator	DEFINITION	CSR Report 2018	UN Global Compact
102-18	Mechanisms for advice and concerns about ethics	7.1 Corporate structure	Decision-making processes
102-40	List of stakeholder groups	8. Stakeholder engagement	
102-41	Collective bargaining agreements	6.1.2 Freedom of association and collective bargaining	
102-42	Identifying and selecting stakeholders	11.2 Annex II: Materiality analysis	
102-43	Approach to stakeholder engagement	8.1 Dialogue with stakeholders 11.2 Annex II: Materiality analysis	Stakeholder engagement
102-44 103-2	Key topics and concerns raised The management approach and components	8.1.1 Key topics and concerns	Commitments, strategies or policies, and management systems to integrate the principles
102-45	Entities included in the consolidated financial statements	Annual Accounts (Annex 1)	
102-46	Defining report content and topic Boundaries	11.2 Annex II: Definition of the report's content	
102-47	List of material topics	4.3 Material topics 11.2 Annex II: Materiality analysis	
102-48	Restatements of information	No restatements of information	
102-49	Changes in reporting	11.2 Annex II: Materiality analysis	

GENERAL CONTENTS			
GRI Indicator	DEFINITION	CSR Report 2018	UN Global Compact
102-50	Reporting period	2018 - January 1 st to December 31 st	
102-51	Data of most recent report	February 2018	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	teresa.sanfeliu@applus.com	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI standards': Core option	
102-55	GRI content index	11.6 Annex VI: Cross references table: GRI and Global Compact	
102-56	External Assurance	11.7 Annex VIII: Report's verification statement	
103-3 103-1	Evaluation of the management approach Explanation of the material topic and its boundary	Sections: 5, 6, 7, 8, 9, 10 and 11	Completeness Practical actions description and measurement of outcomes
		3.3 CSR strategic lines	Practical actions description
		4.1 Key figures	
		4.4 CSR's impacts evaluation (related to 11.4 Annex IV: Methodology for the evaluation of impacts)	Measurement of outcomes

ECONOMIC TOPICS				
MANAGEMENT APPROACH	GRI Indicator	DEFINITION	CSR Report 2018 (Sections)	UN Global Compact
Economic performance	201-2	Direct economic value generated and distributed	2.1 Applus+ at a glance 11.3 Annex III. Economic Value Added	
Market presence	202-2	Proportion of seniors management hired from the local community	6.1.1. Diversity and equal opportunity/ Non-discrimination 11.5 Annex V. Data related to human resources	Principle 6
Indirect economic impacts	203-2	Significant indirect economic impacts	4.4 CSR impacts 8.3. Social management approach 9.2. Our innovation projects 10. Sustainable performance	
Procurement practices	204-1	Proportion of spending on local suppliers	8.3. Social management approach	
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	100% of the employees have been told about anticorruption policies and procedures. 100% of existing employees as of September 30th 2018 have been trained. However, employees hired during last quarter of the year are being trained during the annual training period ending on February 28th, 2019 (except in Spain, where all new hires were trained before signing the contract in 2018).	Principle 10
Anti-competitive behavior	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	7.3.2 Market competition	Principle 10

ENVIRONMENTAL TOPICS				
MANAGEMENT APPROACH	GRI Indicator	DEFINITION	CSR Report 2018 (Sections)	UN Global Compact
Environment			10.1 Environmental management approach	Principle 7 Principle 8
Materials		Due to the nature of our activity, all environmental impacts derived from activities inherent to the manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from our management framework.		Principle 7 Principle 8
Energy	302-1	Energy consumption within the organisation	10.2 Energy and emissions	Principle 7 Principle 8 Principle 9
	302-3	Energy intensity		
Water	303-3	Water withdrawal by source	10.3 Waste, water and effluents	Principle 7 Principle 8 Principle 9
Biodiversity		The activities of Applus+ do not generate direct impacts on biodiversity, on the contrary, most of our services help our clients to minimize the impacts of their activities (see section 10.5 The role of our projects and services)		Principle 8
Emissions	305-1	Direct (Scope 1) GHG emissions	10.2 Energy and emissions	Principle 7
	305-2	Energy indirect (Scope 2) GHG emissions		
	305-4	GHG emissions intensity		
Environmental compliance	307-1	Non-compliance with environmental laws and regulations	Due to the Group's activities, it does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the Group's equity, financial position and results (note 23 of the CCAA).	Principle 8
Supplier environmental assesment	308-1	New suppliers that were screened using environmental criteria	In 2018 43% ⁶ of new suppliers were screened using environmental and social criteria.	Principle 8
Innovation			9. Innovation	Principle 9
Projects and services			10.5 The role of our projects and services	Principle 9

⁶ This figure is limited scope to countries covered in SAP (34 out of 75)

SOCIAL TOPICS				
MANAGEMENT APPROACH	GRI INDICATOR	DEFINITION	CSR REPORT 2018 (SECTIONS)	UN GLOBAL COMPACT
Employment	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	6.1 Employment 11.5 Annex V. Data related to Human Resources	Principle 6
Labor/ Management relations	402-1	Minimum notice periods regarding operational changes	6.1.2 Freedom of association and collective bargaining	Principle 3
Occupational health and safety	403-2	Hazard identification, risk assessment, and incident investigation	6.3 Occupational health and safety	Principle 1
Training and education	404-1	Average hours of training per year per employee	6.1.3 Training and professional development	
Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	6.1.1 Diversity and equal opportunity / Non-discrimination	Principle 6
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	No incidents have been identified	
Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom, of association and collective bargaining may be at risk	No operations and suppliers in which the right to freedom, of association and collective bargaining may be at risk here have been identified	Principle 3
Security practices	This topic does not apply to Applus+, our organisation does not outsource this type of service to the development of its projects and services.			Principle 1
Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	6.2 Fulfilment of Human Rights	Principle 1

SOCIAL TOPICS				
MANAGEMENT APPROACH	GRI INDICATOR	DEFINITION	CSR REPORT 2018 (SECTIONS)	UN GLOBAL COMPACT
Human Rights	412-2	Employee training on human rights policies or procedures	100% of existing employees as of September 30 th 2018 have been trained on Human Rights as part of the training on the Code of Ethics. However, employees hired during the last quarter of the year are being trained during the annual training period ending on February 28 th , 2019 (except in Spain, where all new hires were trained before signing the contract in 2018).	Principle 1 Principle 2
Local Communities	413-1	Operations with local community engagement, impact assessments, and development programmes	8.3.1 Our social contribution 9.2 Our innovation projects	Principle 1
Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	In 2018 43% ⁷ of new suppliers were screened using environmental and social criteria.	
Public Policy	415-1	Political contributions	Applus+ explicit forbids monetary contributions to parties and/or political representatives	Principle 10
Customer Health Safety	Due to the nature of Applus+ activity, all issues derived from activities inherent to the manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from its management framework.			Principle 7 Principle 8
Marketing and Label				
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy	8.3 Social management approach	
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	The Company has not been subject to any material payment nor imposition of significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.	

⁷ This figure is limited scope to countries covered in SAP (34 out of 75).

Annex VII: Cross references table: Spanish Law 11/2018

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
BUSINESS MODEL	Description of the group's business model	GRI 102-2 Activities, brands, products, and services	2.1 Applus+ at a glance
		GRI 102-4 Location of operations	
		GRI 102-6 Markets served	
		GRI 102-7 Scale of the organisation	
INFORMATION ON ENVIRONMENTAL MATTERS	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns Sections: 7, 8, 9 and 10
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 102-1 Name of the organisation	Applus Services, S.A.
			10.1 Environmental management approach 10.4 Climate change related issues
	General	GRI 307-1 Non-compliance with environmental laws and regulations	Due to the Group's activities, it does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that could be significant in relation to the Group's equity, financial position and results (note 23 of the CCAA).
		GRI 102-11 Precautionary Principle or approach	10.1 Environmental management approach
	Contamination	GRI 103-2 The management approach and its components	8.1.1 Key topics and concern
	Circular economy and waste prevention and management	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
INFORMATION ON ENVIRONMENTAL MATTERS	Sustainable use of resources	GRI 303-1 Water withdrawal	10.3 Waste, water and effluents 8.1.1 Key topics and concerns 2.1 Applus+ at a glance 10.2 Energy and emissions
		GRI 103-2 The management approach and its components	
		GRI 102-2 Activities, brands, products, and services	
		GRI 302-1 Energy consumption within the organization	
	GRI 302-3 Energy intensity		
Climate change	GRI 305-1 Direct (Scope 1) GHG emissions	10.2 Energy and emissions 8.1.1 Key topics and concerns 10.4 Climate change related issues	
	GRI 305-2 Energy indirect (Scope 2) GHG emissions		
	GRI 305-4 GHG emissions intensity		
Protection of biodiversity	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns	
INFORMATION ON SOCIAL AND PERSONNEL MATTER	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns Sections: 6, 7, 8, 9, and 10
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
INFORMATION ON SOCIAL AND PERSONNEL MATTERS	Employment	GRI 102-7 Scale of the organization	2.1 Applus+ at a glance 11.5 Annex V. Data related to Human Resources 6.1 Employment 6.1.1 Diversity and equal opportunity / Non-discrimination
		GRI 102-8 Information on employees and other workers	
		GRI 405-1 Diversity of governance bodies and employees	
		GRI 102-8 Information on employees and other workers	
		GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
		GRI 405-1 Diversity of governance bodies and employees	
	Work organisation	GRI 102-8 Information on employees and other workers	6.1 Employment 8.1.1 Key topics and concerns 11.5 Annex V. Data related to Human Resources
		GRI 103-2 The management approach and its components	
	Health and safety	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 6.3 Occupational health and safety
		GRI 403-2 Hazard identification, risk assessment, and incident investigation	
	Company relations	GRI 102-43 Approach to stakeholder engagement	8.1 Dialogue with stakeholders 11.2 Annex II: Definition of the report's content 11.5 Annex V. Data related to Human Resources
		GRI 402-1 Minimum notice periods regarding operational changes	6.1.2 Freedom of association and collective bargaining
		GRI 102-41 Collective bargaining agreements	6.1 Employment
	Training	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 6.1.3 Training and professional development 11.5 Annex V. Data related to Human Resources
GRI 404-1 Average hours of training per year per employee			
Accessibility	GRI 103-2 The management approach and its components	6.1 Employment 8.1.1 Key topics and concerns 11.5 Annex V. Data related to Human Resources	

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
INFORMATION ON SOCIAL AND PERSONNEL MATTERS	Equality	GRI 103-2 The management approach and its components	6.1 Employment 8.1.1 Key topics and concerns 11.5 Annex V. Data related to Human Resources
		GRI 103-2 The management approach and its components	No incidents have been identified
		GRI 406-1 Incidents of discrimination and corrective actions taken	
INFORMATION ON THE RESPECT OF HUMAN RIGHTS	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 11.5 Annex V. Data related to Human Resources Sections: 6, 7 and 8 7.3 Business ethics
		GRI 103-3 Evaluation of the management approach	
		GRI 412-2 Employee training on human rights policies or procedures	
	Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11
INFORMATION RELATING TO COMBATING BRIBERY AND CORRUPTION	Human Rights	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 6.2 Fulfilment of Human Rights 8.3 Social management approach
		GRI 411-1 Incidents of violations involving rights of indigenous peoples	
		GRI 419-1 Non-compliance with laws and regulations in the social and economic area	
		GRI 103-2 The management approach and its components	
INFORMATION RELATING TO COMBATING BRIBERY AND CORRUPTION	Policies	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 7.3 Business ethics
		GRI 103-3 Evaluation of the management approach	
		GRI 205-2 Communication and training about anti-corruption policies and procedures	

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
INFORMATION RELATING TO COMBATING BRIBERY AND CORRUPTION	Risk principles	GRI 103-3 Evaluation of the management approach	7.3 Business ethics
	Bribery and corruption	GRI 103-2 The management approach and its components	7.3 Business ethics 8.1.1 Key topics and concerns
		GRI 203-2 Significant indirect economic impacts	4.4 Impact evaluation 8.3.1 Our social contribution
		GRI 415-1 Political contributions	Applus+ explicit forbids monetary contributions to parties and/or political representatives
Policies	GRI 103-2 The management and its components	8.1.1 Key topics and concerns Sections: 6, 7, 8, 9, 10 and 11	
	GRI 102-9 Supply chain		
Risk principles	GRI 103-3 Evaluation of the management approach	Sections: 6, 7, 8, 9, 10 and 11	
INFORMATION ON THE COMPANY	The company's commitment to sustainable development	GRI 203-2 Significant indirect economic impacts	4.4 Impact evaluation 8.3.1 Our social contribution 9.2 Our innovation projects 8.1 Dialogue with stakeholders 11.2.1 Annex II: Materiality analysis
		GRI 204-1 Proportion of spending on local suppliers	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 203-2 Significant indirect economic impacts	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 102-43 Approach to stakeholder engagement	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 102-13 Membership of associations	

SPANISH LAW CONTENTS		GRI STANDARD	CSR REPORT
INFORMATION ON THE COMPANY	Subcontracting and bsuppliers	GRI 103-2 The management h and its components	8.1.1 Key topics and concerns Annex IV. Methodology for the evaluation of impacts 8.2.1 Purchase management
		GRI 102-9 Supply chain	
		GRI 308-1 New suppliers that were screened using environmental criteria	
Customers	GRI 103-2 The management approach and its components	8.1.1 Key topics and concerns 8.1 Dialogue with stakeholders 8.3 Social management approach (The number of complaints covered Energy & Industry Division, Laboratories Division, IDIADA Division, and Automotive Division in Spain)	
	GRI 418-1 Substantiated complaints concerning breaches of customer		
Tax information	GRI 103-3 Evaluation of the management approach	Sections: 5 and 11 Subsidies are not relevant for Applus+ with the exception of those granted to perform R&D projects	

Annex VIII: Report's verification statement

Deloitte.

Deloitte, S.L.
Plaza Pablo Ruiz Picasso, 1
Torre Picasso
28020 Madrid
España

Tel: +34 915 14 50 00
www.deloitte.es

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Applus Services, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the 2018 Corporate Social Responsibility Report (CSR), which contains the Consolidated Non-Financial Information Statement (NFIS) for the year ended December 31, 2018 of Applus Services S.A. and subsidiaries ("Applus" or "the Group"), which forms part of the Consolidated Directors' Report of Applus.

The CSR includes information, additional to that required by current Spanish corporate legislation relating to non-financial reporting and by the Global Reporting Initiative Standards for sustainability reporting in their Core option ("GRI standards"), that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in the "Cross references table: GRI and Global Compact" and in the "Cross references table: Law 11/2018" in the Annex VI and VII of the CSR.

Responsibilities of the Directors

The preparation and content of the Applus CSR are the responsibility of the Board of Directors of Applus. The CSR was prepared in accordance with GRI standards in their core option. The NFIS included in the CSR was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in the "Cross references table: Law 11/2018" in the Annex VII of the CSR.

These responsibilities of the Board of Directors also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the CSR and the NFIS to be free from material misstatement, whether due to fraud or error.

The directors of Applus are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CSR and the NFIs is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in reporting on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to 2018. Information on prior years was not subject to the verification required by prevailing Spanish corporate legislation.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements on regarding non-financial information statements.

Applus Services, S.A.

Independent Limited Assurance Report

The procedures performed in a limited assurance engagements vary in terms of nature and timing, and are less in extent than for reasonable assurance engagements and, consequently, the level of assurance provided is also lower.

Our work consisted in requesting information from management and the various business units of Applus that participated in the preparation of the CSR, which includes the NFIS, reviewing the processes used to compile and validate the information presented in the CSR and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Applus personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, materiality and completeness of the contents included in the CSR based on the materiality analysis carried out by Applus and described in the "CSR performance" section of chapter 4 of the Corporate Social Report, also considering contents required by current Spanish corporate legislation.
- Analysis of the processes used to gather and validate the data presented in the 2018 CSR.
- Verification, by means of sample-based review tests, of the information relating to the contents identified in the "Cross references table: GRI and Global Compact" and the Table of "Equivalents with Law 11/2018 on non-financial reporting" in the Appendices to the CSR, and the appropriate compilation thereof based on the data furnished by Applus information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Based on the procedures performed and the evidence obtained, no matter has come to our attention that causes us to believe that:

- A) The NFIS included in the 2018 CSR of Applus was not prepared, in all material respects, including the adequacy of the contents revised detailed in the "Cross references table: GRI and Global Compact", in accordance with GRI Standards in their core option.
- B) Applus NFIS for the year ended 31 December 2018 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI Standards, as well as other criteria described as indicated for each matter in the "Cross references table: Law 11/2018" in the Annex VII of the CSR.

Use and distribution

This report has been prepared as required by current Spanish corporate legislation and may not be suitable for any other purpose or jurisdiction.

DELOITTE, S.L.



Helena Redondo

22 de febrero de 2019

Applus⁺

www.applus.com