



**Annual report prepared by the Audit Committee of the Board of Directors of Applus Services, S.A. on its functioning during year 2021**

## **I. Introduction**

This report is drafted by the Audit Committee (the “**Committee**”) of the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in compliance with the provisions of article 38.15 of the Regulations of Applus' Board of Directors (hereinafter, the “**Board Regulations**”), and articles 18.3 and 19.3 of the Committee's Regulations, in order to inform about the work performed by the Committee during year 2021.

This report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating the work performed by the Committee during year 2021, in accordance with the provisions of article 36 of the Board Regulations.

## **II. Regulation of the Committee**

The Committee is regulated by the provisions of article 529 quaterdecies and concordant articles of the Spanish Companies Act (Ley de Sociedades de Capital). The basic rules of organisation and functioning are contained in article 38 of the Board Regulations and are developed in the Audit Committee Regulations, approved by the Board of Directors at its meeting of 15 December 2020.

In addition, the Committee follows the recommendations contained in the Good Governance Code of Listed Companies and in Technical Guide 3/2017, on audit committees of public interest entities approved by the National Securities Market Commission on 27 June 2017.

## **III. Composition of the Committee**

The Committee has been composed by the following four members during year 2021:

- (i) Mr. Nicolás Villén Jiménez: Independent Director. He was appointed Director for the first time on 27 October 2015 and re-elected for the last time at the General

Shareholders' Meeting held on 29 May 2020. He holds the position of Chairman of the Committee since 31 May 2018.

- (ii) Mr. Ernesto Gerardo Mata López: Director with the category of "Other External". He was appointed Director for the first time on 29 November 2007 and re-elected for the last time at the General Shareholders' Meeting held on 31 May 2018.
- (iii) Mrs. María Cristina Henríquez de Luna Basagoiti: Independent Director. She was appointed as Director for the first time on 21 July 2016 and re-elected for the last time at the General Shareholders' Meeting held on 28 May 2021.
- (iv) Mrs. Essimari Kairisto: Independent Director. She was appointed as a Director on 9 April 2019.

The personal and professional profile of each of them can be found in the "Board of Directors" section of the "Investors" heading of the Company's website ([www.applus.com](http://www.applus.com)).

#### **IV. Meetings**

During year 2021, the Committee held four meetings, *i.e.* the regular quarterly meetings (17 February, 5 May, 22 July and 21 October). All of the members of the Committee attended each of said meetings and, additionally, Mr. Christopher Cole (Chairman of the Board of Directors), Mr. Joan Amigó (Chief Financial Officer) and Mr. Aleix Ribas (internal auditor) also attended to all of such meetings, by express invitation of the Chairman of the Committee.

The Committee considers that it has met with the frequency required to perform its functions, and in any event with the minimum frequency of meetings established under article 38.10 of the Board Regulations.

## V. Actions carried out during year 2021

The Committee, in the performance of the functions attributed to it under article 529 quaterdecies of the Spanish Companies Act, article 31 of the Company's by-laws, and article 38 of the Board Regulations, has mainly focused its meetings during year 2021 on the following actions:

### A. Review of periodic financial information

The Committee has reviewed all the quarterly, biannual, and annual financial information of the Company, both individual and consolidated, which must be submitted to the National Securities Market Commission (CNMV) due to the Company's publicly listed status, prior to its approval by the Board of Directors.

Furthermore, the Committee has ensured its compliance with the legal requirements for the preparation of the financial statements and, in particular, with respect to the delimitation of the scope of consolidation and the correct application of the applicable accounting principles.

### B. Review of the process for the preparation of the annual accounts

The Committee has reviewed the process for the preparation of the annual accounts corresponding to year 2020 prior to their approval by the Board of Directors. In this regard, the Committee has completed the following actions:

- (i) Verified the compliance with, and the correct application of accounting principles.
- (ii) Maintained a continuous communication with the external auditor of the Company in order to identify significant weakness of the internal control systems that may be detected, as well as any other relevant risk that may affect the development of the audit process.

- (iii) Supervised and reviewed the processing of financial information, the internal systems of control and risks management of the Company, and monitored its complete adequacy and integrity.

#### C. Relationship with the External Auditor

The Committee has supervised the relations with the Company's external auditor, Deloitte, S.L. (the "**Auditor**"), as well as the compliance with the audit agreement currently in force, and has ensured that the opinion about the annual accounts and the content of the audit report were drafted in a clear and precise manner.

The Committee maintained during year 2021 appropriate contacts with the Auditor, from which it received punctual and detailed information regarding the auditing services and those non-audit services provided to the Company or its group of companies, in accordance with the provisions of article 38.7.c of the Board Regulations and the Spanish accounting and audit regulations. In this sense, the Committee has concluded that there were no objective reasons to question the independence of the Auditor of the Company during year 2020 and that it had respected the rules governing the audit process in the framework of the elaboration of the financial information of the Company.

Finally, it is expressly noted that the Committee has facilitated the attendance of the Auditor at three of the four meetings held during 2021 to provide support and make clarifications to its members. In particular, the Auditor attended the February and July meetings to review the financial statements for the financial year 2020 and the first semester of 2021, respectively, and to the October meeting to present the work plan for the financial year 2021 and to propose its fees.

#### D. Internal Audit

The Committee has complied, during year 2021, with its functions relating to the internal audit function of the Company. In this sense, the Committee has supervised the implementation of the Internal Audit Plan for year 2021 as well as its correct execution.

To that end, the Committee has granted access to its meetings to the responsible person of the Company's internal audit department, Mr. Aleix Ribas, who has provided support and information to the Committee when needed, and has duly provided any clarifications he considered appropriate or that were necessary.

The Committee has considered 2021 as a transition year, taking into account the implementation of the new SAP GRC tool (Governance, Risk and Compliance) and the enhancement of the data analytics use to be carried out during the year. The financial year 2021 has also been a year of investment due to the ongoing significant transformation of the Company's internal audit department, in order to accomplish (i) the extension of the anomaly detection model in processes of acquisition to E&I Latam, (ii) the introduction of the internal control model in Besikta, (iii) the acquisitions of QPS and Reliable Analysis, and (iv) the completion of the 3-year training plan for internal auditors (Global CIA certification and CFE qualifications).

In addition, the Committee has actively monitored the independence of the department in charge of the Company's internal audit.

E. Internal control systems of financial information (ICFR)

In relation with the Internal Control Systems of Financial Information ("ICFR"), the Committee hereby states that:

- (i) the internal control systems and risk management have been periodically reviewed so that the main risks are identified, managed, and adequately understood;
- (ii) the Auditor has confirmed that no significant weaknesses of the internal control system have been detected during the development of the audit;
- (iii) it has monitored the processes of implementation of the ICFR model in significant subsidiaries of the group; and

(iv) Deloitte has issued a verification report of the aforementioned ICFR model.

F. Systems for the management of corporate risks

The Committee dedicated one of its meetings (held in the month of May), among other matters, to follow-up on the Risk Map of the Company which was defined in 2019. This follow-up was basically focused on the reassessment of existing risks, identification of new risks, and the evolution of the risks and the action plans. In this sense, the Company's internal auditor highlighted the high degree of convergence between the ESG objectives and the Risk Map.

Furthermore, the Committee:

- (i) has reviewed the main aspects of the taxation of Applus (organization of the tax department, strategy, taxes paid, tax credits, etc.), including in particular the analysis of the corporate income tax of 2020, the budget forecast for 2021 (which was increased due to the deferral of 2020 payments), the increased business activity and the integration of several acquisitions and the agreement reached with the Tax Authorities on the recognition of certain tax credits.
- (ii) has supervised the performance of the cybersecurity control systems of the Company, analysing the main risks in this area, the defence strategy against such risks, their possible impact on the business of Applus and the action plans to mitigate these risks. In particular, the Committee has followed up on the malware attack suffered by the US subsidiary 'Applus Technologies, Inc' in the beginning of 2021, as well as of the procedure undertaken to remedy this incident.

G. Treasury stock transactions

The Committee has been monitoring the transactions on treasury stock shares of the Company during all the meetings of the year 2021.

H. Amendment of the Board Regulations and the Internal Conduct Regulations in matters relating to the Securities Markets

The Committee, at its meeting of 17 February 2021, agreed to propose to the Board of Directors the amendment of article 35 of the Board Regulations to remove the requirement that meetings of the Board of Directors must be held in a physical location, allowing them to be held exclusively by telematic means. A report justifying this amendment was prepared by the Committee and approved by the Board of Directors at its meeting of 18 February 2021. The aforementioned report was made available to the shareholders at the General Shareholders' Meeting held on 28 May 2021, in accordance with the provisions of article 4.5 of the Board Regulations.

Likewise, the Committee agreed at its meeting of 22 July 2021 to propose to the Board of Directors the amendment of article 4 of the Internal Regulations of Conduct on matters relating to the securities markets in order to suppress the "black-out" periods linked to the publication of quarterly financial information, in the event that such quarterly information ceases to be published by the Company as such publication is no longer mandatory following the amendment of the Spanish Securities Market Law (*Ley del Mercado de Valores*) approved on 13 April 2021. The Board of Directors, at its meeting held on 23 July 2021, agreed not to continue publishing quarterly information and, consequently, approved the amendment to the Internal Regulations of Conduct proposed by the Committee.

I. Procedure on related party transactions

As a consequence of the new regulations on related-party transactions introduced into the Spanish Companies Act by the Law 5/2021, that came into force on 4 July 2021, the Committee, at its meeting held on 21 October 2021, resolved to propose a Procedure on Related-Party Transactions, in order to detail the rules to be followed in transactions with related parties carried out by the Company or any of the companies of the group, as well as to ensure the application of the current legal regime for the approval and publication



of related-party transactions. Such Procedure was approved by the Board of Directors, at its meeting held on 22 October 2021.

## **VI. Evaluation of the Committee**

The functioning of the Committee during the financial year 2021 has been subject to an evaluation by the external consultant Spencer Stuart, as part of the overall evaluation of the Board of Directors carried out by said consultant. The report of Spencer Stuart highlights among the Board's strengths the performance of the Committee, both in terms of the way topics are covered and the Committee's interaction with the Board in full.

In Madrid, on 23 February 2022