

CORPORATE SOCIAL  
RESPONSIBILITY REPORT

2016

Applus<sup>+</sup>





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# 01

## Company description



*Inspection and  
certification*



Inspection and certification  
of telecommunications mast.

## Brief introduction to Applus+

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*The Applus+ Group is a world-leader in testing, inspection and certification (TIC) and a global reference for quality and integrity. With 19,000 employees, we operate from over 350 offices and laboratories in more than 70 countries.*

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We provide technical expertise in TIC services for clients in sectors spanning power, oil and gas, aerospace, automotive and construction, as well as in the fields of IT and telecoms, electronics and the smart devices that are evolving to power the Internet of Things.

The services we deliver ensure our clients' assets and products comply with health and safety, quality and environmental standards in different regulatory jurisdictions in global markets.

The Applus+ Group holds extensive accreditations and our independent services rely on highly skilled teams of specialist staff, who work hard to improve our clients' assets and operations and reduce their risks.

At Applus+, we deliver results driven by integrity, ethics, independence, customer satisfaction and safety at work, and this knowledge and expertise give us an unrivalled ability to manage market challenges.

DIVISION	MAIN ACTIVITIES	END MARKETS
<b>ENERGY &amp; INDUSTRY DIVISION</b>		
<p>€1,052.6M revenue</p> <p>12,500 employees</p>	<p>Industrial and environmental inspection, technical assistance, non-destructive testing (NTD) and technical staffing.</p>	<p>Oil and gas, industry, power, telecommunications, construction, aerospace.</p>
<b>AUTOMOTIVE DIVISION</b>		
<p>€293.3M revenue</p> <p>3,500 employees</p>	<p>Statutory vehicle inspection services for safety and emissions.</p>	<p>Government and public transport agencies.</p>
<b>IDIADA DIVISION</b>		
<p>€179.6M revenue</p> <p>2,200 employees</p>	<p>Proving ground, design, engineering, testing and homologation services.</p>	<p>Automotive.</p>
<b>LABORATORIES DIVISION</b>		
<p>€60.7M revenue</p> <p>800 employees</p>	<p>Product testing and system certification services from multidisciplinary laboratories.</p>	<p>Industrial, aerospace and electronic payment systems.</p>



The Applus+ Group's commitment to corporate social responsibility has led to the development of a competitive and sustainable model. This is derived from our stakeholders' feedback, and the key issues are integrated into our operations.

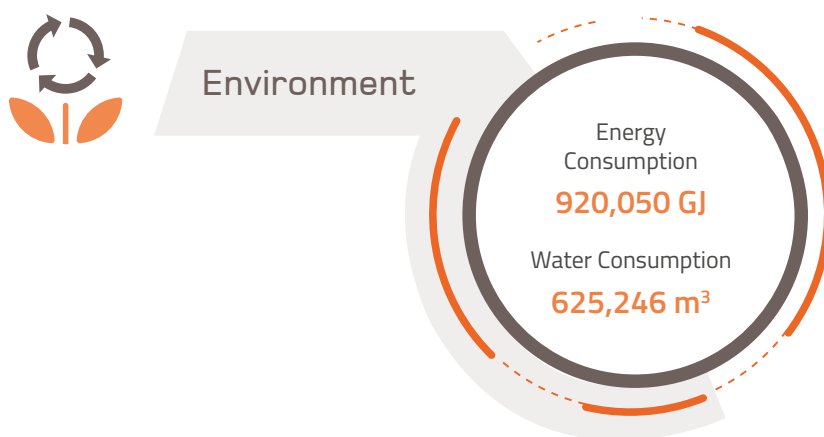
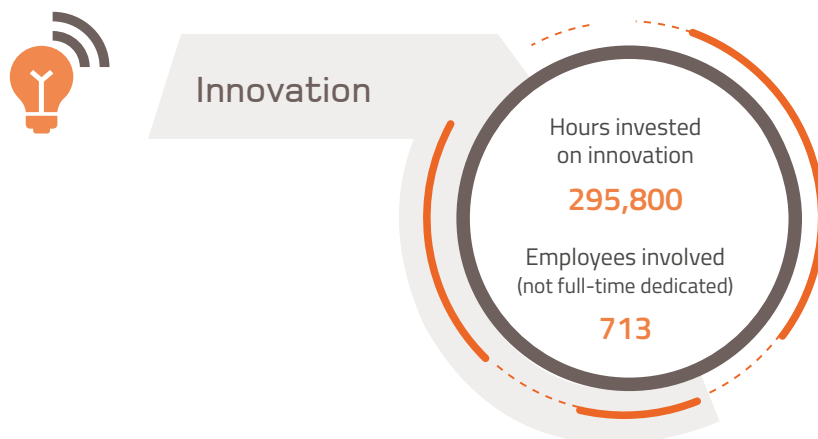


*Environmental inspection*   
Water sampling at a mine.

# CSR in figures







# 02

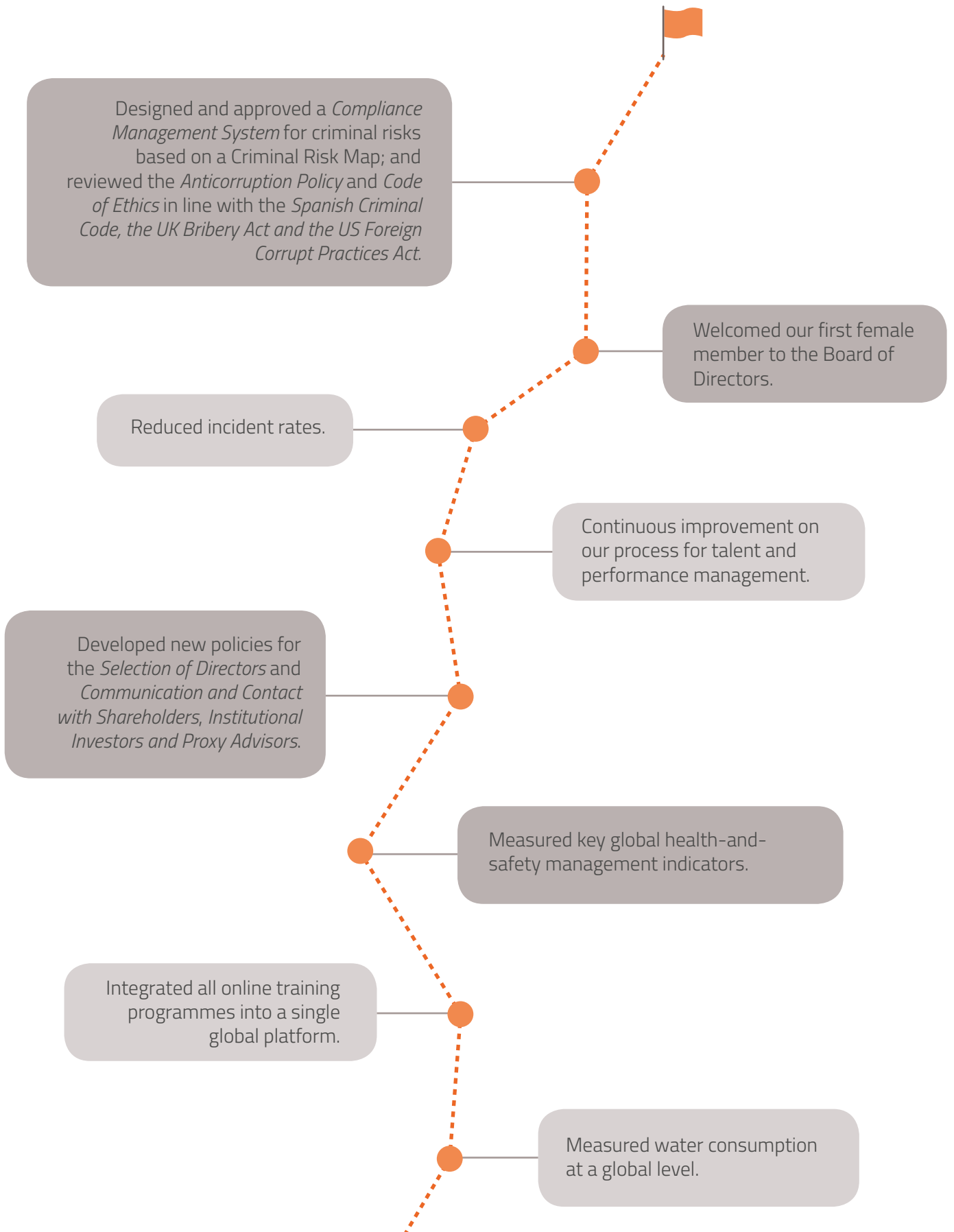
## Our main CSR achievements



*Non-destructive testing*



Non-destructive testing on a sphere tank using rope access technique.



# 03

## Letter from the Chairman and the CEO



**Christopher Cole**  
Chairman of the Board of Directors



**Fernando Basabe**  
Chief Executive Officer (CEO)

We are pleased to provide our second group *Annual CSR Report*, outlining the progress we have made.

The report covers the social, environmental and ethical areas that we consider to be relevant in our business environment. In 2015, we approved the *Corporate Social Responsibility Policy* and since then we have increased our efforts in this area. The report is produced following the sustainable reporting guidelines in the Global Reporting Initiative, G4.

### Corporate governance

**We believe** we have a strong corporate governance framework which we strengthened in 2016 and will continue to improve every year. Our Board of Directors understands their role as being accountable to the shareholders of the group by providing the control mechanisms and leadership to the Group Management Team.

We recognise the value that diversity brings. The Directors are from different backgrounds with complementary skills, are of different nationalities, with a range of ages. In 2016 we welcomed our first female director. Our target is to meet the best corporate governance standards, including the composition of the Board, and we are confident we will achieve this while always ensuring our appointments are made on merit.

In 2016, the Board and the respective Board committees made significant progress to embrace and adopt the best standards in corporate governance. The Board committees were reviewed in the year with the outcome that we abolished the Supervisory Committee as it became redundant following a change in the ownership of the group. The committees now comprise three: the Audit and Risk Committee, the Appointments and Remuneration Committee and the Corporate Social Responsibility Committee. Further information on these committees and of the members of the Board are provided in the *Annual Report*.

Finally, as a Board, we like to hear what our stakeholders have to say. For example, we review investor feedback carefully, review the equity analyst reports, listen to our equity market advisors and we recently completed our second corporate governance road show, where we invited our largest shareholders to engage at the non-executive level.



## Business ethics

We made significant progress here following the appointment of a new Chief Compliance Officer (CCO) in 2015. During the year, we completed the design of a new *Compliance Management System* for criminal risks, including a Criminal Risk Map to prevent or mitigate the consequences of malpractice. This system is currently being rolled out across the group.

Regular training of all our people continues to form a core component to reduce the risk of inappropriate behaviour. We use face-to-face and online training methods, and these were adapted to comply with the *Spanish Criminal Code as well as continuing to comply with the UK Bribery Act and US Foreign Corrupt Practices Act.*

## Human capital

We have always been an organisation that invests in its people. This results in a more skilled and motivated workforce who are safety conscious, such dynamics thus benefiting our people and all stakeholders. Our people's welfare always comes first, and we are pleased that in 2016 there were no serious incidents and the measured incident rate was lower than in 2015. During the year, we extended the range of health and safety control indicators we monitor which help us to identify the higher risk areas while continuing to raise awareness of the safety of our people.

We are continuously improving our talent management process in order to enhance the professional development of our people. During the year, we have consolidated our global training programmes into one platform that can be tailored to specific industries and countries. We believe in employing locals as far as possible and ensure there is no discrimination of any sort.



## Innovation

Applus+ operates in some highly specialised industries and therefore to remain relevant to our customers and competitive in the market place, we have to continuously invest in new technology and methodology. This has to be balanced with the cost of the investment, so our spending here must be linked to potential future returns. We are most effective in achieving this when we co-ordinate our innovation with our customers' requirements for improvement or where we can support our customers to perform in a more efficient manner.

**In 2016 we identified 175 individual projects of a research and development nature. Out of this, every division had some notable successes of which we would like to highlight a handful.**

In our Energy & Industry Division we have invested in maintaining our leading position in non-destructive testing and inspection with new equipment and techniques that have immediate application. In the Laboratories Division we successfully engineered a new manufacturing technique for an aircraft's structural components made of lighter materials to improve fuel efficiency. In the Automotive Division, the investment is normally for improving the efficiency of carrying out inspections, but it is also related to novel equipment such as wireless devices for measuring emissions. In IDIADA Division, we partner with the automotive industry to support them in all aspects of vehicle advancements, especially for alternative fuel sources and advanced safety systems.

Later in this report we have listed many examples of these projects and how they have real-world application and therefore a return on investment as well as sustainability advantages.



## Environment and social contribution

The services we provide to our customers are primarily to ensure the safety and integrity of assets and products and to increase their efficiency and enhance longevity. This contributes immeasurably to the environment and to the health and well-being of consumers. For instance, we inspect the welding on pipelines to minimise the risks of leakages or other kinds of accidents which can cause serious harm to human or natural life; we measure the electrical leakage from high voltage power lines; we test new lighter and stronger composite airline components to breaking point; we perform the periodic car inspection service for safety and emissions and; we support new vehicle safety and efficiency technology.

The direct impact of our activities on the environment to carry out these services is minor. Nevertheless, we are still mindful of this and attempt to instil a culture of care and awareness of environmental issues.





The greatest impact of our activities is in energy and water consumption and from vehicle emissions. In 2015 we started to gather information on global energy consumption, particularly electricity and fuel, and, in 2016, we started to measure water consumption. We are now at the stage of designing processes to reduce the consumption of each of these.

From a social perspective, the increasingly international scope of our activities during the last decade has offered us the opportunity to expand in both developing and developed countries, where our priority has always been to employ locally where possible and purchase from local suppliers because this has always made good business sense.

**We currently have 89% of our workforce as local to the environment they are employed. In Applus+ the personal and professional development of our employees is very important and we pay special attention to the development of cultural skills that can directly affect the satisfaction of our clients.**

Through our global expansion, not only through the provision of employment and purchasing from local suppliers, but also the advancement of our skills to local manufacturers and asset owners, we believe we have been a net positive contributor to the local economies and social environments, and we will continue to ensure this is the case.

## In conclusion

We are committed to acting as a responsible company, and we feel that this is consistent and indeed supportive of our goal of maximising growth in profit and shareholder value. Across our key areas of focus, we are adopting best market practice, listening to professionals in this area and, ultimately, striving to do what is right to obtain the best long term outcome for us and our stakeholders. We would be delighted to receive your feedback either directly or through any of our communication channels, which are clearly visible on our website.

### Christopher Cole

Chairman of the Board of Directors

### Fernando Basabe

Chief Executive Officer (CEO)

04

# Applus+ CSR



*Wind turbine inspection*



Wind turbine inspection for blade serviceability at a wind farm.

# Our CSR approach

Our approach to CSR includes the following pillars:



## CORPORATE GOVERNANCE AND BUSINESS ETHICS

- To implement the measures required to fulfil our fiduciary duties, including those related to transparency and the internal control of financial and corporate-governance reporting; as well as risk-management or monitoring practices.
- To develop and implement global policies, such as anti-corruption to prevent wrongdoing.
- To ensure the integration of ethical behaviour across all business units through our *Code of Ethics*, the Corporate Social Responsibility Committee and the Chief Compliance Officer; and with the involvement of management.
- To promote impartiality, independence and integrity as the cornerstones of our *Code of Ethics*.



## HUMAN CAPITAL

- To encourage working conditions based on human and employment rights.
- To maintain a commitment to our *HSQE Policy* at the highest level.
- To deploy effective health-and-safety programmes which promote awareness amongst and the involvement of all employees at Applus+.
- To foster internal promotion.
- To develop specific training and internal-capacity programmes.
- To foster diversity amongst staff, based on our *Non-Discrimination Policy*.



## COMMITMENT TO STAKEHOLDERS

- To work to fulfil our clients' needs through high service standards and high-quality procedures across all our divisions.
- To meet the communication requirements of the global investor community to allow for well-informed investment decisions, in line with their expectations.
- To strive to consider the demands of society.

## COMMITMENT TO THE ENVIRONMENT



- To reduce potential environmental impact within the communities where our clients operate.
- To work to prevent environmental impacts by implementing environmental-management systems based on international standards.



## INNOVATION

- To foster and share innovation across all business units that embeds corporate social responsibility into our employees' technical expertise and into the services developed internally, as well as within our clients' operations.
- To create a working environment that nurtures innovation by organising initiatives to promote innovative thinking between employees.

## CSR Management

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*The CSR Committee steers corporate social responsibility at Applus+. This Committee is one of three Board committees and is comprised of the Chairman of the Board of Directors, a non-executive member of the Board of Directors and the Group CEO.*

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CSR is the responsibility of the Board of Directors who provide direct oversight through the appointment of the **CSR Committee**. The Committee is in charge of establishing CSR goals and targets and leading the required initiatives to fulfil them.

Their work develops the group's CSR policies by studying, reviewing and supervising their creation and practical implementation. To carry out these duties, the Committee has the support and collaboration of **corporate managers**.

The corporate managers are tasked with all and any aspects of the CSR process including policy drafting, training, monitoring compliance and reporting on the performance of CSR to the Committee. The Board of Directors approves this *Corporate Social Responsibility Report*, and the CSR Committee coordinates the process for reporting non-financial information, in accordance with applicable regulations and international standards.

In addition, the **Internal Auditing Department** supervises and controls CSR monitoring.

*Quality control*



Quality control and technical assistance for buildings.



# 05

## Materiality matrix



*Electrical technical assistance*



Electrical technical assistance driven in substation.

## Materiality matrix

*Materiality is the principle that guides our CSR reporting and underpins its continuous development. We define materiality as the range of relevant aspects on which the company reports and which are related to the group's performance in economic, environmental and social dimensions.*

Under the G4 version of the **Global Reporting Initiative (GRI)**, we are required to report annually on the materiality and explain the methodology we use following the recommended practice. The materiality matrix identifies which CSR initiatives we should invest in. This is the second year we have performed this exercise, and, this year, the CSR Committee has delegated the task to an in-house team that advises companies externally in this area.

**Following a consultation process with the Group Management Team and in-house professionals, the set of stakeholders considered for the materiality analysis was as follows: shareholders, investors, employees, clients, financial markets, competitors, main sustainable stock market indexes, and entities specialising in CSR.**

Key to this process is the **identification of the relevant aspects**. The relevant aspects are those which are considered to be significant enough for regular management and control and those which require reporting to our stakeholders. The aspects span economic, governance, social and environmental.

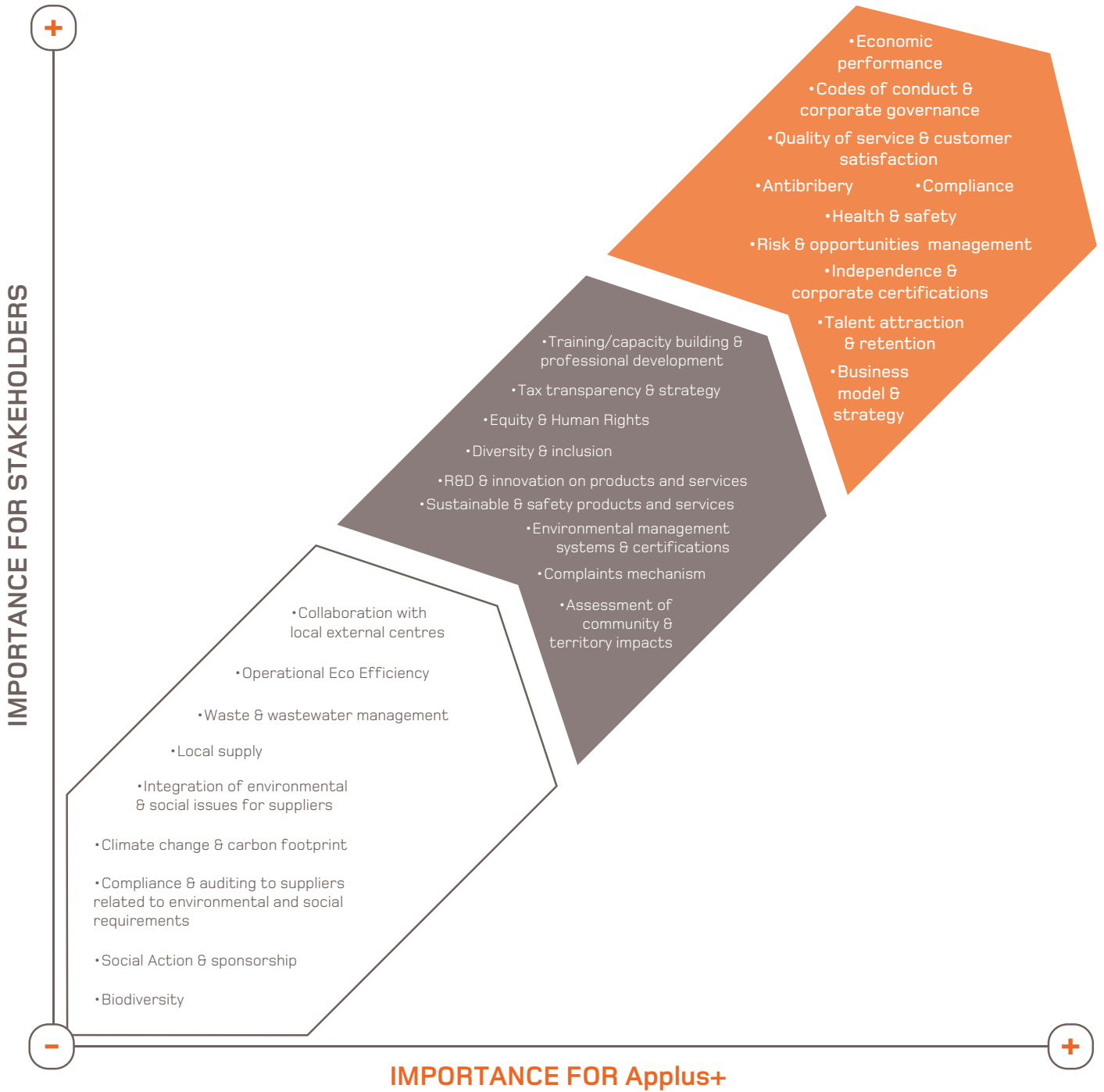
The starting point for the identification was to review the continued validity of the 28 aspects selected last year and whether any new ones should be considered. This was performed through interviews with the Group Management Team and in-house professionals. A benchmarking process was also conducted that included our customers, competitors, the FTSE4Good Index and the Dow Jones Sustainability Index, all of which provide information available to the public. As a result, we incorporated four new aspects, while downgrading another four, to produce a **definitive list of 28 aspects**.

The next step was to identify **which of these are material** and require full investment. This is done by asking the Group Management Team to rank each of them as high, medium or low, taking the perspective of Applus+ (internal importance) and then of an external appropriate stakeholder (external importance). The outcome of this process was quantified and ranked in a matrix. The initial 28 relevant aspects were then narrowed down to 10 material ones, as are shown in the graph on the next page.

The CSR Committee added a further 2 aspects that they considered to be worthy of inclusion: environment and innovation. The selection of the **12 material aspects** were then reported to the CSR Committee for their approval.







# 06

## Our responsibility



*Fire testing laboratory*



An engineer working on fire resistance test with strong thermal radiations.



## Corporate governance and business ethics

### Corporate governance

Since we became a listed company in 2014, the Applus+ Group has continually improved its corporate-governance model, bringing credibility to our business activities and giving confidence to our stakeholders.

Just before the Carlyle Group's final divestment in Applus+, who owned the company prior to the public share listing, their three proprietary directors resigned. They were replaced during the year with two new independent directors and a third proprietary director representing the interests of Southeastern Concentrated Value Inc, which followed their investment of over 15% in the company. The **number of non-executive independent directors is now therefore 7 out of the 9**, which is ahead of the average in the Spanish market.

The Applus+ Board of Directors also welcomed its first female member, which represents the first significant step to improving gender diversity at Board level.

**Thanks** to the actions undertaken in 2016, we have been able to further implement recommendations set out in the CNMV's Code of Good Governance. Importantly, this progress was supported by our shareholders at the AGM.

Good-governance recommendations saw the introduction of the **first LTIP (Long Term Incentive Plan) for the CEO**, in line with best practice and following shareholder and third party consultation. In addition, the Board approved the **Directors Selection Policy** and the **Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors**.

In 2016, the **new Directors' Remuneration Policy** came into effect, establishing the directors' remuneration system in line with the recommendations set out in Spain's Good Governance Code of Listed Companies and other international market standards. More than 90% of shareholders at the AGM supported the update of this policy.

## Business ethics

*Applus+ firmly believes that it has a duty of care to prevent, detect and eradicate any behaviour which is in contravention of our established principles of conduct. As a consequence, our policies, processes and controls focus on promoting employee behaviour which complies with these principles.*

The Applus+ **Code of Ethics** provides directors, employees and third parties with a strict code of conduct by setting out the values and commitments that govern their activities within the company. As an extension of this, the Applus+ Group has a robust **Anticorruption Policy** to prevent, detect, investigate and remediate any corrupt act within the group.

The divisional executive vice-presidents, under the leadership of the **CCO (Chief Compliance Officer)**, are responsible for monitoring that Applus+ professionals and third parties comply with the Group's **Anticorruption Policy and Procedure** within the relevant divisions. In addition, Applus+ directors, office-holders and managers, in coordination with the CCO, are required to raise

awareness of and promote strict compliance with this policy amongst those professionals and third parties under their supervision. The management teams are also required to take the necessary measures to supervise the compliance with these policies by the professionals under their charge.

Applus+ employees, professionals and third parties have a dedicated **communication channel** for reporting any incidents of the possible non-compliance with our **Code of Ethics** ([whistleblowing\\_channel@applus.com](mailto:whistleblowing_channel@applus.com)). By doing this, the Applus+ Group identifies and remedies any cases of non-compliance with the principles that govern our employees' behaviour worldwide.



In 2016, a total of 76 notifications of non-compliance were received. Of these, 10% were demonstrated to be in breach of the *Code of Ethics*. The resulting investigations led to corrective or disciplinary measures, and the cases were closed.

We have also **reviewed and amended the *Code of Ethics* and the *Anticorruption Policy and Procedure*** to better comply with the requirements of the *Spanish Criminal Code*, *UK Bribery Act* and the *US Foreign Corrupt Practices Act*. Our global annual training for all employees, and our training for all new recruits, included these updated and renewed versions.

To reinforce the effectiveness of these changes, we have conducted classroom-based training sessions on anti-corruption, compliance and our *Code of Ethics* for management and online for all our employees.

One of this year's important achievements was for the Board of Directors to **approve the *Compliance Management System (CMS)*** for criminal risks, based on the ISO 19600 Guide and the *Spanish Criminal Code*, the *UK Bribery Act* and the *US Foreign Corrupt Practices Act*.

We have developed a specific ***Criminal Risk Map*** this year, which enables Applus+ to anticipate any possible criminal offences under the *Spanish Criminal Code*, *UK Bribery Act* and the *US Foreign Corrupt Practices Act*. In compliance, we are setting up the appropriate control mechanisms to avoid or to mitigate the consequences of malpractice.

Following the **implementation of the CMS**, there will be proper and sufficient procedures in place to ensure that our employees comply with the applicable policy framework.

The policy frameworks include the current legislation, our internal policies and the *Code of Ethics*. In 2017, and the coming years, one of our principle goals is to implement the CMS in all of the geographical areas where we operate, making adjustments in line with any criminal liability to which companies operating in different countries are exposed.

The above-mentioned policies and procedures are included in the scope of **controls periodically reviewed** by the Internal Auditing Department.



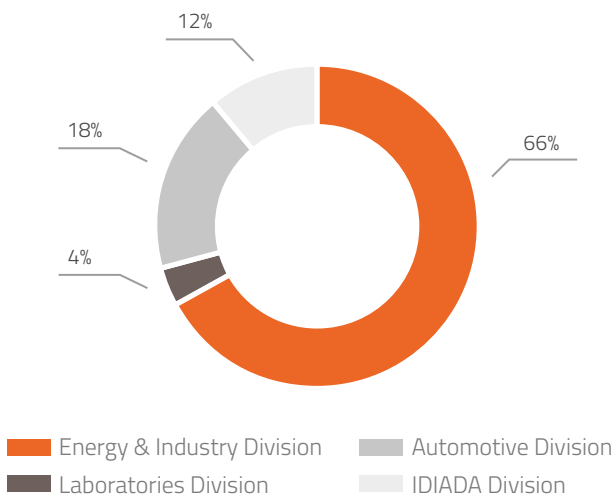


# Human capital

*Providing a healthy, safe and motivating work environment is one of our organization's priorities; this includes promoting the personal and professional development of our employees to achieve the strategy of our business. From our organization, we strive to provide a work environment based on respect, ethics, equality and diversity.*

Our people are key to the success of our business. We have a **staff of 19,000** working worldwide across many specialities, from young and inexperienced through to highly qualified engineers and technical personnel.

EMPLOYEES BY DIVISION



EMPLOYEES BY REGION

REGION	2015	2016
Spain	5,700	6,000
Rest of Europe	3,630	3,700
USA & Canada	2,520	2,100
Latin America	3,080	3,300
Middle East & Africa	1,800	2,000
Asia Pacific	1,970	1,900
<b>TOTAL</b>	<b>18,700</b>	<b>19,000</b>

## Quality-working environment

We believe in a workplace atmosphere based on respect, ethics, equality and diversity. This is enshrined in our **Non-Discrimination Policy**. Our **Code of Ethics** guides our people to consider which behaviours are expected of them in their day-to-day performance and in their relations and interactions between themselves and with our stakeholders.

At Applus+, we promote an **open-door culture** to encourage our employees to access their managers and the corporate functions.

### EMPLOYEES BY ORGANISATION LEVEL AND GENDER

2016

LEVEL	% MALE	% FEMALE	% TOTAL EMPLOYEES
TIER 1 and 2	86%	14%	1%
TIER 3	82%	18%	2%
TIER 4	82%	18%	8%
Operational employees and others	81%	19%	89%
<b>TOTAL</b>	<b>81%</b>	<b>19%</b>	<b>100%</b>



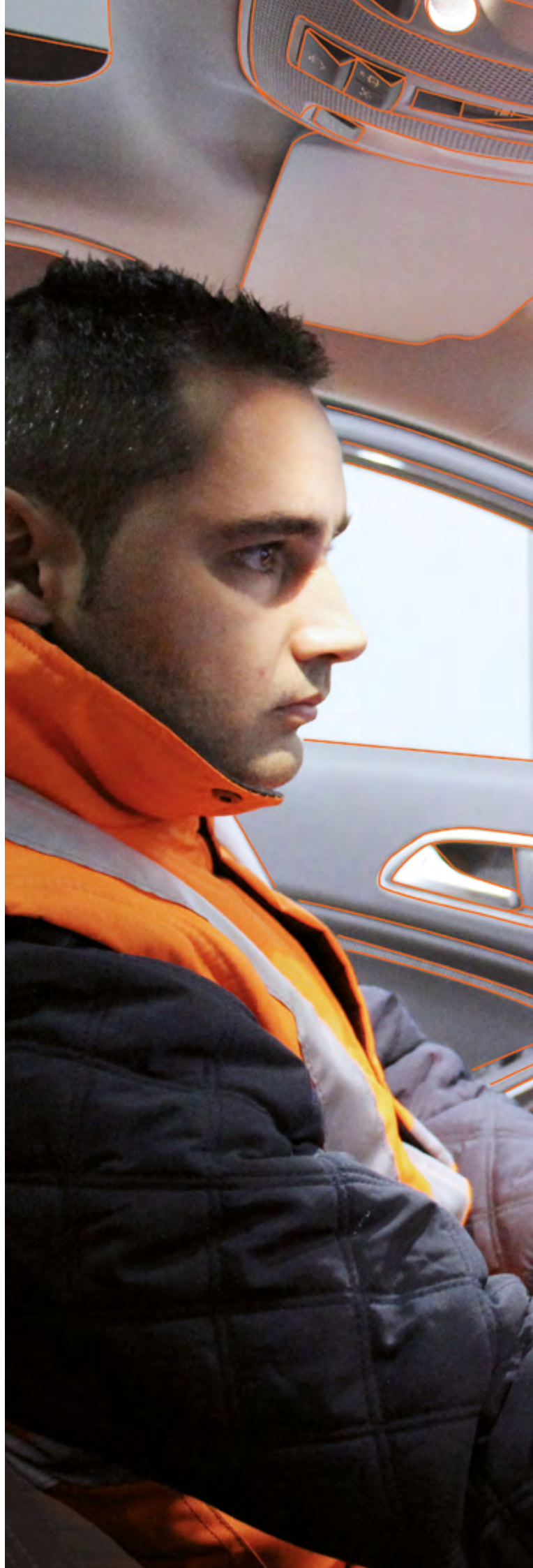
In 2016, the **voluntary turnover rate** of employees on a permanent contract was 10.2%, and the percentage of employees covered by **collective bargaining agreements** stood at 37% across 18 countries.

For Applus+, a quality-working environment also involves encouraging professional growth. This is why we are continuously **improving** our **talent-management models** to assess performance and to manage professional-development opportunities.

Through this management model, our aim will be to provide our professionals, not only with professional development opportunities, but also with the programmes and tools needed to further improve their competence and skills.

In addition, we **encourage internal promotion** in the belief that professional progress leads to enhanced personal performance and motivation.

**Identifying and attracting** the necessary **professionals** to favour our business, guaranteeing and respecting the principles of equity and non-discrimination, is key to Applus+. As a first step to incorporate online technology into human-resource management, we have strengthened our presence on social media to attract people for our worldwide divisions.







**W**e achieved an **internal promotion rate** of 68% for all management positions in 2016. This means two thirds of every available management position was filled internally with one third externally recruited.

## Safe people

Underlying our commitment to a safe working environment, we follow **three management pillars** to improve health and safety at work. These pillars focus on preventive actions rather than corrective measures:

- *Health and Safety Policy*, which applies to all divisions and countries.
- Health-and-safety programmes at a local level, in accordance with the international OHSAS 18001 standard.
- *Golden Safety Rules* programme, aimed to eliminate or mitigate risks associated with the 11 activities that have historically led to a wider range of serious incidents or injuries.

**We can proudly confirm that the actions and activities we have undertaken in past years have proven to be effective and, as a result, our incident rate has reduced in 2016.**

HEALTH AND SAFETY INDICATORS (*)	2015	2016
Number of occupational fatalities	0	0
Lost-time injuries rate (1)	0.79	0.71
Recordable cases rate (2)	1.13	1.01

(\*) Velosi-associated companies are not included.

(1) Rate refers to the number of lost-time injuries occurring per 200,000 hours worked.

(2) Rate refers to the total number of recordable cases for every 200,000 hours worked.





In 2016, following the reorganisation of the Energy & Industry Division, we focused on improving the quality of information we gather. We are now collecting a wider range of health-and-safety **management indicators** on a global level. The group has also enhanced its existing routes for collecting general information, which includes providing a dedicated email channel for enquiries, hazard observations and other concerns our employees may have with regards to health and safety.

## Awareness

Our communication programmes continually raise employee awareness on safety through refresher bulletins. These "Time for Safety" action reminders are periodically emailed to all of our employees.

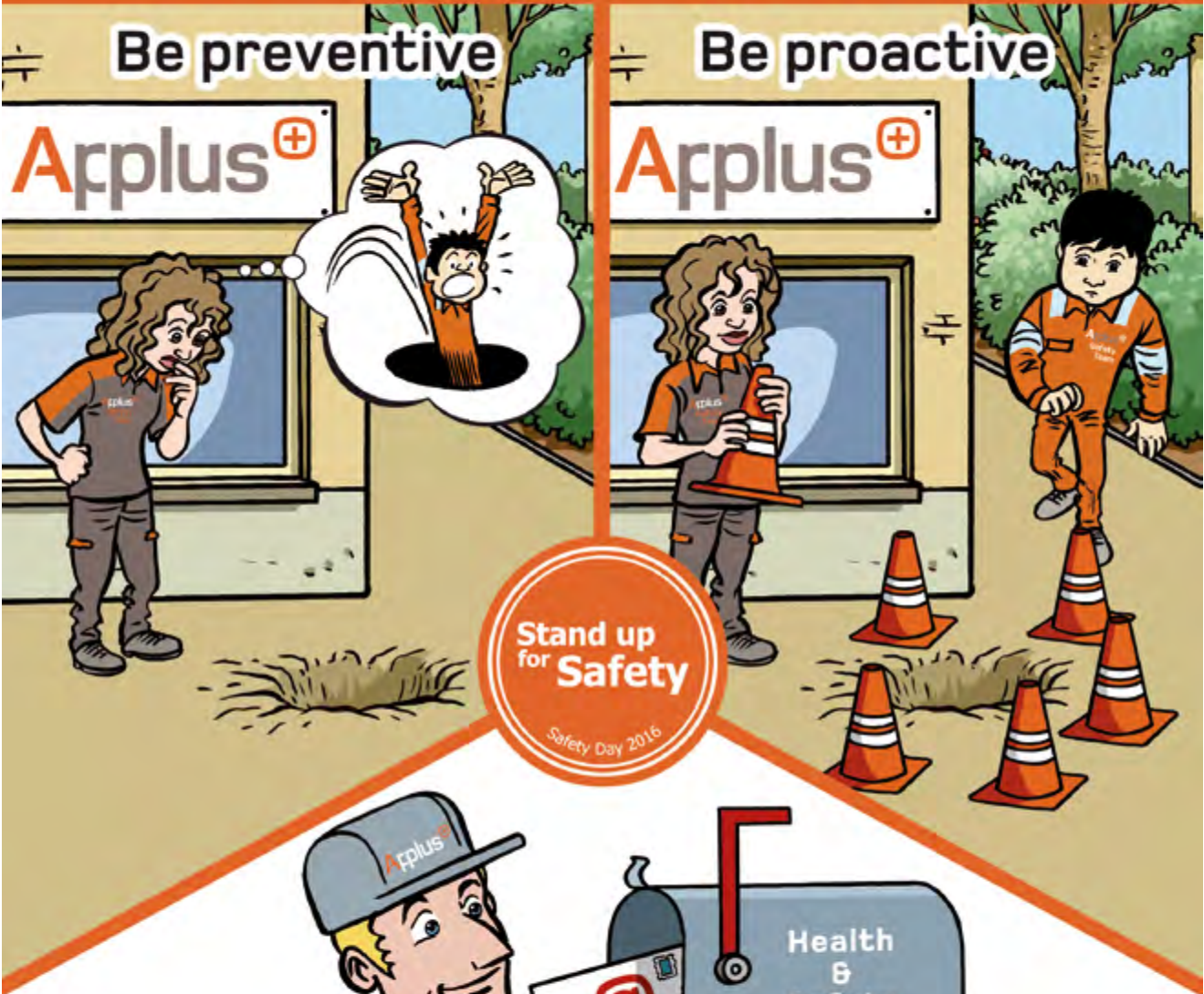
Such bulletins reinforce the Applus+ *Golden Safety Rules* and themes have included: "Fitness for work", "Hazardous substances", "Fundamentals - be concerned about safety", "Insulation of plant and equipment", "Travel security", "General driving safety and Manual handling".

Applus<sup>+</sup>

# Safety Day 2016

Be preventative

Be proactive



Stand up  
for Safety  
Safety Day 2016

Be accountable

Be preventative, be proactive and be accountable for Safety

[healthandsafety@applus.com](mailto:healthandsafety@applus.com)

In addition to these now routine awareness campaigns, we celebrated our **third consecutive annual Safety Day**, under the banner "Stand up for Safety", encouraging employees to be preventive, proactive and accountable.

Management and employees from across all of the group's divisions and regions participated in the *Safety Day*, with attendees engaging in presentations, debates, workshops and games to spread awareness and knowledge about health and safety. This year's *Safety Day* was another success, and, in some sites around the world, customers joined in the day's activities.

Additionally, in 2016, we conducted **Safe Driving** awareness activities, helping our employees commute more safely. In **Kuwait**, we ran an awareness campaign on driving in foggy weather, which included multimedia training on defensive driving.

We also set up our **Safety Awards** at a local level to recognise the value of employee's ideas or actions to safeguard health and safety. This award, which started several years ago in some countries, has been extended to more countries. In 2016, the Energy & Industry Division in Spain started its first edition of **Valoramos tu Plus en Seguridad** (*Beyond the Call of Safety*) programme, in which we acknowledge the efforts of employees who are performing their work activities with additional safety.

## Awards and recognitions

During 2016 good health-and-safety practice at Applus+ also won acknowledgment and recognition from our clients.

In **Nigeria**, Applus+ was commended for our commitment to **one of our customers' Goal Zero programme**. The client developed the programme to ensure that no harm or leaks occurred in their operations, covering three safety areas with high-risk factors: personal, process and transport safety.

**ISAGEN**, an energy-generation company, also praised the Energy & Industry Division in **Colombia** for their work on safeguarding health and safety, featuring our practices in their '*LineaVIVA*' magazine.

Our commitment to greater safety awareness and reduced accident risk was also recognised when the management system operated by the Energy & Industry Division in the **Czech Republic**, gained **certification** to confirm that our system meet the standards set out in *Safety Health and Environment (SHE) Checklist Contractors, SCC 2008/5.1*.

## Motivated and skilled people

**Applus+**, clearly **opts for innovation** and this has a positive influence on the **motivation of our employees**. At all levels of the organization, it is foster a culture of change that promotes the autonomy necessary for our employees to create, develop and innovate.

The successful *Valoramos tu Plus (Beyond the Call)* programme was repeated by the Energy & Industry Division to promote the effort made by those involved.

By implementing the good practices adopted by our employees, we acknowledge the excellent work carried out at a global level, and we incorporated the resulting best practice into the routine of the company's operations. Any one of the employees within the division could win this award - from team managers to technicians to administrative personnel - individually or collectively. The winners receive a diploma and a gift during the event held especially for this occasion.

Finally, we can say that our group fosters a **competitive compensation systems** aligned with the practices applied in our sector.





**A**n additional  
30,000 training  
hours compared  
to 2015.

## Training programmes

As one of the leading global operators in testing, inspection and certification, we owe our prestige to our **highly qualified people**.

In 2016, we organised approximately **390,000 hours of training** (averaging 21 hours per person) to contribute to their life-long learning. As well as training related to new technical abilities, we also ran courses on quality management, languages, health and safety and the environment.

TRAINING PROGRAMMES	2015	2016
Technical skills	46%	42%
HSQE	33%	27%
Language	10%	11%
Other	11%	20%

To improve our training management systems, we have combined all of **our online training activities into one single platform**. This allows us to better identify training needs and to expand our knowledge of the availability of new training. In addition, this new platform has also allowed us to adapt and adjust both the number of courses we run, and the content of training programmes for our wide range of professional disciplines.

# Commitment to stakeholders

## Market focus

*To maintain our position as a reference within the sector, we satisfy clients by delivering high-quality work which complies with the applicable standards and legislation.*

We deploy our **quality-management systems** at a local level, and these are certified and periodically audited in accordance with the international ISO 9001 standard.

Our **accreditations and certifications** play a fundamental role within the scope of the quality of our services. Apart from reflecting our knowledge and expertise, accreditations also reinforce our clients' confidence in the services we provide for them.

In 2016, Applus+ maintained its existing accreditations and certifications (from both clients and relevant regulatory bodies) as well as acquiring new ones.





## Accreditations and certifications



### AEROSPACE

For testing in the aerospace sector, **NADCAP (National Aerospace and Defense Contractors Accreditation Program)** is the most important. To provide the maximum support to this sector and to be a reference testing provider, Applus+ has continued to expand its portfolio of NADCAP-accredited sites.

Our Energy & Industry Division in **North America** has been awarded with a new NADCAP accreditation, complementing the portfolio of aerospace recognitions already held in other areas of the company. This achievement continues to widen the scope of the accredited inspection services provided by the Energy & Industry Division to the aerospace sector.

In addition, the Laboratories Division, already NADCAP-accredited in our **European** sites, has become in one of the few private laboratories in **China** with NADCAP accreditation to test metallic and composite materials.



### IT PAYMENT SYSTEMS

Applus+ is also a reference for **secure, leading-edge IT payment systems**, and we work continuously to gain accreditation for the most important payment schemes and for the maximum number of technologies.

The Laboratories Division in **Barcelona and Shanghai** have also received **new payment-scheme accreditations (Visa, American Express and EMVCo)** to evaluate both card and terminal functionality. With these new accreditations, Applus+ has broadened its portfolio of services to payment-system manufacturers.



### CONNECTIVITY TECHNOLOGY

Applus+ keeps abreast of the latest technological developments related to the emergence of **wireless-communication technologies and their application to the Internet of Things**, including connected transport systems. We have obtained the relevant accreditations in preparation for supporting our clients as they implement these groundbreaking technologies.

For example, during 2016 Applus+ was accredited to **test and certify electrical and electronic devices that incorporate connectivity technology** under the *EU's Notified body of the Radio Equipment Directive and several radio accreditations*. The Laboratories Division is proud to be **the first and only organisation in Spain** to provide conformity assessment based on **Full Quality Assurance** under module H of the *European Union's Radio Equipment Directive (RED) 2014/53/EU*.



### AUTOMOTIVE

The Russian accreditation body, the State Research Centre of the Russian Federation (NAMI), accredited the IDIADA Division to carry out **testing on the Russian emergency-call system ERA-GLONASS**, in accordance with a Russian regulation for operating the system in vehicles. This accreditation allows our engineers to perform these inspections for any vehicle manufacturer which intends to sell vehicles in the Russian market.



*Non-destructive testing*



Non-destructive testing  
using the Magnetic Testing  
(MT) technique.



## Recognitions

The high quality of our services has also been recognised by our clients and commercial partners. Applus+ has obtained **client approvals** both for technological services, such as structural testing for the aerospace sector, and electromagnetic-compatibility testing for the automotive sector, and for specific products developed by Applus+, such as advanced NDT inspection systems for the oil and gas sector.

Our engineers also continue to share and build knowledge by writing and submitting **technical and scholarly papers**. At the American Association of Mechanical Engineers PVP 2016 Conference, our engineers were honoured with the **Best Technical Paper from ASME PVP 2015** for the paper entitled "A method to define the best weld sequence using a limited number of welding simulation analyses".

In the automotive sector, Applus+ was awarded with the **Best International Paper prize at the SAE Brazil 2016 Congress** for "Virtual Proving Ground (ISVPG) for improved chassis development process" and, at the 23rd ITS World Congress held in Melbourne, we won the **Best ITS Congress Paper prize** for our technical paper entitled "Functional validation and performance assessment of automated truck platoons in a controlled environment".

## Dialogue with stakeholders

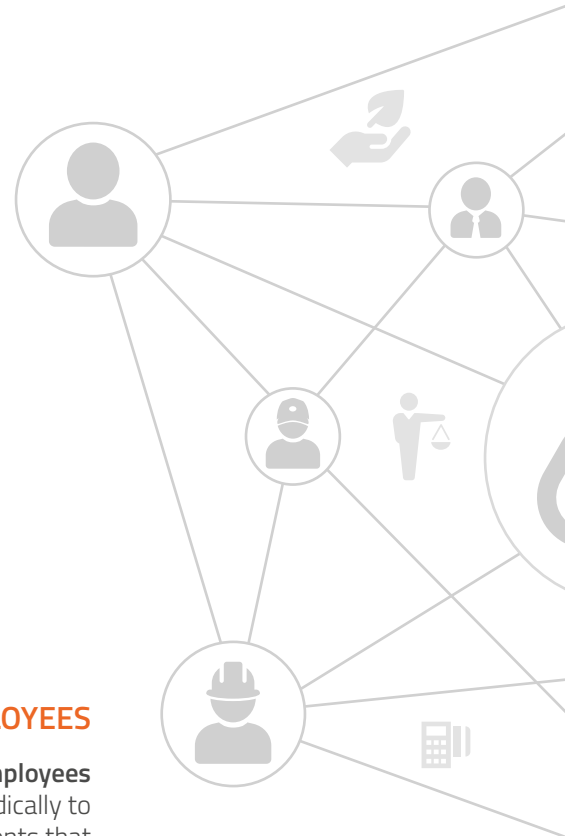
*The Applus+ Corporate Social Responsibility Policy establishes our commitment to improving relations and dialogue with our stakeholders. This duty guides our responses to their needs and expectations by consolidating and improving our established communication channels.*

### CLIENTS

We continually communicate with our clients throughout the development of our **projects** – from the beginning of a project until its completion. We hold **periodic meetings** to review the progress of our projects, attended by a lead project manager together with client representatives. We formally record client satisfaction by conducting a review exercise at the end of each project, which is completed with the **explicit approval of our clients** or with a **letter of reference**. We also organise **open-days, roadshows, conferences and technical forums** for our clients. In addition, our divisions periodically conduct **customer-satisfaction surveys**.

### EMPLOYEES

Applus+ **surveys** its **employees on satisfaction** periodically to identify improvements that could be made in areas such as teamwork, empowerment, engagement, and recognition. The next survey will be conducted in 2017.



## SUPPLIERS

In respect of our suppliers, Applus+ has approved **vetting processes** to guarantee external suppliers and partners meet our commitment to ethics and quality. We also gather feedback about our suppliers' expectations and concerns through our membership of the **Spanish Association for Purchasing, Contracting and Supply Professionals (AERCE)**, an organisation which shares experience, publishes information, imparts knowledge and conducts research on issues relating to purchasing and procurement in Spain.

## SHAREHOLDERS

Our **investor relations** is exclusively dedicated to managing communications with the investors to provide a deeper understanding of our business. The main source of information can be found on our website at [www.applus.com/en/](http://www.applus.com/en/), where the direct contact information is available for investor relations.

In 2016, we attended 160 **meetings or conference calls** reaching out to 175 separate funds of which 80 were first contacts with Applus+ since the IPO in May 2014. These interactions were made through attendance at 10 **investor conferences**. Applus+ was invited to as well as several roadshows instigated by us and through reverse enquiries from investors and their bank advisors.

All of our directors attend the shareholders' **Annual General Meeting**, where we provide a platform for those wishing to participate, whether personally or through their representatives.

This year, the Board approved the **Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors** to further our pledge for good dialogue with them. In addition, we held a corporate-governance roadshow during January 2017, demonstrating our willingness to ensure a common understanding of concerns and to share the group progress in this area.

## Other stakeholders

*Our involvement in organisations and associations – both locally and internationally – 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**, we are members of:

- The Spanish Association of Defence, Aerospace and Space Technology Companies (**TEDAE**), which aims to represent and promote its members' interest both nationally and internationally.
- International Whole Vehicle Type Approval (**IWVTA**), which aims to expand the mutual recognition of vehicle systems and components.
- Society for Underwater Technology (**SUT**) - *Australasian Oil and Gas* (**AOG**). SUT is a multi-disciplinary, learned society which brings together organisations and individuals with a common interest in underwater technology, ocean science and offshore engineering. The AOG is a leading oil and gas event to discover new products, technologies and techniques; to advance members' knowledge; and to gain insight into industry dynamics.

- 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.

Other related memberships for the **activities and services we provide** include:

- International Motor Vehicle Inspection Committee (**CITA**), which is the international association for public- and private-sector organisations actively practising compulsory inspection of in-service motor vehicles and trailers and for organisations responsible for authorising and supervising vehicle inspection.
- European Group of Organizations for Fire Testing, Inspection and Certification (**EGOLF**), which is the main representative body for third-party, independent and nationally recognised organisations involved at a European level of



fire-safety testing, inspection and certification activities.

- British Institute of Non-Destructive Testing (**BINDT**) which promotes the advancement of the science and practice of non-destructive testing (NDT), condition monitoring (CM), diagnostic engineering and all other materials and quality testing disciplines.
- Applus+ is a member of several local and international associations which accredit conformity-assessment services such as testing, certification, calibration and inspection, in accordance with international standards and requirements. These include the Singapore Accreditation Council (**SAC**), Harwell Offshore Inspection Service (**HOIS**) and Association of Inspection Entities of the Community of Madrid (**ASEICAM**).

Finally, related to the **associations specialised in quality, CSR and ethics**:

- Several Applus+ divisions join the **UN Global Compact** group, committing to 'Ten Principles' related to human rights, labour, the environment and anti-corruption.
- We are also members of the **Club for Excellence in Management (EFQM Primary Partner in Spain)** which is a not-for-profit business association. Applus+ has been a Primary Partner of the EFQM since 1994.
- At **FORÉTICA** – a leading association for corporate social responsibility and sustainability businesses and professionals in Spain and Latin America – our membership supports the association's mission to promote the integration of social, environmental and good-governance policies into organisation's business strategies and management practices.

## Social contribution



### SOCIAL CAUSES

The Applus+ Group supports numerous social causes at a local level, either through direct financial contribution or sponsorship. We are involved in many kinds of social initiatives to support disadvantaged groups; to contribute to care for life-threatening illness; and to promote safe and healthy lifestyles.

### *Supporting disadvantaged people*

In 2016, Applus+ made a donation to UDAY TARUN MANDAL, which is a children's charity providing education and medical assistance to families in need. **UDAY TARUN MANDAL** is registered in Maharashtra, **India**.

Applus+ donated to "**Just a Drop**" - a charitable organisation helping to provide clean water and sanitation in developing countries. On this occasion, the project provided a water collection and storage unit for the Matha Primary School in **Kenya**.

Applus+ contribute to and collect donations for a local charity called "**Toys for Tots**" in the **Port Isabel-Texas**, the fundraisers purchase gifts for under-privileged children during the December holiday period. In **Illinois**, Applus+ worked with the **Exchange Club of Naperville** at the "Annual Ribfest" to collect funds for the prevention of child abuse.

In **Australia**, Applus+ has established a formal partnership with Australia's first and only indigenous-owned NDT company. The aim is to deliver **indigenous-traineeships** to break down the barriers that prevent indigenous Australians beginning careers in the inspection industry. Applus+ provides guidance and mentoring to support the growth of this NDT company. Both companies share a commitment to work within the local communities and to create sustainable employment prospects by supporting local businesses with subcontracting and supply opportunities.

Applus+ continued its annual sponsorship of the "Concours Hippique" event, in Bergen op Zoom, the **Netherlands**. This year, the money collected went to the **DVB foundation** which supported therapeutic riding for people with disabilities.



## *Caring about long-term illness*

In the **Netherlands**, we made a donation to **Horizon**, a publisher offering puzzle and colouring books for the “Clowns@Home” foundation. This foundation entertains children with chronic illness and those that have been hospitalised. Additionally, Applus+ in the **UK** has made a donation to **Big Hearts Group**, the official charity of Heart of Midlothian Football Club, to provide support for child carers of family members who have life-limiting illnesses.

Applus+ also made a donation to “**The Campaign Against Living Miserably**” (**CALM**), which is a registered charity dedicated to preventing the high levels of male suicide in the **UK**.

Our social commitment also extends to our employees. In 2016, we collaborated with the **Dutch** foundation **Wens Ambulance Brabant**, which provides the terminally ill with a chance to do something that they otherwise would not be able to do as a result of their illness. We were able to help a terminally ill employee to visit his Applus+ colleagues.

Applus+ contributed to fostering public engagement for the “**TV3 Marathon**”. During the event, Applus+ opened its vehicle-inspection centre in Villafranca del Penedés (**Spain**) on a public holiday. This year our employees carried out more than 57 vehicle inspections. Applus+ donated the funds raised to various organizations working to **fight against ictus, traumatic spinal cord, and cerebral injuries**.

Finally, Applus+ made a donation for the **American Cancer Society, Boys and Girls Club, Childs Healthcare of Atlanta and the March of Dimes**.

## *Promoting safe and healthy lifestyles*

Applus+ made a donation towards “**The British 10k Run**”. This annual event is organised by the Commonwealth Girls Education Fund (CGEF), which is an organisation helping young girls to complete high-school education in their Commonwealth country of origin in cases where, for economic reasons, this might not otherwise be possible.

In **Chile**, we created the “**Fruit Day**” event to promote a healthy and balanced diet that is compatible with office work. This assistance provides employees with seasonal fruit twice a week.

Applus+ is also actively promoting healthy lifestyles in the **Netherlands** and the **Philippines**, where we **sponsor local football clubs** to encourage local children to play sports.

Applus+ also championed other sporting events in 2016, sponsoring the “**Washington Program Bowling Competition**” organised by the Automotive Division in the **USA**. Stations competed in a knockout summer bowling competition and the winning team were rewarded with a certificate, lunch party and trophy. Furthermore, our central office at the Energy & Industry Division in **Mexico** organised a “**Corporate Race**” to promote sport, health and inclusion.



## THE ROLE OF OUR INNOVATION PROJECTS

We believe that one of our greatest social contributions is to participate actively in the process of **creating the necessary media, technologies and infrastructures to improve safety and quality of life** in our society. Our knowledge and skills in technological development play an essential role in our social contribution.

### *Health*

In the pharmaceutical area and related to industrialization of processes, the Horizon 2020 European Programme provides funding to a Laboratories Division' project called **"NANOFACTURING"**. This project sets out to identify methods for scaling up the manufacture of gold-core nanoparticles for medical use. During the project's second year, Applus+ successfully established a new, scalable synthetic route that can be reproduced in accordance with pharmaceutical industry standards.

### *Road-transport safety and vulnerable users*

The safety of road transport and vulnerable users also benefit from our expertise through our participation in the **"SENIORS"** (Safety Enhancing Innovations for Older Road Users) project. This project takes an integrated approach to investigating and assessing how to reduce injuries through the application of innovative tools and safety systems, targeting the protection of elderly car occupants and external road users. The project also receives Horizon 2020 European Programme funding and the IDIADA Division leads a consortium of 7 partners.

### *Sustainable urban mobility*

To support sustainable urban mobility, Applus+ is leading a collaborative project called **"U-MOB"**, funded by LIFE+ grants. The project aims to set up a network of university campuses across the EU to facilitate the exchange and transfer of best practice in sustainable mobility.



## WE EDUCATE FOR THE UPTAKE OF NEW TECHNOLOGY

In 2016, Applus+ nurtured the educational and cultural bases that allow for the use, implementation and optimisation of present and future technologies.

### *Stimulate interest in innovation*

The Energy & Industry Division in the **Netherlands** sponsored the “**Game on!**” event– created to stimulate an interest among young people in technical education. On a similar note, the IDIADA Division was the main company contributor to the continuous education programme entitled ‘Driving Innovation to Transform your Organization’ at the **IESE Business School of the University of Navarra (Spain)**, which benefitted business people and professionals from all around the world.

### *Road safety and environmental education*

We also extended road safety and environmental education to young pupils age four to six. In 2016, the Automotive Division launched a training plan for all schools in the autonomous region of **Madrid** and in **Santa Cruz de Tenerife (Spain)** to **teach pupils about road safety**. The project installed two road-safety parks at our vehicle-testing stations in Pinto (Madrid, Spain) and Adeje (Santa Cruz de Tenerife, Spain). The division also organised practical courses on **how to react when confronted with the most frequent situations of risk**, and to teach drivers of passenger cars and motorcycles how to drive defensively.



## Innovation

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*To provide our clients with added-value products and services, Applus+ is at the forefront of delivering quality and technology which meet our clients' needs and expectations. Our innovative approach generates increases in efficiency which are beneficial for both our company and our clients, as well as for the environment and society.*

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We invest in innovation to create value for our customers through the development of products, services and technical expertise. Never a management buzzword, innovation at Applus+

has always been a point of differentiation, a source of competitive advantage and a builder of our performance and reputation.



*The Volar-e prototype*



The Volar-e prototype charging with a Magnum Cap at 150Kw and 800V.

## Our innovation in figures



During 2016, we carried out 175 innovation projects: 81 within IDIADA Division; 51 in Energy & Industry Division; 21 in Laboratories Division; and 10 in Automotive Division. In addition, we ran 12 information technology projects at the corporate level.

EMPLOYEES AND HOURS	2015	2016
Applus+ employees involved (not full-time dedicated)	434	713
Hours worked	266,880	295,800

In 2016, our divisions' innovation activity led to the development of a range of new products and services within different sectors, which addressed various sustainability goals.

## Our divisions' innovation activity



For the aerospace industry, reducing environmental impact is a major challenge. To meet this, Applus+ is providing new technologies to reduce the weight of an aircraft's structural components.



Collaborating to innovate new technologies, Applus+ participated as a partner in two new **"Clean Sky 2"** projects, which provide new testing services and engineering processes for manufacturing both aimed at incorporating lighter materials in aircraft. This European Union initiative aims to develop new materials and technologies that will lead to reductions in an aircraft's environmental impact, such as reducing CO<sub>2</sub>, fuel consumption and noise levels.

Our technological advances led to the industrialisation of our **"A+ Glide Forming"** technology, patent pending. This manufacturing technology supports the aerospace industry in its efforts to replace metals with composite carbon-fibre materials for aerospace components. These composite materials are significantly lighter and allow aircraft to fly with reduce fuel consumption, thereby enhancing the aircraft's energy efficiency and reducing CO<sub>2</sub> emissions.



Safety is a primary concern when Applus+ delivers services. In the field of non-destructive testing and inspection (NDT), our divisions develop and update advanced solutions to minimise risks to oil and gas infrastructure, as well as to conventional and renewable power plants.



The Energy & Industry Division is making a sustained effort to help improve the safety of customers' premises and operations. The systems we have developed contribute to minimising the risks of leakages or other kinds of accidents, such incidents can cause serious harm to human or natural life, and these new solutions also allow inspectors and engineers to work in safer environments.

For example, we have developed the "**Applus+ DISCOVERY (Phased Array Screening)**" system, which allows premises to be inspected without shutdown. Importantly, this technique minimises the risk of accidents and spillages during inspections. As a result, numerous on-site safety risks have been eliminated, which could have occurred during conventional inspection procedures when unloading, starting up or shutting down equipment.

Prevention being better than repair, we have also developed the "**InSite data-management solution**" to provide our oil and gas customers with new tools, which meet code compliance, to report on the overall health of their integrity management programme. The InSite solution enables operators to advance from reactionary maintenance plans and, instead, to develop predictive models. The tool helps our customers to reduce environmental and safety risks thanks to predictively managing the integrity of their facilities.



## IT SECURITY

Guaranteeing security requires leading-edge solutions for information technologies and telecommunication.



Security, in the field of information technologies and telecommunications, is also providing challenges and opportunities for the Laboratories Division. The division has undertaken a variety of innovation projects to ensure advanced **security for mobile phones, smart devices and the IoT (Internet of Things)**. These projects have provided the company with unique insights and the knowledge required to evaluate this fast-evolving technology. These projects involve combining software and hardware security for payment and identification applications, as well as protecting copyrighted content.



## ENVIRONMENT

Environment protection is the goal of several Applus+ projects including the improvement in water-pollutant testing.



As a result of the **"DAMA and MARINA+"** innovation projects, the Energy & Industry Division in Spain has implemented new procedures to extend its accreditations in the field of water-pollutant analysis.





The IDIADA Division develops technologies to improve safety and seek solutions that allow the use of alternative fuels.



Applus is participating in Project “**ZeEUS**” (**Zero Emission Urban Bus Systems**). In collaborating with 39 partners from different countries in Europe and with funding from the European 7th Framework Programme, the project sets out to demonstrate the economic, environmental and societal feasibility of urban, electric bus systems.

This “ZeEUS” project investigates different demonstration activities, combining innovative technologies for electric vehicles and infrastructure. The vehicles will run across different European cities to show how electric bus systems can fulfil the mobility needs of citizens in the urban settings of the future.

In addition, the “**MORE-ZERO**” project (Hydrogen Modular Range Extender for Electric Vehicles) will contribute to the use of alternative fuels and reduce the environmental impact of road transport. The project is demonstrating the cost-benefit of adding an auxiliary fuel-cell power unit that increases the range of the existing battery in electric vehicles.

The project will demonstrate the capabilities of fuel cell in different types of vehicles. The IDIADA Division leads the project with its partners and ACCIO and ERA-NET Transport fund the project.

Applus+ has also developed a **wireless device** that allows motorists in Oregon (USA) to self-inspect the emissions of their vehicles equipped with on-board devices (motorcycles made after 2005) at locations such as petrol stations, convenience stores, dealerships and vehicle repair shops. Following the inspection and at the drivers’ convenience, vehicle owners can access **Oregon’s Department of Environmental Quality (DEQ)** website to view the results and renew their annual vehicle registration. While improving environmental quality, the innovative device provides a simplified, efficient and easy emission-inspection tool.

## Innovation through collaboration

Historically, innovation through collaboration has always been at the centre of Applus+'s culture. Our technical centres and laboratories continue collaborating with universities, R&D centres and other innovating companies.

The sharing of capacities and resources helps us to increase our knowledge base and to explore new technology solutions for our clients. Continuing this work in 2016, **Applus+ entered into agreements with 83 external bodies**: 52 in the Energy & Industry Division, 21 at IDIADA Division and 10 in Laboratories Division. Our collaboration covers a range of relationships, either with the view to form consortiums for collaborative projects or for the eventual transfer of proprietary technology.

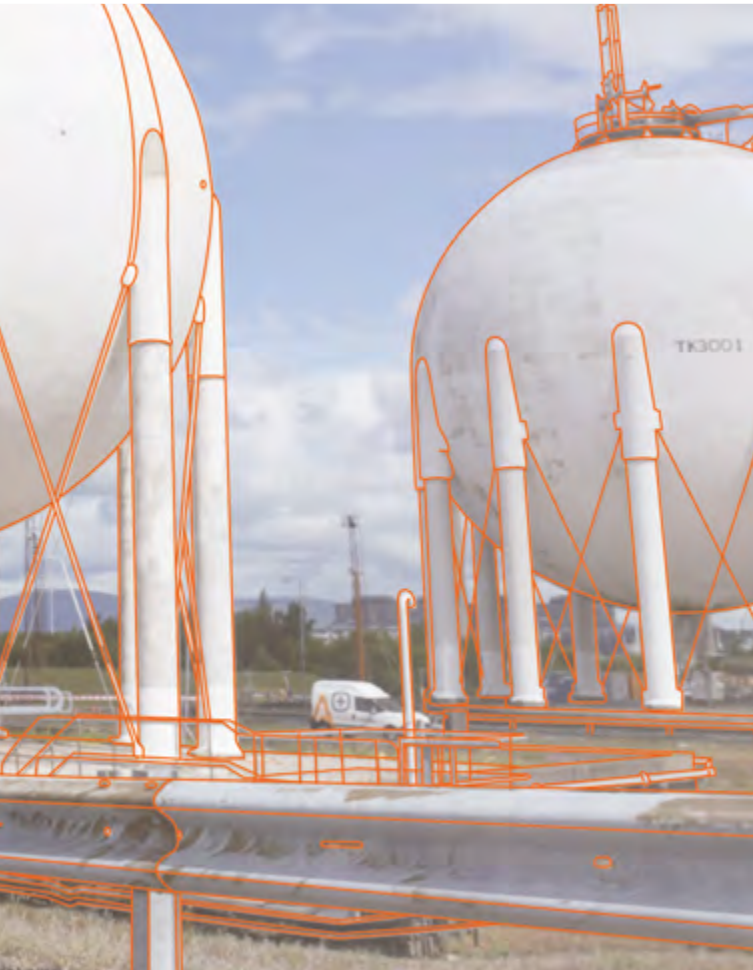
ACTIVITIES TO PROMOTE OUR INNOVATION	2015	2016
Technical speeches	78	86
Technical publications	53	74
Training sessions	38	133



In 2016, these events included:

- **An OPEN DAY: “Introduction to Innovative NDT Solutions”.** This was an industry event, organised by the Energy & Industry Division in Australia in December 2016, to demonstrate Applus+’s NDT technologies and industrial applications to oil, gas and industrial companies.
- **SAMPE 2016:** In the aerospace sector, a conference and a paper entitled **“A+ GLIDE Forming Technology”** was presented at SAMPE 2016 in Long Beach, USA, in May 2016. This outlined the new process developed by the Laboratories Division to manufacture structural carbon-fibre reinforcements.

- **“Euro NCAP 2018-19 Lane Support Protocol – Road Edge Workshop”, October 4th-5th 2016, IDIADA Division.** The IDIADA Division hosted a workshop to evaluate the different strategies for simulating the road edge on a test track. The simulation enables the testing of a Lane Support Systems (LSS), which is able to react to critical scenarios when a vehicle is at risk of leaving the lane or road. The ACEA (European Automobile Manufacturers’ Association) and CLEPA (European Association of Automotive Suppliers) supported the workshop and we welcomed 65 attendants, testing with 15 prototype vehicles. During the workshop, the prototype vehicles drove over a variety of real and artificial road-edges to identify a valid, representative test method.



## Intellectual property

The intellectual property we created is a strategic asset.

INTELLECTUAL PROPERTY	2015	2016
Accumulated patents granted	57	61
Accumulated patent families	32	35
New applications filed (for new and existing families)	15	6



# Commitment to the environment

## Environmental management

*The direct environmental impact of our company's activities is minor and principally related to our office activities and fieldwork. We can affirm that our most significant environmental impacts are those of energy and water consumption and from vehicle emissions.*

In 2015, we began collecting our **global energy and fuel consumption indicators**. In 2016, we extended these goals to gather **global water consumption indicators**. This is an important step towards improving the quality and traceability of the information we report on in respect of our environmental performance, as well as optimising the design and implementation of measures that focus on minimising the environmental impact of our activities.

Independent of our **environmental-management systems** certificated at a local level and in accordance with the international ISO 14001 standard, Applus+ has also fulfilled its commitment to the environment by running awareness campaigns amongst our employees.

This includes **HSQE induction training** for every new recruit covering good environmental practices and, where appropriate, environmental-management systems. Furthermore, our employees are regularly informed about the **location of waste containers**, and we provide **guidance on good environmental practices** to minimise energy consumption and waste.

Our commitment to the environment has been **acknowledged** by our clients and other organisations, including **King County Solid Waste Division**, which awarded the Automotive Division in the USA for demonstrating great dedication to recycling and environmental conservation.

CONSUMPTION	2015	2016
Energy ratio (GJ/k€)	0.77	0.58 (1)
Total energy consumption (GJ) (2)	1,146,542	920,050 (1)
Total Water Consumption (m <sup>3</sup> ) (3)	N.A.	625,246

(1) Energy ratio and total energy consumption have dropped as a result of the reduction in liquid fuel consumption.  
 (2) The reported scope covers 90% of revenue  
 (3) The reported scope covers 71% of revenue.

GHG EMISSIONS (1)	2015	2016
Scope 1 emissions (tCO <sub>2</sub> )	61,910	50,733 (2)
Scope 2 emissions (tCO <sub>2</sub> )	14,864	18,268 (3)

(1) Emissions calculated on the basis of the GHG emissions factors provided by the International Energy Agency.  
 (2) Scope 1 emissions has dropped as a result of the reduction in liquid fuel consumption.  
 (3) Scope 2 emissions has increased due to new legal entities included in the reporting process in 2016 (up to 90% of the group).



*Non-destructive testing*



Non-destructive testing using the Time of Flight Diffraction (TOFD) technique.





**REDUCING OUR CLIENTS' POTENTIAL ENVIRONMENTAL IMPACTS**

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.



**THE ROLE OF OUR INNOVATION PROJECTS**

When **safeguarding the environment**, our innovation projects also play an essential role.



**ENVIRONMENTAL PROTECTION IS A VALUE SHARED WITH OUR STAKEHOLDERS**

Applus+ want to share the value of **protecting the environment with its main partners and collaborators.**

Within the objectives found in the framework of the Paris Climate Agreement (COP21), the Energy & Industry Division provided technical assistance to different business sectors in **Panama** to identify concrete investment opportunities that could lead to **clean-energy projects to protect the environment**. This covered energy use in heating and ventilation, air conditioning, lighting, photovoltaic solar energy and self-generating systems. Applus+ helped the participating companies to reduce their energy consumption per traffic unit (energy intensity) and to achieve an absolute reduction in their gas emissions.

Applus+ is actively involved in working on these projects and contributing to improvements in knowledge and the control of air pollution caused by conventional engines, with the aim of reducing motor fuel's environmental and health impact.

In the area of environmental best practice, Applus+ is leading the **"European ECVETLAB"** project, funded by ERASMUS+ programme, to develop specific training and qualification programmes for environmental and health-and-safety management in laboratories.

To this end, in 2016, together with **Energuate** at the University of San Carlos in **Guatemala**, Applus+ planted 500 trees as part of a reforestation programme.

Applus+' technological developments include two projects within the framework of the **CITA** (International Motor Vehicle Inspection Committee) **Technical Committee**. One project focuses on the study of nitrogen-oxide pollution emitted by diesel and petrol engines ("**SET 2 project**"), and the second project investigates alternative power vehicles ("**APV project**").

In Panama, the Energy & Industry Division has signed a Memorandum of Understanding for Technical and Scientific Cooperation with **Ramsar's Regional Centre for Training and Research on Wetlands in the Western Hemisphere (CREHO)**. The research project's scope includes developing software tools for handling data on water-sanitation plans; comprehensive solutions for water sanitation; and drainage in sensitive marine recipient systems.

Similarly, the Automotive Division in the **USA** held an **"Earth Day Initiative"** in collaboration with **Arbor Day Foundation**, where for every \$1 donated from our test-station and headquarters employees, the Foundation planted 10 trees. The test station with the highest donations earned themselves a lunch party and a certificate.

# 07 Annexes

## Annex I - About this report

For the second consecutive year, the Applus+ Group report follows, in its essence, the criteria, principles and contents which are defined in the Global Reporting Initiative (GRI)'s G4, and is in accordance with its 'core-option'.

The information and engagement indicators included in this report make reference to all of the activities performed by the Applus+ Group in all of the regions in which the company's divisions operate.

All of the information provided in this report reflects operations and activities performed by the group during 2016 (January 1<sup>st</sup> – December 31<sup>st</sup>). To allow comparability and to offer chronological evolution of the data provided within this report, reports are presented for both 2015 and 2016. Applus+ publishes its *CSR Report* annually.





## Principles underlying this report

**Materiality.** Topics identified in the materiality analysis and included in the *Corporate Social Responsibility Report 2016* are considered significant to the group's activities.

**Stakeholders' involvement.** The company identified its stakeholders and their expectations. The methods used to identify stakeholders are outlined in the *Materiality Matrix section*. Information was gathered from our external stakeholders in variety of ways, as described in *Dialogue with stakeholders section*. At an internal level, Applus+ corporate and executive personnel were interviewed to learn more about the ways in which CSR is being integrated into our operations and to identify aspects that should be improved in the future.

**Sustainability context.** We provide an extensive vision of our commitment with regards to sustainability in a business context by including specific information on how sustainability is understood, integrated and applied throughout the organisation.

**Completeness.** The content of this report has been defined through consultation with the personnel responsible for the company's main areas of management. This ensures that we consider the essential aspects of, and the impact on, Applus+'s areas of activity in relation to the company's environmental and business objectives.

## Quality of information disclosed

**Balance.** The report clearly presents positive and negative aspects of the group's performance, allowing for information to be assessed to a reasonable degree.

**Comparability.** The information presented in this report allows for chronological analysis and an analysis of the evolution of the company's performance.

**Accuracy.** All of the information in this report is necessary and is presented in sufficient detail as to allow the company's stakeholders to appropriately assess the company's performance.

**Regularity.** The Applus+ Group publishes its reports on corporate social responsibility annually, and as soon as the information is available, to allow our stakeholders to make an adequate assessment of the company.

**Clarity.** The information is presented in a comprehensible, accessible and useful way. Charts, schemes, tables and indicators been used to illustrate the most relevant aspects and to make the document easier to read.

## Annex II – GRI Table

SPECIFIC STANDARD DISCLOSURE		
STRATEGY AND ANALYSIS		
GRI CODE	SECTION	GRI INDICADOR
G4-1	Letter from the Chairman and CEO	Statement from the most senior decision-maker of the organisation.
ORGANISATIONAL PROFILE		
GRI CODE	SECTION	GRI INDICADOR
G4-3	Brief introduction to Applus+	Name of the organisation.
G4-4	Brief introduction to Applus+	Primary brands, products, and services.
G4-5	Campus UAB – Ronda de la Font del Carme, s/n 08193, Bellaterra, Barcelona (Spain)	Location of the organisation's headquarters.
SPECIFIC STANDARD DISCLOSURE		
G4-6	Reference to Annual Report	Number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.
G4-7	Applus+ Services S.A.	Nature of ownership and legal form of the organisation.
G4-8	Reference to Annual Report	Markets served by the organisation (including geographic breakdown, sectors served and types of customers and beneficiaries).
G4-9	Reference to Financial Statements	Scale of the organisation (number of employees, number of operations, net sales, capitalisation broken down in terms of debt and equity and quantity of products or services provided).

G4-10	Human capital	Number of employees by employment contract and gender; number of permanent employees by employment type and gender; workforce by employees and supervised workers and by gender; workforce by region and gender.
G4-11	Human capital	Percentage of total employees covered by collective bargaining agreements.
G4-12	Reference to Annual Report	Organisation's supply chain.
G4-13	Reference to Annual Report	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including changes in the location of, or changes in, operations including facility openings, closings, and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sectors organisations); changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination.
G4-14	Corporate governance and business ethics	Report whether and how the precautionary approach or principle is addressed by the organisation.
G4-15	Market focus Dialogue with stakeholders	List of the externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.
G4-16	Dialogue with stakeholders	List of memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation participates somehow.

#### IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

GRI CODE	SECTION	GRI INDICADOR
G4-17	Reference to Annual Report	List of all entities included in the organisation's consolidated financial statements or equivalent documents.
G4-18	Materiality matrix	Explain the process for defining the report content and the Aspect Boundaries.

G4-19	Materiality matrix	List of all the material Aspects identified in the process for defining report content.
G4-20	Materiality matrix	Report the Aspect Boundary within the organisation for each material Aspect.
G4-21	Materiality matrix	Report the Aspect Boundary within the organisation for each material Aspect.
G4-22	Without restatements	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.
G4-23	Without significant changes	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.

### STAKEHOLDER ENGAGEMENT

GRI CODE	SECTION	GRI INDICADOR
G4-24	Dialogue with stakeholders	List of stakeholder groups engaged by the organisation.
G4-25	Materiality matrix	Report the basis for identification and selection of stakeholders with whom to engage.
G4-26	Dialogue with stakeholders	Organisation's approach to stakeholder engagement; e.g. frequency of engagement by type and by stakeholder group.
G4-27	Materiality matrix Our responsibility	Key topics and concerns raised through stakeholder engagement, and description of how the organisation has responded to those key topics and concerns.

### SPECIFIC STANDARD DISCLOSURE

#### REPORT PROFILE

GRI CODE	SECTION	GRI INDICADOR
G4-28	Annex 1-About this report	Reporting period (such as fiscal or calendar year).
G4-29	June 2015	Date of most recent previous report (if any).
G4-30	Annex 1-About this report	Reporting cycle (such as annual, biennial, etc.)
G4-31	investors@applus.com	Provide the contact point for questions regarding the report or its contents.

G4-32	Annex 1-About this report	Report the "in accordance" option the organisation has chosen the GRI Content index for the chosen option, the reference to the External Assurance Report (if any).
G4-33	This is de 2 <sup>nd</sup> annual CSR and has not been submitted to external assurance	Organisation's policy and current practice with regard de seeking external assurance for the report.
GOVERNANCE		
GRI CODE	SECTION	GRI INDICADOR
G4-34	Reference to Corporate Governance Report	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.
ETHICS AND INTEGRITY		
GRI CODE	SECTION	GRI INDICADOR
G4-56	Corporate governance and business ethics	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.
ECONOMIC CATEGORY		
ECONOMIC PERFORMANCE		
GRI CODE	SECTION	GRI INDICADOR
G4-EC1	Reference to Annual Report	Direct economic value generated and distributed.

SPECIFIC STANDARD DISCLOSURE		
SOCIAL CATEGORY		
SUB CATEGORY LABOR PRACTICES AND DECENT WORK		
OCCUPATIONAL HEALTH AND SAFETY		
GRI CODE	SECTION	GRI INDICADOR
G4-LA6	Human capital	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work related fatalities, by region and by gender.
SUB CATEGORY PRODUCT RESPONSIBILITY		
COMPLIANCE		
GRI CODE	SECTION	GRI INDICADOR
G4-PR9	0	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.
ENVIRONMENTAL CATEGORY		
ENERGY		
GRI CODE	SECTION	GRI INDICADOR
G4-EN3	Commitment to the environment	Energy consumption within the organisation.
G4-EN5	Commitment to the environment	Energy intensity.
EMISSIONS		
GRI CODE	SECTION	GRI INDICADOR
G4-EN15	Commitment to the environment	Direct greenhouse gas (GHG) emissions (Scope 1).
G4-EN16	Commitment to the environment	Energy indirect greenhouse gas (GHG) emissions (Scope 2).



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