

Applus⁺ / CSR Report 2017



Together
beyond
standards

2017 CSR Report summary

Our corporate social responsibility is based on five pillars that underpin the value of our brand and contribute to the Group's economic performance.



We promote **PROFESSIONAL EXCELLENCE** as an essential element to develop our business.

Applus+ has a workforce of **20,700 professionals** worldwide, employing people from a variety of age groups, cultures and backgrounds. We encourage internal promotion, and we are pleased to report that we filled approximately **70% of every available management position internally**. Training is a key element to develop, maintain and improve our team's capabilities; so, in 2017, we **increased training hours by more than 90%** on the previous year.

In pursuit of good health and safety practice, our actions **reduced severe accidents by 20% with no fatalities**, although, at a global level, there was an increase in total accidents. This increase came mainly from vehicle accidents, and, as a consequence, we set up specific training for defensive driving and established new safety controls.



CORPORATE GOVERNANCE and **BUSINESS ETHICS** help to build-up trust among our stakeholders.

Applus+ guarantees **compliance with the principles governing the conduct of our employees** through a specific regulatory framework, which includes the Code of Ethics; the Global Anti-corruption Policy and Procedure; and the Compliance Management System for Criminal Risks. The Board, through the independently chaired **CSR Committee**, oversees this framework and its deployment.

In 2017, we received **89 communications** reporting possible non-compliance with our Code of Ethics, and these were opened for investigation into potential breaches. Out of the 89 cases, 79 were closed in 2017 and 10 continue under investigation. In only **30 out of 89 cases, evidence was found for irregular behaviour**, which resulted in some type of correction or disciplinary action.



We create value beyond our financial return by bringing direct and indirect benefits to **SOCIETY**.

We create employment, welcoming **local people** into our workforce, and we contribute to **our suppliers'** financial strength to add stability to their business. Beyond our **sponsorship or direct financial contributions** for social initiatives, we benefit communities where we operate by developing projects that often redress a **social and economic imbalance within a community** and/or ensure and optimise the **proper use of their resources**.



Through **INNOVATION**, we promote the growth and sustainable development of our society and we become our customer's partner of choice.

We actively participate in the process of **creating the necessary media, technologies and infrastructure to sustainably improve safety and quality of life in our society**.

In 2017, we carried out 199 innovation projects that addressed various sustainability goals, with 761 employees developing these projects and devoting about 264,241 working hours. Our innovation process also led to **13 new patents**, and we collaborated with **85 external bodies** to share our capabilities and resources, helping us to increase our knowledge base and explore new technological solutions.



Throughout our projects and services, our clients achieve their objectives while minimizing their potential **ENVIRONMENTAL IMPACTS**.

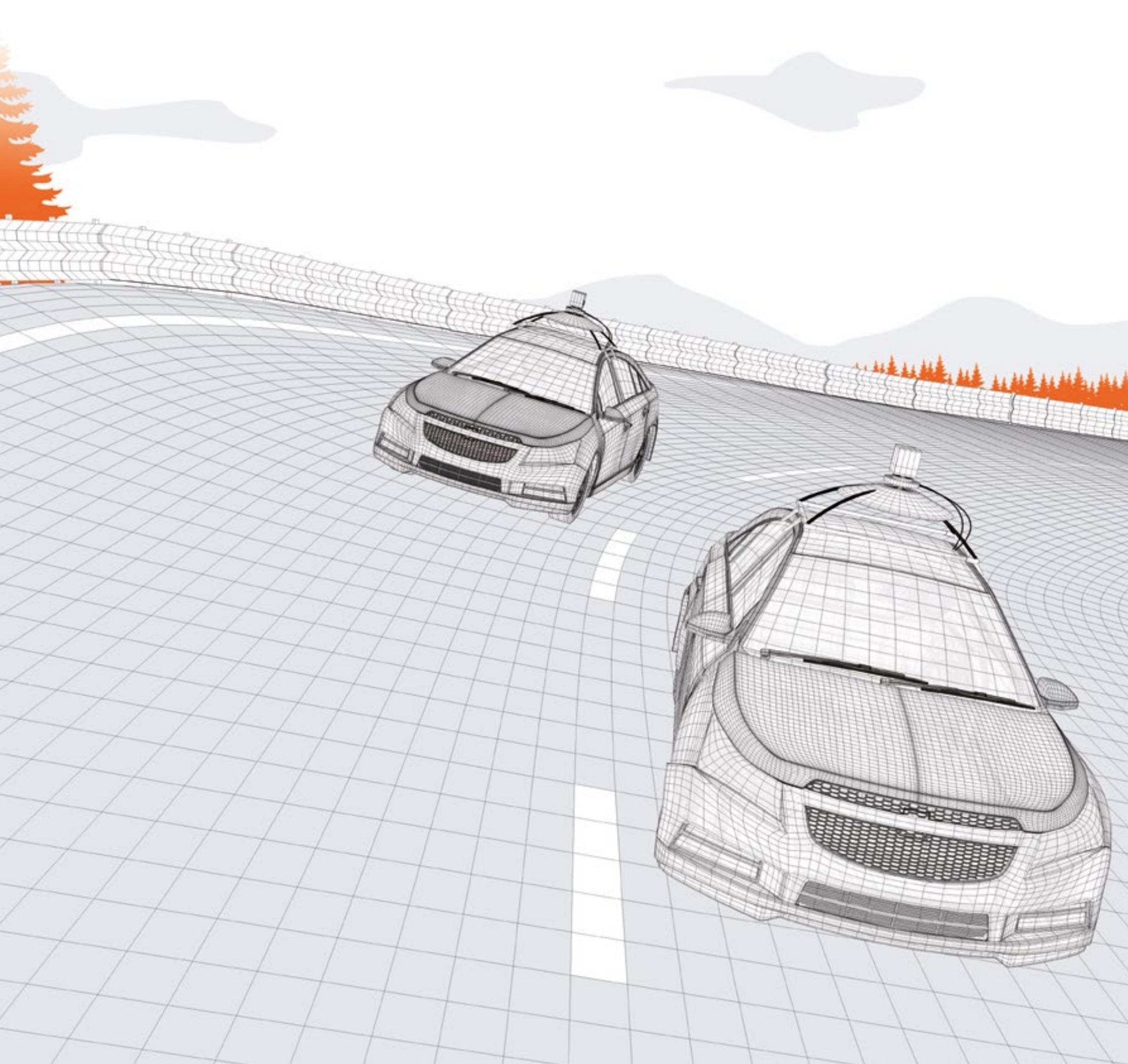
Our approach to environmental management is focused on **minimising the direct environmental impacts of our activities**, which are energy and water consumption and CO₂ emissions. In 2017, we **reduced our total energy consumptions by more than 13%**, as well as **more than 12% of our total CO₂ emissions**.

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



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01

Company
description



Applus+ at a glance

Applus+ is a premier choice for services in testing, inspection and certification (TIC), chosen by national and multinational companies in a diverse range of product, service and industry sectors around the world.

ONE OF THE GLOBAL LEADERS IN TIC

 Countries **>70**

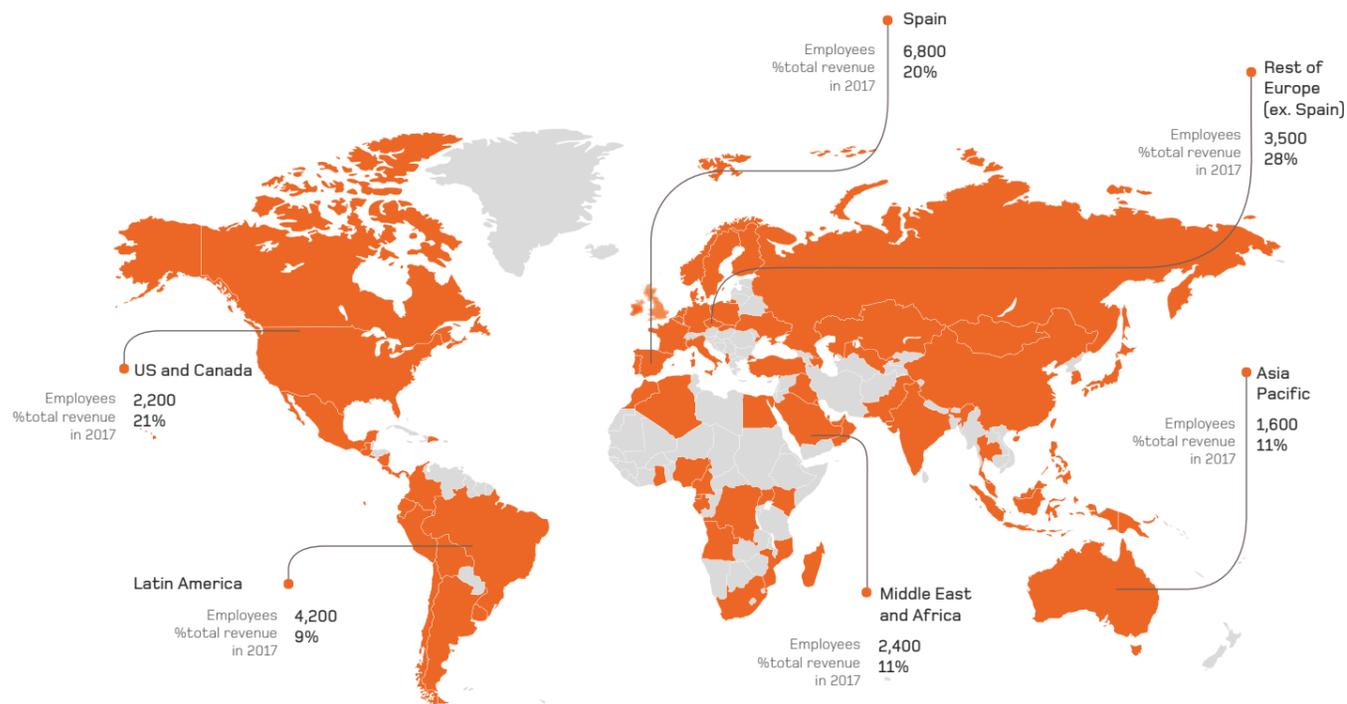
 Employees **20,700**

Total revenue **€1,583 million**

Adjusted operating profit **€143.0 million**

Adjusted operating cash flow **€136.0 million**

GLOBAL PRESENCE



OUR SERVICES



Testing

Our wide range of leading and internationally recognised laboratories helps to determine the characteristics of industrial or consumer products. We also manage testing in clients' facilities (e.g. non-destructive testing-NDT).



Inspection

Our inspection and verification services are world leading and serve to verify that the assets, processes and services of our clients comply with regulatory or voluntary standards.



Certification

Our certification services assure that client products, personnel or their management systems comply with the appropriate standards or given specifications.



Engineering and consulting

Our engineering and consulting services are responsible for designing, developing and improving technical solutions to optimise products, services, facilities and systems.

OUR SECTORS



Oil and gas



Statutory vehicle inspection



Automotive testing and engineering



Power



Construction



Mining



Aerospace



Telecommunications



Industrial manufacturing



Electrical and electronic products



IT products and smart devices



Government and public organisations

Our history

The company's origins



Albert Einstein's visit to the LGAI Laboratories in 1923

- 1907** **LGAI**
 The General Laboratory for Testing and Research (Laboratori General d'Assaigs i Investigacions, LGAI) was established in Barcelona in 1907 as a public testing and research entity.
- 1937** **RTD**
 Welding engineer, Lambertus van Ouwerkerk, founded his firm, the non-destructive testing (NDT) specialist RTD, in 1937. He built a successful business by realising that X-ray inspection techniques could be utilised to check welds on ship hulls. Van Ouwerkerk believed that non-destructive testing would play a crucial role in the use of welding techniques as a replacement for traditional riveting in steel construction.
- 1971** **IDIADA**
 IDIADA started in 1971 as the Institute for Applied Automotive Research at the Polytechnic University of Catalonia's Higher Engineering School.
- 1981** **Norcontrol**
 Norcontrol was set up in 1981 as a subsidiary of Unión Fenosa to respond to the Group's needs related to maintenance and environment.
- 1982** **VELOSI**
 VELOSI was founded in 1982, when the company opened its first office in Kuala Lumpur (Malaysia). The business offered conventional non-destructive testing (NDT) to local clients. In 1987, VELOSI became the largest inspection company in the country.

Applus+ Group history

- 1996**
2003

Revenue **€200M**

 - Agbar Automotive established
 - IDIADA joined the Group
 - Laboratories joined the Group
- 2004**
2007

Revenue **€675M**

 - Norcontrol acquired
 - RTD acquired
- 2008**
2014

Revenue **€1,619M**

 - 20 businesses acquired
 - VELOSI acquired
 - Applus+ IPO
- 2015**
2017

Revenue **€1,583M**

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



Business model

Progress requires supervision. The testing, inspection and certification (TIC) sector ensures this supervision, and the expertise at Applus+ positions us as the ideal partner for companies striving to progress.

Our clients face ever-increasing levels of operational complexity and increased scrutiny, with a need to continuously change as the result of globalisation and technological advances. These developments demand greater controls, more regulation and strict standards with independent oversight.

The Applus+ Group responds to these challenges of our industry sectors and regional markets by working with manufacturers, governments and industry associations to innovate processes and products. Our services' extensive range and scope allow our clients to take informed decisions for their businesses.

We have created a strong and sustainable business model by harnessing our collective knowledge, talent and innovations to deliver what clients

require in TIC services: **a global leader, a trusted partner and with passion for improvement.**

These three pillars guide the business strategy across the Group's divisions. The attributes within each pillar support our long-term growth in international markets by improving our services and technology across the industry sectors in which we operate.

Our brand promise captures the essence of these pillars: *TOGETHER BEYOND STANDARDS.*

Together
beyond
standards



WHAT DOES Applus+ DO?

Applus+ develops and deploys technical solutions across complex industry sectors to enhance operational efficiency, to improve product quality and to reduce risk for its clients and the public. These value-adding services have made Applus+ a technological reference point for bespoke TIC activities. With our portfolio of global accreditations, we reinforce our capabilities through internationally recognised competence, spreading global expertise with local market knowledge across five continents.



Technology

Applus+ leads the TIC sector due to the use of advanced technology. This helps our clients to find a solution to the difficulties arising from their industrial practices and manufacturing processes. We design inspection and testing equipment for industry as technology evolves; we customise tools for our clients' challenges; and we integrate technological advances into our service portfolios. With this strategic focus, we add value to our service capabilities and create new processes to benefit our clients.

Accreditations

Accreditations play a key role in the TIC sector. Our accredited services allow clients to access global markets and demonstrate our integrity and expertise across the sectors we serve. This expertise allows the Applus+ Group to develop enhanced-knowledge of industry-wide best practice when new standards come into force. As manufacturing processes and products progress, the divisions at Applus+ secure new accreditations to support our clients' businesses.

Human capability

The engineers and technicians at Applus+ are our key asset. We develop their expertise and talent, and this commitment to training delivers specialised skillsets for our clients' projects. Clients also benefit from our workforce's specialist knowledge of each sector across the globe.

Global+local

Applus+ provides local market knowledge supported by global resources across 70 countries in the world's key markets. Our management services support clients' operations when operating in unfamiliar regions or sourcing from overseas, and we also guide their teams to develop the prerequisite understanding for success in new surroundings. We help our clients to deploy services to multiple countries at one time, supplying and integrating local teams for effective project management.



Braking system development for high-performance vehicle at Applus+ proving ground, Spain



WHY DO CLIENTS CHOOSE Applus+?

Applus+ is a dynamic and responsive company, adapting its technical resources to its clients' projects. With teams of multidisciplinary problem-solvers, we offer services – from conventional applications to advanced solutions – to provide our clients with the right answers for the challenges of their activities. In doing so, we ensure that our ability to make decisions objectively and independently remains and we retain the trust of our clients.



Flexibility

Our teams work closely with the client to deliver unique solutions for new challenges. In each sector we serve, we evolve our technology and processes to bring more effective and efficient services to industry. As industries change, Applus+ has the vision to integrate new procedures, adding greater scope to services and leading best practice in the sectors.

Versatility

We retain our position as a partner of choice by adapting our service portfolio to our clients' projects. Each sector presents different challenges; and each new challenge demands unique skillsets. Our people's mindset and versatility allow Applus+ to orchestrate and deliver services with a comprehensive appreciation of our clients' requirements.

Integrity

Across the Applus+ Group, our divisions deliver services where international compliance, business ethics and social responsibility are paramount to our clients. We embed values-management into our operations, and our CSR Committee ensures we live by these values. Through strengthening ethical controls, we champion social responsibility and deliver sustainable growth.

Impartiality

The Applus+ Group is a publicly listed company, with diverse international shareholders, representing no single interests. The majority of our Board of Directors are independent members, and this impartiality underpins our activities. In the services we deliver, this independence safeguards the trust and probity required to verify, monitor and certify obligations between third parties and different agencies.

HOW DOES Applus+ PROMOTE CONTINUOUS IMPROVEMENT?

Applus+ strategically invests in innovation to ensure continuous improvement. Across our divisions, we build best practice by working with companies, government legislators and industry associations to help develop better, industry-wide operations and standards. To respond to our sectors' challenges, we invest in our teams' talent. Added to this commitment to people, our strong corporate social responsibility meets the environmental and social expectations of all our stakeholders.



Innovation

Innovation sets us apart as a partner of choice. Our teams work with clients and sector agencies to provide innovative solutions to fulfil the requirements of industry. This focus drives our business. We pioneer new methods in the TIC sector as new technologies, products and manufacturing systems come to market. And our advances reduce costs and improve efficiency while delivering a higher quality of service.

Responsibility

We help clients protect their operations with our specialist skills and innovative tools to minimise hazards and keep people safe. Our advances in technology help to protect natural resources and reduce the environmental impacts of our clients' services and products. As a Group, Applus+ maintains a strong dialogue with our diverse stakeholders through a governance model aligned to the principles of compliance, independence and transparency.

Motivation

Our talented teams have a broad range of qualifications, specialist backgrounds and skills. Their work and dedication reinforces our reputation as a service partner of choice, so we support them to build upon their abilities. We design programs for our people to master new tools and equipment. In addition, we also offer work opportunities that match their aspirations for professional development.

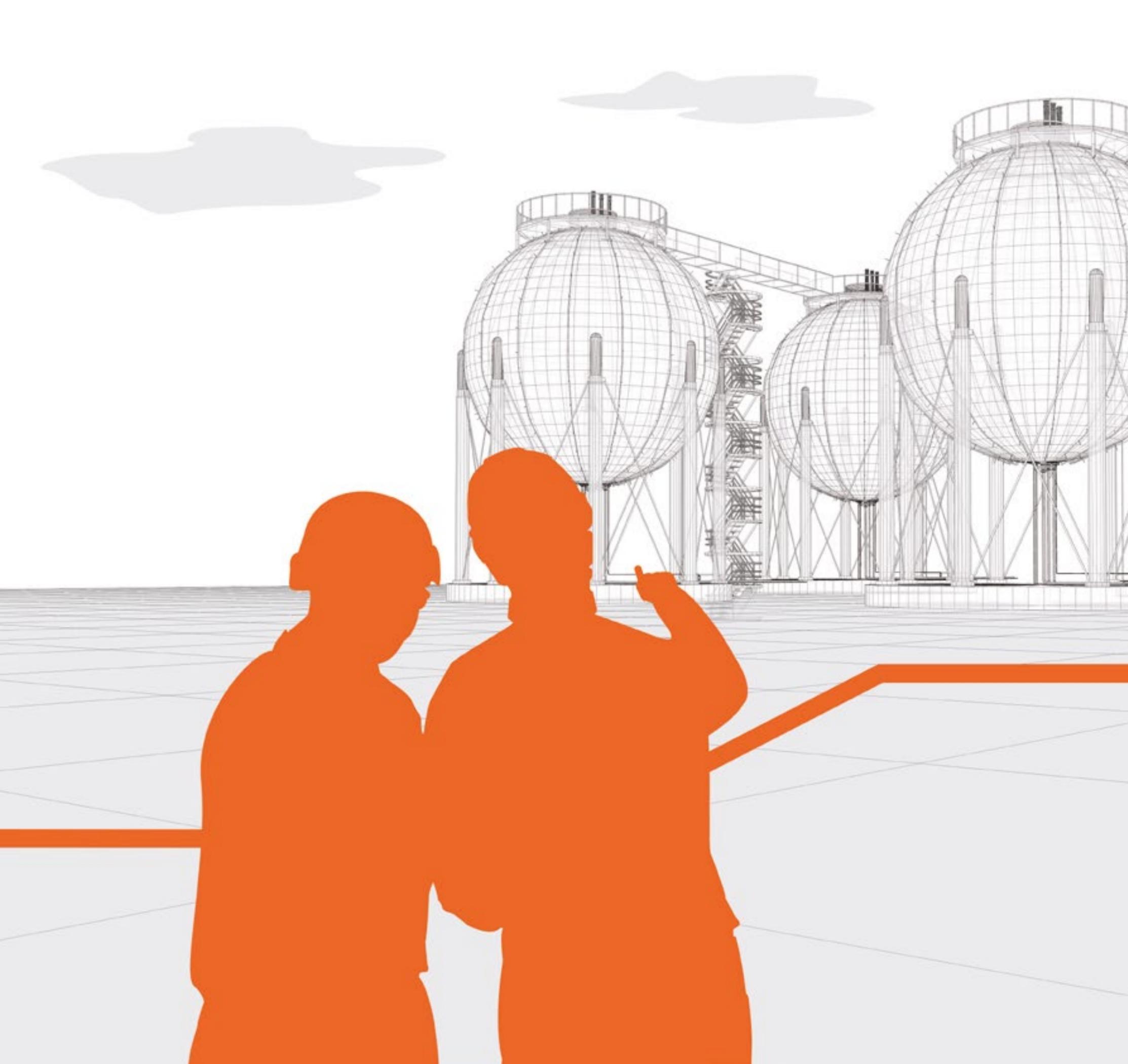
Excellence

Delivering better services, technology and skills drive the teams at Applus+. This motivation is essential for our clients and agencies owing to their need to meet ever-increasing safety standards, stringent quality levels and greater operational efficiency.

Our value chain



Quality control and technical assistance in building, Spain



02

About this report



About this report

For the third year, the Applus+ Group's *CSR Report* follows the criteria, principles and contents defined in the **Global Reporting Initiative (GRI- G4)**, according to the **"core-option"**.

The indicators in this report refer to all of the activities performed by the Applus+ Group in regions where the company's divisions operate.

yearly evolution, the report also presents the data for 2015 and 2016. Our CSR Report is published annually.

The information provided reflects the Group's operations and activities during 2017 (1st January – 31st December). To compare the data and show its

This year, we report by including five of the newly revised **GRI Standards**, in anticipation of these new requirements as from 1st July 2018.

GRI Standards requirement	CSR Report section
GRI 101 – Section 1 (Principles for defining report content) and Section 2 (Principles for defining report quality)	03. CSR Approach (Our CSR Framework) 08. Annex I: Principles underlying this report 06. Definition of the report's contents
GRI 102 - Disclosure 102-44 Key topics and concerns raised	07. Our CSR Commitment (Key topics and concerns)
GRI 102 - Disclosure 102-46 Defining report content and topic Boundaries	06. Definition of the report's contents 08. Annex I: Principles underlying this report
GRI 103 - Disclosure 103-1 Explanation of the material topic and its Boundary	06. Definition of the report's contents
GRI 103 - Disclosure 103-2 The management approach and its components	07. Our CSR commitment (Key topics and concerns)

In respect of non-financial information and diversity, this report complies with the **Spanish Royal Decree-law 18/2017, 24th November** which implements **Directive 2014/95/EU, 22nd October 2014**.

This Directive amends Directive 2013/34/EU of 26th June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings.

Spanish Royal Decree-Law 18/2017	CSR Report section
First article. Two. "6"	01. Company description (Applus+ at a glance / Our history / Our value chain) 06. Definition of the report's contents (Identification and evaluation of impacts)
First article. Two. "6.a)"	01. Company description (Business model)
First article. Two. "6.b)"	06. Definition of the report's contents (Identification and evaluation of impacts) 07. Our CSR commitment (Key topics and concerns / Our people / Safe people / Sustainable performance)
First article. Two. "6.c)"	07. Our CSR commitment
First article. Two. "6.d)"	06. Definition of the report's contents (Identification and evaluation of impacts)
First article. Two. "6.e)"	07. Our CSR commitment (KPIs tables)
Second Article. Three.	07. Our CSR commitment (Corporate governance)



Wireless device testing, Spain



03

CSR approach

Our CSR framework

In 2017, Applus+ adopted the **United Nations Sustainable Development Goals (SDGs)** as a framework for designing our corporate social responsibility goals. The following **nine** of the UN's 17 SDG goals **are relevant to the Applus+ Group's businesses:**

3
GOOD HEALTH
AND WELL-BEING

"Ensuring healthy lives and promoting the wellbeing for everyone at all ages is essential to sustainable development. Many more efforts are needed to fully eradicate a wide range of diseases and address many different persistent and emerging health issues."

5
GENDER
EQUALITY

"Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world."

8
DECENT WORK AND
ECONOMIC GROWTH

"A continued lack of decent work opportunities, insufficient investments and under-consumption lead to an erosion of the basic social contract underlying democratic societies: that all must share in progress. Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs that stimulate the economy while not harming the environment. Job opportunities and decent working conditions are also required for the whole working-age population."

9
INDUSTRY, INNOVATION
AND INFRASTRUCTURE

"Inclusive and sustainable industrial development is the primary source of income generation, allows for rapid and sustained increases in living standards for all people, and provides the technological solutions to environmentally sound industrialization. Technological progress is the foundation of efforts to achieve environmental objectives, such as increased resource and energy-efficiency. Without technology and innovation, industrialization will not happen, and without industrialisation, development will not happen."

10
REDUCED
INEQUALITIES

"There is growing consensus that economic growth is not sufficient to reduce poverty if it is not inclusive and if it does not involve the three dimensions of sustainable development – economic, social and environmental. To reduce inequality, policies should be universal in principle paying attention to the needs of disadvantaged and marginalised populations."

11
SUSTAINABLE CITIES
AND COMMUNITIES

"Cities are hubs for ideas, commerce, culture, science, productivity, social development and much more. At their best, cities have enabled people to advance socially and economically. The challenges cities face can be overcome in ways that allow them to continue to thrive and grow, while improving resource use and reducing pollution and poverty."

12
RESPONSIBLE
CONSUMPTION
AND PRODUCTION

"Sustainable consumption and production aims at "doing more and better with less," increasing net welfare gains from economic activities by reducing resource use, degradation and pollution along the whole lifecycle, while increasing quality of life."

13
CLIMATE
ACTION

"Climate change is now affecting every country on every continent. It is disrupting national economies and affecting lives. People are experiencing the significant impacts of climate change, which include changing weather patterns, rising sea level, and more extreme weather events. Companies can be part of the solution by committing to decarbonise their operations and supply chains."

17
PARTNERSHIPS
FOR THE GOALS

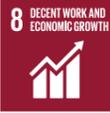
"A successful sustainable development agenda requires partnerships between governments, the private sector and civil society. These inclusive partnerships built upon principles and values, a shared vision, and shared goals that place people and the planet at the centre, are needed at the global, regional, national and local level."

In interviews with **stakeholders**, they **highlighted six SDGs goals** (see page 67), the majority are the same as those related to the Applus+ business:



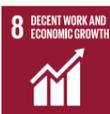
Our CSR Policy

Our approach to CSR is expressed in **five pillars** that **contain at least two SDGs within each**:




CORPORATE GOVERNANCE AND BUSINESS ETHICS

- To implement the measures that fulfil our fiduciary duties, including measures related to transparency and the internal financial control 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 ethical behaviour is integrated 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*.

OUR PEOPLE

- To encourage working conditions based on human and employment rights.
- To maintain a commitment to our *QHSE Policy* at the highest level and to deploy effective health-and-safety programmes which promote awareness and involve 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*.




STAKEHOLDER ENGAGEMENT

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





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 amongst employees.




SUSTAINABLE PERFORMANCE

- 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.

CSR management

The **CSR Committee** leads corporate social responsibility at Applus+. Whilst this is not a mandatory committee in Spain, the Board created this committee to be in line with international best practice. We appointed the Chairman of the Board to chair the committee, and the CEO is a member to ensure the committee's actions are embedded across the Group.

The committee members define the CSR goals and targets, as well as leading the initiatives and monitoring their application throughout the organisation. To develop these duties, the Committee partners with corporate managers.

The **corporate managers** undertake many aspects of the CSR process, including policy drafting, training, monitoring compliance and reporting on performance to the Committee.

The Board of Directors approves the *Corporate Social Responsibility Report*, and the CSR Committee coordinates the process for reporting non-financial information, in accordance with applicable regulations and international standards. This has allowed us to be prepared to comply with the latest requirements in non-financial reporting.

The **Internal Auditing Department** supervises and controls CSR monitoring.



Wind farm inspection, Spain



04

Letter from the
Chairman and the
CEO



Letter from the Chairman and the CEO



Christopher Cole
Chairman of the Board of Directors



Fernando Basabe
Chief Executive Officer (CEO)

INTRODUCTION

We are delighted to publish the Applus+ Group's third *CSR Report* and detail the active steps we have taken to spread our renewed practices across the Group.

In 2017, we strengthened our CSR policies and sustainability reporting following the Global Reporting Initiative GRI-G4 and with the early adoption of some revised GRI Standards in anticipation of the 1st July 2018 requirement. In addition, this year our CSR framework incorporates the United Nations' sustainability goals.

As part of this review, we also consulted with our stakeholders as we improved our CSR framework and integrated nine of the UNs sustainability goals to shape our policies. Through these discussions, our *CSR Policy* framework now reflects a more shared perspective for growing our business sustainably and responsibly.

Acting responsibly and governing well requires our constant focus and engagement, which underpins our excellent progress and determination to continually improve.

To this aim, we would like to highlight our progress on the key areas upholding this commitment to developing our CSR vision.

CORPORATE GOVERNANCE AND BUSINESS ETHICS

In 2017, we made significant improvements in our corporate-governance model.

Spain introduced new company laws covering the disclosure of non-financial information and diversity in late 2017, and we value these changes that bring fresh outlooks to managing our Group.

We are therefore pleased to report that the Appointments and Remunerations Committee and the Board have been paying close attention to promoting greater diversity of gender, age and experience on the Board.

Since our public listing in 2014, we have appointed three Independent Directors, and today, seven of the

nine Board members are independent, one of whom is female. Our Board bring a wide range of different perspectives, experience and skills, and we will continue to seek this diversity in our merit-based appointments.

As stewards of a Group whose activities help protect clients' assets, public life and the environment, we embrace our responsibilities to ensure robust business ethics that prevent, detect and stop any behaviour contravening our well-established principles of conduct.

In 2017, we put in place the *Compliance Management System* control model to better mitigate risks at Group level, and the new internal procedures and policies are supported throughout our divisions with focused training-bulletins.

OUR PEOPLE

Providing a healthy, safe and motivating work environment is one of our priorities. In 2017, our actions reduced severity rate by 20% with no fatalities, although, at a global level, there was an increase in total accidents. This increase came mainly from vehicle accidents and other incidents requiring less than three days leave. As a result of this unfortunate increase in vehicle accidents, we set up specific training for defensive driving and put in place new safety controls.

These measures were in addition to our continual deployment of health and safety programmes, such as training, safety inspections and safety campaigns. We will work hard to further promote preventative and proactive behaviours against accidents and to reduce the accident rates.

To develop the Group's talent, in 2018 we will enrol selected managers on the new *Global Management Development Programme* to ensure they receive the training and support to reach their professional objectives. Over the next few years, approximately 100 managers from Applus+ will attend the programme.

In addition, in 2017 we completed our *Global Satisfaction Survey*, which has been periodically carried out since 2007. This year, employees told us that they value the Applus+ Group's collaborative workplace, diversity and inclusion, along with our



Metallic materials testing laboratories, Norway

health and safety programmes. Importantly, our people feel their work contributes to their division's and Group's goals.

For this externally managed survey, more than 500 organisational units received feedback reports from the survey's results. This feedback will be used to create action plans to achieve our goal of constant improvement.

DIALOGUE WITH STAKEHOLDERS

As well as employee engagement, we have continued to ensure transparency through activities to engage wider stakeholders and investors.

Applus+ hosts a corporate governance road show for shareholders and proxy advisors every year in January. This dialogue, with the corporate governance departments of our top shareholders and at the non-executive Director level, has helped improve transparency and gather personal feedback from investors.

This dialogue, as well as our active discussions prior to the Annual General Meeting (AGM), helped

to increase the voting at the AGM to 68% of shareholders in 2017. This is above the Spanish average. We publish the AGM reports on our website, alongside the Chairman's speech, as recommended by the Spanish National Securities Market Commission (CNMV).

INNOVATION

We invest in innovation to create value for our customers and our Group through the development of products, services and technical expertise. Innovation at Applus+ also makes a contribution to reducing the environmental impact of the sectors and clients we serve. Therefore, innovation for sustainability improves our competitive position, contributes to our performance and builds our reputation.

In 2017, we participated in 199 different projects for research and development, involving 761 people, with the majority in the automotive and oil and gas sectors. Our projects developed a range of new products and services within the different sectors, each addressing a variety of goals with a subsequent sustainability benefit. Two highlights include:

- Detect dangerous or hazardous equipment failures or breakdowns. Our advances to apply leading-edge technology to pipelines and storage facilities allow clients to reduce physical intervention, thereby lowering the risk for inspectors, costs and pre-inspection time.
- We researched the reduction of CO₂ emissions and impact throughout the lifecycle of aeroplanes; and led research proposals at the European regulatory level to control the emission of NO_x emitted by vehicles on the road.

Further in this report, we have listed many examples of these projects and how they have real world application and therefore a return on investment from a broad point of view.

To spread innovation, we worked with external bodies and participated in conferences to share our knowledge and learn from our peers.

ENVIRONMENT, SUSTAINABLE DEVELOPMENT AND SOCIAL CONTRIBUTION

As a service organisation, our consumption of natural resources and emissions are not substantial but nevertheless require managing. Energy and water consumptions and vehicle emissions are our most significant environmental impacts.

We therefore collect global indicators on these and implement global and local measures to control and reduce impacts. We deploy our environmental-management systems at a local level, and these are certified and periodically audited to meet the international ISO 14001 standard.

We are pleased to say that environmental data reported here covers 98% of our business, and we have reduced our energy index by 12% thanks to business integration activities and initiatives such as our project to renew light installations to low consumption.

In addition to reducing the Group's direct environmental impacts, our divisions' services lead to a reduction, either directly or indirectly, in the impacts of our clients' operations. Our services also help clients and sectors to improve workplace health

and safety, protect the natural world and safeguard living ecosystems. We have detailed many examples of these projects and their sustainable contribution later in this report.

From a social perspective, we participate and assist those communities where we operate throughout our divisions. Apart from providing employment, transferring best practices and purchasing from local suppliers, we support numerous social causes across the world at a local level, either through direct financial contribution, sponsorship or active participation.

IN CONCLUSION

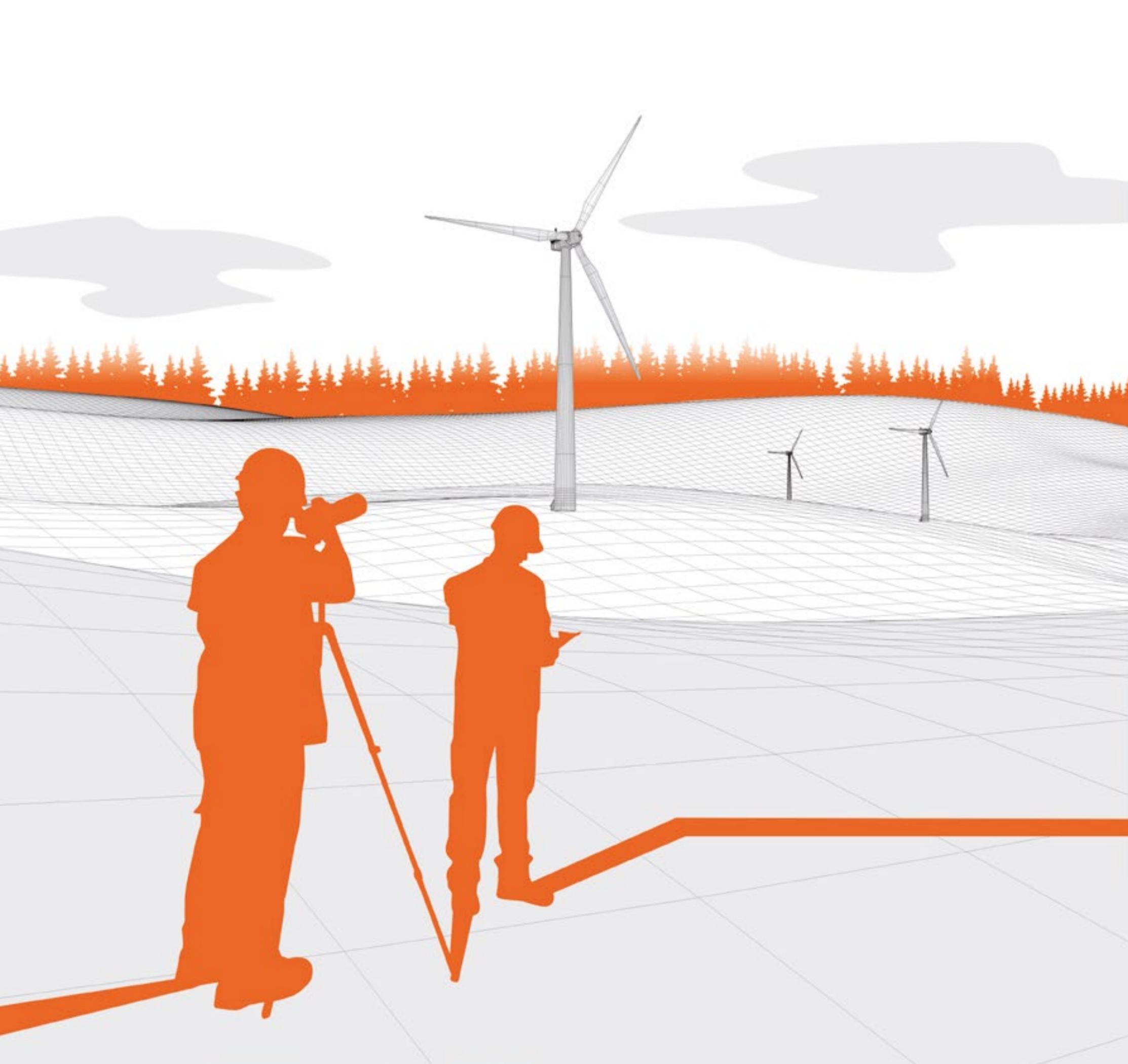
Our corporate social responsibility is developing well at Applus+, although our journey of doing business better cannot stop and we have to continue doing things better.

With our knowledge and skills in technology and innovation, we can and do play an essential role in delivering sustainable contributions to society. Innovation in the services we offer our clients is also providing new growth areas for the Group by protecting the safety of assets and the wellbeing of people and their communities.

In addition, within our CSR framework, we add to the talent of our workforce, giving them opportunities for personal growth with new skills in a fair and diverse workplace. We promote business ethics throughout the company as a fundamental value in the services they deliver, while implementing best practice in the governance of our Group.

Clearly, CSR is fundamental to a sustainable world. Therefore, we would welcome your feedback on this progress we have made this year.





05

CSR performance

CSR in figures

ECONOMIC PERFORMANCE

Revenue: **€1,583** million

Adjusted operating profit: **€143.0** million

HUMAN CAPITAL

Employees: **20,700**

Training hours: **750,000**

SOCIETY

Countries: **>70**

Local employees: **90%**

INNOVATION

Hours invested in innovation: **264,241**

Employees involved (not full-time dedicated): **761**

BUSINESS ETHICS

Ethics training: **100%**

Non-compliance notifications: **89** only **30** breached the *Code of Ethics*, and were addressed

ENVIRONMENT

Energy consumption: **796,144** GJ

Water consumption: **679,029** m³

Our main CSR achievements

1 Established **United Nations' Sustainable Development Goals (SDGs)** as our **CSR Policy framework** to design our **CSR objectives** from 2017-2030.



4 Maintained engagement and increased transparency through **a governance road show** and **Annual General Meeting notifications**.



2 Approved **four new policies and a procedure**



for dealing with compliance, anti-money laundering, supplier and customer management and for regularising the operation of our communication channel for reporting any incidents of non-compliance.

5 Developed our **first Global Management Development Programme**



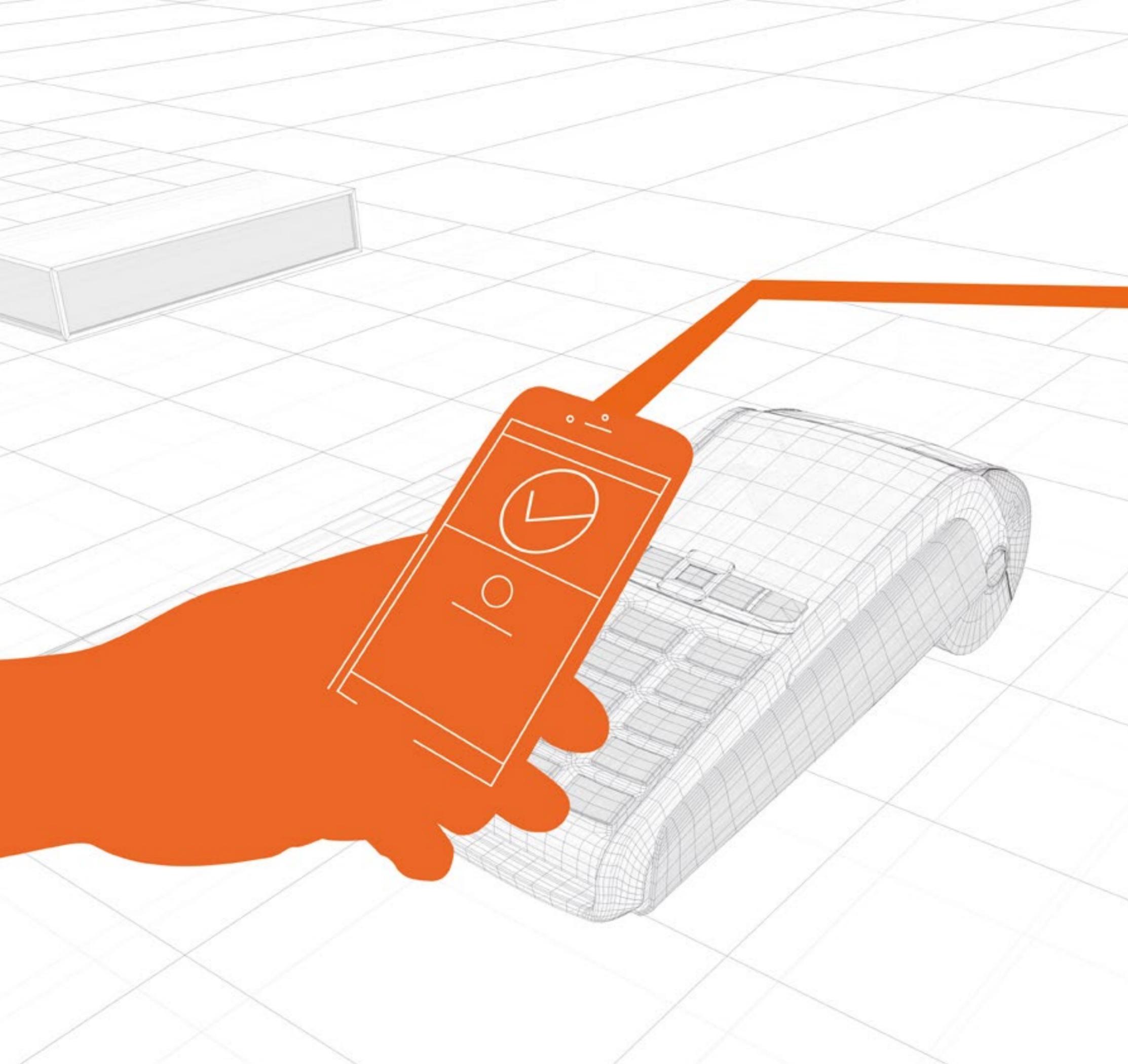
for approximately **100 high-potential managers at Applus+** to participate over the next few years.

3 Extended our **Compliance Management System** for **Criminal Risks (CMS)** across the Group.



6 Developed **methodologies and information systems** to respond to the **new GRI Standards** for the content requirements from 1st July 2018.





06

Definition of the
report's contents

Materiality analysis

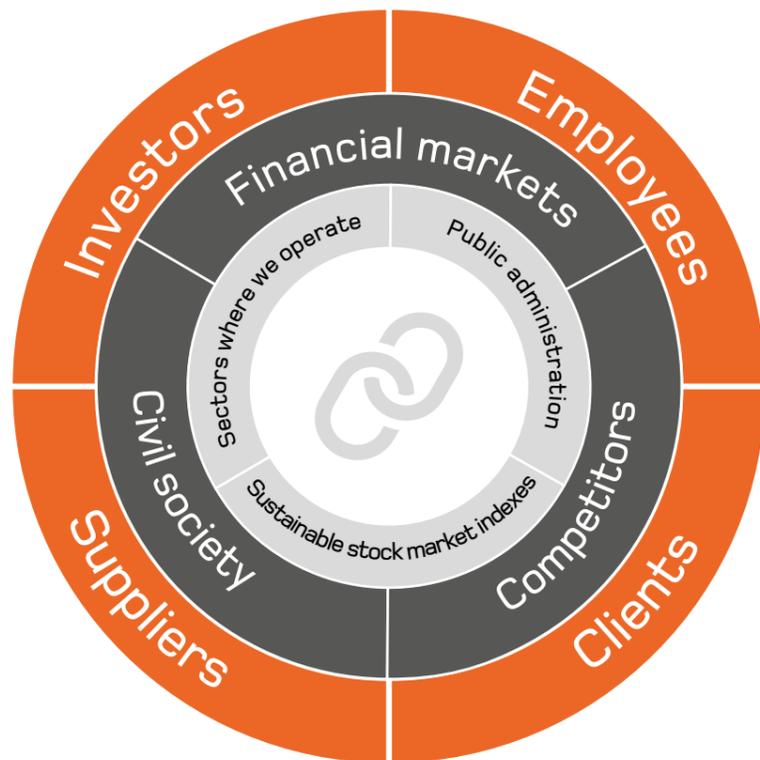
To define and develop this report, Applus+ has covered and prioritised the topics in accordance with the principles of materiality, sustainability context, stakeholder inclusiveness, and completeness.

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

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

To begin materiality analysis, the assessment established which stakeholders to consult with the initial list of topics.

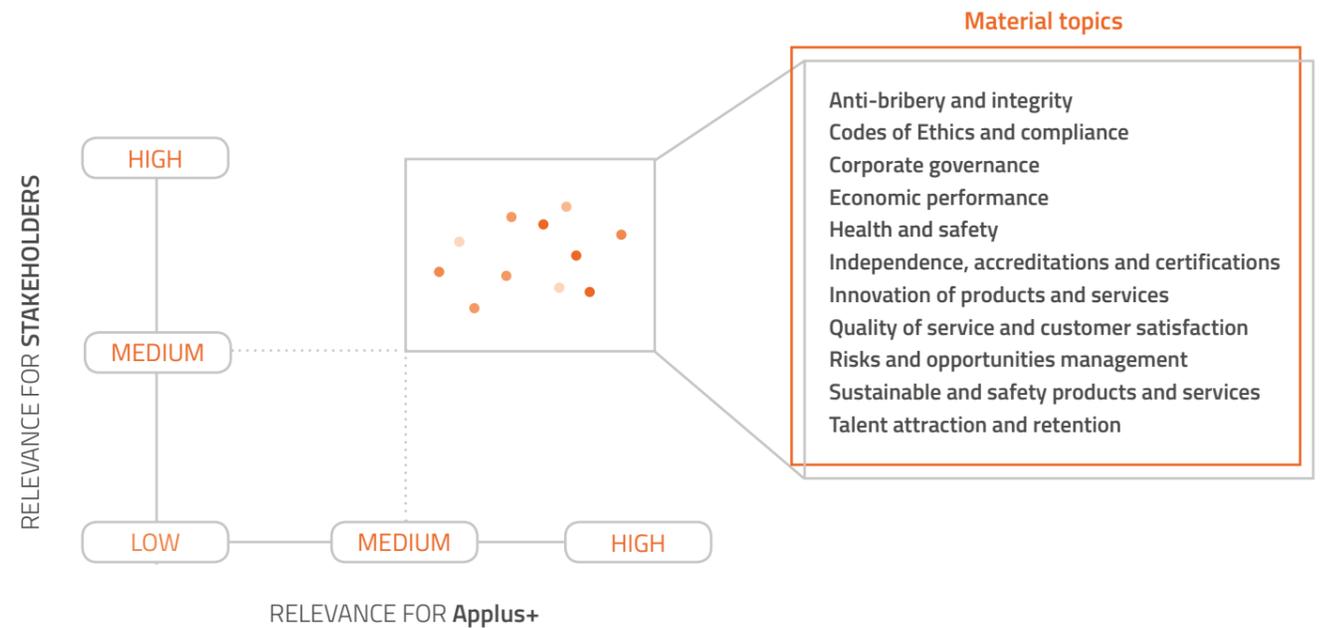
Under the principle of stakeholder inclusiveness, the Group Management Team and the in-house professionals' team identified the **key stakeholders** as:



To identify the topics, we reviewed the validity of the previous year's 28 topics. And by benchmarking against competitors and main sectors, we included four new topics and downgraded two to produce this year's definitive list of 30 topics.

Next, we consulted senior management to weight the relevance of each topic. Each topic was rated as high, medium or low in respect of its internal (Applus+) and external (stakeholders) importance. The initial 30 topics were refined to 11 material ones and approved by the CSR Committee.

MATERIALITY MATRIX



Prioritisation of material topics

We evaluated the material topics to reflect their relative priority by assessing:

- **Direct impacts** (principle of sustainability): the type and range of influence; and their relation to the UN's sustainability goals (SDGs).
- **Indirect impacts** (principle of completeness): those directly related to entities within our value chain.
- **The influence of these impacts on our stakeholders' assessments and decisions.**



IDENTIFICATION AND EVALUATION OF IMPACTS

Our direct impacts

To identify our direct impacts, we considered the issues intrinsic to the Group's commitments and management, as well as the concerns identified and published by different community experts. We assign a high, medium or low value, based on our management focus and performance during 2017, to determine the importance of these impacts.

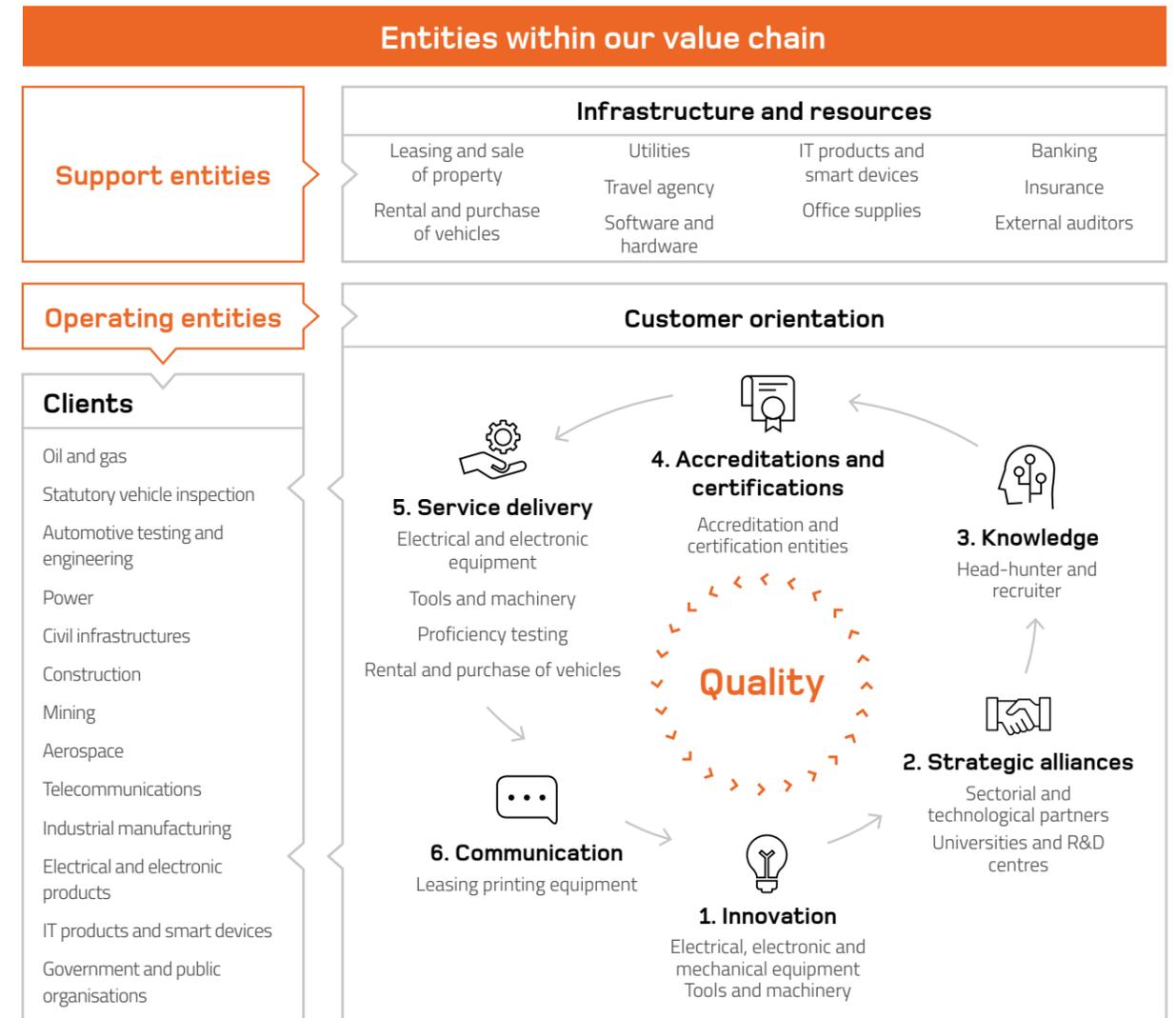
MATERIAL TOPIC	DIRECT IMPACTS	SDGs	TYPE AND LOCATION
Anti-bribery and integrity	Compliance with government regulations	9, 17	G
	Good governance	5, 10, 17	G
	Good reputation	5, 10, 11, 12, 17	G
Codes of ethics and compliance	Fulfilment of human rights	3, 5, 10	G
	Removal of inequalities	5, 10	G
	Crime prevention	11, 17	L
Corporate governance	Non-compliance risks	9, 17	L
	Greater transparency, independence, and stakeholders' confidence.	17	G
Economic performance	Increased confidence of investors and clients	8, 17	G
	Job creation and increased local service contracts	3, 8	L
Health and safety	Community development	8, 17	L
	Preventing occupational risks and eliminating accidents	3, 8	L
Independence, accreditations and certifications	Compliance with industry's regulation	11, 12	L
	Operational efficiency	9, 12	G
Innovation of products and services	Pollution reduction	11, 12, 13	G
	Improvement of quality standards for products, services and facilities	9, 12, 13	L
Quality of service and customer satisfaction	Brand value maintenance and improvement	9, 17	G
	Improve company's economic performance	8, 9	G
	Contextualised business strategies	8, 9	L
Risk and opportunities management	Risks reduction and take advantage of the opportunities	8, 9	L
	Operational eco-efficiency	11, 12, 13	L
Sustainable and safety products and services	Consumption (energy and water)	11, 13	L
	Climate change (emissions)	11, 13	G
Talent attraction and retention	Specialisation, knowledge and experience	8, 9	G
	Quality-work environment	3, 8	G
	Community development	11, 17	L

L Local G Global
 Economy Society Environment Business Integrity

Our indirect impacts

When assessing priority, we also considered both the direct impacts of our activities and those to which we contribute in respect of the direct impacts of entities that are involved within our value chain.

The table below shows the entities involved in our value chain (see O1. Company description section [Our value chain, page 16]).



To assess our contribution to the impacts across the entities involved in our value chain, we identified and grouped the entities' main impacts into five sections, as we did with the direct impacts: economy, society, environment, business and integrity.

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

When assessing the magnitude of our contribution to the impacts identified, we have limited quantitative information because of the Group's extensive global presence, our decentralised contracting of services and our responsibility for client confidentiality. Therefore, we assigned a high, medium or low value to each impact based on a qualitative justification of our contribution:

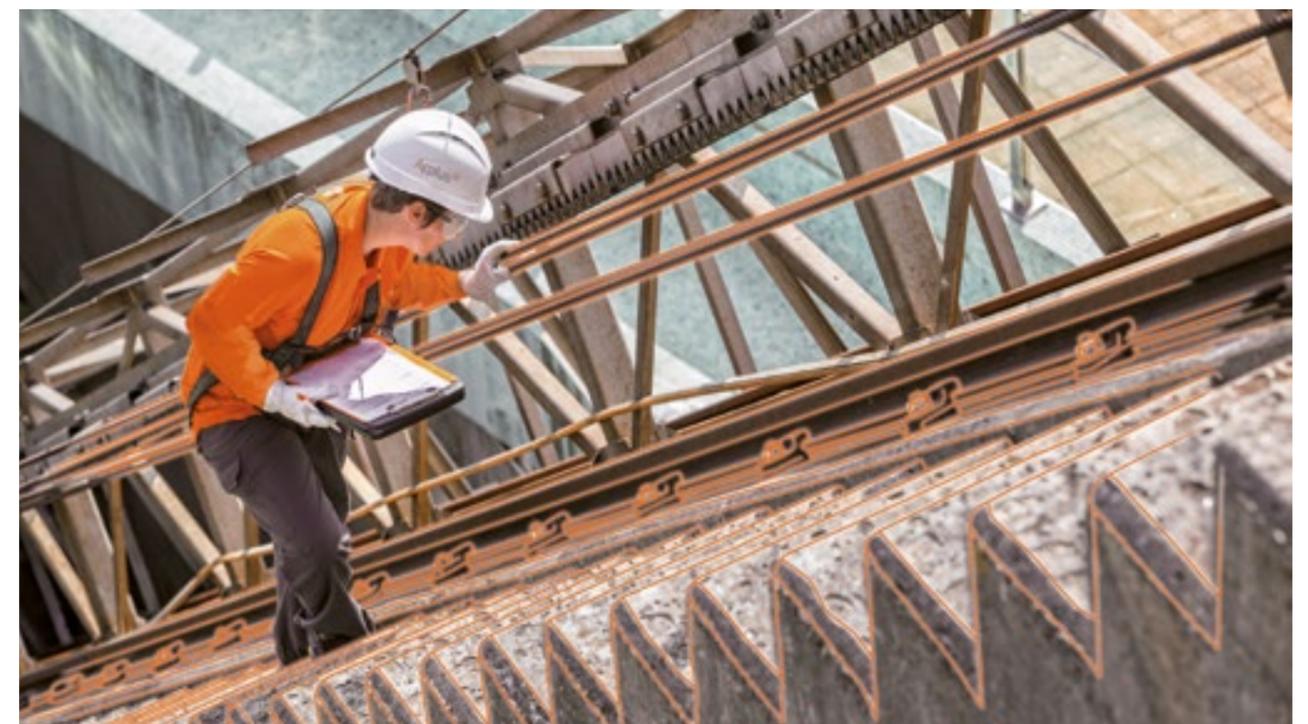
		Applus+ Contribution	
MATERIAL TOPICS	ENTITIES' MAIN IMPACTS	CLIENTS	REST OF ENTITIES
ECONOMY			
Economic performance	Job creation	Our services enhance their business development and sustainability. An optimal service and a reasonable price-service ratio generates a relationship of trust that provides continuity to our commercial relationship, and gives us the opportunity to transfer our good practices. For some sectors (Statutory vehicle inspection, automotive testing and engineering or NDTs), we become drivers of improvement in defining work standards.	We collaborate in developing the business, social and economic environment when contracting products and services.
	Community development		
	Improvement of economic performance		
SOCIETY			
Codes of ethics and compliance	Fulfilment of Human Rights	Due to our position in our supply chain, our influence on social aspects is not significant. We apply our <i>Code of Ethics</i> and principles when we deliver customer services. However, in the case of the prevention of occupational risks, our contribution is significant because of the nature of our services.	We have strong vetting processes to ensure external suppliers and partners meet our commitment to ethics. These processes include verifying compliance with certain social aspects before contracting, especially those contracts connected with the prevention of occupational risks.
Health and safety	Removal of inequalities		
	Preventing occupational risks and eliminating accidents		
Talent attraction and retention	Specialisation, knowledge and experience	We also contribute to improving the specialisation and knowledge of our clients' staff when we provide technological services or develop innovation projects.	Currently, these vetting and verifying processes cover 40% of all Applus+ suppliers. Our goal is to cover 100% in the short term.
	Quality work environment		
Quality of service and customer satisfaction	Community development	Application of good practices and standards of quality, safety and environment	
ENVIRONMENT			
Sustainable and safety products and services	Operational eco-efficiency	Definitely, our services improve our client's sustainable performance. In addition, we reduce their environmental impact through the development and application of new services, in many cases, as a result of our innovation projects.	We require suppliers in our vetting processes to meet environmental legislation in their work. In addition, we positively value the application of good environmental practices, or the implementation of environmental management systems complying with international standards.
	Consumption		
	Climate change		
BUSINESS			
Innovation of products and services	Operational efficiency	In developing and implementing innovation within projects, our aim is to improve our clients' processes, bring efficiency, reduce costs and prevent pollution.	We ask suppliers to be active in respecting the environment. Likewise, we require suppliers to provide us with innovative tools to optimise their services to us for improved efficiencies. These terms are set out in our technical descriptions for supplied services.
	Pollutant reduction		
INTEGRITY			
Anti-bribery and integrity	Anti-bribery	We comply with their codes. We apply our policies, and the values and principles of our <i>Code of Ethics</i> .	We have implemented a <i>Compliance Management System for Criminal Risks (CMS)</i> to support the application of the <i>Code's</i> principles related to the criminal acts. We have deployed internal controls at Group level to mitigate risks.
	Good governance		
	Good reputation		
	Crime prevention		
Independence, accreditations and certifications	Compliance with industry's regulation	Our services to clients improve compliance with national and international regulations and standards.	We vet suppliers and require them to comply with national and international regulations.

Having evaluated our direct impacts and our contribution to the impacts of the entities of our value chain, we cross-referenced both valuations to obtain the **significance of economic, environmental and social impacts**.

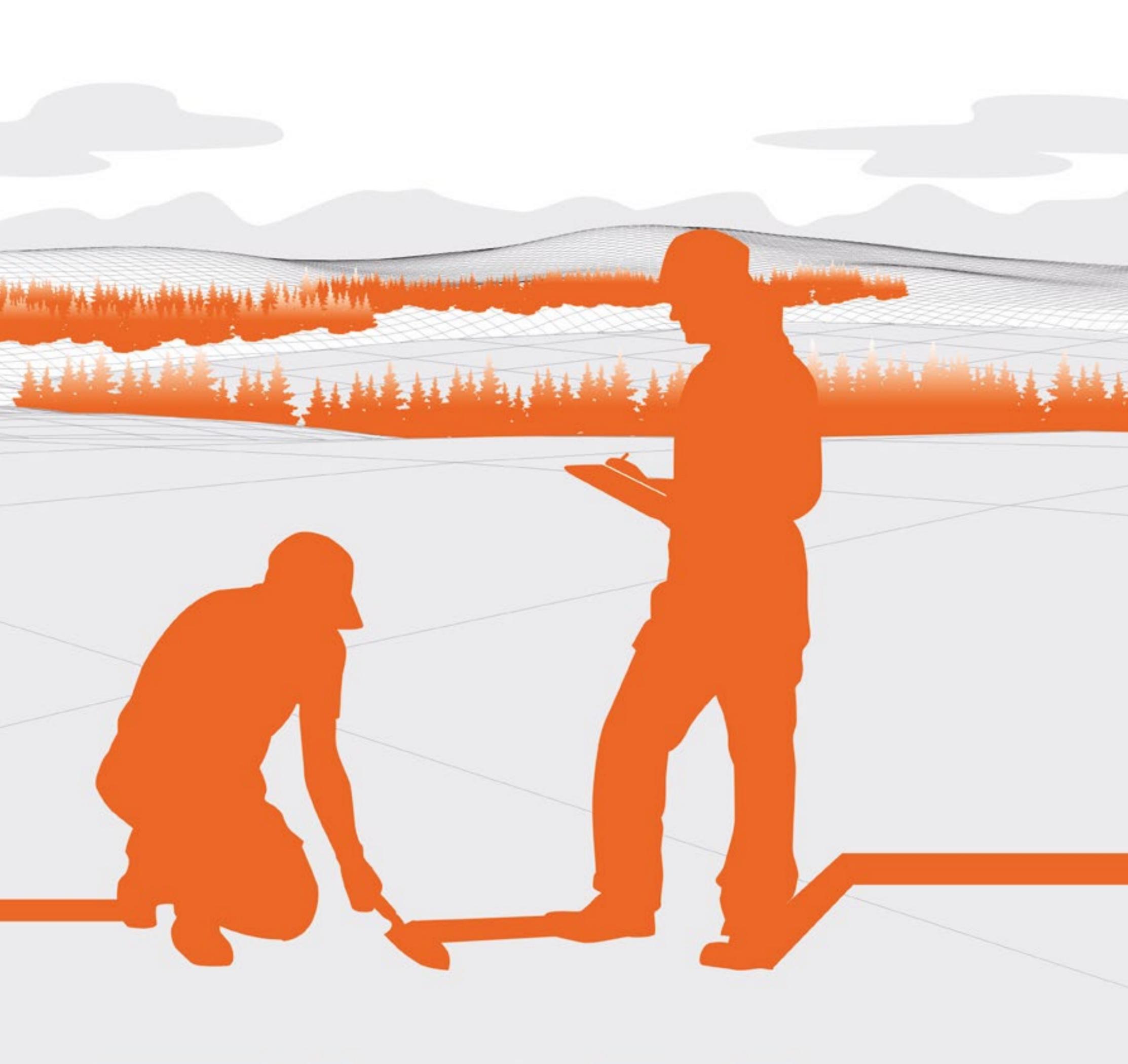
PRIORITY MATRIX

To complete the materiality analysis, we determined **how these impacts could influence on stakeholders' assessments and decisions**. To do this, we assigned a high, medium and low score to the feedback we received during the interviews for determining materiality.

By cross-referencing the impacts' significance with the influence on stakeholders' decisions, we obtained the **relative priority of our material aspects**:



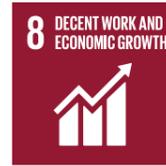
Statutory inspection in a cable car, Spain



07

Our CSR
commitment

Corporate governance and business ethics



CORPORATE GOVERNANCE

The Board of Directors has prioritised good governance since the Group became a listed company. Since 2014, the Board and Management Teams have devoted time to evolve the Group's governance model and framework. This framework includes the *By-laws*, the *Regulations of the Board of Directors* and the policies approved, which included the *Directors' Selection Policy*, the *CSR Policy*, the *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*, and the *Remuneration Policy for the Directors*.

The Applus+ Group has been developing corporate governance by following of some **international best practice**. It should be highlighted in its model of good governance:

- **Nine-member Board** to allow for a diversity of opinion and keep decision-making effective.
- Chairman and CEO **role-separation**.
- **Seven** out of nine (78%) **Independent** Directors.
- Independent **Chairman of the Board**.

- The Board reflects a **broad diversity of skills and experience** to manage the Group's challenges and plan for the future, who include professionals from industry, academia, finance, law and human resources.

The Board of Directors ensures good governance through **three specialised Committees**: the Audit Committee, the Appointments and Remunerations Committee and the Corporate Social Responsibility Committee.

Independent Directors chair all three Committees, and only Independent Directors sit on the Audit Committee and the Appointments and Remunerations Committee.

Our **CSR Committee**, which **is not mandatory in Spain**, is comprised by the Chairman of the Board, together with another Independent Director. The Chief Executive Officer sits on the Committee to ensure policies and actions are embedded into the Group's strategy and day-to-day management. All three Committees report quarterly to the Board and provide a yearly report on their progress.

The **key developments** in corporate governance during 2017 include:

- **Shareholder engagement**: in view of the constructive dialogue held with institutional investors and proxy advisors, in 2017 we carried out a new corporate governance road show in line with our *Policy for Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*. In addition, we encouraged an open dialogue with stakeholders at the Annual General Meeting (AGM), in which participation increased considerably to 68.03% of the share capital.
- **Changes to share capital**: shareholders at the AGM approved a 5-year authorisation to increase share capital up to 50% of share capital with pre-emptive rights and 10% of share capital without pre-emptive rights. In line with international best practice, this 10% is more stringent than both the legal 50% limit in Spain and the widespread 20% limit in the Spanish market. The capital increase was executed through an Accelerated Bookbuild Offering (ABO), and this facilitated the acquisition of 80% of the shares in Inversiones Finisterre in September.
- **Self-evaluation process**: the Board enhanced self-evaluation process with one-on-one interviews with the Chairman, in addition to specific topics within the self-assessment

questionnaires. The Board discussed leadership-succession strategy and cyber-security, and they met with first line of Management Team in the Group.

- **Revision of new regulations**: the Audit Committee reviewed and analysed the **CNMV's Technical Guide on Audit Committees in Public Interest Entities** to assess compliance; and assessed the company's adaptation to new requirements under the recent Royal Decree-law 18/2017 of November 24th, in matters of non-financial information and diversity.
- **CSR Committee**: continued to review and follow up on the level of the good corporate governance, submitting conclusions and proposals to the Board of Directors. Likewise, the Committee adopted the United Nation's SDGs framework for CSR reporting and improved health and safety reporting procedures.
- **Compliance procedures and management**: in the *Compliance Management System for Criminal Risks*, we introduced new controls to mitigate criminal risks at Group level. We re-defined the compliance function and improved employees training.
- **Registered office** changed to the Applus+ Group's operations in Madrid.





Approach to diversity on the Board of Directors

In December 2017, the Board was presented with the new requirements under **Spanish Royal Decree-law 18/2017 of November 24th** in matters of **non-financial information and diversity**.

The Board of Directors at Applus+ is committed to promote diversity throughout the Group. We have company policies and regulations in place to prevent any gender discrimination from occurring in our selection processes:

- **Board's Regulations:** Art. 14.3 stipulates that "[...] the Board of Directors shall ensure that the appointment procedures of its members promote **gender diversity** and a **diversity of experiences and knowledge** and have **no implied bias that might entail any discrimination** and, in particular,

that they facilitate the selection of female Directors."

- **Directors' Selection Policy:** Among its "**Objectives and Main Principles**", the policy highlights that "[...] the Applus+ Board of Directors shall ensure that the selection procedures **favours diversity in gender, experience and knowledge** and that they **do not suffer from implicit bias that might imply any discrimination**[...]"

As a result of the application of these regulations:

- The Board appointed its **first female Director** in 2016.
- **Four** out of nine Directors (44%) come **from outside Spain** to account for **more than 70 countries** where Applus+ business is present.
- **Age range** of between 43 and 76 years-of-age (average: 63) to account for a rapidly changing business environment, while preserving valuable experience.

The following table reflects the diversity of experience and backgrounds the Applus+ Board of Directors:

NAME	NATIONALITY	EXECUTIVE INDUSTRY EXPERIENCE	FUNCTIONAL EXPERIENCE	PRIMARY GEOGRAPHIC EXPERIENCE	CATEGORY
Mr Christopher Cole	UK	Engineering	Chief Executive Officer	Worldwide	Independent
Mr John Daniel Hofmeister	USA	Energy Industrial manufacturing	President HR Group Director	Worldwide	Independent
Mr Ernesto Mata	Spain	Energy Infrastructure Consultancy Finance	President Vice-president	Spain and Latin America	Independent
Mr Richard Nelson	UK	TIC	Chief Executive Officer	Worldwide	Independent
Mr Fernando Basabe	Spain	Finance TIC	Chief Executive Officer	Worldwide	Executive
Mr Nicolás Villén	Spain	Infrastructure Pharma	Chief Executive Officer Chief Financial Officer	Worldwide	Independent
Ms María Cristina Henríquez	Spain	Consumer Pharma	President and Managing Director Chief Financial Officer	Europe, Latin America, and Israel	Independent
Mr Scott Cobb	USA	Private equity	Managing Partner	Worldwide	Proprietary
Mr Claudi Santiago	Spain	Oil and gas Private equity	Senior Vice-president President Chief Executive Officer Chief Operating Officer	Worldwide	Independent



Automotive styling development, China

BUSINESS ETHICS

For Applus+, business ethics are as important as the services we provided. Therefore, the Group has an **ethics model**, which commits to robust compliance and evolves with on-going reviews. This model, and its **underlying ethical values**, brings credibility and build stakeholder confidence.

Applus+ guarantees compliance with the principles governing the conduct of our employees through a **specific regulatory framework**:

- The Applus+ **Code of Ethics** provides our 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. Each has a **dedicated communication channel** for reporting any incidents of possible non-compliance with our *Code of Ethics* (whistleblowing.channel@applus.com).

In 2017, there were **89 communications** received and opened to investigate potential breaches. Out of the 89 communications received, **79 have been closed in the year 2017** and **10 continue to be open** and are being investigated and managed by the Chief Compliance Officer. Out of the 89 cases there was **evidence found in 30 cases of irregular behavior** or with breaches of the *Code of Ethics*' values and *Global Anti-corruption Policy and Procedure*, which resulted in some type of correction or disciplinary action.

Out of the 89 cases, **75 came from internal sources**, and **14 from persons external** to the Group. **Sixty-seven per cent** of the cases **used the company's formal communication channel** of the company to send the allegations, and the rest came in via the Management Team, audit process or other sources.

- To prevent, detect, investigate and remediate any corrupt act within the Group, we have a **Global**

Anti-corruption Policy and Procedure. The divisional Executive Vice-presidents, under the leadership of the **CCO (Chief Compliance Officer)**, are responsible for monitoring Applus+ professionals and third parties to comply with the *Global Anti-corruption Policy and Procedure*.

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

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

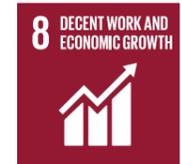
In 2017, we reinforced and raised awareness for our *Code of Ethics* and the *Global Anti-corruption Policy and Procedure*, with specific training bulletins on the policies and procedures of the compliance area. We also conducted training on these two internal regulations, for new recruits as part of their **induction training**.

This year we also **deployed the Compliance Management System (CMS) control model** across our four divisions and their subsidiaries **around the world**. We also reviewed the *Risk Maps*, and we further implemented our *Action plan* approving the following internal procedures and policies:

- The *Compliance Terms of Reference Norm*.
- The *Applus+ Whistleblowing Procedure*.
- The *Anti-Money Laundering Policy*.
- The *Suppliers Policy*.
- The *Customer Policy*.



Our people



The outstanding professionals at Applus+ are the distinguishing feature of our services. We have a **workforce of 20,700** worldwide, and we employ and train a wide range of specialist technicians, from young people developing their skills to qualified professionals furthering their specialism.

To support the success our employees' work brings, we prioritise and promote a **healthy, safe and motivating work-environment**, and we encourage our employees to develop their personal and professional skills.

EMPLOYEES BY DIVISION			
REGION	2017	2016	2015
Energy & Industry Division	13,100	12,500	12,620
Automotive Division	4,400	3,500	3,400
IDIADA Division	2,400	2,200	1,980
Laboratories Division	800	800	700
TOTAL	20,700⁽¹⁾	19,000	18,700

⁽¹⁾ The increase is due to acquisitions made in the year, and mainly from Inversiones Finisterre.

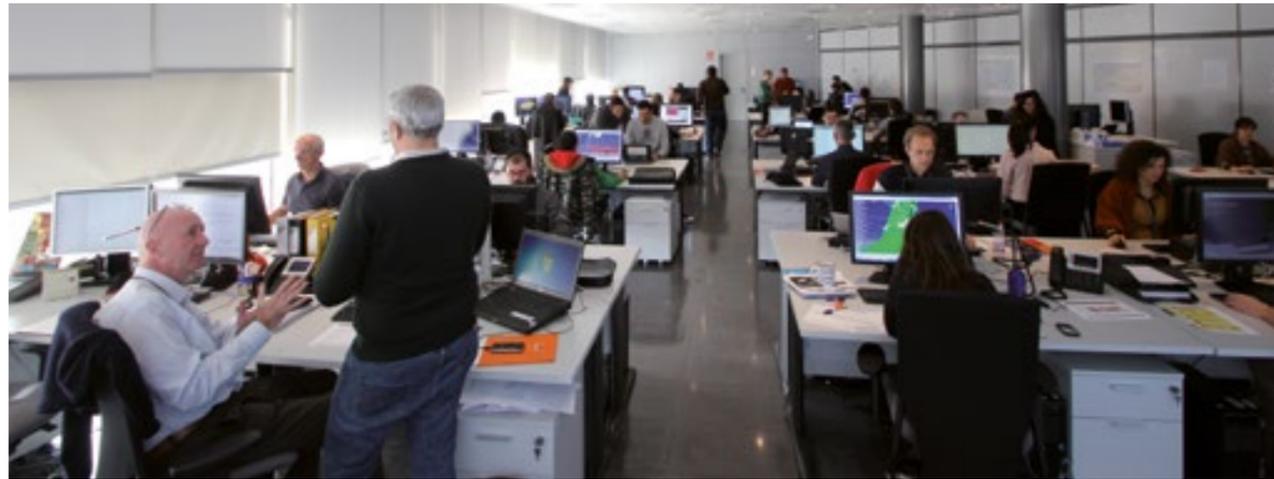
EMPLOYEES BY REGION			
REGION	2017	2016	2015
Spain	6,800	6,000	5,700
Rest of Europe (ex. Spain)	3,500	3,700	3,630
USA and Canada	2,200	2,100	2,520
Latin America	4,200	3,300	3,080
Middle East and Africa	2,400	2,000	1,800
Asia Pacific	1,600	1,900	1,970
TOTAL	20,700	19,000	18,700

EMPLOYEES BY ORGANISATION LEVEL AND GENDER			
2017			
Level	Male	Female	Total employees
TIER 1 and 2	84%	16%	1%
TIER 3	79%	21%	2%
TIER 4	82%	18%	7%
Operational employees and others	82%	18%	90%
TOTAL	82%	18%	100%

Local Human Resource teams have gathered the **quantitative and qualitative data presented** in this report, following the guidelines for the specific information requested by Corporate Human Resources.

overall consistency. This analysis also guarantees that the information reflects potential changes in the global economic situation; any labour market trends in the countries in which we operate; and any specific changes in the TIC sector or our divisional industry sectors.

To **verify and control** this process, the corporate team compared previous years' data to validate



HUMAN RESOURCES MODEL AND KPIs

During this year, we **concluded the implementation of a decentralised model of Human Resources**, which allows us to give more autonomy to our teams, resulting in improved efficiency. Decentralisation has demonstrated the flexibility of our management, allowing us to adapt more quickly to changes in the market and satisfy the needs of our customers and society.

In this respect, we can highlight **two actions** completed by Human Resources **at local level**:

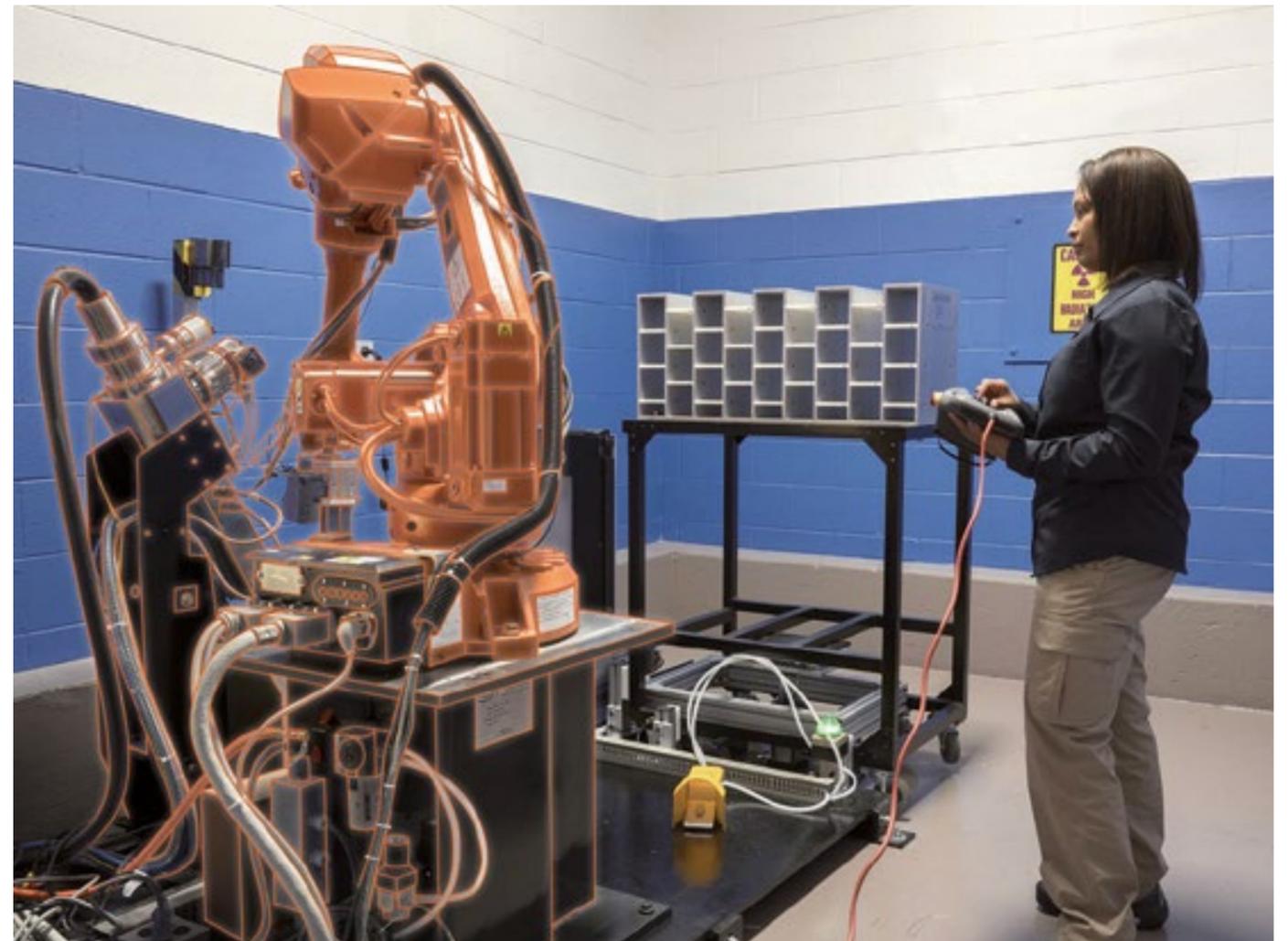
HR KPIs	2017	2016
Voluntary turnover rate	15.4%	10.2%
Employees covered by collective bargaining	35% Countries: 21	37% Countries: 18
Internal promotion rate	70%	68%

- In **South Africa**, Applus+ has implemented several initiatives to **promote community development and, especially, to reduce inequalities**. These initiatives are related to ownership, management control, skills development, enterprise and supplier, and socio-economic development. Human Resources has been involved in various processes with actions to **implement ethnic shareholding and the inclusion of women in top management**.
- In **Colombia**, Applus+ has implemented a **Corporate Social Responsibility Programme** focused on the recruitment and professional development of personnel with disabilities. The programme was led by Human Resources team to prioritise **employees with disability status in administrative roles**, where there is equality of competencies between candidates. In addition, we are developing a plan to **incorporate and develop personnel from the military and police**

forces, who have suffered injuries because of the armed conflict. These personnel tend to join Applus+ at entry-level positions and develop within the organisation.

We strive to provide a work environment based on respect, ethics, equality and diversity. Our **Non-Discrimination Policy** and our **Code of Ethics** guides our people to consider which behaviours are expected from them in their work, and in their relations and interactions between themselves and with our stakeholders.

This year, Applus+ has promoted **Global Management Development Programme** to support the long-term sustainability of our business, and we also ran the **Global Employee Satisfaction Survey**, which we have periodically carried out since 2007.



Radiographic Testing (RT), USA

Global Management Development Programme

During 2017, Applus+ has been developing its **professional development model**. In addition to enhance individualised development plans focused on geographical or business environment, we now develop the potential of our people using a global development model.

This model aims to **stimulate innovation, foster knowledge-transfer** among teams and **promote a global, inclusive and diverse organisational culture**.

From a pool of high-potential managers, we selected **30 participants from 18 countries** to participate in the **first round** of our **Global Management Development Programme**. Forty per cent of the participants are Spanish, and we are especially proud that **30% of attendees** on our first programme will be **women**.

This programme complements, but not substitutes, the individual development plans on which we have historically based our strategy of development and succession.

The first *Global Management Development Programme* will begin in 2018. The programme will have a **blended format**, where participants can foster the exchange of ideas and experiences. The project outcomes will be presented to the Applus+ Management Team, and the programme aims to spread knowledge and create new synergies across the divisions.

Over the **next few years, around 100 managers** at Applus+ will participate. The *Global Management Development Programme* will strengthen and develop our managers' skills for the future to ensure the Group's continuous development, success and sustainability.



Global Employee Satisfaction Survey

In 2017, Applus+ carried out a *Global Employee Satisfaction Survey* amongst its employees. The satisfaction of our employees is key to maintaining the excellence services we provide and directly affects the company's results.

The survey results provide valuable information to enable **dialogue across the divisions, encourage communication between teams and continuously improve**. When analysing the results, we benchmark different global industries to compare and evaluate our engagement and satisfaction in relation to other markets, collaborating with a recognised company with more than 40 year's experience surveying employees on satisfaction.

Regarding the results obtained, **one of the areas evaluated** in the survey should be **highlighted**:

- **Collaboration:** defined as the ability to achieve results that would be difficult or unlikely to be achieved individually. Our employees value positively this cooperation and the possibility to generate synergies between different teams. In this category, Applus+ far exceeds the benchmark, confirming our collaborative relationships as a key cultural attribute within our growth.

In addition, employees gave **notable scores** in areas such as:

- **Performance management:** Applus+ employees felt their work had a direct impact on achieving the company's objectives.
- **Health and safety:** Applus+ employees considered that their direct managers, as well as the company in general, provide the level of training and the necessary equipment to guarantee they can work safely.
- **Diversity and inclusion:** employees at Applus+ positively value our open environment and diversity within the company, such as gender, race, and religion.

More than **500 units across** the Group **received feedback** and shared these reports with their teams to establish on-going action plans for our company's goal: the constant striving for excellence.

SAFE PEOPLE

Our three management pillars



HEALTH AND SAFETY INDICATORS	2017	2016	2015
Number of occupational fatalities	0	0	0
Lost-time injuries rate ⁽¹⁾	0.98	0.71	0.79
Recordable cases rate ⁽²⁾	1.27	1.01	1.13

⁽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 2017, our actions **reduced the severity rate by 20% with no fatalities**, although, at a global level, there was an increase in total accidents. This increase came mainly from vehicle accidents and

other incidents requiring less than three days leave. As a result of this unfortunate increase in vehicle accidents, we set up **specific training for defensive driving and new safety controls**.

Local Health and Safety (H&S) teams in each country follow the H&S reporting policy and procedure and report **H&S indicators** through the corporate *Governance Risk Compliance Tool*. Corporate H&S monitor and analyse the reported quantitative and qualitative data, and the Internal Audit team, external certification bodies and clients **verify and control** H&S information.



Celebration of the Safety Day, Abu Dhabi

Time for safety

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

Awareness and motivation tools

This year, we launched a **new awareness campaign** under the banner **"Time for Safety"**. The campaign included:

- **Published bulletins** to reinforce the Applus+ Golden Safety Rules. Themes have included: "Fitness for Work", "Hazardous Substances", "Travel Security", "Driving Security", "Working at Heights", "Coordination Activities" and "Toolbox talks". The bulletins were placed in the workforces' common areas.
- Sent **emails** to all employees with specific messages about security, under the banner **"Lessons learned"**.
- Promoted and targeted **specific banners** on the Applus+ Global Intranet.

Safety awards at a local level to value employees' ideas or actions which safeguard health and safety. These awards, which started several years ago in some countries, have been extended locally to more countries, for example: **Applus+ ACE Award** programme in the USA, Canada, Middle East, Oceania and North Europe; **Good Catch** programme in USA, Canada, Singapore and Brazil; and **Valoramos tu Plus en Seguridad** (Beyond the Call of Safety) in Spain.

In 2017, **localised activities for awareness** also included:

- Applus+ in **Brazil** joined the brazilian movement called **"Maio Amarelo"** ("May yellow"). This movement was created to highlight the **high rate of traffic deaths and injuries worldwide**. Each citizen, entity or company could wear the "Yellow May ribbon" to raise awareness for actions in the month of May and throughout the year where possible.
- Applus+ staff in **Singapore, Korea and Brazil** took part in training workshops in our **"Stop before it stops us"** campaign to promote responsible behaviour. The campaign encourages employees to **stop performing tasks in the event of a safety concern** and reassess their work for a safer outcome.



Awards and recognitions

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

- Applus+ in **UK** was awarded with the gold award by **RoSPA** (Royal Society for Prevention of Accidents) for a continuous focus on the **industry's associated risks**.
- Applus+ in **Peru** was awarded in the ninth edition of the recognition programme organised by **Pacifico Seguros** in August 2017. This year, Pacifico Seguros highlighted the work of 25 companies, which show **high standards in the prevention of occupational risks and health**.

MOTIVATED AND SKILLED PEOPLE

Our employees are our greatest asset. To recognise this, Applus+ fosters a **competitive compensation system**, which is aligned to our sector.

In **Spain**, Applus+ celebrated its **third edition of Valoramos tu Plus (Beyond the Call)** programme. By

implementing the good practices adopted by our employees, we acknowledge their excellent work at a global level, and we incorporate the resulting best practice into the routine of the company's operations.

How does it work?

- 1 Quarterly requests for applications are made for nominations.
- 2 The heads of departments propose a candidate, demonstrating and explaining the reason for the nomination.
- 3 The 10 finalists are chosen in a voting process that evaluates the employees' best practice in respect of:



Training programmes

We invest in our people to ensure we provide quality across the Group's divisions. We recognise the need for good professionals, and we value the talent they bring to Applus+. Moreover, since our people are fundamental to the Group, at Applus+ we take our responsibility seriously to provide training and qualifications for our employees. In fact, we owe our prestige to our highly qualified people.

In 2017, we organised approximately **750,000 hours of training**, including on-the-job training hours (averaging **36 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	2017	2016	2015
Technical skills	51%	42%	46%
QHSE	30%	27%	33%
Language	6%	11%	10%
Other	13%	20%	11%

Stakeholder engagement

MARKET FOCUS

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

During November, Applus+ employees across the Group were sent the campaign celebrating the **World Quality Day (WQD)**. To this purpose, an informative video was prepared encouraging people to be quality leaders.

Certifications

We deploy our **quality and environmental-management systems** at a local level, and these are certified and periodically audited in accordance with the international **ISO 9001 and ISO 14001** standards. In 2017, actions included:

- We adapted to the new requirements of the **ISO 9001:2015 and ISO 14001:2015** in some legal entities of the following offices: UK, Italy, UAE, Kuwait, Saudi Arabia, the USA, Canada, China, Thailand, Australia, Norway, Mongolia, Indonesia, Papua New Guinea, Angola, South Africa, Colombia and Spain.
- We have **expanded our ISO 14001:2015 scope** (Environmental-management systems), including in **Ireland**.

Accreditations

Applus+ maintains the necessary accreditations and homologations in multiple jurisdictions across the globe, which assures the quality, safety and integrity of both our services and our clients' assets. In 2017, we acquired many **new accreditations**, amongst which are:



Oil and gas

- Applus+ in **Singapore** obtained **ISO 17025 SAC (SAC Accreditation in Advanced and Conventional NDT Services)** to add to its growing list of internationally recognised certification.



- Applus+ in **Australia** joined **National Association of Testing Authorities (NATA)**. NATA represents Australia at high-level international forums related to practices and policies laboratory, inspection body, reference material producer and proficiency testing service-provider accreditation.



Industrial manufacturing

- Applus+ has been accredited as an **Inspection Entity for Environmental Monitoring and Control of Industrial Activities (ECMCA)** in the Valencia region, **Spain**. This accreditation follows ISO 17020 standard, which will serve as a basis for entities accredited by ENAC (Spanish accreditation body) to be registered in the Registry of ECMCAs for the Group's services in site-surveillance and field control.



Training to work at height, UK



Construction

- Applus+ in **Panama** has been accredited by the **Technical Board of Engineers and Architects**. The Technical Board governs the professional practice of engineers, architects and other related technicians in the Republic of Panama.



Power

- Applus+ in **Korea** has been audited to provide **Global Wind Organisation (GWO) accredited courses for basic safety training for the global wind-turbine industry**. The training provides the basic skills to work safely and to meet emergency response requirements. The courses comprise four modules written and presented with reference to the unique challenges posed by working in the wind-turbine industry. With this service line, Applus+ is the **first GWO-accredited training provider in Korea**, and we deliver the course in both English and Korea to make the course accessible for many more clients.



- Applus+ has also been recognised for carrying out **ENplus tests**, dedicated to the **valuation of forest biomass**. Applus+ has obtained the accreditation according to the ISO 17025 standard, and this recognises Applus+ as an ENplus accredited test laboratory.



IT products and smart devices

- Applus+ in **Europe and China** achieved **AMEX Enabled accreditation for Express Pay type-approval on contactless terminals**. Applus+ is now ready to offer a complete Amex validation service to point-of-sale manufacturers and kernel developers.



Electrical and electronic products

- Applus+ has been recognised and designated, by **US** Federal Communications Commission (FCC) to test Radio Frequency devices. Applus+ is now an **ISO 17025-accredited laboratory for testing Radio Frequency devices** (intentional radiators) to conform to FCC regulations.



Others

- During 2017, the new branch of Applus+ in **Albania** achieved the extension of accreditation No OC-I/034 at the office in Tirana (Albania). This extension refers to **inspections based on the European Lift Directive** (Directive 2014/33/UE Lifts).



Awards and recognitions

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

- Applus+ in **Ireland** was awarded with the **Go Best Service Award** within the programme called "**Government Opportunities (GO) Excellence in Public Procurement Awards**". This award recognises and acknowledges the work by Applus+ employees to constantly improve the services offered to over two million people in Ireland annually.
- For the third time (2015, 2016 and 2017), Applus+ in **Denmark** has been nominated for **Best inspection station in Denmark**

by the **Auto Awards**, voted for by private customers, workshops and a jury.

- Applus+ in **China** has received the **2017 Visa Excellence Award**, recognising our Shanghai IT laboratory as the best device-laboratory 2016-2017. Visa representatives presented the award on the 9th June 2017, at the annual Visa Vendor Forum in San Francisco, which brings together clients, test tool providers and all the laboratories accredited by Visa.
- In the **Rio Pipeline Conference & Exhibition 2017** (held on 24th to 26th October 2017), the technical committee **selected a technical paper** prepared by Applus+, which reviews our propriety **IWEX imaging technology**.



Rio Pipeline Conference & Exhibition 2017, IWEX imaging technology, Rio de Janeiro.

DIALOGUE WITH STAKEHOLDERS

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

Clients

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

Employees

Applus+ **periodically surveys** our employees on **satisfaction**. This year, the *Global Employee Satisfaction Survey* showed our employees highly rated areas such as collaboration, performance management, health and safety and diversity and inclusion. We detail this further in section 07. Our CSR commitment section (Human Resources model and KPIs, page 56)

Suppliers

Working with suppliers, Applus+ has a **vetting process** to ensure that external suppliers and partners adhere to our commitments to ethics, society and the environment. Currently, this vetting process covers 40% of all Applus+ suppliers.

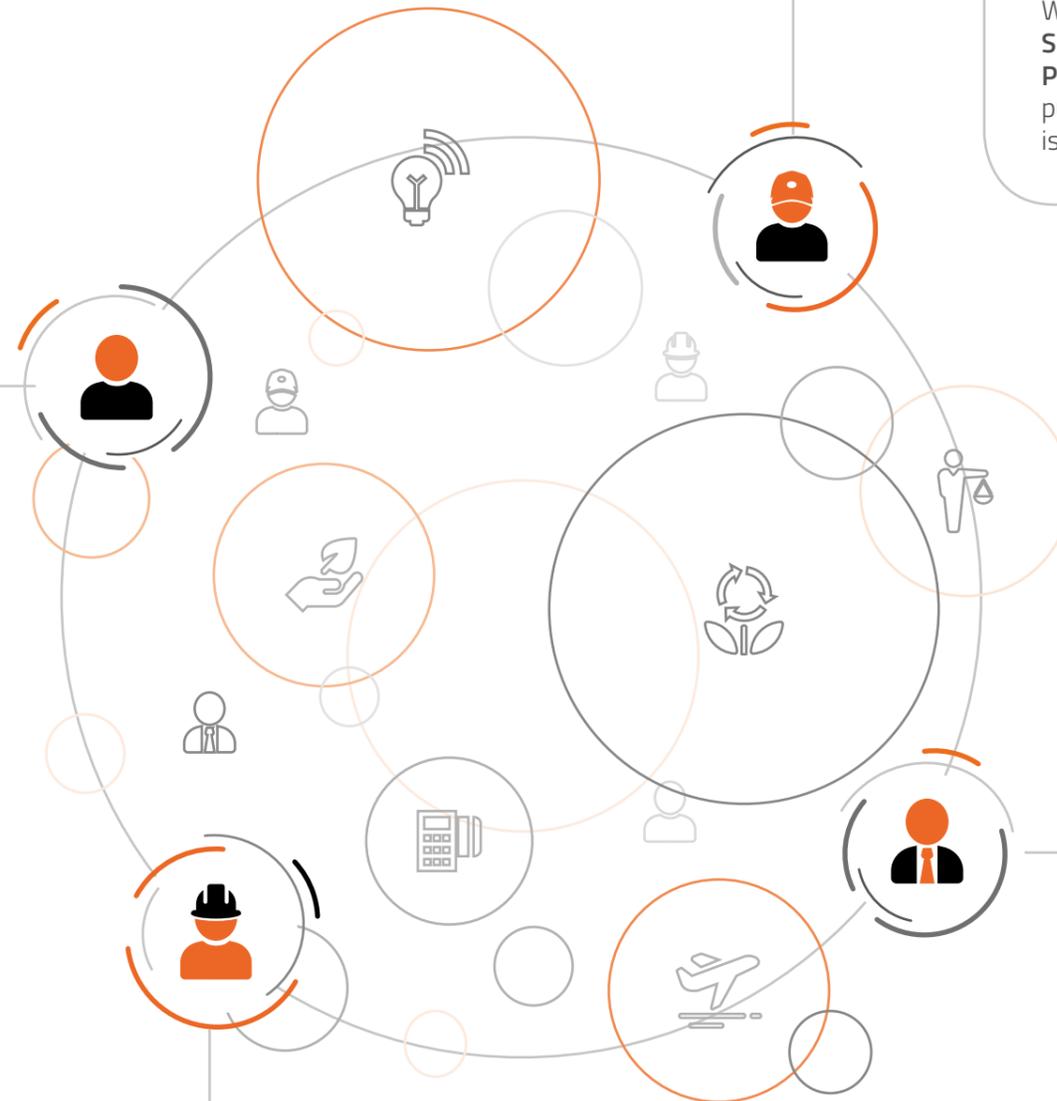
We also develop supply-management through our membership in the **Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE)**. This organisation shares experience, publishes information, imparts knowledge and conducts research on issues related to purchases in Spain.

Shareholders, investors and proxy advisors

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

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

In 2017, we attended **153 meetings and conference calls**, of which **81** were **first contacts** with Applus+ since the IPO (Initial Public Offering) in May 2014. In addition, we attended **nine conferences** and **four road shows**.



Other Stakeholders

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

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

- The **International Federation of Automotive Engineering Societies (FISITA)**. A non-profit organisation that acts as the global voice for the automotive industry. FISITA members share knowledge on automotive engineering and contribute to the development of new technologies worldwide.
- The **Spanish Association of Defence, Aerospace and Space Technology Companies (TEDAE)**, representing and promoting its members' interest both nationally and internationally.
- **European Telecommunications Standards Institute (ETSI)**. An organisation that produces globally applicable standards for information and communications technologies, including fixed, mobile, radio, broadcast, internet and aerospace. Applus+ is actively involved in the development of new test standards.
- **Pipeline Research Council International (PRCI)**, which is a community of the world's leading pipeline companies and their vendors, service providers, equipment manufacturers and other organisations supporting this industry.
- **European Strategy on Cooperative Intelligent Transport Systems (C-ITS)** adopted by the European Commission in 2016, which is a milestone initiative towards cooperative, connected and automated

mobility. The C-ITS's objective is to facilitate the convergence of investments and regulatory frameworks across the EU to realise the deployment of mature C-ITS services in 2019 and beyond.

- Applus+ is a member of **ASTM International**. Over 12,000 ASTM standards operate globally. ASTM standards enhance performance and bring confidence when purchasing goods or services. ASTM harnesses the expertise of over 30,000 members to **create consensus and improve performance in manufacturing, materials, products, processes, systems and services**.

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

- Several Applus+ divisions joined the **UN Global Compact** group, committing to "Ten Principles" related to human rights, labour, the environment and anti-corruption.
- Applus+ works closely with the **European Standardisation Committee (CEN)**. European Standards (ENs) are based on a consensus, which reflects the **economic and social interests of 34 CEN Member countries**, channelled through their national standardisation organisations.
- We are also members of the **Club for Excellence in Management**, 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-.
- Applus+ is a **patron of the ADCOR Foundation** (Disabled adults from A Coruña), which is a non-profit organisation dedicated to improving the lives of **adults in situations of dependency**.

Key topics and concerns

KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH
1. Economic performance SDG: 1. No poverty	Financial markets	<ul style="list-style-type: none"> ▪ Annual account audit ▪ <i>Financial Statements Report</i> ▪ <i>Corporate Governance Annual Report</i> ▪ <i>Directors' Remuneration Report</i>
	Suppliers	
	Investors	
2. Quality of service and customer satisfaction SDG: 12. Responsible consumption and production	Public administration	<ul style="list-style-type: none"> ▪ <i>QHSE Policy</i> ▪ Quality-management systems at a local level ▪ Customer satisfaction surveys ▪ Local complaint-management systems ▪ <i>World Quality Day</i>
	Investors	
	Civil society	
	Clients	
	Competitors	
3. Anti-bribery and integrity SDG: 8. Decent work and economic growth	Suppliers	<ul style="list-style-type: none"> ▪ <i>Code of Ethics</i> ▪ <i>Compliance Management System for Criminal Risks (CMS)</i>
	Civil society	
	Competitors	
4. Talent attraction and retention SDG: 5. Gender equality, 8. Decent work and economic growth and 10. Reduced inequalities	Employees	<ul style="list-style-type: none"> ▪ <i>Code of Ethics</i> ▪ <i>Non-Discrimination Policy</i> ▪ <i>Global Management Development Programme</i> ▪ Global periodic survey of employee satisfaction ▪ Annual training programmes ▪ "<i>Valoramos tu Plus</i>" ("<i>Beyond the Call</i>") local programme ▪ Competitive compensation system
	Financial markets	
	Suppliers	
	Investors	
	Civil society	
	Sectors where we operate	
	Investors	
5. Health and Safety SDG: 3. Good health and well-being	Clients	<ul style="list-style-type: none"> ▪ <i>QHSE Policy</i> ▪ <i>Health-and-safety programmes</i> at a local level (OHSAS 18001 standard) ▪ <i>Golden Safety Rules programme</i> ▪ Local safety awards ▪ <i>Safety Day</i> and awareness campaigns ▪ Local awareness actions
	Competitors	
	Sectors where we operate	
	Civil society	
	Civil society	



KEY TOPICS AND CONCERNS	STAKEHOLDER INDICATING THE TOPIC	MANAGEMENT APPROACH
6. Codes of Ethics and compliance SDG: 5. Gender equality and 10. Reduced inequalities	Financial markets	<ul style="list-style-type: none"> Code of Ethics Compliance Management System for Criminal Risks (CMS) Global Anti-corruption Policy and Procedure Compliance Terms of Reference Norm Applus+ Whistleblowing Procedure The Anti-Money Laundering Policy The Suppliers Policy The Customer Policy
	Suppliers	
	Civil society	
	Competitors	
	Sectors where we operate	
7. Risks and opportunities management SDG: 8. Decent work and economic growth	Financial markets	<ul style="list-style-type: none"> Risk Control and Management Model Internal Audit process
	Suppliers	
	Investors	
8. Independence, accreditations and certifications SDG: 9. Industry, innovation and infrastructure	Sectors where we operate	<ul style="list-style-type: none"> We maintain and obtain the accreditations and certifications required by government regulations and industrial standards to operate in the global market
	Public administration	
	Investors	
	Civil society	
9. Corporate governance SDG: 8. Decent work and economic growth and 17. Partnerships for the goals	Clients	<ul style="list-style-type: none"> By-Laws and Regulations of the Board of Directors. Long Term Incentive Plan for the CEO (LTIP) Directors' Selection Policy Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors Remuneration Policy for the Directors Implementation of the recommendations of the CNMV
	Financial markets	
	Suppliers	
	Investors	
	Civil society	
10. Sustainable and safety services SDG: 12. Responsible consumption and production and 13. Climate action	Sectors where we operate	<ul style="list-style-type: none"> QHSE Policy Environmental-management systems at a local level Global or local awareness campaigns amongst our employees Innovation projects development
	Sectors where we operate	
11. Innovation of products and services SDG: 3. Good health and well-being, 9. Industry, innovation and infrastructure and 12. Responsible consumption and production	Employees	<ul style="list-style-type: none"> Innovation Report Innovation projects development Continuous collaboration with universities, R&D centres and other innovating companies
	Public administration	
	Investors	
	Civil society	
	Clients	
Sectors where we operate		

SOCIAL CONTRIBUTION

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

- Hogar San Ricardo** shelters **144 children and adults with different capacities, physical limitations and in cases of family abandonment.** During December and January 2017, Applus+ in **Chile** donated products such as nappies, dietary supplements, sugar, olive oil and pasta.
- In March 2017, Applus+ in the **UK** sold the old furniture from their Westwick office, donating the money to contribute to the **children's hospice EACH** (East Anglia's Children's Hospices).
- Applus+ in the **USA** is an active supporter of the **Center for Companies that Care AIM High** action programme. **AIM High facilitates relationships between companies and students in Chicago's low-income, inner-city neighbourhoods.** The programme's mission is to ensure 100% of participating students that graduate from high school enter college and gain the skills needed to succeed in tomorrow's workplace. Applus+ provides financial support, event sponsorship and employee volunteers and mentors.
- Major social contributions from Applus+ in **Panama** supported **children in rural and disadvantaged communities**, campaigning with our collaborators to raise funds for **toys and food bags** and organising a **Christmas party** for those communities.
- Applus+ in **Mexico**, as a commitment to the company's local communities, donated to the **communities affected by the earthquake in September 2017.** Our employees **collected basic supplies and delivered them to local, dispersed and remote villages.** We sent the donation of food, clothing and toys to localities in the State of Oaxaca and to the Paredón in the State of Chiapas. All of these communities suffered severe damage to their homes, and some communities have high levels of poverty.

Caring for long-term illness

- In October 2017, Applus+ in **Panama**, from its headquarters in Ciudad del Saber, commemorated **Cinta Rosada (Pink Ribbon) against breast cancer** to raise awareness for the early detection of breast cancer through the initiative **"Vístete de Rosa"** ("Dress up in Pink").
- Applus+ contributed to **"TV3 Marathon"** (Catalonia, **Spain**) to foster public engagement. During the event, Applus+ opened its vehicle-inspection centres in Barcelona on a public holiday. Applus+ donated the funds raised to **fight against infectious diseases.**
- Together with a key client, Applus+ in the **Netherlands** sponsored the **Cycling Race for Sophia Child's Hospital.** The money collected by Applus+ helps to research diseases, advance treatment methods and improve the patients' stay in hospital.



- Applus+ in **Korea** participated in the **"Rope for Hope"** charity event to support children who are fighting against incurable disease. Families and participants **dressed up as superheroes and descended from a 17-story building** to deliver a **positive message of hope to the children: they can overcome fear.** The children's families and volunteers participated and many had no prior abseiling experience. Applus+ provided all of the necessary safety training, equipment and rigging to make sure the abseiling heroes descended fearlessly and safely.



Promoting safe and healthy lifestyles

- In 2017, Applus+ in **Mexico** implemented the occupational health programme, integrating **activities focused on health care and disease prevention**. Amongst the activities were: a 5 km sports race; an eating habits contest "One day without meat"; psychological intervention "Emotional first-aid attention" to the employees affected in the earthquake of Mexico City; and a "Circuit of Health" for detecting eye and dental disease and for administering vaccines for seasonal influenza.
- Applus+ in **Spain** ran several **road-safety awareness campaigns for children**. In 2017, Applus+ held **more than 15 events for children in Madrid**, and the **Canary Island** participated in **Salón de la infancia** (Juniors' Hall). In **Barcelona**, Applus+ with **Parc Motor School** taught children how to react to the most common risks on the road. With these campaigns, Applus+ pass on good road sense, habits, responsibility and civil attitudes for school children to avoid traffic accidents.



The role of our innovation projects

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

The following projects are an example of the social character of our innovation activity:

Protection of Vulnerable Road Users (VRU)

- Led by the Applus+, the project **PROSPECT (Proactive Safety for Pedestrians and Cyclists)** is a European Union funded road-safety programme with 17 participating partners. Together, they aim to improve the effectiveness of active VRU safety systems compared to current systems.

To do this, the project team is expanding the scope of accident scenarios covered and improving the overall performance of the system. They perform statistical accident studies and naturalistic urban observations, and study how to improve VRU sensing and advanced system-control strategies.



Sustainable and economically viable mobility

- Applus+ is also leading the **C-MOBILE (Accelerating C-ITS Mobility Innovation and deployment in Europe) project**, for fully **safe and efficient road transport without casualties and serious injuries on European roads**. The project team envisages a congestion-free, sustainable and economically viable mobility, minimising the environmental impact of road transport in **complex urban areas and for vulnerable users**.

The C-MOBILE project will run across Europe, evaluating research pilot sites to deployment locations of sustainable services supported by local authorities. Their research will develop a common approach to technology to ensure interoperability and the seamless availability of services. The project is funded under EU H2020 and 37 entities are participating, ranging from city councils and European organisations to companies and universities.

The role of our projects and services

Redressing the social and economic imbalance

- Applus+ in **Australia**, is working in partnership with **Indigenous Workstars and a major oil company** to increase indigenous participation in our Australian businesses, specifically targeting our in-service contract with this oil company. By sourcing candidates from local, traditional owner-groups in Queensland, Applus+ has created opportunities for five new indigenous team members in 2017. We provide new employees with on-the-job training and mentorship by senior Advanced Non-Destructive Testing (ANDT) technicians. The programme is expected to expand further in 2018.

Applus+ works closely with Indigenous Workstars to support new recruit activities and to provide cultural awareness guidance for our supervisors, managers and human resource teams. This environment to learn and advance is creating career pathways that **increase accessibility and participation for local and indigenous communities in our business and industry**.

- Contributing to **social equality and inclusion**, Applus+ in **South Africa** achieved **Level IV BBBE-E (Broad Based Black Economic Empowerment) certification**. The BBBE-E is an initiative by the South African government to **redress the apartheid-era legacy of the social and economic imbalance**.

Our local management have set up schemes, such as training and charitable donations, to commit to using ethnically owned small medium enterprises (SME) as part of our supplier list. This accreditation allows Applus+ to tender for work with state-owned companies in the infrastructure, power and energy sectors.

- In **Saudi Arabia**, as part of our commitment to the **Saudi's 2030 Vision**, we developed the **Saudi National Inspection Training Programme**. This programme converts 59 Saudi National Inspection Engineers to Approved Inspection Engineers. This training shows that the partnership between Applus+ and our clients contributes to **professional development in society**.

Ensuring and optimising the proper use of resources

- Applus+ in **Panama** provides services to **expand general education** through the **construction of educational centres**. We aim to innovate the building of school infrastructure to guarantee access to basic and secondary education in targeted areas, **constructing model schools, supporting classrooms and expanding the current educational offer**.



- Applus+ in **Colombia** ensures **different contractors are in full compliance when providing multi-sectorial services for the Government of La Guajira**, by carrying out an external supervisory role. Applus+ ensures the adequate use and allocation of resources for health services, education and food for children, agricultural, business and tourism, environmental, social and indigenous affairs, disaster management and socio-environmental emergencies.



- The *"Todos Somos Pazcífico"* ("All of us are Pazcífico") plan has been set up by the **Colombian** government and is financed by the World Bank and the Inter-American Development Bank. The plan aims to generate and strengthen the conditions for economic, social and environmental development by improving the conditions for the regional population and by **reducing the gaps in the social indicators between coastal populations and populations at the centre of the Colombian Pacific region**. The plan generates investment to promote peace and post-conflict management.

Within the framework of this plan, Applus+ develops technical, administrative, financial, legal, environmental and social supervision services to **implement electrification and modernise of electricity networks** in Chocó, Valle del Cauca, Cauca and Nariño. These regions have the greatest needs for infrastructure and experiences fragile social and economic levels. Our actions will ensure the **proper use of resources and promote the regional inclusion when supplying personnel, goods and services**.

Social and workforce integration of people with functional diversity

- One of the most outstanding actions carried out by the Automotive Division in Galicia (**Spain**) is the social and labour integration of people with functional diversity through the **Son Capaces** (They are Capable) project. The Division pioneers this field and the project is considered as an example of coexistence that enriches our lives.

The Automotive Division in Galicia **currently has 20 colleagues with intellectual disabilities** occupying the position of porter, which is covered exclusively with people with this diversity function. Their supported employment includes orientation and individualised mentorship that is provided by job coaches and trainers in the workplace. The project has a period of training in the company prior to employment.

Volunteer program: "Roll up our sleeves"

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

This initiative, which started in 2016 as a pilot plan, celebrated its first **work in 2017**:

- To **restore the area around the bus stop** located on route 32 (San Miguel de Santo Domingo de Heredia station)
- To **construct a special cage** to give quality of life to a **small tapir** which was **blinded** prior to being rescued by a wildlife refuge (Marina de San Carlos station).
- To **create a playground of recycled tyres** in *"Bajo Las Esperanzas"* School of Pérez Zeledón town for 5 year-old children to help develop their fine-motor control and ensure their safe play (Pérez Zeledón station).

Awards and recognitions

The Automotive Division in Galicia (**Spain**) received the **2016 ANADE Foundation Award for Social Integration**, which recognises the work of the Division in favour of the group of people with disabilities, through its *"Son*

Capaces" ("They are capable") project. The objective of this award is to recognise the continued work in favour of this group, and entities or people working to improve the quality of life of these citizens.

Innovation



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

OUR INNOVATION IN FIGURES



During 2017, we carried out 199 innovation projects: 91 in the IDIADA Division; 64 in the Energy & Industry Division; 26 in the Laboratories Division; and 10 in the Automotive Division. In addition, we ran 8 information technology projects at the corporate level.

OUR INNOVATION PROJECTS

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

Oil and gas

- As an important step to safeguarding assets, Applus+ has developed a **new fibre-optic monitoring system**. Fibre-optic monitoring increases spatial coverage of the data collection to **detect** pipeline movement and temperature changes caused by a **possible leak**. Potential problems can be **identified and rectified early to prevent possible environmental damages**.



- **DTI Trekscan for marine terminals inspection.** Marine terminals present very important operational challenges, when inspecting for safety. Our DTI Trekscan provides 100% inspection of both the pipe's internal and external wall, and the technology contributes to **preventing leaks to the marine environment.**



Industrial manufacturing

- **ODORA+ Innovation Project: a new field procedure to measure odours.** Following two years of development, Applus+ has launched an alternative new service to measure the level of odours and any associated discomfort. This system takes measurements in situ and tests can be performed without processing in the laboratory. The new service contributes to society by providing a quick and flexible tool to **detect and quantify odours produced by industrial activities or urban pollution.**
- Applus+ in **Australia** has designed several systems for more environmentally-friendly inspections to allow non-contact inspections. The **LiDAR (Light Detection and Ranging) system on a drone** takes high-resolution 3D interactive models for measuring assets. In 2017, our engineers developed the external laser scanning, and air-ground interface inspection systems to measure corrosion.

These new systems contribute to **detecting damages** that could be **potentially dangerous for the environment**, and reduces physical intervention to **minimise risks for inspectors.**

Aerospace

- Applus+ is working on European R&D Projects to introduce **thermoplastic composites** in the **manufacturing of aeroplane structures.** Led by Applus+ and funded by Clean Sky 2, **Project FORMIT** (Forming and Modular Integration of Thermoplastics) is adapting the Applus+ patented Glideforming manufacturing process to these new materials.



Applus+ also partners in the European project **NHYTE** (New Hybrid Thermoplastic Composite Aerostructures manufactured by Out of Autoclave Continuous Automated Technologies) to develop testing and characterisation for manufacturing technologies using **hybrid thermoplastics.** These new materials **reduce CO₂ emissions and environmental impact** throughout the lifecycle of an aircraft thanks to:

- Manufacturing processes with reduced energy consumption by removing the need for autoclave curing
- Lighter aerostructures and therefore less fuel consumption in flight
- Easily recyclable material

Mining

- Applus+ in **Spain** has developed an **energy-valuation model** to obtain high-precision volume measurements of coalfields. To achieve this, Applus+ uses a novel tool called **Topodrone** to reduce the margin of error due to environmental or human factors during inspection. The method has led to **higher levels of coordination and safety** during the plants' activity, with quicker volume measurements, and simpler collection of field samples for subsequent analysis.

Statutory vehicle inspection

- Through our membership of the Council of **CITA** (the **International Motor Vehicle Inspection Committee**), the Automotive Division significantly participates in the **SETII study** (Sustainable Emission Test for Diesel vehicles involving nitrous oxides). Their work aims to establish a system for periodic inspections of NO_x emissions, based on the appropriate and commercially available tools. Applus+ is the only company undertaking comparative tests of testing equipment by means of a dynamometer, testing three different brands of equipment to compare the results. In 2017, we presented our conclusions to **establish proposals to control the emission of NO_x emitted by vehicles.**



Applus+ has also been working on other projects to study new procedures for inspecting vehicle emissions. Our work demonstrates our commitment, as a control entity, to ensure the robustness of new inspection methods. Our innovations for environmental protection and better industry standards include:

- **DYNAMIC EMISSIONS project** to study new procedures to **inspect vehicle emissions in load conditions.**
- With **AECA-ITV**, the **OBD (On-board diagnostics) project** to **validate methods and control of vehicle emissions.**

IT products and smart devices

- To guarantee security, privacy and control of vehicle information access, the **IDIADA Division** is researching and developing a new service to evaluate the **resilience of connected vehicle against the threats and possible cyber-attacks.** Called **CIVICO**, Applus+ project is funded by Minetur (Spain) with the support of the Automotive Cybersecurity LAB (ACLAB) of Eurecat.
- In the field **industrial of cyber-security**, Applus+ is working on the **INSYS project** to develop the **know-how and tools necessary for the cyber-security evaluation in industrial processes.** This project will provide answers to the emerging risks associated with the Industry 4.0 (new automation and data exchange in manufacturing technologies) and with the Internet of Things (IoT) applications. To mitigate these risks, we are studying the innovative technology **Trusted Execution Environment (TEE)**, which combines software and hardware security.



INNOVATION THROUGH COLLABORATION

Sharing capacities and resources helps us to **increase our knowledge-base** and to **explore new technology solutions** for our clients. Continuing this work in 2017, Applus+ entered into agreements with **85 external bodies**: 42 at the Energy & Industry Division, 28 at the IDIADA Division and 15 at the Laboratories Division. Our collaboration covers a range of relationships, either to form consortiums for collaborative projects or for the eventual transfer of proprietary technology.

ACTIVITIES TO PROMOTE OUR INNOVATION WORK	2017	2016	2015
Technical events	93	93	78
Technical publications	50	74	53
Training sessions	87	113	38

In 2017, these events included:

- Applus+ organised the **"Body Efficiency Workshop" (24th March 2017)** to define the approaches, actions and roadmap for the strategies and new services for assisting the automotive sector's original equipment manufacturers to reduce CO₂ emission levels. The event involved 30 high-level experts and we organised a variety of group sessions.
- Applus+ in **Spain** organised the **7th Annual Intercompany Meeting on Integrity of Oil and Gas Pipelines on 13th November** at our Bellaterra complex (Spain). The event was well attended from different companies in the sector and they shared knowledge and experience related to cathodic protection and inspection of buried metal structures. This exchange contributed to advancing knowledge to minimise environmental risks and to optimise preventive maintenance.

- Applus+ organised several **workshops** in **Australia** in 2017. These covered **two series of periodic sessions called "Lunch and Learn"**. One workshop focused on Advanced Non-Destructive Testing solutions, and the other focused on inspections using drones. We designed the workshops for inspection engineers from the relevant oil and gas companies. These events contribute to spreading our knowledge and experience and promote the use of advanced inspection solutions to prevent failures that could lead to severe environmental damage.

INTELLECTUAL PROPERTY

INTELLECTUAL PROPERTY	2017	2016	2015
Accumulated patents granted	71 ^(*)	61	57
Accumulated patent families	35	35	32
New applications filed (for new and existing families)	7	6	15

^(*)13 of these patents were granted in 2017



Awards and recognitions

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

- At the **Automobile Barcelona - Spain** (previously known as International Motor Show) in May 2017, the **XI Automobile Show Awards** were presented. These prizes reward work in various aspects of the automobile sector, and this edition focused on the work of companies in innovation, technology and vehicle development for the future. The **"Be Safe" prize** was awarded to IDIADA Division to recognise our activities in active and passive safety projects for our clients.

- In 2017, the Energy & Industry Division in **North Europe** was awarded the **Commercial Success Award** by a major oil and gas company for our CU24. The **CU24**, an innovation by Applus+, is an **HD camera mounted on a telescopic crane** that can inspect at heights up to 24m and down to -2m. The technology replaces people working at dangerous heights, while being ten times faster and generating considerable savings on pipe-racks inspections.



Commercial Success Award for our CU24, North Europe.



Use of smart glasses in pilot schemes

Sustainable performance



The direct **environmental impact of our company's activities is mainly related** to our **office activities and fieldwork**. Therefore, our approach to environmental management is focused on the most significant impacts: energy and water consumption and vehicle emissions.

ENVIRONMENTAL MANAGEMENT

We deploy our **environmental-management systems at a local level**, and these are certified and periodically audited in accordance with the international **ISO 14001** standard. At Applus+, we also fulfil our commitment to the environment by running **global or local awareness campaigns amongst our employees**:

- In 2017, Applus+ in **Panama** proposed a **game called "Integral Police"**, which consists of creating teams made up of active collaborators who monitor the negative activities towards the environment that the other collaborators may implement. A group of judges called "General Squadron" reward those activities that strengthen internal environmental programmes and which allow us to improve our work environment and

be environmentally-friendly. With this initiative, we **reinforced the diffusion of our values and corporate policies**.

- As the world celebrated **Earth Hour** by switching off all non-essential lights on 25th March 2017, Applus+ in **United Arab Emirates** acknowledged this initiative by switching off the lights and non-essential electric equipment for one hour on 23rd March 2017.
- Applus+ in the **USA** participates annually on **Earth Day** by donating money to plant trees through the **Arbor Day Foundation**. In 2017, we raised the equivalent to 13,340 trees. The trees are planted in areas that have been stricken by natural disasters.



To optimise the design and the implementation of global and local measures, we focus on minimising the direct environmental impacts of our activities, and we collect **global indicators of energy, fuel, and water consumption**.

CONSUMPTION	2017	2016	2015
Energy Index (GJ/K€)	0.51 ⁽¹⁾	0.58	0.77
Total energy consumption (GJ)	796,144 ⁽¹⁾⁽²⁾	920,050 ⁽²⁾	1,146,542
Total water consumption (m ³)	679,029 ⁽²⁾⁽³⁾	625,246 ⁽²⁾	N.A.

⁽¹⁾ The energy index and total energy consumption have decreased as a result of the reduction in liquid fuel consumption, closely linked to the volume and type of the projects executed in 2017.

⁽²⁾ The reported scope covers 98% of the revenue, and in 2016 covered 90% (for energy consumption) and 71% (for water consumption).

⁽³⁾ The increase in consumption comes from testing vehicles on the test tracks.

GHG EMISSIONS ⁽¹⁾	2017	2016	2015
Scope 1 emissions (tCO ₂)	41,954 ⁽²⁾	50,733	61,910
Scope 2 emissions (tCO ₂)	19,155 ⁽³⁾	18,268	14,864

⁽¹⁾ Emissions calculated based on the GHG emission factors provided by the International Energy Agency.

⁽²⁾ Scope 1 emissions have decreased as a result of the reduction in liquid fuel consumption as indicated in note (1) of the previous table.

⁽³⁾ Scope 2 emissions have increased. There have been changes in consumption linked to operating variations in the different countries that have generally been compensated; however, new legal entities have been incorporated (up to 98% of the Group, 90% in 2016) that only contribute to the water and electricity items in the 2017 reporting process.

Currently, the **verification and control** of these energy, water and fuel indicators is carried out by contrasting the information collected with the information included in the invoices of our suppliers.

Here are the **active steps** we have taken to **reduce emissions and energy consumption**:

- The Applus+ **offices located in Bellaterra (Spain)** are completing a **lights renewal project**, changing the current fluorescent lights for new and efficient LED lights. This change will **reduce CO₂ emissions by approximately 227 tons per year** and generate cost savings of up to €100,000 every year. The investment will be amortised in two and a half years.
- We have achieved a **progressive reduction of emissions by renewing our vehicle fleet** to more efficient models.
- We are conducting a **test of electric vehicles for the Applus+ fleet**, and we actively participate

in the **EV100 initiative** with our main supplier. EV100 is a global initiative bringing together forward looking companies committed to accelerating the transition to electric vehicles (EVs) and making electric transport the new normal by 2030. The EV100 initiative has been launched by **°C**, an **international non-profit** founded in 2004 with offices in London, Beijing, New Delhi and New York. The global aim of °C is a world of **under 2°C of global warming** without delay.

- Applus+ in **Galicia (Spain)** has developed a **Sustainable Mobility Plan** to reduce commuting accidents and increase vehicle sharing. The initiative proposes the use of public transport and includes **BlablApplus+**, our new initiative designed for those employees who wish to share their vehicles to work. We assisted participants with bus schedules, stops and city bus maps for their commute and distributed the best-practice methodology to join the BlablApplus+ service.

THE ROLE OF OUR PROJECTS AND SERVICES

Beyond the internal control of our direct environmental impacts, the Applus+ Group's **key contribution** to the environment is **our services** that **reduce the potential impacts** within our **clients' operations**.

Aerospace

- Collaborating with the world's leading aircraft developers, our testing solutions innovate processes in design and manufacture and ensure **compliance with international standards and regulations**. Our innovation projects work on **incorporating new composites materials** into aircraft manufacturing systems to reduce the weight of aircraft and to improve fuel consumption. The results are leading to better **transport efficiency, reduced CO₂ emissions and lower environmental impacts**.



Automotive testing and engineering

- Our engineering services are spearheading the innovation and integration of technology into **new powertrain and safety systems**. In 2017, we have developed a significant number of projects to **research alternative systems for electric vehicles**. Through these projects, we promote the **uptake of hybrid and electric vehicles** and contribute to **alternative fuel use**, which will **reduce the emissions from road transport** around the world.

Statutory vehicle inspection

- Applus+ performs over **20 million regulatory vehicle inspection every year** in Europe, North America, Central America and South America, supporting safety for road-users and the public. Independent of manufacturers, our technical development teams design **new technology for emissions tests**, and we work closely with the testing sector to provide **new procedures for validating controls for vehicle pollutants**.



Oil and gas

- Our clients operate in complex environments with high risks, and their assets and facilities therefore demand the best-adapted devices and techniques for preventative maintenance and fuel-leak reduction. Through our innovation projects, we provide our customers with **NDT technology to early identify and rectify hazards**. These services **assist in avoiding possible environmental damage to land and marine life**. Additionally, we provide other services focused on the prevention of pollution, such as **environmental risks analysis, preliminary assessments of soil contamination, development of carbon footprints and emissions analysis**.



Power

- From conventional to renewable energy, Applus+ supports the energy sector with a wide range of independent inspections, audits and consultancy services. We **monitoring power networks** to ensure their proper operation and to prevent environmental impacts. We provide our clients with preventative mechanisms to minimise the impact of their activities, such as **carbon and water footprints, environmental risks analysis and environmental impact assessments**. In the improvement stage, we also provide adapted services, for example **environmental management systems and good environmental practice** in facilities management and maintenance.



Construction

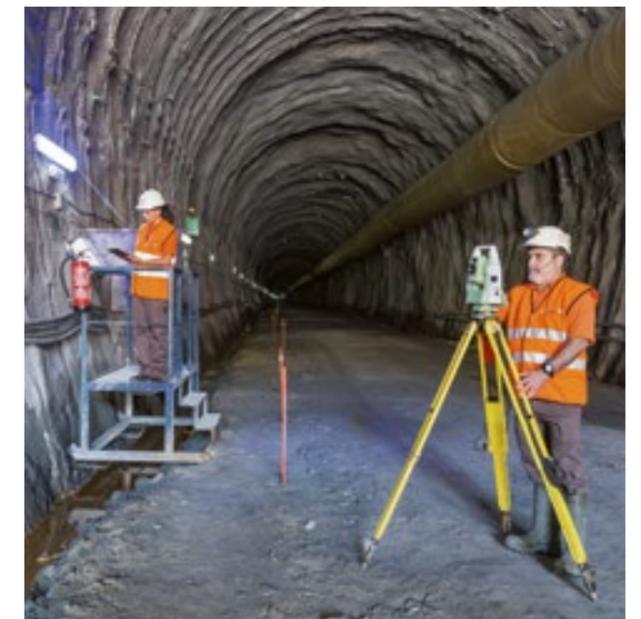
- Our inspection services provide **works, waste and energy audits**, focus on the prevention of the pollution in the construction of new buildings and the refurbishment works. We ensure compliance with environmental and quality standards of **construction materials** through **physical and chemical tests**. Additionally, we elaborate **plans for the management and minimisation of waste** to prevent the impact of the construction work. In the case of the refurbishment work, we also carry out **audits for the asbestos detection and its subsequent disposal**. Finally, we advise our clients to improve the **management and adequacy of machinery depots**, thus avoiding the pollution produced by the maintenance of the machinery.

Property management

Once the construction is finished, we continue providing our environmental services, as in the case of the development of **plans for the sustainable use of water**. With a growing demand for greener buildings, our network of experts helps our clients to **maximise the energy efficiency of the buildings**. We advise our clients to obtain the following sustainable certifications: **BREEAM, LEED and GREENLIGHT**. Additionally, as an **ESCO** (Energy Service Companies under the Directive 2006/32/CE), we also propose a series of **measures** in order to **obtain energy savings** in our client's facilities, including the replacement and investment in new equipment.

Civil infrastructure

- Our knowledge spans project management to procurement. Applus+ provides essential services for construction safety and environmental protection to minimise impacts and **ensure sustainability on large-scale civil building projects**. We offer clients the most **advanced tools in topographic services and environmental monitoring** to ensure the sustainable integration of the infrastructure within its setting. Through our environmental monitoring services, our network of experts carry out exhaustive monitoring of the measures included in the **works' environmental impact statements**. We also provide these services during the **restoration of the surroundings** after the work's completion and during the infrastructure's subsequent operation.





Mining

- Mining is an industry driven by the need to optimise recovery without compromising on safety, environmental sustainability and asset integrity. We are a strategic partner in the mining industry and provide **testing, process engineering and production optimisation services**. Among the services we provide to our clients are the **topographic studies**, or the **periodic sampling of water and soil** to ensure the absence of contamination as a result of the operational activities. When the mine is closed, we offer our clients **environmental monitoring services** to ensure the application of **restoration plans**, helping our clients to restore land that has been mined to a natural or economically usable state.



Industrial manufacturing

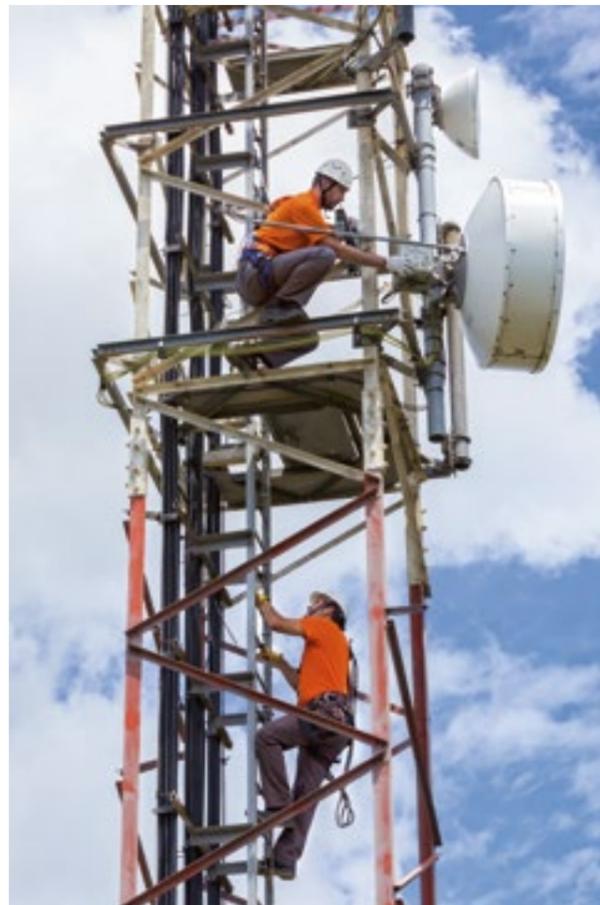
- We assist industrial manufacturing companies to navigate the dynamics of change and to deploy cutting-edge solutions. We support manufacturers to **comply with industrial and environmental legislation, both nationally and internationally**. In addition, our technicians advise our clients how to minimise the environmental impact of their processes. Our services include: **environmental risks analysis, studies for the remediation of contaminated soil and noise studies**. Additionally, we deliver **sampling waste water services and emissions analysis**; we provide **energy efficiency solutions (ESCO)**; and we implement **environmental**

management systems. Finally, we assist our clients to design and implement **integrated waste management systems** by the **life-cycle analysis** of their products and, within the framework of the Packaging and Packaging Waste Directive (PPWD), we prepare the **statements of packaging and packaging waste placed on the market** by our clients.



Telecommunications

- Our network of experts help our clients to adapt to the next innovation challenges within the sector, such as cyber-security and network access to 5G or Internet of Things (IoT) technologies. We support our customers to integrate telecommunication installations into their surroundings; through **landscaping integration studies**; the development of **environmental impact assessments**; and the application of **good environmental practices** in the maintenance and management of these installations.



Electrical and electronic products

- We help our clients to **design equipment or products** that perform **with a lower energy consumption**, which enable them to obtain the **energy efficiency labelling** for their products, and ensure the compliance with the Directive on the **restriction of the use of certain hazardous substances** in electrical and electronic equipment (**RoHS**). To promote waste reduction and materials recovery, we also assist our clients to **design and implement integrated waste management systems** by the **life-cycle analysis** of their products, according with the Directive on waste electrical and electronic equipment (WEEE).



Government and public administrations

- Applus+ works closely with governments and public administrations through a network of experts to help **design legal norms for the environmental regulation of all types of activities**. We guide sectors or other social agents to apply these regulations through the **development of specific guides**, and, as an **authorised agency** of several public administrations, we evaluate and ensure **compliance with the current technical, industrial and environmental legislation**. Through our services, we also help governments and public administrations improve the environmental management of their public services and facilities, providing expertise on the **strategic environmental assessments (SEA-Directive 2001/42/EC)**, **design of specific environmental indicators, sampling of environmental parameters**, implementation of **environmental management systems**, and through the identification of **new energy-efficiency solutions**.

Others

The Applus+ network of experts helps public administrations and companies to establish **joint plans** for the reduction of waste generated; to make effective the **use of waste to generate new materials**; and to **foster the use of second-hand markets**. These plans respond to the **Circular Economy** strategy launched by the European Commission in 2016.

In many cases, we generate **benefits** for both the **community** and the **environment** through the execution of a **single project**. For example, we develop an agroindustry project with the largest petroleum company in **Colombia**, as part of its **alternative energy development plan** to produce process and commercialise **alcohol fuel, based on sugarcane and its derivatives**.



Applus+ conducts independent **supervision for the construction of the ethanol fuel-production plant** called "El Alcaraván", and **ensures the inclusion of the community** through the provision of local products and services. The project generates a source of **direct employment and indirect income in the region**, making the **production of sugarcane both profitable and sustainable**.



Awards and recognitions

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

- The **Syndicate of Industrialists of Panama (SIP)** awarded Applus+ in **Panama** for the implementing environmental best practices. Applus+ has **incorporated the environmental dimension into the projects, from design to service provision**.

- Applus+ has received the recognition of the **Galician Programme of Sustainable Municipalities 2000-2020**. The award recognised our **commitment to the environment and to Galicia (Spain)**. The award also praised our valuable contribution and active participation in implementing this initiative throughout Galicia over the past 15 years.



08

Annexes



Annex I: Principles underlying this report

PRINCIPLES FOR DEFINING REPORT CONTENT

Stakeholder inclusiveness

The report's content draws from the outcomes of our stakeholder-engagement processes, which are undertaken specifically for the report (see 06. Definition of the report's contents section [Materiality Analysis]). The outcomes inform decisions taken for the report and are consistent with the material topics included in the report (see 06. Definition of the report's contents section and 07. Our CSR commitment section [Key topics and concerns] sections).

Sustainability context

Applus+ presents its performance with reference to broader sustainable development conditions and goals, as reflected in recognised sectorial, local, regional or global instruments (see 03. CSR Approach section [Our CSR Framework]).

Materiality

In defining material topics, Applus+ considers the following factors (see 06. Definition of the report's contents section [Materiality Analysis]):

- Reasonably estimable economic, environmental, and/or social impacts, identified by expert bodies with recognised credentials;

- The interests and expectations of stakeholders specifically invested in the organisation, such as employees and shareholders. Broader economic, social, and/or environmental interests and topics raised by stakeholders such as suppliers and civil society. The main topics and future challenges for a sector, as identified by peers and competitors;
- Laws, regulations, international agreements, or voluntary agreements of strategic significance to the organisation and its stakeholders;
- Key organisational values, policies, strategies, operational management systems, goals and targets;
- The core competencies of the organisation and the manner in which they can contribute to sustainable development;
- Consequences for the organisation related to its impacts on the economy, the environment and/or society (for example, risks to our business model or reputation);
- Material topics are appropriately prioritised in this report.

Completeness

- Comprehensiveness mainly covers the following dimensions:
 - List of material topics covered in the report
 - Coverage of the theme and time

PRINCIPLES FOR DEFINING REPORT QUALITY

Accuracy

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

Balance

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

Clarity

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

Comparability

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

Reliability

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

Timeliness

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

Annex II: GRI Table

SPECIFIC STANDARD DISCLOSURE		
STRATEGY AND ANALYSIS		
GRI CODE	SECTION	GRI INDICATOR
G4-1	Letter from the Chairman and CEO	Statement from the most senior decision-maker of the organisation.
ORGANISATION PROFILE		
GRI CODE	SECTION	GRI INDICATOR
G4-3	Applus+ at a glance	Name of the organisation.
G4-4	Applus+ at a glance	Primary bands, products and services.
G4-5	Applus Services, S.A. Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4ª planta 28022 Madrid	Location of the organisation's headquarters.
G4-6	Reference to <i>Annual Report</i>	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	Applus+ at a glance Identification and evaluation of impacts (Our indirect impacts)	Markets served by the organisation (including geographic breakdown, sectors served and types of customers and beneficiaries).
G4-9	Reference to <i>Financial Statements</i>	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	Our people	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 Resources model and KPIs	Percentage of total employees covered by collective bargaining agreements.
G4-12	Reference to <i>Annual Report</i>	Organisation's supply chain.
G4-13	Reference to <i>Annual Report</i>	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 INDICATOR
G4-17	Reference to <i>Annual Report</i>	List of all entities included in the organisation's consolidated financial statements or equivalent documents.
G4-18	Definition of the report's content	Explain the process for defining the report content and the Aspect Boundaries.
G4-19	Definition of the report's content	List of all the material Aspects identified in the process for defining reported content.
G4-20	Definition of the report's content	Report the Aspect Boundary within the organisation for each material Aspect.
G4-21	Definition of the report's content	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 INDICATOR
G4-24	Materiality analysis	List of stakeholder groups engaged by the organisation.
G4-25	Materiality analysis	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	Key topics and concerns	Key topics and concerns raised through stakeholder engagement and description of how the organisation has responded to those key topics and concerns.

REPORT PROFILE		
GRI CODE	SECTION	GRI INDICATOR
G4-28	About this report	Reporting period (such as fiscal or calendar year).
G4-29	May 2017	Date of most recent previous report (if any).
G4-30	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	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 the 3 rd <i>CSR Report</i> and has not been submitted for external assurance	Organisation's policy and current practice with regard to seeking external assurance for the report.

GOVERNANCE

GRI CODE	SECTION	GRI INDICATOR
G4-34	Reference to <i>Corporate Governance Report</i>	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 INDICATOR
G4-56	Corporate governance and business ethics Our people Business model	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 INDICATOR
G4-EC1	Reference to <i>Annual Report</i>	Direct economic value generated and distributed.

SOCIAL CATEGORY

SUB CATEGORY LABOUR PRACTICES AND DECENT WORK

OCCUPATIONAL HEALTH AND SAFETY

GRI CODE	SECTION	GRI INDICATOR
G4-LA6	Safe people	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 INDICATOR
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 INDICATOR
G4-EN3	Sustainable performance	Energy consumption within the organisation.
G4-EN5	Sustainable performance	Energy intensity.

EMISSIONS

GRI CODE	SECTION	GRI INDICATOR
G4-EN15	Sustainable performance	Direct greenhouse gas (GHG) emissions (Scope 1).
G4-EN16	Sustainable performance	Energy indirect greenhouse gas (GHG) emissions (Scope 2).

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