

Applus Services, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended
31 December 2020 and
Consolidated Directors' Report,
together with Independent Auditor's
Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

This declaration is a translation for informative purposes only of the original document issued in Spanish, which has been signed for approval by every Board member. In the event of discrepancy, the Spanish-language version prevails.

The members of the Board of Directors of Applus Services, S.A. declare that, to the best of their knowledge, the consolidated financial statements of Applus Services, S.A. and subsidiaries (comprising consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes) for the year ended at 31 December 2020, prepared in accordance with applicable accounting policies and approved by the Board of Directors at its meeting on 18 February 2021, present fairly the equity, financial position and results of Applus Services, S.A. and the subsidiaries included in the scope of consolidation, taken as a whole, and that the management report accompanying such consolidated financial statements includes a fair analysis of the business' evolution, results and the financial position of Applus Services, S.A. and the subsidiaries included in the scope of consolidation, taken as a whole, as well as a description of the principal risks and uncertainties they face. The aforementioned Financial Statements and Director's Report are integrated in the digital file with the 91CBA415706D4CFD3B1B33A86F6574088BA43FB639115DFEFDD4A0131D800D7A hash code included in the ZIP file with number 213800M9XCA6NR98E873-2020-12-31 (2). All the Directors have signed to certify the above mentioned.

Madrid, 18 February 2021

Mr. Christopher Cole
Chairman

Mr. Ernesto Gerardo Mata López
Director

Mr. John Daniel Hofmeister
Director

Mr. Fernando Basabe Armijo
Director

Mr. Richard Campbell Nelson
Director

Mr. Nicolás Villén Jiménez
Director

Ms. Maria Cristina Henríquez de Luna Basagoiti
Director

Ms. Maria José Esteruelas
Director

Ms. Essimari Kairisto
Director

Mr. Joan Amigó i Casas
Director

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 31). In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Applus Services, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets

Description

Notes 4 and 5 to the accompanying consolidated financial statements describe the goodwill and other intangible assets allocated to each of the cash-generating units (CGUs) identified by Group management, amounting to EUR 665.5 million and EUR 425.8 million, respectively, at 31 December 2020. Also, in 2020 the Group recognised impairment losses on goodwill and other intangible assets amounting to EUR 84.2 million and EUR 67.0 million, respectively, and these amounts were charged to the consolidated statement of profit or loss as a result of the review of the recoverable amount of the CGUs to which these assets are allocated.

These assets were primarily recognised in business combinations carried out by the Group both in prior years. Also, the various CGUs identified correspond to the various business units managed by the Group (Energy & Industry, Automotive, IDIADA and Laboratories) in each of the defined geographical areas in which it carries on its activity.

Procedures applied in the audit

Our audit procedures to address this matter included, mainly, the evaluation of the reasonableness of the cash flow projections and of the discount rates used in the impairment tests by conducting a critical analysis of the key assumptions of the models used. In particular, we compared the revenue growth rates with the latest approved strategic plans and budgets and reviewed them for consistency with both historical information and the current market situation. Also, we evaluated management's historical accuracy in the budgeting process.

Also, we evaluated the reasonableness of the discount rates applied for each business and geographical area, taking into consideration the cost of capital of the Group and of comparable organisations, as well as perpetuity growth rates, among other factors.

In addition, we evaluated the sensitivity analyses, stressing those assumptions to which the impairment test is most sensitive, i.e., those with the greatest effect on the determination of the recoverable amount of the assets.

Impairment of goodwill and other intangible assets

Description

If there are any indications of impairment, and at least at each year-end, Group management tests these CGUs for impairment using discounted cash flow-based valuation techniques to determine the recoverable amount thereof.

The performance of this impairment test was considered to be a key matter in our audit, given the magnitude of these assets and that management's assessment in this respect is an estimation process that includes a high level of judgements and assumptions, such as the determination of the growth rates for sales and expenses that the various CGUs are expected to show, investments in non-current and current assets and other assumptions obtained from the Group's strategic plan. Also, a discount rate is determined by taking into account the economic situation in general and that of each CGU in particular, on the basis of the risks specific to the various countries and to the business carried on.

Procedures applied in the audit

We also involved our internal valuation experts in order to evaluate the reasonableness of the models and key assumptions used by the Applus Group.

Lastly, we also evaluated whether Notes 3-d and 6 to the accompanying consolidated financial statements contained the disclosures required by the applicable accounting regulations relating to the impairment tests on those assets and, in particular, the detail of the main assumptions used, and the sensitivity analysis of changes in the key assumptions used in the tests performed.

Recovery of deferred tax assets

Description

Note 20-c to the accompanying consolidated financial statements details the deferred tax assets amounting to EUR 64.2 million that are recognised in the consolidated statement of financial position at 2020 year-end, corresponding to tax losses, tax credits and temporary differences amounting to EUR 26.3 million, EUR 12.2 million and EUR 25.7 million, respectively, generated in the various jurisdictions in which the Group operates.

In addition, as indicated in Note 20-c, the Group has unrecognised deferred tax assets corresponding to tax losses and tax credits amounting to EUR 103.7 million and EUR 54.8 million, respectively.

At the end of each reporting period, Group management assesses the recoverability of the tax assets recognised based on projections of future taxable profits considering as reasonable a timeframe of no more than ten years, taking into account the legislation of each tax jurisdiction in which the Group operates, legislative changes and the most recent business plans approved for the various business divisions and geographical areas. We identified this matter as key in our audit, since the assessment of the recoverability of these assets requires a significant level of judgement, largely in connection with the projections of business performance.

Procedures applied in the audit

Our audit procedures to address this matter included, among others, the evaluation of the methodology and assumptions applied by the Group and verification of the consistency of the assumptions taking into account both historical information and the market situation and the tax legislation applicable in each jurisdiction, involving internal tax experts in those geographical areas in which the Group has the most significant amounts of deferred tax assets. We also reviewed the consistency of the models with the financial information used by Group management in performing the impairment test on goodwill and other intangible assets and the sensitivity analyses, stressing those assumptions that have the greatest effect on determining the recoverable amount of the tax assets.

Furthermore, we analysed the historical accuracy of management in the process of preparing projections of tax bases, comparing the actual figures for the year with the projections made in the preceding year.

We also analysed the historical accuracy of management in the process of preparing projections of future taxable profits for the purpose of analysing the recovery of tax losses, comparing the actual figures for the year with the projections made in the preceding year.

Recovery of deferred tax assets

Description

Procedures applied in the audit

Lastly, we also verified that the disclosures required by the applicable accounting regulations were included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-p and 20 to the consolidated financial statements.

Provisions for tax and litigation

Description

The Group operates in multiple tax and legal jurisdictions worldwide and, therefore, is subject to a wide variety of specific, sometimes complex, laws and regulations.

Note 17 to the accompanying consolidated financial statements includes a detail of the specific provisions for tax, legal matters, litigation and claims recognised at 31 December 2020, together with other disclosures related to these items.

Procedures applied in the audit

Our audit procedures to address this matter included, among others, the obtainment, through direct confirmation processes, of the assessment carried out by the Group's external advisers for each significant lawsuit or claim in process, the obtainment of the assessment by the Group's legal and tax departments and the obtainment of all available information relating to each significant lawsuit or claim. In the course of our work, we evaluated, for all significant lawsuits and claims, the reasonableness of the provisions recognised by involving our experts in each subject matter and in each applicable jurisdiction.

Lastly, we also verified that the disclosures required by the applicable accounting regulations were included in the notes to the accompanying consolidated financial statements. The disclosures on this matter can be found in Notes 3-j, 17, 20-f and 27 to the consolidated financial statements.

Provisions for tax and litigation

Description

At the end of each reporting period Group management assesses the need for, and sufficiency of, the aforementioned provisions, taking into consideration the available information and the circumstances prevailing at any given time. In this process, Group management has the support of external advisers engaged for this purpose. The determination of the amounts recognised and the disclosures included in the notes to the consolidated financial statements involve a high level of estimation, judgements and assumptions due to uncertainties about the range of possible resolutions of the litigation and claims in process and, therefore, this was considered to be a key matter in our audit.

Procedures applied in the audit

Accounting for the business combination effected in the year

Description

The Group performed several business combinations in 2020, as described in Note 2-b.e.1.1 to the accompanying consolidated financial statements as at 31 December 2020.

Procedures applied in the audit

Our audit procedures included, among others, obtaining and analysing the contractual documentation relating to these business combinations, placing particular emphasis on the transfer of the risks associated with the businesses acquired in order to determine the timing of recognition of the transactions.

Accounting for the business combination effected in the year

Description

The accompanying consolidated financial statements include the initial accounting for the fair value of the assets acquired and the liabilities assumed as a result of the business combinations performed, with the acquisitions of the Reliable Analysis, Inc., Besikta Bilprovning i Sverige Holding, AB and QPS Evaluation Services, Inc. groups with a total acquisition cost of approximately EUR 199 million being the most significant.

These acquisitions are complex transactions which include contractual agreements the recognition of which in the consolidated financial statements requires the Parent's directors to make significant judgements and estimates.

Significant judgements and estimates must also be made in order to provisionally determine the acquisition-date fair value of the assets acquired and the liabilities assumed, and of the goodwill arising, and therefore the Group was assisted by experts engaged by it for this purpose.

In this connection, current legislation allows the allocation of fair value to be re-estimated during a period of one year from the respective acquisition dates.

Consequently, the analysis of these transactions was a key audit matter in our audit.

Procedures applied in the audit

In addition, for each business combination we obtained the provisional analysis performed by the Group to determine the fair value of the assets acquired and liabilities assumed, and we verified the clerical accuracy of the calculations performed and the reasonableness of the main assumptions considered therein.

To this end, we analysed the consistency of the future cash flow forecasts considered in the analysis performed with the assumptions obtained from the business plan relating to the businesses acquired. In addition, we evaluated the reasonableness of the key assumptions considered (such as revenue growth, cost inflation and the discount rate), and performed a sensitivity analysis of those key assumptions.

With regard to the external experts engaged by the Group, we evaluated their competence, capability and objectivity, and obtained an understanding of their work as experts and of the appropriateness of that work for use as audit evidence.

Also, we involved our internal valuation experts in order to evaluate, mainly, the methodology employed by the Group in the analysis conducted, the discount rates considered and the terminal value, expressed in perpetuity growth terms, of the projected future cash flows.

Accounting for the business combination effected in the year

Description

Procedures applied in the audit

Lastly, we checked that the disclosures included in Notes 2-b.e.1.1, 4 and 5 to the accompanying consolidated financial statements in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

- a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Parent's directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in Appendix I to this auditor's report. This description, which is on pages 12 and 13 of this document, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital files in European Single Electronic Format (ESEF) of Applus Services, S.A. and subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Applus Services, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Parent's Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit committee dated 19 February 2021.

Engagement Period

The Annual General Meeting held on 29 May 2020 appointed us as the Group's auditors for a period of one year from the year ended 31 December 2019, i.e., for 2020.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 December 2007 and, therefore, since the year ended 31 December 2014, the year in which the Parent became a Public Interest Entity.

DELOITTE, S.L.

Registered in ROAC under no. S0692

Ana Torrens Borrás

Registered in ROAC under no. 17762

19 February 2021

Appendix I to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Applus Services, S.A. and Subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2020
and Consolidated Director's Report
together with Independent Auditor's Report

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 31). This translation has been prepared by the Company for informative purposes only, has not been approved by the Board of Directors and has not the consideration of official or regulated information. In the event of a discrepancy, the Spanish-language version prevails.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

(Thousands of Euros)

ASSETS	Notes	31/12/2020	31/12/2019	EQUITY AND LIABILITIES	Notes	31/12/2020	31/12/2019
NON-CURRENT ASSETS				EQUITY			
Goodwill	4	665,456	609,245	Share capital and reserves-			
Other intangible assets	5	425,810	474,321	Share capital	12.a	13,070	13,070
Right of use assets	26.a	179,158	152,934	Share premium	12.b	449,391	449,391
Property, plant and equipment	7	232,578	226,734	Retained earnings and other reserves		363,291	305,354
Investments accounted for using the equity method		542	686	Profit / (Loss) for the year attributable to the Parent		(158,239)	55,650
Non-current financial assets	8	14,970	30,000	Treasury Shares	12.c	(2,664)	(4,102)
Deferred tax assets	20.c	64,160	65,505	Valuation adjustments-			
Total non-current assets		1,582,674	1,559,425	Foreign currency translation reserve	12.e	(79,611)	(43,435)
				EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		585,238	775,928
				NON-CONTROLLING INTERESTS	13	48,635	48,527
				Total Equity		633,873	824,455
				NON-CURRENT LIABILITIES			
CURRENT ASSETS				Long-term provisions	17 & 27.b	25,573	26,900
Inventories	9	8,914	8,494	Obligations and bank borrowings	14	686,610	545,894
Trade and other receivables-				Obligations under leases	26.a	144,379	124,500
Trade and other receivables	10	321,370	387,715	Other financial liabilities	15	22,469	25,993
Trade receivables from related companies	10 & 28	253	233	Deferred tax liabilities	20.d	128,100	137,412
Other receivables	10	19,504	25,333	Other non-current liabilities	18	37,395	29,477
Corporate income tax assets	20.b	19,424	23,391	Total non-current liabilities		1,044,526	890,176
Other current assets		12,775	10,905	CURRENT LIABILITIES			
Other current financial assets	11	2,598	11,909	Short-term provisions		4,518	2,535
Cash and cash equivalents		189,468	145,160	Obligations and bank borrowings	14	32,777	59,193
Total current assets		574,306	613,140	Obligations under leases	26.a	51,170	45,674
TOTAL ASSETS		2,156,980	2,172,565	Trade and other payables	19	365,146	330,039
				Trade payables from related companies	19 & 28	-	3
				Corporate income tax liabilities	20.b	18,663	13,802
				Other current liabilities	18	6,307	6,688
				Total current liabilities		478,581	457,934
				TOTAL EQUITY AND LIABILITIES		2,156,980	2,172,565

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of financial position as at 31 December 2020.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 2020

(Thousands of Euros)

	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	21.a	1,557,614	1,777,944
Procurements		(145,683)	(156,517)
Staff costs	21.b	(886,235)	(979,371)
Other operating expenses		(307,292)	(345,561)
Operating Profit Before Depreciation, Amortization and Others		218,404	296,495
Depreciation and amortization charge	5, 7 & 26.b	(158,395)	(158,487)
Impairment and gains and losses on disposals of non-current assets		(165,033)	-
Other results	21.c	(12,396)	(7,206)
OPERATING PROFIT		(117,420)	130,802
Financial Result	22 & 26.b	(24,839)	(23,897)
Share of profit of companies accounted for using the equity method		-	-
Profit / (Loss) before tax		(142,259)	106,905
Corporate income tax	20	1,171	(30,376)
Net Profit / (Loss) from continuing operations		(141,088)	76,529
PROFIT / (LOSS) FROM DISCONTINUED OPERATIONS NET OF TAX		-	-
NET CONSOLIDATED PROFIT / (LOSS)		(141,088)	76,529
Profit / (Loss) attributable to non-controlling interests	13	17,151	20,879
NET PROFIT / (LOSS) ATTRIBUTABLE TO THE PARENT		(158,239)	55,650
Profit / (Loss) per share (in euros per share)	12.d		
- Basic		(1.11)	0.39
- Diluted		(1.11)	0.39

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of profit or loss for 2020.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2020

(Thousands of Euros)

	Share Capital	Share premium	Retained earnings and other reserves	Profit / (loss) for the year attributable to the Parent	Treasury shares	Foreign currency translation reserve	Non-controlling interests	Total Equity
Balance at 31/12/2018	13,070	449,391	304,018	41,208	(3,405)	(48,079)	54,682	810,885
Impact of IFRS 16 adoption	-	-	(13,444)	-	-	-	(550)	(13,994)
Balance at 01/01/2019	13,070	449,391	290,574	41,208	(3,405)	(48,079)	54,132	796,891
Changes in the scope of consolidation	-	-	(7,287)	-	-	-	(1,252)	(8,539)
Allocation of 2018 profit	-	-	41,208	(41,208)	-	-	-	-
Dividends paid	-	-	(21,453)	-	-	-	(25,518)	(46,971)
Treasury shares	-	-	(540)	-	(697)	-	-	(1,237)
Other changes	-	-	2,852	-	-	-	1	2,853
2019 comprehensive income	-	-	-	55,650	-	4,644	21,164	81,458
Balance at 31/12/2019	13,070	449,391	305,354	55,650	(4,102)	(43,435)	48,527	824,455
Changes in the scope of consolidation	-	-	1,817	-	-	-	(2,070)	(253)
Allocation of 2019 profit	-	-	55,650	(55,650)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(13,678)	(13,678)
Treasury shares	-	-	(800)	-	1,438	-	-	638
Other changes	-	-	1,270	-	-	-	98	1,368
2020 comprehensive income	-	-	-	(158,239)	-	(36,176)	15,758	(178,657)
Balance at 31/12/2020	13,070	449,391	363,291	(158,239)	(2,664)	(79,611)	48,635	633,873

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of changes in equity for 2020.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 2020

(Thousands of Euros)

	2020	2019
NET CONSOLIDATED PROFIT:	(141,088)	76,529
1. Other comprehensive income:		
a) Items that will not be transferred to profit or loss	-	-
b) Items that could be transferred to profit or loss:		
Exchange differences on translating foreign operations	(37,569)	4,929
2. Transfers to the statement of profit or loss:	-	-
Other comprehensive result	(37,569)	4,929
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(178,657)	81,458
Total comprehensive income for the year attributable to:		
- The Parent	(194,415)	60,294
- Non-controlling interests	15,758	21,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(178,657)	81,458

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of comprehensive income for 2020.

APPLUS SERVICES, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2020

(Thousands of Euros)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from operating activities before tax		(142,259)	106,905
Adjustments of items that do not give rise to operating cash flows			
Depreciation and amortisation charge	5 & 7	158,395	158,487
Changes in provisions and allowances		154	346
Financial result	22	24,839	23,897
Share of profit of companies accounted for using the equity method		-	-
Gains or losses on disposals of intangible and tangible assets		168,089	(3,038)
Profit from operations before changes in working capital (I)		209,218	286,597
Changes in working capital			
Changes in trade and other receivables		65,568	(21,572)
Changes in inventories	9	(420)	(354)
Changes in trade and other payables		24,810	25,959
Cash generated by changes in working capital (II)		89,958	4,033
Other cash flows from operating activities			
Other payments	17.b	-	(982)
Corporate Income tax payments		(16,677)	(41,346)
Cash flows from operating activities (III)		(16,677)	(42,328)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)= (I)+(II)+(III)			
		282,499	248,302
CASH FLOWS FROM INVESTING ACTIVITIES:			
Business combination		3,045	2,021
Payments due to acquisition of subsidiaries and other non-current financial assets		(216,833)	(35,676)
Proceeds from disposal of subsidiaries		5,532	13,107
Payments due to acquisition of intangible and tangible assets		(55,774)	(70,720)
Net cash flows used in investing activities (B)		(264,030)	(91,268)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Interest received		2,284	1,638
Interest paid		(13,690)	(11,856)
Net changes in non-current financing (proceeds and payments)		139,039	(78,140)
Net changes in current financing (proceeds and payments)		(26,562)	43,950
Net payment of lease liabilities	26.c	(52,979)	(55,593)
Dividends		-	(21,453)
Dividends paid by Group companies to non-controlling interests		(11,481)	(23,832)
Net cash flows used in financing activities (C)		36,611	(145,286)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (D)			
		(10,772)	1,094
NET CHANGE IN CASH AND CASH EQUIVALENTS (A + B + C + D)			
		44,308	12,842
Cash and cash equivalents at beginning of year		145,160	132,318
Cash and cash equivalents at end of year		189,468	145,160

The accompanying Notes 1 to 31 and Appendices I and II are an integral part of the consolidated statement of cash flows for 2020.

Consolidated statement of financial position as at 31 December 2020

Consolidated statement of profit or loss for 2020

Consolidated statement of comprehensive income for 2020

Consolidated statement of changes in equity for 2020

Consolidated statement of cash flows for 2020

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Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 31). This translation has been prepared by the Company for informative purposes only, has not been approved by the Board of Directors and has not the consideration of official or regulated information. In the event of a discrepancy, the Spanish-language version prevails.

Applus Services, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1. Group activities

Applus Services, S.A. (formerly Applus Technologies Holding, S.L. hereinafter -"the Parent" or "the Company"-) has been the Parent of the Applus Group ("Applus Group" or "the Group") since 29 November 2007. The Parent Company has its registered office in calle Campezo 1, edificio 3, Parque Empresarial Las Mercedes, in Madrid (Spain).

The Parent's Company purpose is as follows:

- To provide services in relation to the transport sector and vehicle and highway safety (engineering processes, design, testing, approval and certification of used cars), as well as technical inspections in sectors other than the automotive sector, with a blanket exclusion of activities that are covered by special legislation.
- The technical audits of all types of installations for technical inspection or control of vehicles located anywhere in Spain or abroad, as well as any other type of technical inspection other than vehicles.
- The production and execution of studies and projects in relation to the previously mentioned activities: economic, industrial, property, information technology, market surveys and research, as well as the supervision, direction and provision of services and advice in the execution thereof. Provision of services, advice, administration, operation and management, whether technical, fiscal, legal or commercial.
- Business intermediation services, both locally and abroad.
- To provide all types of inspection services and quality and quantity control, regulatory inspection, collaboration with administration, consultancy, audit, certification, approval, personnel training and qualification, and technical assistance in general in order to improve the organization and management of quality, safety and environmental aspects.
- To carry out studies, works, measurements, tests, analyses and controls, in laboratories or in situ, and such other professional methods and actions considered necessary or advisable, in particular those related to manufacturing materials, equipment, products and installations, in the fields of mechanics, electricity, electronics and information technology, transport and communications, administrative organization and office automation, mining, food, environment, construction and civil works, performed during the stages of design, planning, manufacturing, construction and assembly and commissioning, maintenance and production for all types of companies and entities, both public and private, as well as before the Central State Administration, the Administrations of Autonomous Communities, Provinces and Municipalities, and all types of agencies, institutions and users, whether within the country or abroad.

- The purchase, holding and administration, whether direct or indirect, of shares, corporate interests, quota shares and any other form of holding or interest in the capital and/or securities granting right to the obtaining of shares, corporate interests, quota shares, or other holdings or interests in companies of any type, with or without legal personality, established in accordance with Spanish law or any other applicable legislation, in accordance with Article 108 of the Law 27/2014, of 27 November 2014, on Corporate Income Tax, or by such legislation as may replace it, as well as the administration, management and guidance of such companies and entities, whether directly or indirectly, by means of the membership, attendance and holding of positions on any governing and management bodies of such companies or entities, carrying out the described advisory, management and guidance services making use of the corresponding organization of material and personnel means. An exception is made for those activities expressly reserved by law for Collective Investment Institutions, as well as for that expressly reserved by the Securities Market Act for investment service companies.

The activities may be carried out either directly by the Company or through the ownership of shares or equity interest in other companies with an identical or related purpose, including the carrying out of all its activities in an indirect manner, therefore acting solely as a holding company.

All activities for which the law establishes special requirements that cannot be carried out by the Company are excluded from the corporate purpose. Should legal provisions require a professional qualification, administrative authorization, or registration with a public registry to be able to perform any of the activities included in the corporate purpose, such activities must be performed by persons who hold such professional qualifications, and such tasks shall not be able to commence until the administrative requirements have been met.

The Parent's shares have been listed on the stock market since 9 May 2014.

The subsidiaries and associates directly or indirectly owned by the Parent included in the scope of consolidation are shown in Appendix I.

The subsidiaries and associates directly or indirectly owned by the Parent excluded from the scope of consolidation either because they are dormant companies or because effective control over them is not exercised by the shareholders of the Applus Group are shown in Appendix II.

In view of the business activities carried out on by the Parent Company and its subsidiaries, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in the notes to the consolidated financial statements.

2. Basis of presentation and basis of consolidation

2.a. Basis of presentation of the consolidated financial statements

a) Basis of presentation

These consolidated financial statements for 2020 were approved by the Parent's Directors at the Board of Directors Meeting held on 18 February 2021. The 2020 consolidated financial statements of the Group and the 2020 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings. The Parent's Board of Directors considers that these financial statements will be approved without any changes. The Group's consolidated financial statements for 2019 were approved by the shareholders at the Parent's Annual General Meeting of 29 May 2020 and were filed at the Madrid Mercantile Register.

The Parent's Directors have prepared the Applus Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council and taking into account all the mandatory accounting principles and rules and measurement bases and the Spanish Commercial Code, the Spanish Companies Act and other Spanish corporate law applicable to the Group.

These consolidated financial statements for 2020 were prepared from the separate accounting records of the Parent and of each of the subsidiaries (detailed in Appendix I) and, accordingly, they present fairly the consolidated equity, the consolidated financial position, the consolidated results of the Group, the changes in consolidated equity and the consolidated cash flows under EU-IFRSs and the other rules contained in the regulatory financial reporting framework applicable to the Group.

The accounting policies used to prepare these consolidated financial statements comply with all the EU-IFRSs in force at the date of their preparation. The EU-IFRSs provide for certain alternatives regarding their application. The alternatives applied by the Group are described in Notes 2 and 3.

b) Comparative information

The information relating to 2020 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with information relating to 2019.

c) Responsibility for the information and use of estimates

The Parent's Directors are responsible for the information included in these consolidated financial statements in accordance with the applicable regulatory financial reporting framework (see section a) above) and for the internal control measures that they consider necessary to ensure the consolidated financial statements do not have any material misstatement.

In the Group's consolidated financial statements for 2020 estimates were made by the Group Management, later ratified by their Directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate mainly to the following:

- The measurement of goodwill (see Notes 3.a and 4).
- The impairment losses on certain assets (see Notes 3.d and 6).
- The recovery of deferred tax assets (see Note 20).
- The right-of-use assets and obligations under leases (see Note 26).
- The useful life of the property, plant and equipment and intangible assets (see Notes 3.b and 3.c).
- The assumptions used in measuring the recoverable amount of the financial instruments and the assets and liabilities in the business combinations (see Notes 3.e and 3.k).
- Income from pending to be billed services (see Note 3.q).
- Provisions and contingent liabilities (see Notes 3.j, 17 and 27).
- Corporate income tax and deferred tax assets and liabilities (see Note 20).
- The identification and measurement of the assets and liabilities included in business combinations (see Notes 2.b.e and 5).

Although these estimates were made on the basis of the best information available as of 31 December 2020 on the events analysed, events that may take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of the change in the related consolidated statement of profit or loss or consolidated statement of changes in equity, as appropriate.

d) Financial situation and going concern assumption

The Group's consolidated financial statements for 2020 were affected by COVID-19 and its global expansion to a large number of countries, which led to it being classified as a pandemic by the World Health Organization on 11 March 2020.

Bearing in mind the complexity of the markets due to their globalisation and the evolution of the pandemic in the current context of uncertainty regarding effective medical treatment against the virus, the consequences for the Group's future operations remain uncertain and will depend to a large degree on the evolution of the pandemic in the coming months.

All Group divisions had a good start to the year up until the middle of March when the effect of the measures to contain the spread of the COVID-19 started to severely impact operations resulting in a decrease in revenue with respect to the comparative figures for 2019. At the date of authorisation for issue of these consolidated financial statements, a recovery had been observed in the second half of 2020.

In this context, the Directors and Management of the Group have conducted a detailed assessment of the current situation, based on the best available information at the reporting date. Due to the considerations detailed above, this information includes a high degree of uncertainty. The following aspects of the results of this assessment, which were taken into account in preparing the consolidated financial statements, are worthy of note:

- **Liquidity risk:** despite the situation described above, the cashflow from operating activities was positive at 31 December 2020, as a consequence of the preventive measures such as controlling and adapting costs, as well as working capital management controls and the cancellation of the proposed distribution of a dividend with a charge to profit for 2019, which enabled the Group to maintain a solid liquidity position.

The Group's main financing lines mature at long term between 2025 and 2028 (see Note 14). Cash equivalents amounted to EUR 189 million at 31 December 2020, which, together with the undrawn balance of EUR 357 million, meant that the Group had liquidity amounting to EUR 546 million at year-end (see Note 14).

As a result of the foregoing and having taken into account the cash forecasts for the coming months and compliance with covenants at 31 December 2020 (see Note 14), the Group's Directors and Management consider that the Group maintains a robust financial situation and a high level of liquidity.

- **Operational risk:** the temporary interruptions to the Group's activity in certain businesses and geographical areas affected the results obtained at the end of 2020. The measures adopted by the Group have aimed to maintain the long-term profits, prioritising at all times the social and human consequences of the crisis. It has been a priority to preserve the well-being of the Group's employees and of their families, including protecting jobs as far as possible, supporting customers meet the operational challenges where in many cases Group's services continued to be essential, reducing costs and managing cash inflows and outflows and financial resources, in order to minimise the impact. As far as possible and in order to safeguard jobs and reduce the economic impacts of the situation described, measures were taken such as the implementation of furlough-type arrangements (Spanish ERTes) in Spain and other similar measures in other geographical areas in which the Group operates.
- **Risk of measurement of assets and liabilities:** the aforementioned factors, as well as other factors which affect the markets where the Group operates, caused a drop in demand for services and interruptions to the business due to temporary shut-downs of activity. Consequently, indications of impairment were identified on the non-current assets associated with certain businesses that constitute separate cash-generating units, including goodwill. Therefore, the Directors re-estimated the recoverable amount of those assets at the end of the first half of 2020 (see Note 6). The consolidated statement of profit or loss includes the recognition of the impairment that arose as a result of that analysis. At 2020 year-end Group management updated the impairment tests for each cash-generating unit, which did not give rise to a need to recognise any additional impairment losses.

At 31 December 2020, no need to recognise additional significant impairment losses in addition to those indicated arose, either as a result of the review of other accounting estimates such as the ability to recover the deferred tax assets recognised in the accompanying consolidated statement of financial position (see Note 20.c) or as a result of an increase in expected credit losses on trade receivables pursuant to IFRS 9 (see Note 10). Also, no significant restructuring plans were approved nor implemented that would have resulted in the recognition of significant provisions in accordance with IAS 37.

- Going concern risk: taking into account all the aforementioned factors, the Group's Directors consider that the conclusion on the application of the going concern basis of accounting remains valid.

The Group's Directors and Management continue to constantly monitor the evolution of the pandemic.

e) Presentation and functional currency

These consolidated financial statements are presented in thousands of euros, since this is the currency of the Parent and of the main economic area in which the Group operates. Foreign operations are recognised in accordance with the policies described in Note 3.o.

f) Changes in accounting policies

In preparing the accompanying consolidated financial statements no changes in accounting policies were identified that would have made it necessary to restate the amounts included in the consolidated financial statements for 2019.

g) Materiality

When determining the information to be disclosed in these notes to the consolidated financial statements on the various line items in the consolidated financial statements or on other matters, the Group took into account the materiality principle.

2.b. Basis of consolidation and changes in the scope of consolidation

a) Subsidiaries

Subsidiaries are those entities over which the Applus Group directly or indirectly controls the financial and operating policies, exercises power over the relevant activities, maintains exposure, or rights, to variable returns from involvement with the investee; and the ability to use power over the investee to affect the amount of the investor's returns. The subsidiaries are consolidated from the date on which control is transferred to the Applus Group and are excluded from consolidation on the date that control ceases to exist. Appendix I discloses the most significant information about these entities.

The financial statements of the subsidiaries are fully consolidated with those of the Parent. Accordingly, all balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Where necessary, adjustments are made to the financial statements of the subsidiaries to adapt the accounting policies used to those applied by the Group.

The businesses acquired are recognised using the acquisition method so that the assets, liabilities and contingent liabilities of a subsidiary are measured at their acquisition-date fair values. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill (see Notes 3.a and 4). Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit or loss on the acquisition date. The interest of non-controlling shareholders is stated at their proportion of the net assets and liabilities recognised.

The share of non-controlling interests is reflected in:

- The equity of their subsidiaries, which is presented within the Group's equity under "Non-Controlling Interests" in the consolidated statement of financial position (see Note 13).

- The profit for the year, which is presented under “Profit Attributable to Non-Controlling Interests” in the consolidated statement of profit or loss (see Note 13).

Also, in accordance with standard practice, the accompanying consolidated financial statements do not include the tax effects that might arise as a result of the inclusion of the results and reserves of the consolidated companies in those of the Parent, since it is considered that no transfers of reserves will be made that are not taxed at source and that such reserves will be used as means of financing at each company.

b) Associates

Associates are companies over which the Parent is in a position to exercise significant influence, but not control or joint control. Normally this capacity exists because the Group holds -directly or indirectly- between 20% and 50% of the voting power of the subsidiary.

At 31 December 2020, the Group only held, as an associate, an ownership interest of 30% in the investee Velosi (B) Sdn Bhd, domiciled in Brunei, the assets, liabilities, revenue and profit or loss of which were not significant (see Note 28).

In the consolidated financial statements, investments in associates are accounted for using the equity method, i.e. at the Group's share of net assets of the subsidiary, after taking into account the dividends received therefrom and other equity eliminations. In the case of transactions with an associate, the related profits and losses are eliminated to the extent of the Group's interest in the associate.

If as a result of losses incurred by an associate its equity was negative, the investment should be presented in the Group's consolidated statement of financial position with a zero value, unless the Group is obliged to give it financial support.

c) Changes in accounting policies and in disclosures of information effective in 2020

In 2020 new accounting standards came into force and were therefore taken into account when preparing the accompanying consolidated financial statements. The following standards were applied in these consolidated financial statements but did not have a significant impact on the presentation hereof or the disclosures herein:

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Approved for the use in the European Union		
Amendments and/or interpretations:		
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" included in the conceptual framework.	1 January 2020
Amendments to IFRS 9, IAS 39, IFRS 7 Interest Rate Benchmark Reform (published September 2019)	Amendments to IFRS 9, IAS 39 and IFRS 7 related to the Interest Rate Benchmark in progress Reform.	1 January 2020
Amendment to IFRS 3 Definition of business (published October 2018)	Clarifications to the definition of business.	1 January 2020
Amendment to IFRS16 Leases – Rent improvements (published May 2020)	Amendment to facilitate tenants the accounting of rental improvements related to COVID-19.	1 June 2020

d) Accounting policies issued but not yet in force in 2020

At the date of preparation of these consolidated financial statements, the following standards and interpretations had been published by the International Accounting Standards Board (IASB) but had not yet come into force, either because their effective date is subsequent to the date of these consolidated financial statements or because they had not yet been adopted by the European Union (EU-IFRSs):

New standards, amendments and interpretations		Obligatory application in annual reporting periods beginning on or after:
Approved for use in the European Union		
Amendments and/or interpretations:		
Interest Rate Benchmark Reform—Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (issued in August 2020)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to the interest rate benchmark reform (second phase).	1 January 2021
Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) (issued in June 2020)	Extension of the temporary exemption from IFRS 9 until 2023.	1 January 2022
Not yet approved for use in the European Union at the date of this publication		
Amendments and/or interpretations:		
Reference to the Conceptual Framework (Amendments to IFRS 3) (issued in May 2020)	IFRS 3 is updated to align the definitions of an asset and a liability in a business combination with those contained in the Conceptual Framework. Also, certain clarifications are introduced in relation to the recognition of contingent assets and liabilities.	1 January 2022
Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 16) (issued in May 2020)	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is bringing that asset to the location and condition necessary for its intended use. The proceeds from selling any such items (samples), and the cost of producing those items, must be recognised in profit or loss.	1 January 2022
Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37) (issued in May 2020)	These amendments explain that the cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract.	1 January 2022
Improvements to IFRSs, 2018-2020 cycle (issued in May 2020)	Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.	1 January 2022
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) (issued in January 2020)	Classification guidance with respect to the presentation of liabilities as current or non-current.	1 January 2023

The Parent's Directors have not considered the early application of the standards and interpretations detailed above and, in any event, application thereof will be considered by the Group once they have been approved, as the case may be, by the European Union.

In any case, the Parent's Directors are assessing the potential impact of applying these standards in the future and consider that their entry into force will not have a material effect on the Group's consolidated financial statements.

e) Changes in the scope of consolidation

e.1. Inclusions in the scope of consolidation in 2020:

The companies included in the scope of consolidation in 2020 are as follows:

- Companies acquired in 2020:
 - Iteuve Canarias, S.L.
 - Iteuve Canarias XXI, S.L.
 - Iteuve Canarias Aeropuerto el Matorral, S.L.
 - ZYX Metrology, S.L.U.
 - Reliable Analysis, Inc.
 - Shanghai Reliable Auto Analysis Testing, Ltd.
 - Liuzhou Reliable Auto Analysis Testing, Ltd.
 - Shanghai Reliable Testing Technology Ltd.
 - Besikta Bilprovning i Sverige Holding AB
 - Besikta Bilprovning i Sverige AB
 - ClearCar AB
 - QPS Evaluation Services, Inc.
 - QPS America, Inc
 - QPS Europe B.V.

- Companies incorporated during 2020:
 - Applus Senegal SURL
 - Libertytown RE, SA
 - Iteuve India Private Limited
 - CRpplus Services Costa Rica S.A.
 - Applus Ingenieria y Consultoria, SAS

e.1.1. Companies acquired in 2020

- *Reliable Analysis, Inc. acquisition*

On 30 September 2020, the Applus Group has acquired Reliable Analysis, Inc. for USD 78 million (approximately EUR 67 million at the acquisition date). In addition, the agreement included an earn-out provision tied to certain financial goals which the acquiree would have to achieve in 2021, 2022 and 2023. At the year end the Group considered that conditions will not prevail for a significant earn-out. Nevertheless it will be reevaluated in the coming months if it should be taken into account when determining the acquisition cost of the ownership interest. The company has been integrated into the Applus+ Laboratories division.

In the provisional amounts recognised in accounting for this business combination, the intangible assets identified relating to the awards granted by various automotive industry manufacturers to test the quality of the components of the suppliers of those manufacturers were measured. Per the projections used, the fair value is EUR 21.4 million. The Group made a provisional allocation with the help of an independent expert (see Note 5).

The revenue attributable to the business combination amounts to EUR 24 million by year. The revenue attributable to the business combination from the date of acquisition to 2020 year-end amounted to EUR 5.4 million. The margin of the adjusted operating profit attributable to the business combination is higher than the one of the division where it has been integrated.

- *Besikta Bilprovning i Sverige Holding AB acquisition*

On 20 October 2020, the Applus Group has acquired Besikta Bilprovning i Sverige Holding AB for an initial cost of SEK 1,050 million (approximately EUR 101 million at the acquisition date). The company has been integrated into the Applus+ Automotive division.

In the provisional amounts recognised in accounting for this business combination, the intangible assets identified relating to the Besikta trademark amounting EUR 31.9 million and to customer relationship portfolios amounting EUR 3.8 million were measured at fair value in line with the projections used when they were acquired. The Group made a provisional allocation with the help of an independent expert (see Note 5).

The revenue attributable to the business combination amounts to EUR 62 million by year. The revenue attributable to the business combination from the date of acquisition to 2020 year-end amounted to EUR 9.3 million. The EBITDA margin (before IFRS 16 application) attributable to the business combination is around 18%.

- *QPS Evaluation Services, Inc. acquisition*

On 1 December 2020, the Applus Group has acquired QPS Evaluation Services Inc. for an initial cost of CAD 65 million (approximately EUR 41 million at the acquisition date). In addition, the agreement included an earn-out provision tied to certain financial goals which the acquiree would have to achieve in 2021, 2022 and 2023. The Group considered that conditions will prevail for the earn-out to amount to CAD 2,416 thousand (approximately EUR 1,559 thousand at the acquisition date) and, accordingly, this amount was taken into account when determining the acquisition cost of the ownership interest. The company has been integrated into the Applus+ Laboratories division.

In the provisional amounts recognised in accounting for this business combination, the intangible assets identified relating to the certifications amounting to EUR 24.2 million were measured at fair value in line with the projections used when they were acquired. The Group made a provisional allocation with the help of an independent expert (see Note 5).

The revenue attributable to the business combination amounts to EUR 16 million by year. The revenue attributable to the business combination from the date of acquisition to 2020 year-end amounted to EUR 1.3 million. The margin of the adjusted operating profit attributable to the business combination is higher than the one of the division where it has been integrated.

- *Other acquisitions in 2020*

On 27 February 2020, the Applus Group has acquired Iteuve Canarias, S.L., Iteuve Canarias XXI, S.L. and Iteuve Canarias Aeropuerto el Matorral, S.L. for EUR 8.6 million. The goodwill resulting from the difference between the fair value of the assets and liabilities assumed, and the cost of the business combination amounts, provisionally, to EUR 6.8 million. The companies have been integrated into the Applus + Automotive division. In 2019 the Group provided a deposit of EUR 8.6 million in relation to this purchase agreement (see Note 11).

On 2 March 2020, the Applus Group has acquired ZYX Metrology, S.L.U. for EUR 1.8 million. The goodwill resulting from the difference between the fair value of the assets and liabilities assumed, and the cost of the business combination amounts, provisionally, to EUR 1 million. The company has been integrated into the Applus + Laboratories division.

The provisional registration of these acquisitions includes a detail of the acquired net assets and of the provisional goodwill at the acquisition date (in thousands of euros):

	Iteuve Canarias, S.L. (Group)	ZYX Metrology, S.L.U.	Reliable Analysis, Inc. (Group)	Besikta Bilproving i Sverige Holding, AB (Group)	QPS Evaluation Services, Inc. (Group)	Total
Non-current assets	8,465	483	34,557	58,033	25,244	126,782
Inventories	-	11	25	31	-	67
Trade and other receivables	490	58	4,843	4,033	3,244	12,668
Cash and cash equivalents	226	836	4,170	2,361	4,652	12,245
Non-current liabilities	(6,120)	(72)	(8,257)	(31,964)	(558)	(46,971)
Current liabilities	(727)	(243)	(7,741)	(25,535)	(11,243)	(45,489)
Value of assets and liabilities acquired after minorities	2,334	1,073	27,597	6,959	21,339	59,302
% of ownership	100%	100%	100%	100%	100%	
Value of assets and liabilities acquired after minorities	2,334	1,073	27,597	6,959	21,339	59,302
Acquisition cost	9,079	2,148	66,851	83,713	48,539	210,330
Goodwill (Note 4)	6,745	1,075	39,254	76,754	27,200	151,028

At the date of authorisation for issue of these consolidated financial statements, the process to measure at fair value the assets and liabilities related to these acquisitions had not been completed and, accordingly, the value of the related goodwill is provisional. The Parent's directors consider that the process to measure the assets and liabilities and to allocate the goodwill will be completed in 2021, and that any adjustment will be applied retrospectively in accordance with IFRS 3, Business Combinations.

e.2. Exclusions from the scope of consolidation in 2020:

On February 2020, the dormant company Kurtec Inspection Services Sdn Bhd was liquidated, which did not give rise to any significant impacts on the consolidated statement of profit or loss.

On September 2020, the company Applus Florida Proving Ground Inc was liquidated, which did not give rise to any significant impacts on the consolidated statement of profit or loss.

On November 2020, the company Aerial Photography Services Pty Ltd was liquidated, which did not give rise to any significant impacts on the consolidated statement of profit or loss.

On December 2020, the company RTD Norway, AS was sold.

e.3. Inclusions in the scope of consolidation in 2019:

The companies included in the scope of consolidation in 2019 are as follows:

- Companies acquired in 2019:
 - Laboratorio de Ensayos Metrológicos, S.L.
 - A2M Industrie SAS
 - LEM Laboratorios y Asistencia Técnica Limitada
 - Servicios SEFF, S.A.

- Companies incorporated during 2019:
 - Applus Tanzania Limited
 - IDIADA Safety Technology, GmbH (subsequently CTAG - IDIADA Safety Technology Germany, GmbH)
 - Inversiones y Certificaciones Integrales SyC, S.A.
 - Applus Iteuve Brasil Participações Lda
 - Applus Inspection Services Ireland, Ltd.
 - TIC Investments Chile SpA
 - IDIADA Automotive Technology Mexico
 - Applus and Partner Engineering Consultancy
 - Applus Fomento de Control, S.A.

e.3.1. Companies acquired in 2019

On 28 February 2019, the Applus Group acquired Laboratorio de Ensayos Metrológicos, S.L. for EUR 2.7 million. The company was integrated into the Applus+ Laboratories division.

On 20 March 2019, the Applus Group acquired A2M Industrie SAS for EUR 6.4 million. Additionally, the agreement included an earn-out tied to certain financial targets to be achieved in 2019, 2020 and 2021. The Group considers that the targets will be achieved for the earn-out which amounts to EUR 0.5 million and, accordingly, this amount was considered in determining the acquisition cost. The company was integrated into the Applus+ Laboratories division.

On 28 October 2019, the Applus Group acquired LEM Laboratorios y Asistencia Técnica Limitada and Servicios SEFF, S.A. for CLP 7,468.5 million (EUR 8.9 million at the acquisition date). The agreement also included an earn-out provision tied to certain financial targets to be achieved in 2018, 2019, 2020 and 2021. The Group considers that the earn-out will amount to CLP 1,970.1 million (EUR 2.4 million at the acquisition date) and, accordingly, this amount was taken into account when determining the cost of the acquisition. These companies were included in the Applus+ Energy & Industry division.

The detail of the net assets and of the goodwill generated by the aforementioned acquisitions at the acquisition date is as follows (in thousands of euros):

	Laboratorio de Ensayos Metroológicos, S.L.	A2M Industrie, SAS	LEM Laboratorios y Asistencia Técnica Limitada & Servicios SEFF, S.A. (Chile)	Total
Non-current assets	267	1,416	5,188	6,871
Inventories	-	47	75	122
Trade and other receivables	718	730	2,552	4,000
Cash and cash equivalents	395	1,173	998	2,566
Non-current liabilities	(64)	(1,071)	(155)	(1,290)
Current liabilities	(628)	(521)	(7,654)	(8,803)
Value of assets and liabilities acquired	688	1,774	1,004	3,466
% of ownership	100%	100%	100%	
Value of assets and liabilities acquired after minorities	688	1,774	1,004	3,466
Acquisition cost	3,217	7,390	8,914	19,521
Goodwill (Note 4)	2,529	5,616	7,910	16,055

There are no significant differences between the fair values of the net assets acquired included in the detail above with respect to the respective carrying amounts at which they had been previously recognised.

According to IFRS 3, the accounting process for acquisitions made in the previous financial year has been completed in 2020. No significant changes have been made.

e.4. Exclusions from the scope of consolidation in 2019:

On January 2019, Velosi Asia (Luxembourg), Sarl. sold 70% of the shares of Velosi Asset Integrity & Safety (PVT) Limited for USD 3.2 million (EUR 2.8 million), which did not have a material effect on the Group's consolidated statement of profit or loss.

On November 2019, the dormant company RTD France Holding, S.A.S. was liquidated.

Lastly, in 2019 the Group acquired non-controlling interests, which had a negative impact on consolidated reserves, amounting to EUR 6.8 million.

3. Accounting and valuation policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, were as follows:

a) Goodwill

Goodwill represents the excess of the cost of the combination over the fair value of the interest in the net identifiable assets of a subsidiary, jointly controlled entity or acquired associate at the acquisition date. Goodwill relating to the acquisition of subsidiaries or jointly controlled entities is included in intangible assets and goodwill relating to the acquisition of associates is included in investments accounted for using the equity method.

The cost of a business combination is the aggregate of:

- The acquisition-date fair value of the assets acquired, the liabilities assumed and the equity instruments issued.
- The fair value of any contingent consideration that depends on future events or on the fulfilment of certain specified conditions.

The costs incurred to issue equity or debt securities given up in exchange for the items acquired are not included in the cost of a business combination.

In addition, the cost of a business combination does not include the fees paid to legal advisers and other professionals involved in the combination or, clearly, any costs incurred internally in this connection. Such amounts are charged directly to the consolidated statement of profit or loss.

If the business combination is achieved in stages and, therefore, the acquirer already held an equity interest in the acquiree immediately before the acquisition date (the date on which control is obtained), the goodwill or gain on a bargain purchase is the difference between:

- The cost of the business combination, plus the acquisition-date fair value of any equity interest previously held by the acquirer in the acquiree.
- The fair value of the identifiable assets acquired less the fair value of the liabilities assumed, determined as indicated above.

Any gain or loss resulting from the remeasurement at fair value of the previously held equity interest in the acquiree on the date control is obtained, is recognised in the consolidated statement of profit or loss. If the investment in this investee had previously been measured at fair value, any valuation adjustments not yet recognised in profit or loss will be transferred to the consolidated statement of profit or loss. Also, the cost of a business combination is presumed to be the best reference for estimating the acquisition-date fair value of any previously held equity interest.

Goodwill arising on the acquisition of companies with a functional currency other than the euro is measured in the functional currency of the acquiree and is translated to euros at the exchange rates prevailing at the consolidated statement of financial position date.

If, exceptionally, a gain on a bargain purchase arises from the business combination, it is recognised as income in the consolidated statement of profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete and the provisional amounts may be adjusted in the period required to obtain the necessary information. However, the measurement period shall not exceed one year from the acquisition date. The effects of the adjustments made in that period are recognised retrospectively and comparative information for prior periods must be revised as needed.

Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss, unless the consideration has been classified as equity, in which case subsequent changes in its fair value are not recognised.

If, subsequent to obtaining control, there are transactions to sell or purchase the shares of a subsidiary without losing control thereof, the impacts of these transactions not leading to a change in control are recognised in equity and the amount of goodwill arising on consolidation is not adjusted.

b) Other intangible assets

The other intangible assets are identifiable assets without physical substance which arise as a result of a legal transaction or which are developed internally by the consolidated companies. Only assets whose cost can be estimated reasonably objectively and from which the consolidated companies consider it probable that future economic benefits will be generated are recognised.

Intangible assets are recognised initially at acquisition or production cost, which includes the allocation of the value of goodwill as a result of the business combinations, where applicable, and are subsequently measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets are measured and amortised as follows:

- Administrative concessions or similar items that have been acquired by onerous title are amortised on a straight-line basis over the concession term. The initial cost (fee) and, where applicable, the present value of the future payments which are deemed to be necessary when the assets are handed over to the grantor are included in this line item.
- The administrative authorisations relate to vehicle roadworthiness testing services in Spain and abroad which the Group manages under this name. The main administrative authorisations relate to Spain (Catalonia) and Finland (see Note 5). In the case of Catalonia, these administrative authorisations are amortised on a straight-line basis over the authorisation term which ends in 2035. In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in 10 years and, therefore, it is being amortised over this period, until 2020.
- Trademarks acquired in a business combination are initially measured on the basis of their fair value using the Relief from Royalty method. Trademarks are considered to have a finite useful life and are amortised over 20 to 25 years, with the exception of the trademarks associated with the Velosi Group, which are being amortised over 10 years.

Customer relationship portfolios acquired in a business combination are initially recognised at fair value using the Multi-Period Excess Earnings method. They are amortised over the estimated useful life of each portfolio based on historical statistical evidence of the average relationship length.

- Certifications and awards are granted to the Aplplus companies by public institutions or companies for the purpose of performing trials on third-party services and products under nationally- or internationally-recognised standards. Those acquired in business combinations are initially recognised at fair value using the Multi-Period Excess Earnings method. They are amortised on a straight-line basis over their estimated finite useful lives (ranging from eight to ten years), calculated on the basis of qualitative factors.
- Asset usage rights relate to machinery and fixtures used by the Group in the performance of its business activity and are subject to reversal. They are amortised over the residual useful life of the assets to which they correspond, from the acquisition date of the right of use, based on an estimate by an independent valuer.
- Computer software is amortised on a straight-line basis. Computer system maintenance costs are charged to the consolidated statement of profit or loss in the year they are incurred.

c) Property, plant and equipment

Property, plant and equipment are recognised at acquisition or production cost.

The companies depreciate their property, plant and equipment using the straight-line method on the basis of the remaining years of estimated useful life of the various items, the detail being as follows:

	Years of estimated useful life
Buildings	20 to 40
Plant	3 to 12
Machinery and tools	3 to 10
Furniture	2 to 10
Computer hardware	4
Transport equipment	3 to 10

The assets that have to be handed over to the Government at the end of the concession term will have been fully depreciated by this date.

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss as other results.

d) Impairment of non-financial assets

Goodwill, intangible assets with an indefinite useful life or intangible assets that cannot be used and are not amortised or depreciated, are tested for impairment annually (or more frequently, where there is an indication of a potential impairment loss). Assets that are amortised or depreciated are tested for impairment whenever an event or a change in circumstances indicates that their carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use.

For the purpose of impairment loss assessment, assets are grouped at the lowest levels for which there are largely independent separately identifiable cash inflows (cash-generating units (CGUs)). The cash-generating units defined by the Group are detailed in Notes 4, 5 and 6.

Pursuant to paragraph 81 of IAS 36, when goodwill cannot be allocated to an individual cash-generating unit, it is allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination and that correspond to the lowest level at which the goodwill can be monitored by the Directors for internal management purposes. In these cases, as established in paragraphs 88 and 89 of IAS 36, the individual cash-generating units are tested for impairment whenever there is an indication that the unit may be impaired, or at least annually, when they include intangible assets with indefinite useful lives specifically allocated to them (see Note 6).

In these circumstances, impairment losses could arise on these intangible assets even though the related goodwill associated with a group of CGUs is not impaired.

In order to calculate the impairment test, the future cash flows of the asset analysed (or of the cash-generating unit to which it belongs) are discounted to their present value using a discount rate that reflects market conditions and the risk specific to the asset. Where the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the amount of the difference with a charge to the consolidated statement of profit or loss.

The impairment losses on non-financial assets recognised previously (other than goodwill) are reviewed for possible reversal at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset could increase to the revised estimate of its recoverable amount, without exceeding the carrying amount existing prior to the recognition of the impairment loss, less any depreciation or amortisation that should have been recognised. The reversal of an impairment loss on an asset is credited to the consolidated statement of profit or loss.

The method used by the Group to test impairment distinguishes between businesses with indefinite and definite lives. Five-year projections and a perpetuity rate of return from the sixth year are used for businesses with indefinite lives. Projections based on the actual term of the related contract are used for assets with finite lives relating to the rendering of services or concessions. In this case, the probability of their renewal was not considered in preparing the related cash flow projections.

In both cases, the projections are based on reasonable and well-founded assumptions and were prepared in accordance with the Group's budget for 2021 and with the Group's strategy for the following years based on past experience and the best estimates available at the date on which the related impairment tests were carried out using the market information available. The projections envisage the evolution of organic revenue and margins of the business that the Group Executive Committee expects for the coming years. Consequently, the possible changes in the scope of consolidation that might take place in the future were not taken into account in the projection or in the impairment tests perform.

Together with the impairment test on the various cash-generating units carried out at least at each year-end, the Group also performs a sensitivity analysis of the main assumptions affecting the calculation. The main assumptions used by the Group in testing for impairment and the results of the sensitivity analysis are described in Note 6.

e) *Financial assets*

Following the entry into force of IFRS 9, financial assets are classified into the following categories: financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income (equity) and financial assets at amortised cost.

The classification depends on the nature and purpose of the financial assets and is determined when they are initially recognised.

The Group basically holds financial assets measured at amortised cost, which give rise on specified dates to cash flows that are solely payments of principal and interest. Any financial assets from which the Group expects to collect both contractual cash flows and cash flows from their sale (such as those which are factored (see Note 14.b) are measured at fair value through other comprehensive income (equity). All other financial assets are measured at fair value through profit or loss.

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the discount rate applied to the estimated future cash receipts over the expected life of the financial instrument. However, due to the nature of the assets classified under this heading, they are generally recognised on the basis of original acquisition cost because they mature in less than one year.

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales and non-recourse factoring of trade receivables in which the Group does not retain any credit or interest rate risk.

However, the Group does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received, in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting and recourse factoring.

The Group recognises impairment losses in accordance with an expected credit loss model, according to IFRS 9, for financial assets measured at amortised cost, trade receivables, or financial assets at fair value through other comprehensive income (equity). The measurement of expected credit losses is based on the probability of default, the loss given default (i.e. the magnitude of the loss if there is a predetermined value) and the exposure in the predetermined value. The Group made this estimate taking into consideration, among other matters, the diversity of its customers by type or segment grouping them by country or geographical region, distinguishing them by sector or industry and selecting an appropriate credit spread curve for each of the financial assets, as well as a historical default analysis of the Group.

f) Information on the environment

Environmental assets are considered to be assets used on a lasting basis in the operations of the Group companies whose main purpose is to minimise adverse environment effects and to protect and enhance the environment, including the reduction or elimination of the pollution caused in the future by the Applus Group's operations.

In view of the Group's business activity, at 31 December 2020 and 2019 it did not have any significant assets of this nature.

g) Leases

The Group assesses whether a contract is or contains a lease, at inception of it. The Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less), leases of low value assets (less than USD 5 thousand) and variable rents. For these exceptions, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the payments that are not executed at the commencement date, discounted by using the implicit rate. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.d. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in the consolidated statement of profit or loss.

Additionally, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

h) Inventories

Inventories are stated at weighted average cost, which comprises materials and, where applicable, direct labour costs and other costs that have been incurred in bringing the inventories to their present location and condition.

i) Government grants

Government grants related to property, plant and equipment are treated as deferred income and are taken to income over the expected useful lives of the assets concerned. In addition, the Group accounts for other grants, donations and legacies received as follows:

- a) Non-refundable grants, donations or legacies related to assets: these are measured at the fair value of the amount or the asset received, based on whether or not they are monetary grants, and they are taken to income in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss, except for grants received from shareholders or owners, which are recognised directly in non-current liabilities and do not give rise to the recognition of any income.
- b) Refundable grants: while they are refundable, they are recognised as a non-current liability.
- c) Grants related to income: grants related to income are credited to income when granted, unless their purpose is to finance losses from operations in future years, in which case they are allocated to income in those years. If grants are received to finance specific expenses, they are allocated to income as the related expenses are incurred.

j) Provisions and contingent liabilities

When preparing the consolidated financial statements the Parent's Directors make a distinction between:

- Provisions:

The Group recognises a provision where it has an obligation or liability to a third party arising from past events the settlement of which will give rise to an outflow of economic benefits whose amount and/or timing are not known with certainty but can be reasonably reliably estimated. Provisions are quantified on the basis of the best information available on the event and the consequences of the event and are reviewed and adjusted at the end of each reporting period. The provisions made are used to cater for the specific risks for which they were originally recognised, and are fully or partially reversed when such risks cease to exist or are reduced.

- Contingent liabilities:

Contingent liabilities are all the possible obligations that arise from past events and whose future existence and associated loss are estimated to be unlikely. In accordance with IFRS, the Group does not recognise any provision in this connection. However, as required, the contingent liabilities are disclosed in Note 27.b.

The Group's legal advisers and Directors consider that the outcome of litigation and claims will not have a material effect on the accompanying consolidated financial statements. Provisions are recognised when the Group has a present obligation, whether legal or constructive, as a result of past events with respect to which it is more likely than not to entail an outflow of resources to settle the obligation and when the amount thereof has been estimated reliably.

Provisions are recognised when the unavoidable costs of meeting the obligations under onerous contracts exceed the benefits expected to be received thereunder.

Provisions are measured at the present value of the amount necessary to settle the obligation at the consolidated statement of financial position date based on the best estimate available.

When it is expected that a portion of the disbursement necessary to settle the provision will be reimbursed by a third party, the reimbursed amount is recognised as an independent asset, provided that receipt thereof is virtually assured.

k) *Derivative financial instruments and hedge accounting*

The Group used to use financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. The Group does not use derivative financial instruments for speculative purposes.

The Group's use of financial derivatives is governed by and envisaged in its policies, which provide guidelines for their use (see Note 16).

At the end of 2020 the Group had not outstanding financial derivative products.

l) *Pension obligations, post-employment benefits and other employee benefit obligations*

Defined contribution plans

Under defined contribution plans, the Group pays fixed contributions into a separate entity (a fund) and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the benefits to employees.

The Group recognises the contributions to be made to the defined contribution plans as the employees render the related services. The contributions made were recognised under "Staff Costs" in the consolidated statement of profit or loss. The defined contribution liability is recognised as current.

Defined benefit plans

All the post-employment benefit plans that may not be considered as defined contribution plans are benefit plans. These plans may be unfunded or wholly or partially funded by a specific fund.

The defined benefit liability recognised in the consolidated statement of financial position relates to the present value of the defined benefit obligations at the end of the reporting period which are measured annually based on the best estimate possible.

The expense or income relating to the defined benefit plans is recognised under "Staff Costs" in the enclosed consolidated statement of profit or loss. The defined benefit liability is recognised as current or non-current based on the vesting period of the related benefits.

However, the defined benefit obligations are not material (see Note 17.a).

Other employee benefit obligations

The Group has established, with its key personnel, specific remuneration plans based on the following characteristics:

- a) Annual variable remuneration to certain Group personnel subject to the achievement of certain financial targets in 2020.
- b) Annual variable remuneration plan granted to the Executive Directors, certain executives and employees of the Group consisting of the delivery of RSUs (convertible into Parent's shares). This remuneration plan is approved annually and is convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. At 2020 year-end three plans have been approved and ratified (see Notes 19 and 29).

- c) “Long-term Incentive” plan granted to the Executive Directors and certain Senior Executives of the Group, that consists on the delivery of Performance Stock Units (PSUs), in the case of the Executive General Director, and Restricted Stock Units (RSUs) and PSUs in the case of the Executive Financial Director and Senior Executives. Both PSUs and RSUs are convertible into Parent’s shares within three years of the grant date based on the achievement of certain targets (see Notes 19 and 29).

m) Debts and current/non-current classification

Debts are recognised at their present value and are classified on the basis of their maturity at the reporting date, i.e. debts due to be settled within twelve months are classified as current liabilities and those due to be settled within more than twelve months are classified as non-current liabilities.

n) Financial liabilities

Financial liabilities are classified into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities.

Other financial liabilities (including loans and trade and other payables) are recognised at amortised cost using the effective interest method. It is considered that the fair value of the financial liabilities does not differ significantly from their carrying amount.

Effective interest method

The effective interest method is used to measure the amortised cost of a financial instrument. The effective interest rate is the discount rate applied to the estimated future cash payments over the expected life of the financial instrument. The Group recognises trade payables at their nominal value without explicitly accruing any interest, since they are due in less than one year.

The Group only derecognises financial liabilities when the related obligations are discharged or cancelled or expired. The difference between the carrying amount of the derecognised financial liabilities and the payment made is recognised in the consolidated statement of profit or loss.

o) Transactions in currencies other than the Euro

The Group’s presentation currency is the Euro. Therefore, all balances and transactions in currencies other than the Euro are deemed to be “foreign currency transactions”.

Balances in foreign currencies are translated to euros in two phases:

1. Translation of balances in foreign currencies to the subsidiaries’ functional currencies:
 - Monetary assets and liabilities denominated in foreign currencies are translated by applying the exchange rates prevailing at the closing date.
 - Any resulting gains or losses are recognised directly in the consolidated statement of profit or loss.
2. Translation to euros of the financial statements of the subsidiaries whose functional currency is not the euro:
 - Assets and liabilities are translated by applying the exchange rates prevailing at the closing date.
 - Income, expenses and cash flows are translated at the average exchange rates for the year.
 - Equity is translated at the historical exchange rates.

- Exchange differences arising as a consequence of the application of this method are presented under "Equity Attributable to Shareholders of the Parent - Translation Differences" in the accompanying consolidated statement of financial position.
- The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Foreign Exchange Rate Changes".

The detail of the equivalent euro value of the main assets in foreign currency held by the Group at 31 December 2020 and 2019 is as follows (in thousands of euros):

Balances held in:	Foreign currency	31/12/2020	31/12/2019
US Dollar	USD	425,545	489,536
Canadian Dollar	CAD	129,758	90,457
Danish Krone	DKK	65,819	64,489
Chilean Peso	CLP	62,489	59,271
Swedish Krona	SEK	60,522	-
Australian Dollar	AUD	40,117	45,272
Pound Sterling	GBP	39,297	45,839
Chinese Yuan	CNY	37,692	19,807
Saudi Riyal	SAR	31,395	35,886
Colombian Peso	COP	23,874	26,814
Qatari Riyal	QAR	21,448	19,495
Czech Koruna	CZK	17,450	21,522
Omani Riyal	OMR	13,238	14,774
Costa Rican Colon	CRC	13,147	11,841
Brazilian Real	BRL	11,769	15,138
United Arab Emirates Dirham	AED	11,121	12,238
Indonesian Rupiah	IDR	10,481	13,237
Mexican Peso	MXN	7,585	8,546
Panamanian Balboa	PAB	6,966	9,256
Argentine Peso	ARS	6,218	6,518
Norwegian Krone	NOK	5,826	12,927
Peruvian Nuevo sol	PEN	5,730	6,197
Papua New Guinean Kina	PGK	5,508	14,175
Guatemalan Quetzal	GTQ	4,308	8,832
Singapore Dollar	SGD	4,198	7,864
Uruguayan Peso	UYU	4,074	5,807
Malaysian Ringgit	MYR	4,044	22,700
Kuwait Dinar	KWD	3,332	4,571
Others		14,647	12,915
Total		1,087,598	1,105,924

The average and closing rates used in the translation to euros of the balances held in foreign currency for years 2020 and 2019 are as follows:

1 Euro	Foreign currency:	2020		2019	
		Average rate	Closing rate	Average rate	Closing rate
Danish Krone	DKK	7.45	7.44	7.47	7.47
Swedish Krona	SEK	10.49	10.14	10.59	10.47
Norwegian Krone	NOK	10.74	10.62	9.85	9.98
Czech Koruna	CZK	26.45	26.32	25.67	25.41
United Arab Emirates Dirham	AED	4.18	4.47	4.11	4.08
Canadian Dollar	CAD	1.53	1.57	1.49	1.46
Singapore Dollar	SGD	1.57	1.62	1.53	1.51
US Dollar	USD	1.14	1.22	1.12	1.11
Papua New Guinean Kina	PGK	3.87	4.14	3.7	3.68
Pound Sterling	GBP	0.89	0.91	0.88	0.85
Argentine Peso	ARS	n/a	101.23	n/a	66.43
Chilean Peso	CLP	903.01	878.57	784.79	837.86
Colombian Peso	COP	4,210.01	4,211.00	3,669.83	3,682.00
Mexican Peso	MXN	24.48	24.46	21.54	21.02
Brazilian Real	BRL	5.88	6.27	4.41	4.53
Qatari Riyal	QAR	4.18	4.49	4.1	4.08
Malaysian Ringgit	MYR	4.79	4.94	4.64	4.60
Saudi Riyal	SAR	4.28	4.56	4.20	4.17
Indonesian Rupiah	IDR	16,536.78	17,190.00	15,834.60	15,550.00
Australian Dollar	AUD	1.66	1.62	1.61	1.62
Peruvian Nuevo Sol	PEN	3.98	4.39	3.73	3.71
Kuwait Dinar	KWD	0.35	0.36	0.34	0.33
Guatemalan Quetzal	GTQ	8.79	9.46	8.61	8.53
Chinese Yuan	CNY	7.87	7.96	7.72	7.79

In 2018 the Argentine economy was deemed to be hyperinflationary in the terms defined in IAS 29 and, therefore, the financial statements of those companies whose functional currency is the currency of a hyperinflationary economy had to be restated and updated according to local price indices, and presented in terms of the measuring unit current at the end of the reporting period. This standard was applied from 1 January 2018.

Also, in accordance with IAS 21.42, the results and financial position (i.e. assets, liabilities, equity items, income and expenses) of the Argentine subsidiaries are translated into the Group's presentation currency (euro) at the closing rate.

In 2020 an impact arose against reserves arising from the difference, amounting to approximately EUR 1,852 thousand positive between the value of the equity reported at the end of the previous year and the restated value for the same year of the Argentine subsidiaries (2019: EUR 2,447 thousand positive).

As per the application of IAS 29 and IAS 21, the statement of profit or loss has been impacted by a higher financial expense in 2020 of EUR 1,078 thousand (2019: EUR 2,135 thousand) under "Financial Profit / (Loss) - Gains or Losses on the Net Monetary Position".

p) Corporate income tax, deferred tax assets and deferred tax liabilities

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current corporate income tax expense is the amount payable by the Group as a result of corporate income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current corporate income tax expense.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the corporate tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those associated with investments in subsidiaries, branches and associates, or with a share in a joint venture, when the Group can control when to revert the temporary difference and it is considered probable that it will not be reverted in the foreseeable future. At the end of 2020 and 2019, no deferred tax liabilities had been recognised in accordance with IAS 12.39, since the Group controls the timing of the reversal of such temporary differences and the temporary difference is unlikely to be reversed in the foreseeable future, or because these liabilities are not significant due to the Group's policy of repatriating the dividends of subsidiaries, branches and associates.

Deferred tax assets are recognised for temporary differences, tax credits for tax losses carry forwards and other tax credits, are only recognised if it is considered probable that the consolidated companies will have sufficient future taxable profits against which they can be utilised.

The deferred tax assets recognised are analysed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

Certain Group companies with registered office in Spain file consolidated tax returns as part of Income Tax group 238/08 and VAT group 0036/11 of which Applus Services, S.A. is the Parent.

The Group also files consolidated tax returns in other countries such as the Netherlands, Australia, the US and Germany.

q) Revenue recognition

In general, the Group recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Certain contracts such as non-destructive testing or engineering and consultancy contracts are performed as projects that envisage the use of labour and/or materials to provide one or more services requested by the customer and give rise to one or more performance obligations. To the extent that these performance obligations can be distinguished in accordance with the criteria defined in IFRS 15, revenue is recognised when (or as) each performance obligation is satisfied on the basis of the costs incurred relative to total costs (input method) through the recognition of "projects in progress to be billed" (contract assets) to the extent that there is an enforceable right to payment for performance completed to date. Also, these contracts may include billings for milestones based on the satisfaction of the performance obligations, although no significant differences were identified between the price determined for each milestone and its fair value.

Additionally, revenue relating to supplier inspections, vehicle roadworthiness testing services and certifications, inter alia, is identified as arising from services provided for which there is a single performance obligation that is satisfied at a specific point in time, the price of which is determined in the contracts with customers. In general, therefore, the recognition of revenue from these activities is not complex and occurs when the aforementioned performance obligation is satisfied.

No costs incurred in winning contracts with customers were capitalised in 2020 and 2019 as the related amounts were not material.

r) Expense recognition

An expense is recognised in the consolidated statement of profit or loss when there is a decrease in the future economic benefit related to a reduction of an asset or an increase in a liability, which can be measured reliably. This means that an expense is recognised simultaneously to the increase of a liability or the reduction of an asset.

An expense is recognised immediately when a disbursement does not give rise to future economic benefits or when the requirements for recognition as an asset are not met.

Also, an expense is recognised when a liability is incurred and no asset is recognised, as in the case of a liability relating to a guarantee.

s) Discontinued operations

A discontinued operation is a business segment that has been decided to be abandoned and/or disposed of in full whose assets, liabilities and net profit or loss can be distinguished physically, operationally and for financial reporting purposes.

Pursuant to IFRS 5, the revenue and expenses of discontinued operations are presented separately in the consolidated statement of profit or loss and the net assets and net liabilities are presented separately in consolidated current assets and consolidated current liabilities, respectively, for the current period only.

The Group did not interrupt nor discontinue any significant operation in 2020 or 2019.

t) Segment information

The Parent's Directors considered the following four operating segments and one holding in these consolidated financial statements of the Applus Group: Applus+ Energy & Industry, Applus+ Laboratories, Applus+ Automotive, Applus+ IDIADA and Other.

The Parent's Directors identified the operating segments of the Applus Group based on the following criteria:

- They engage in business activities from which they may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same group),
- Their operating results are regularly reviewed by Senior Executives, which takes the operating and management decisions relating to the group in order to decide about resources to be allocated to the segment and to assess its performance; and
- Discrete financial information is available.

The considerations used to identify the operating segments comply with IFRS 8.

u) Consolidated statement of cash flows

The following terms are used in the consolidated statements of cash flows:

- Cash flows: inflows and outflows of cash and equivalent financial assets, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.
- Operating activities: the Group's principal revenue-producing activities and other activities that are not investing or financing activities.
- Investing activities: the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Group companies that are not operating activities.
- Effect of foreign exchange rate changes: effect of foreign exchange rate changes on cash and cash equivalents.

v) Equity

The share capital is represented by ordinary shares.

The costs relating to the issuance of new shares or options, net of taxes, are recognised directly in equity as a reduction of reserves.

Dividends on ordinary shares are recognised as a decrease in equity when approved by the shareholders of the Parent.

w) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the Parent by the weighted average number of ordinary shares outstanding in the year, excluding the number of shares held by the Parent.

Diluted earnings per share are calculated by dividing net profit or loss attributable to ordinary shareholders adjusted by the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current year.

x) Treasury shares

Acquisitions of treasury shares are recognised at acquisition cost, reducing equity until they are sold. The gains and losses obtained on the disposal of treasury shares are recognised in "Consolidated reserves" in the accompanying consolidated statement of financial position.

4. Goodwill

The detail, by cash-generating unit, of the goodwill at the end of 2020 and 2019 is as follows:

Cash-generating unit	Thousands of Euros	
	31/12/2020	31/12/2019
Auto Spain (*)	179,374	172,629
Energy & Industry Northern Europe	83,868	103,035
Energy & Industry North America	65,363	99,400
IDIADA	29,627	60,178
Energy & Industry Seameap	33,707	42,362
Laboratories	134,135	67,917
Auto Finisterre (*)	22,929	22,929
Energy & Industry Latin America	13,893	14,993
Energy & Industry Spain	11,564	11,564
Auto Denmark	6,843	6,843
Auto US (*)	6,141	6,141
Auto Sweden	76,754	-
Other	1,258	1,254
Total goodwill	665,456	609,245

(*) Includes the aggregate business of various concessions and administrative authorisations (see Notes 3.b and 5).

The changes in 2020 and 2019 were as follows:

	Thousands of Euros
Balance at 1 January 2019	591,338
Changes in the scope of consolidation (Note 2.b.e.3.)	16,055
Translation differences	1,852
Balance at 31 December 2019	609,245
Changes in the scope of consolidation (Note 2.b.e.1.)	151,028
Impairment	(84,183)
Other changes	(2,000)
Translation differences	(8,634)
Balance at 31 December 2020	665,456

The main changes in the scope of consolidation in 2020 relate to the acquisition of Iteuve Canarias, S.L., Iteuve Canarias XXI, S.L., Iteuve Canarias Aeropuerto el Matorral, S.L., ZYX Metrology, S.L.U., Reliable Analysis, Inc. Shanghai Reliable Auto Analysis Testing, Ltd., Liuzhou Reliable Auto Analysis Testing, Ltd., Shanghai Reliable Testing Technology, Ltd., Besikta Bilprovning i Sverige Holding AB, Besikta Bilprovning i Sverige AB, ClearCar AB, QPS Evaluation Services, Inc., QPS America, Inc. and QPS Europe, B.V. (see Note 2.b.e.1.1.).

The main changes in the scope of consolidation in 2019 related mainly to the acquisition of Laboratorio de Ensayos Metrológicos, S.L., A2M Industrie SAS, LEM Laboratorios y Asistencia Técnica Limitada and Servicios SEFF, S.A. (see Note 2.b.e.3.1.).

As indicated in Note 2.a.c, the Group re-estimated the recoverable amount of the non-current assets of certain cash-generating units which include the associated goodwill in 2020. Consequently, the Group recognised in June 2020 an impairment loss of EUR 84,183 thousand under "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss in relation to the cash-generating units of IDIADA, Energy & Industry Northern Europe and Energy & Industry North America, amounting to EUR 27,870 thousand, EUR 19,123 thousand and EUR 37,190 thousand, respectively. At 2020 year-end Group management updated the impairment tests for each CGU, which did not give rise to a need to recognise any additional impairment losses. The main assumptions of the impairment tests conducted are detailed in Note 6.

5. Other intangible assets

The changes in 2020 and 2019 in intangible asset accounts and in the related accumulated amortisation and impairment losses were as follows:

	2020 - Thousands of Euros						
	Balance at 1 January 2020	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2020
Cost:							
Administrative concessions	261,578	-	464	(1,234)	4,826	(3,143)	262,491
Patents, licences and trademarks	272,770	32,779	15	-	54	(103)	305,515
Administrative authorisations	267,591	-	356	-	-	(1,216)	266,731
Customer portfolio	171,771	3,800	-	-	-	(2,647)	172,924
Computer software	88,829	11,500	5,359	(4,933)	(2,408)	(2,120)	96,227
Goodwill acquired	18,742	-	-	(230)	-	(857)	17,655
Asset usage rights	72,442	-	-	-	-	-	72,442
Accreditations	-	45,593	-	-	-	-	45,593
Other	50,134	-	4,513	(1,702)	(2,015)	(359)	50,571
Total cost	1,203,857	93,672	10,707	(8,099)	457	(10,445)	1,290,149
Accumulated amortisation:							
Administrative concessions	(174,875)	-	(21,368)	2,935	(4,705)	3,153	(194,860)
Patents, licences and trademarks	(136,009)	(905)	(11,845)	-	-	90	(148,669)
Administrative authorisations	(129,484)	-	(16,647)	-	-	257	(145,874)
Customer portfolio	(102,120)	-	(5,801)	-	-	987	(106,934)
Computer software	(68,931)	(7,682)	(7,166)	2,447	4,538	1,595	(75,199)
Goodwill acquired	(78)	-	-	-	-	-	(78)
Asset usage rights	(46,934)	-	(3,792)	6	-	-	(50,720)
Accreditations	-	-	(870)	-	-	-	(870)
Other	(33,223)	-	(3,459)	53	-	136	(36,493)
Total accumulated amortisation	(691,654)	(8,587)	(70,948)	5,441	(167)	6,218	(759,697)
Total impairment losses	(37,882)	-	(66,911)	-	-	151	(104,642)
Total net value	474,321	85,085	(127,152)	(2,658)	290	(4,076)	425,810

	2019 - Thousands of Euros						
	Balance at 1 January 2019	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2019
Cost:							
Administrative concessions	264,221	-	905	(5,812)	441	1,823	261,578
Patents, licences and trademarks	272,653	59	-	(1)	-	59	272,770
Administrative authorisations	259,910	-	267	-	7,412	2	267,591
Customer portfolio	171,419	-	-	-	-	352	171,771
Computer software	77,089	50	6,573	(1,143)	5,815	445	88,829
Goodwill acquired	17,868	230	-	-	-	644	18,742
Asset usage rights	72,442	-	-	-	-	-	72,442
Other	43,586	-	5,429	(321)	1,301	139	50,134
Total cost	1,179,188	339	13,174	(7,277)	14,969	3,464	1,203,857
Accumulated amortisation:							
Administrative concessions	(156,219)	-	(22,761)	5,099	-	(994)	(174,875)
Patents, licences and trademarks	(123,329)	(59)	(12,568)	1	-	(54)	(136,009)
Administrative authorisations	(112,446)	-	(16,450)	-	(621)	33	(129,484)
Customer portfolio	(94,980)	-	(7,060)	-	-	(80)	(102,120)
Computer software	(63,366)	27	(6,333)	1,136	(63)	(332)	(68,931)
Goodwill acquired	(77)	-	-	-	-	(1)	(78)
Asset usage rights	(42,058)	-	(4,883)	-	-	7	(46,934)
Other	(29,970)	-	(3,216)	-	13	(50)	(33,223)
Total accumulated amortisation	(622,445)	(32)	(73,271)	6,236	(671)	(1,471)	(691,654)
Total impairment losses	(37,882)	-	-	-	-	-	(37,882)
Total net value	518,861	307	(60,097)	(1,041)	14,298	1,993	474,321

Identification and measurement of intangible assets in business combinations

The initial fair value of the intangible assets identified in the different business combinations of Applus Group are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Administrative authorisations	259,910	259,910
Trademarks	286,008	254,622
Administrative concessions	193,510	193,510
Customer portfolio	172,440	171,242
Rights of use	57,516	57,516
Trademark licence agreement	16,939	16,939
Accreditations	45,593	-
Databases	273	273
Total allocation of goodwill to assets	1,032,189	954,012

In 2020, the amortisation charge associated with these revalued assets recognised in the accompanying consolidated statement of profit or loss amounted to EUR 58,394 thousand (2019: EUR 59,078 thousand).

The most significant assumptions used to measure at fair value the assets identified in the business combinations were as follows:

- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows from that asset over the useful life assigned to the related contract, was used to calculate the fair value of administrative authorisations.
- The royalty relief method, whereby the value of the asset is the present value of future royalty income from the use of the trademarks by the licensees, was used to calculate the value of the trademarks and trademark licence agreements.
- In order to measure the fair value of the certifications and awards, the Income Approach, and more specifically the Multi-Period Excess Earnings method, was considered, and the economic benefits attributable to these intangible assets were projected over their years of estimated useful life.
- The income approach and specifically the multi-period excess earnings method, taking into account the useful lives of the customers and the discounted revenue they account for was used to calculate the value of the customer portfolios.
- The income approach and specifically the multi-period excess earnings method, whereby the value of the asset is the present value of the projected flows over the useful life assigned to the related contract, was used to calculate the fair value of administrative concessions and rights of use. The possibility of contract renewals for cash-generating units with finite lives was not considered.

The main intangible assets are as follows:

- Administrative authorisations and concessions:

The administrative authorisations relate to vehicle roadworthiness testing services, managed solely by the Group, in Spain (Catalonia) and Finland. In the case of Catalonia the cost of the authorisation is depreciated over its useful life until 2035 (see Note 27.b). In the case of Finland, although the administrative authorisation has an indefinite useful life, it is estimated that the economic value of this authorisation will be recovered in ten years and, therefore, it is being amortised over this period, until 2020.

Administrative concessions includes mainly the operating rights for vehicle roadworthiness testing facilities for a specified period of time. At 31 December 2020 the Applus Group was managing various administrative concessions relating to vehicle roadworthiness testing services, mainly in the US, Spain (Alicante, Aragon, Galicia and the Basque Country), Ireland, Argentina, Chile, Ecuador, Uruguay and Costa Rica. These administrative concessions, which are amortised on the basis of their useful life, expire on various dates until 2030.

Each concession or authorisation is granted through tender specifications or a regulatory agreement. A tender specification or agreement is commonly used for each Autonomous Community in the case of Spain, or at state level in the case of the US.

For the specific case of the CGUs of Auto Spain and Auto US, even though intangible assets classified, on an individual basis, as concessions and administrative authorisations subject to impairment tests measured individually (based on Autonomous Community in Spain, and on states in the United States, respectively), the business synergies relating to the different concessions and authorisations in both countries are also taken into account. In this regard, the goodwill is allocated to the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows from other assets since, in the Applus+ Automotive segment, geographical location is taken into account as the main factor for determining CGUs, since geographical areas involve the same applicable legislation and regulations in a regulated industry, a common currency and macroeconomic variables that are closely linked to the capacity to generate economic flows and, therefore, to growth capacity. In addition, all of the authorisations and concessions managed in the various countries are unified under one single management. The purpose of this unified management is, inter alia, to manage the various risks and relationships with regulators more efficiently and in a more coordinated manner.

- Patents, licences and trademarks:

"Patents, licences and trademarks" includes the Applus, RTD, Velosi and Besikta trademarks. The four trademarks are considered to have a finite useful life. The first two are being amortised over 25 years while the Velosi trademark is being amortised over 10 years and the Besikta trademark over 20 years. The Velosi trademark licence agreement is also being amortised over 10 years.

- Customer portfolio:

The customer portfolio relates to the value of the various contracts entered into by the various Group companies or to customer relationships whose useful life is defined based on historical statistical evidence of the average relationship length. For the purposes of valuation, the probability of renewal and contract term were taken into account. The contracts are being amortised over the estimated useful life between 5 and 25 years.

- Certifications and awards:

The certifications relate to the acquiree QPS Evaluation Services, Inc. and were granted by various US, Canadian and European public institutions for the purpose of performing trials in accordance with the pertinent standards. They are amortised over a period of ten years, based on the years of estimated useful life of the certifications. The awards relate to the Reliable Analysis, Inc. business that was acquired and were granted by various car manufacturers to a small group of companies authorised to test the quality of the components of the suppliers of those manufacturers. They are amortised over the estimated useful life of these intangible assets (from 8 to 10 years).

- Asset usage rights:

These include mainly the carrying amounts of the usage rights transferred by Laboratori General d'Assaig i Investigació (now the Catalonia Autonomous Community Government) on the incorporation of LGAI Technological Center, S.A. and the carrying amount of the assets assigned by Institut d'Investigació Aplicada de l'Automòbil (now "Empresa de Promoció i Localització Industrial de Catalunya (AVANÇSA)") to IDIADA Automotive Technology, S.A., relating basically to machinery and other fixtures. These usage rights are amortised considering the useful life of the assets and the estimated useful life of the licensing agreements.

Intangible assets by cash-generating unit

The detail, by cash-generating unit, of the intangible assets at year-end 2020 and 2019 are as follows:

	2020 – Thousands of Euros														
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDIADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Auto Sweden	Others	Total
Cost:															
Administrative concessions	92,659	-	-	-	-	-	182	-	17,880	-	-	151,770	-	-	262,491
Patents, licences and trademarks	18,598	89,405	10,217	58,565	28,210	12,306	40,096	8,839	6,358	-	-	-	32,779	142	305,515
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	-	6,821	266,731
Customer portfolio and other	-	41,532	-	27,147	69,549	-	18,822	4,142	-	7,932	-	-	3,800	-	172,924
Computer software	5,095	10,623	301	3,856	3,107	7,737	8,234	5,518	10,421	2,580	2,265	1,218	11,417	23,855	96,227
Goodwill acquired	-	7,907	769	-	3,450	3,513	1,381	265	-	-	370	-	-	-	17,655
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	-	72,442
Accreditations	-	-	-	-	-	-	-	45,593	-	-	-	-	-	-	45,593
Other	545	17,926	1,116	476	180	21,339	4,246	2,533	1,007	-	941	262	-	-	50,571
Total cost	283,606	167,393	106,327	90,044	104,496	81,624	72,964	101,877	35,666	10,512	3,576	153,250	47,996	30,818	1,290,149
Accumulated amortisation:															
Administrative concessions	(76,535)	-	-	-	-	-	(182)	-	(11,909)	-	-	(106,234)	-	-	(194,860)
Patents, licences and trademarks	(9,737)	(39,277)	(4,852)	(42,579)	(14,199)	(7,289)	(21,082)	(4,653)	(3,622)	-	-	-	(1,237)	(142)	(148,669)
Administrative authorisations	(57,030)	-	(87,090)	-	-	-	-	-	-	-	-	-	-	(1,754)	(145,874)
Customer portfolio and other	-	(21,735)	-	(23,277)	(36,950)	-	(18,822)	(2,608)	-	(3,392)	-	-	(150)	-	(106,934)
Computer software	(4,537)	(7,360)	(298)	(3,211)	(926)	(7,093)	(7,463)	(4,608)	(8,305)	(2,257)	(2,072)	(1,081)	(7,877)	(18,111)	(75,199)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	-	(78)
Asset usage rights	(723)	-	-	-	-	(25,553)	(3)	(24,441)	-	-	-	-	-	-	(50,720)
Accreditations	-	-	-	-	-	-	-	(870)	-	-	-	-	-	-	(870)
Other	(545)	(10,997)	(756)	(92)	(129)	(16,812)	(3,829)	(2,326)	(1,007)	-	-	-	-	-	(36,493)
Total accumulated amortisation	(149,107)	(79,369)	(92,996)	(69,159)	(52,204)	(56,747)	(51,452)	(39,513)	(24,843)	(5,649)	(2,072)	(107,315)	(9,264)	(20,007)	(759,697)
Total impairment (Note 6)	(7,051)	(50,128)	(8,115)	-	(33,376)	-	-	-	(5,972)	-	-	-	-	-	(104,642)
Total net value	127,448	37,896	5,216	20,885	18,916	24,877	21,512	62,364	4,851	4,863	1,504	45,935	38,732	10,811	425,810

	2019 – Thousands of Euros													
	Auto Spain	Energy & Industry Northern Europe	Auto Finland	Energy & Industry Seameap	Energy & Industry North America	IDLADA	Energy & Industry Spain	Laboratories	Auto US	Energy & Industry Latin America	Auto Denmark	Auto Finisterre	Others	Total
Cost:														
Administrative concessions	92,659	-	-	-	-	-	182	-	12,735	-	-	156,002	-	261,578
Patents, licences and trademarks	18,598	89,449	10,163	58,565	28,210	12,294	40,096	8,834	6,418	1	-	-	142	272,770
Administrative authorisations	165,986	-	93,924	-	-	-	-	-	-	-	-	-	7,681	267,591
Customer portfolio and other	-	41,532	-	27,147	71,840	-	18,822	4,142	-	8,288	-	-	-	171,771
Computer software	4,754	9,326	295	4,166	2,411	8,041	8,021	5,027	10,524	2,860	2,060	1,176	30,168	88,829
Goodwill acquired	-	8,419	769	-	3,714	3,826	1,381	265	-	-	368	-	-	18,742
Asset usage rights	723	-	-	-	-	36,729	3	34,987	-	-	-	-	-	72,442
Other	545	16,904	852	452	2,763	19,837	4,143	2,493	1,102	-	937	106	-	50,134
Total cost	283,265	165,630	106,003	90,330	108,938	80,727	72,648	55,748	30,779	11,149	3,365	157,284	37,991	1,203,857
Accumulated amortisation:														
Administrative concessions	(73,483)	-	-	-	-	-	(182)	-	(6,761)	-	-	(94,449)	-	(174,875)
Patents, licences and trademarks	(8,994)	(37,973)	(4,500)	(37,649)	(13,635)	(5,951)	(19,487)	(4,300)	(3,377)	(1)	-	-	(142)	(136,009)
Administrative authorisations	(49,766)	-	(78,517)	-	-	-	-	-	-	-	-	-	(1,201)	(129,484)
Customer portfolio and other	-	(20,074)	-	(22,947)	(34,959)	-	(18,822)	(2,332)	-	(2,986)	-	-	-	(102,120)
Computer software	(4,206)	(6,579)	(237)	(3,213)	(1,162)	(6,730)	(7,261)	(4,236)	(7,665)	(2,384)	(2,008)	(1,034)	(22,216)	(68,931)
Goodwill acquired	-	-	-	-	-	-	(71)	(7)	-	-	-	-	-	(78)
Asset usage rights	(723)	-	-	-	-	(22,577)	(3)	(23,631)	-	-	-	-	-	(46,934)
Other	(522)	(9,894)	(645)	(58)	-	(15,188)	(3,636)	(2,178)	(1,102)	-	-	-	-	(33,223)
Total accumulated amortisation	(137,694)	(74,520)	(83,899)	(63,867)	(49,756)	(50,446)	(49,462)	(36,684)	(18,905)	(5,371)	(2,008)	(95,483)	(23,559)	(691,654)
Total impairment (Note 6)	(7,051)	(16,744)	(8,115)	-	-	-	-	-	(5,972)	-	-	-	-	(37,882)
Total net value	138,520	74,366	13,989	26,463	59,182	30,281	23,186	19,064	5,902	5,778	1,357	61,801	14,432	474,321

Impairment of intangible assets

The Group recognised impairment losses on intangible assets relating to trademarks and customer portfolios recognised in the allocation of the prices paid in business combinations performed in prior years amounting to EUR 66,995 thousand. This impact was recognised under "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss.

When recognising these impairment losses, the Directors took into account the current degree of inclusion of the trademarks recognised as intangible assets in prior years within the Applus Group as well as the impairment of certain customer portfolios recognised as intangible assets in prior years.

The main assumptions used in the impairment tests are detailed in Note 6.

Other matters

At 31 December 2020, fully amortised intangible assets in use amounted to EUR 100,137 thousand (31 December 2019: EUR 92,620 thousand). The Group did not have any temporarily idle items at 31 December 2020 or 2019.

At 31 December 2020 and 2019, the Group had no material firm intangible asset purchase commitments.

Certain Group companies have intangible assets that must be handed over to the Government at the end of the related concession terms or at the end of the existing contract, without considering those arisen from the business combination. The detail of the carrying amount of the assets subject to reversion at 31 December 2020 and 2019 is as follows:

	2020 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Technology, S.L.	3	(3)	-
Applus Iteuve Euskadi, S.A.U.	478	(478)	-
LGAI Technological Center, S.A.	14,200	(13,976)	224
Applus Uruguay, S.A.	4,516	(1,412)	3,104
Revisiones Técnicas Applus del Ecuador ApplusIteuve, S.A.	2,304	(340)	1,964
Supervisión y Control, S.A.U.	40,574	(36,569)	4,005
Riteve SyC, S.A.	20,005	(20,005)	-
Total	82,080	(72,783)	9,297

	2019 – Thousands of Euros		
	Gross cost	Accumulated amortisation/ provisions	Net cost
Applus Iteuve Technology, S.L.	3	(3)	-
Applus Iteuve Euskadi, S.A.U.	478	(478)	-
LGAI Technological Center, S.A.	14,200	(13,970)	230
Applus Uruguay, S.A.	5,502	(1,031)	4,471
Supervisión y Control, S.A.U.	40,170	(35,834)	4,336
Riteve SyC, S.A.	24,404	(24,404)	-
Total	84,757	(75,720)	9,037

6. Impairment of assets

The method used by the Group to test impairment makes a distinction between assets/cash-generating units (CGUs) with indefinite and finite lives. Projections with a five-year horizon and a perpetual return from the sixth year onwards are mainly used for businesses with indefinite lives. Projections adjusted to the actual duration of the arrangement are used for assets related to the performance of services or concessions with a finite useful life.

In both cases, the projections are based on reasonable and well-founded assumptions, which were prepared in accordance with the Applus+ Group's business plan on the basis of past experience and of the best estimates available at the date of the related impairment tests based on the evolution of organic revenue and occasionally improvements in margins that management of the Parent projects for the coming years. As a result, the projections and impairment tests do not take into account possible acquisitions or mergers that might occur in the future.

In accordance with IAS 36, the Recoverable Amount of the Group's CGUs was estimated based on the Value in Use.

The Value in Use by CGU has been determined based on the present value of the cash flows that will foreseeably be generated in the future. For this purpose, the discounted free cash flow ("DCF") method was applied based on the projections expressed in the currency in which each CGU operates.

The DCF method discounts the present value of the future free cash flows at a discount rate (weighted average cost of capital or "WACC") which reflects the time value of money and the risks associated with the aforementioned expected cash flows.

Impairment test assumptions

The key assumptions to determine fair value that were used to test for impairment in 2020 and 2019 were as follows:

a) Perpetuity growth rate:

To calculate the terminal value, the value of the CGU must be estimated using the going concern basis of accounting. For this purpose the Group applies the "Gordon-Shapiro" model, which estimates the residual value as a sustainable, perpetual return with a constant growth rate. The growth envisaged in each industry in the geographical area in which the Group operates will foreseeably be very similar to the expected growth rate in that geographical area, given that the industries in which it operates correspond to the base industries that are most representative of each geographical area and which largely determine the area's performance. The data were obtained from the long-term inflation forecasts.

b) Discount rate:

The WACC method was used to calculate the discount rates, based on the following assumptions:

- The time value of money or risk-free rate of each country or geographical area (weighted average of the main countries in which the Group operates in those geographical areas), which is based on the yield of ten-year sovereign bonds in the respective country (or the weighted average of the geographical area).
- The estimated risk premium, considering the estimated betas of comparable companies in the industries and a market risk premium for each country, which are observable variables both after taxes.
- The average financing structures and conditions of comparable companies in the industry.

The detail of the discount rate ("WACC") and of the perpetuity growth rate in 2020 and 2019 by business and geographical area is as follows:

Business	2020		2019	
	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Auto	7.2%-18.6%	1.7%-2.8%	7.5%-16.5 %	1.5%-3,0%
Energy & Industry	8.8%-15.1%	1.8%-3.1%	9.1%-14.8%	1.5%-3.1%
Laboratories	9.9%	1.8%	9.4%	1.7%
IDIADA	11.8%	1.8%	11.3%	1.7%

Country/geographical area	2020		2019	
	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")	Discount rate before tax ("WACC")	Discount rate considered in calculating the terminal value ("g")
Spain	10.9%-11.8%	1.9%	9.4%-11.5 %	1.5%-1.7%
Rest of Europe	7.2%-8.8%	1.7%-1.8%	7.5%-9.5%	1.6%-1.9%
US and Canada	8,5%-9,0%	2.2%	8.4%-10.7%	2.3%
Latin America	15,1%-16,8%	2,8%-3,1%	14.8%-16.5%	3.0%-3.1%

c) Income and expense projections:

Group Executive Committee prepares and updates a Business Plan by geography and line of business. The main components of this plan are projections on operating income and expenses, investments and working capital. The Business Plan includes the 2021 budget approved by the Board of Directors of the Parent company together with the expectations for the following years.

In order to calculate the Recoverable Amount of each asset the present value of its cash flows was determined using the budget for 2021 and the Business Plan for the next years prepared by the Group Executive Committee.

The Business Plan and the projections of future periods were prepared on the basis of past experience and on the best estimates available. Consequently, revenue and margins reflect best estimates available on the expected trends in the industries in which the Applus Group is present.

As indicated in Note 2.a.d, as a consequence of the COVID-19 crisis, in the first half of 2020 the Group experienced a drop in revenue from the rendering of services, as well as interruptions to its business due to temporary shut-downs of activity and, in certain cases, cancellations or postponements of orders by customers, which resulted in a decrease of the earnings.

The Group reviewed the five-year projections for each CGUs based on the best available information and identified the need to recognise an impairment loss for those most exposed to the oil and gas and automotive industries. The negative effect of the situation of the oil and gas market in the revised estimates of the Energy & Industry CGUs, and the stop of activity at world level due to COVID-19 crisis reduced the revenue and profitability projected for the coming years, which resulted in a reduction in the estimated recoverable amount of the CGUs of Energy & Industry North America and Energy & Industry Northern Europe. As a consequence, the Group recognised in 2020 impairment losses of EUR 37,190 thousand and EUR 19,123 thousand, respectively, on the goodwill associated with the two CGUs (see Note 4).

Lastly, when determining the recoverable amount of the IDIADA CGU, the Directors also considered a decrease in envisaged revenue and profitability as a consequence of the decrease in design, engineering, testing and certification services provided to the automotive industry as a result of the mobility restrictions due to the current situation of COVID-19 crisis and the current situation of the automotive industry. As a consequence, the Directors estimated that recovery is uncertain in the term of the agreement within which this division currently operates and which expires in September 2024. As a consequence, the Group recognised in 2020 impairment losses of EUR 27,870 thousand on the goodwill associated with this CGU (see Note 4).

At 2020 year-end Group management updated the impairment tests for each CGU, which did not give rise to a need to recognise any additional impairment losses other than those recognised in 2020. The projections for the next five years take into account the budget for 2021 and the best estimate of cash flows for each business, considering the gradual recovery of activity and the evolution of the pandemic in each business and geographical area.

The Group did not recognise nor reverse any impairment losses in 2019 as result of the impairment tests performed.

Sensitivity analysis

The maximum buffer of the key assumptions (percentage decrease in EBITDA, increase in WACC before tax and changes in the perpetuity growth rate) that would make the carrying amount equal to the recoverable amount, based on the impairment tests performed at the end of 2020, is as follows:

Cash-generating unit	Cash Flows reduction	WACC before taxes	Discount Rate (g)
Auto Spain	24.7%	13.7%	<0%
Auto Finisterre	11.0%	14.9%	<0%
Auto Denmark	67.0%	26.7%	<0%
Auto Finland	77.7%	29.1%	<0%
Auto US	59.0%	41.4%	<0%
Auto Sweden	37.3%	10.0%	<0%
Energy & Industry Northern Europe	10.5%	9.8%	0.2%
Energy & Industry North America	7.5%	9.7%	0.9%
Energy & Industry Seameap	52.7%	26.7%	<0%
Energy & Industry Spain	34.4%	15.2%	<0%
Energy & Industry Latin America	2.1%	15.4%	2.2%
IDIADA	7.0%	16.0%	<0%
Laboratories	29.3%	13.5%	<0%

The Parent's Directors consider that, in view of the existing buffers as compared with the values used in the 2020, tests, a possible future negative impact on the Group's activities would not significantly affect the impairment of the net assets associated with the CGUs.

7. Property, plant and equipment

The changes in 2020 and 2019 in the various property, plant and equipment accounts and in the related accumulated depreciation and provision were as follows:

	2020 – Thousands of Euros						
	Balance at 1 January 2020	Changes in the scope of consolidation	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2020
Cost:							
Land and buildings	162,309	4,363	3,960	(7,437)	(162)	(4,710)	158,323
Plant and machinery	329,408	34,369	16,882	(24,836)	203	(6,183)	349,843
Other fixtures, tools and furniture	82,149	859	3,594	(2,176)	(109)	(997)	83,320
Other items of property, plant and equipment	76,890	600	4,872	(7,157)	(2,923)	(5,678)	66,604
Advances and property, plant and equipment in progress	14,164	138	15,751	(124)	(11,546)	(733)	17,650
Grants	(1,036)	-	8	(791)	-	-	(1,819)
Total cost	663,884	40,329	45,067	(42,521)	(14,537)	(18,301)	673,921
Accumulated depreciation:							
Land and buildings	(70,719)	(724)	(5,913)	3,341	2,545	1,318	(70,152)
Plant and machinery	(233,468)	(22,259)	(23,198)	21,350	8,676	4,244	(244,655)
Other fixtures, tools and furniture	(60,948)	(554)	(3,163)	2,075	691	846	(61,053)
Other items of property, plant and equipment	(67,534)	(414)	(5,717)	6,378	2,335	3,371	(61,581)
Total accumulated depreciation	(432,669)	(23,951)	(37,991)	33,144	14,247	9,779	(437,441)
Total impairment	(4,481)	-	(150)	625	-	104	(3,902)
Total net value	226,734	16,378	6,926	(8,752)	(290)	(8,418)	232,578

	2019 – Thousands of Euros						
	Balance at 1 January 2019	Changes in the scope of consolidation (Note 2.b.e.3)	Additions or charge for the year	Disposals or reductions	Transfers	Changes in exchange rates and other	Balance at 31 December 2019
Cost:							
Land and buildings	170,572	4,635	2,614	(14,438)	(1,182)	108	162,309
Plant and machinery	292,313	3,448	23,345	(2,856)	10,415	2,743	329,408
Other fixtures, tools and furniture	72,479	634	7,096	(686)	2,386	240	82,149
Other items of property, plant and equipment	82,118	3,575	5,537	(21,173)	236	6,597	76,890
Advances and property, plant and equipment in progress	22,158	138	18,945	(234)	(26,941)	98	14,164
Grants	(698)	-	9	(345)	(2)	-	(1,036)
Total cost	638,942	12,430	57,546	(39,732)	(15,088)	9,786	663,884
Accumulated depreciation:							
Land and buildings	(69,935)	(454)	(5,059)	3,415	1,602	(288)	(70,719)
Plant and machinery	(207,940)	(3,148)	(22,070)	2,446	16	(2,772)	(233,468)
Other fixtures, tools and furniture	(58,909)	(141)	(3,066)	1,939	(580)	(191)	(60,948)
Other items of property, plant and equipment	(79,484)	(1,276)	(5,881)	20,275	(248)	(920)	(67,534)
Total accumulated depreciation	(416,268)	(5,019)	(36,076)	28,075	790	(4,171)	(432,669)
Total impairment	(2,100)	-	(1,750)	583	-	(1,214)	(4,481)
Total net value	220,574	7,411	19,720	(11,074)	(14,298)	4,401	226,734

In 2020 the additions are related to the Group's normal course of operations.

The gross value of fully depreciated items of property, plant and equipment in use at 31 December 2020 amounted to EUR 274,167 thousand (31 December 2019: EUR 264,023 thousand). The Group did not have any temporarily idle items at 31 December 2020 or 2019.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

At 31 December 2020 and 2019, the Group did not have any significant firm property, plant and equipment purchase commitments.

No borrowing costs had been capitalised to property, plant and equipment at the end of 2020 and 2019 and no disbursements made or advances granted at 31 December 2020 or 2019.

Certain Group companies have property, plant and equipment items that must be handed over to the Government at the end of the related concession term or at the end of the applicable agreement pursuant to the terms and conditions thereof. The detail of the net cost of the assets subject to reversion at 31 December 2020 and 2019 is as follows:

	2020 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Net Cost
IDIADA Automotive Technology, S.A.	80,748	(48,241)	32,507
Applus Iteuve Technology, S.L.U.	44,720	(41,263)	3,457
Applus Iteuve Euskadi, S.A.U.	2,377	(2,113)	264
Total	127,845	(91,617)	36,228

	2019 - Thousands of Euros		
	Gross cost	Accumulated depreciation/ Impairment	Net Cost
IDIADA Automotive Technology, S.A.	74,488	(39,997)	34,491
Applus Iteuve Technology, S.L.U.	37,670	(35,685)	1,985
Applus Iteuve Euskadi, S.A.U.	2,323	(2,020)	303
Total	114,481	(77,702)	36,779

At 31 December 2020 and 2019, no significant property, plant and equipment were subject to restrictions or pledged as security for liabilities.

8. Non-current financial assets

The changes in the various non-current financial asset accounts in 2020 and 2019 have been as follows:

	2020 – Thousands of Euros				
	Balance at 1 January 2020	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2020
Non-current receivables	20,398	1,842	(673)	(1,649)	19,918
Deposits and guarantees	9,605	2,381	(1,761)	(654)	9,571
Impairment	(3)	(14,967)	-	451	(14,519)
Total	30,000	(10,744)	(2,434)	(1,852)	14,970

	2019 – Thousands of Euros				
	Balance at 1 January 2019	Additions or charge for the year	Disposals, transfers or dividend distribution	Change in exchange rate	Balance at 31 December 2019
Non-current receivables	18,768	2,309	(1,338)	659	20,398
Deposits and guarantees	9,352	1,301	(1,092)	44	9,605
Impairment	(600)	-	597	-	(3)
Total	27,520	3,610	(1,833)	703	30,000

The aforementioned financial assets are measured at amortised cost as indicated in Note 3.e.

In 2020, the Group re-estimated the recoverable value of the credits granted to third parties and registered an impairment amounting to EUR 13,577 thousand under "Impairment and gains or losses on disposals of non-current assets" in the accompanying consolidated statement of profit or loss.

Deposits and guarantees

At 31 December 2020, "Deposits and Guarantees" included EUR 6.1 million (2019: EUR 5.1 million) relating to restricted cash deposits to secure certain contracts entered into.

9. Inventories

The detail of the Group's inventories at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Goods held for resale	8,454	8,040
Raw materials and other supplies	460	454
Total inventories	8,914	8,494

These inventories relate mainly to X-Ray material used in non-destructive testing by the Energy & Industry division, reagents, fungibles and chemical compounds used in laboratory or field tests by the Laboratories division and spare parts and items used at the vehicle roadworthiness testing centres of the Automotive division.

The Group estimates that the inventories will be realised in less than twelve months.

The Group does not recognise any inventory write-downs since inventories are derecognised when they are defective or obsolete.

10. Trade receivables for sales and services, trade receivables from related companies and other receivables

The detail of these current asset headings in the accompanying consolidated statement of financial position as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Trade receivables for sales and services	248,676	302,038
Work in progress	95,721	110,510
Provision for doubtful debts	(23,027)	(24,833)
Trade receivables for sales and services	321,370	387,715
Trade receivables from related companies (Note 28)	253	233
Other receivables	14,825	18,005
Other accounts receivable from public authorities	4,679	7,328
Total trade and other receivables	341,127	413,281

The Group's average collection period for services rendered was 51 days in 2020 (2019: 56 days).

The Group does not charge interest on receivables maturing within one year. The fair value and the nominal value of these assets do not differ significantly.

The detail of the age of the debt under "Trade receivables for sales and services" is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Not due	170,122	188,869
0-30 days	31,089	41,947
31-90 days	17,002	30,203
91-180 days	8,303	12,696
181-360 days	7,310	11,469
More than 360 days	14,850	16,854
Total trade receivables for sales and services	248,676	302,038
Provision for doubtful debts	(23,027)	(24,833)
Total trade receivables for sales and services, net	225,649	277,205

As indicated in Note 3.q in relation to the recognition of revenue from contracts with customers (IFRS 15), for contracts in which performance obligations are measured over time, the difference between the revenue recognised for services rendered and the amounts actually billed to the customer is analysed systematically on a contract-by-contract basis. If the amount billed is lower than the revenue recognised, the difference is recognised as an asset under "Trade receivables for sales and services - Amounts to be billed for projects in progress" for amounts which the Parent's Directors consider are reasonably certain to be ultimately billed, whereas if the amount of revenue recognised is lower than the amount billed, a liability is recognised under "Current trade and other payables - Amounts billed in advance by work in progress" (see Note 19). In 2020 there were no significant changes in the aforementioned line items as a result of business combinations or significant adjustments to the measurement of the stage of completion, transaction prices or the contracts that would have a significant impact on the revenue recognised in the year.

Credit risk

The Group's main financial assets are cash and cash equivalents, trade and other receivables and investments, which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The Group's credit risk is therefore mainly attributable to its trade receivables. The amounts presented in the consolidated statement of financial position are net of allowances for doubtful debts, estimated by Group Executive Committee based on prior experience and its assessment of the current economic environment.

The Group does not have a significant concentration of credit risk, with exposure spread over a large number of customers, divisions, markets and geographical areas.

However, the Group's Finance Management considers credit risk to be key to day-to-day management of the business and focuses its efforts on controlling and supervising receivables and doubtful debts.

The Group has established a customer acceptance policy based on the periodic evaluation of liquidity and solvency risks and the establishment of credit limits for its debtors. The Group also periodically analyses the age of its trade receivables in order to cover possible bad debts.

The changes in "Allowance for Doubtful Debts", in accordance with the expected credit loss model, in 2020 and 2019 were as follows:

	Thousands of Euros
Balance at 1 January 2019	27,573
Additions	10,692
Amounts used	(5,992)
Disposals	(7,666)
Effect of exchange rate changes	226
Balance at 31 December 2019	24,833
Additions	7,542
Amounts used	(2,298)
Disposals	(5,040)
Effect of exchange rate changes	(2,010)
Balance at 31 December 2020	23,027

The Group re-estimated its operating provisions and allowances taking into account the existing risks arising from the COVID-19 situation, and there were no significant changes to the recoverable amount of the accounts receivable or to the related credit losses.

11. Current financial assets, cash and cash equivalents

Current financial assets

At 31 December 2020 the amount included as short-term deposits and guarantees amounting to EUR 1,769 thousand (31 December 2019: EUR 1,902 thousand) and other financial assets of EUR 829 thousand (31 December 2019: EUR 10,007 thousand), whose conversion to cash is expected to be within 12 months.

In 2019 the Group provided a deposit of EUR 8,572 thousand in relation to the purchase agreement of the company Iteuve Canarias, S.L. Such acquisition was accomplished in February 2020 after the approval from the Spanish National Markets and Competition Commission (CNMC) (see Note 2.e.1.1.).

Cash and cash equivalents

At 31 December 2020 and 2019, the amount classified as "Cash and Cash Equivalents" in the accompanying consolidated statement of financial position related in full to cash, and to financial assets readily convertible into known amounts of cash subject to an insignificant risk of change in value and maturity less than 3 months.

The aforementioned financial assets are measured at amortised cost as indicated in Note 3.e.

12. Equity

a) Share capital

At 31 December 2016, the Parent's share capital was represented by 130,016,755 fully subscribed and paid-up common shares of EUR 0.10 par value each.

On 28 September 2017, the Parent's share capital was increased by EUR 1,300 thousand through the creation of 13,001,675 new shares of EUR 0.10 par value each and with a share premium of EUR 135,866 thousand at EUR 10.45 per share. The capital increase was carried out by means of monetary contributions for the full amount which totalled EUR 137,166 thousand.

The expenses incurred in relation to the capital increase carried out in 2017 amounted to EUR 1,717 thousand, net of the tax effect, and were recognised with a charge to reserves.

Therefore, at 31 December 2020 and 2019, the Parent's share capital is represented by 143,018,430 fully subscribed and paid-up common shares of EUR 0.10 par value each.

As per the notifications submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct or indirect interests in the share capital of the Parent representing more than 3% of the total share capital as of 31 December 2020, were as follows:

	% share
River & Mercantile Group P.L.C	5.05%
Norges Bank	4.99%
Southeastern Asset Management Inc.	3.33%
Threadneedle Asset Management Limited	3.09%
Invesco Ltd.	3.06%

The Parent's Directors are not aware of any other ownership interests of 3% or more of the share capital or voting rights of the Parents, or of any lower ownership interests that might permit the holder to exercise a significant influence over the Parent.

b) Reserves and share premium

Under the Spanish Companies Act, 10% of net profit for each year must be allocated to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount, except for that, and until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

At the end of 2020 the balance of this reserve amounts to EUR 2,860 thousand and it had reached the legally required minimum (same amount at the end of 2019).

At 31 December 2020 and 2019, the share premium reserves amounted to EUR 449,391 thousand and it is fully available.

The Spanish Companies Act allows to use the share premium reserves balance to increase capital and it does not establish specific restrictions about the availability of that balance.

c) Treasury shares

At 31 December 2020, the Group held a total of 317,809 treasury shares at an average cost of EUR 8.38 per share. The value of these treasury shares totalled EUR 2,664 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2020 (see Note 3.x).

At 31 December 2019, the Group held a total of 343,849 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 4,102 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at December 2019 (see Note 3.x).

In February and March 2020 the Group delivered to the Executive Directors, Senior Executives and certain executives a total of 226,040 shares, in accordance with the new incentive plan granted (see Note 29).

d) Profit per share

The profit per share is calculated on the basis of the profit attributable to the shareholders of the Parent divided by the average number of ordinary shares outstanding in the year.

At 31 December 2020 and 2019 the profit per share is as follows:

	2020	2019
Number of shares at year end	143,018,430	143,018,430
Average number of shares during the year	143,018,430	143,018,430
Net consolidated profit attributable to the Parent (thousands of euros)	(158,239)	55,650
Number of treasury shares	317,809	343,849
Number of shares in circulation	142,700,621	142,674,581
Total number of shares	143,018,430	143,018,430
Profit per share (in euros per share)		
- Basic	(1.11)	0.39
- Diluted	(1.11)	0.39

There are no financial instruments that could dilute significantly the profit per share.

e) Foreign currency translation reserve

The detail of "Foreign currency translation reserve" in the consolidated statement of financial position as at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Applus+ Energy & Industry	(21,349)	(6,869)
Applus+ Laboratories	(1,993)	233
Applus+ Automotive	(55,635)	(41,530)
Applus+ IDIADA	(754)	115
Other	120	4,616
Total	(79,611)	(43,435)

f) Capital risk management

The Group manages its capital to ensure that its subsidiaries can continue operating in accordance with the going-concern principle of accounting. The Group is also committed to maintain leverage levels that are consistent with its growth, solvency and profitability objectives.

The data relating to the financial leverage ratios at the end of 2020 and 2019 are as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Bank borrowings (Note 14)	719,387	605,087
Other financial liabilities (Note 15)	22,469	25,993
Current financial assets (Note 11)	(2,598)	(11,909)
Cash and cash equivalents (Note 11)	(189,468)	(145,160)
Net financial debt	549,790	474,011
Total equity attributable to the shareholders of the Parent	585,238	775,928
Leverage (Net financial debt / Net debt + Equity attributable to the shareholders of the Parent)	48%	38%

13. Non-controlling interests

"Non-controlling interests" in the accompanying consolidated statement of financial position reflects the equity of the non-controlling shareholders in the consolidated companies. Also, the balance of "Profit Attributable to Non-Controlling Interests" in the accompanying consolidated statement of profit or loss reflects the share of these non-controlling interests in the consolidated profit or loss for the year.

The detail of the non-controlling interests of the fully consolidated companies in which ownership is shared with third parties in 2020 and 2019 is as follows:

	2020 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	15,691	1,100	16,791
IDIADA Automotive Technology, S.A. subgroup	9,738	356	10,094
Arctosa Holding B.V. subgroup	(156)	(235)	(391)
Velosi S.à r.l subgroup	7,125	3,684	10,809
Applus Iteuve Technology, S.L.U. subgroup	(914)	12,246	11,332
Total non-controlling interests	31,484	17,151	48,635

	2019 - Thousands of Euros		
	Share capital and reserves	Profit (Loss)	Total
LGAI Technological Center, S.A. subgroup	14,159	2,166	16,325
IDIADA Automotive Technology, S.A. subgroup	9,126	4,273	13,399
Arctosa Holding B.V. subgroup	1	(169)	(168)
Velosi S.à r.l subgroup	6,998	5,201	12,199
Applus Iteuve Technology, S.L.U. subgroup	(2,636)	9,408	6,772
Total non-controlling interests	27,648	20,879	48,527

The changes in "Non-Controlling Interests" in 2020 and 2019 are summarised as follows:

	Thousands of Euros	
	2020	2019
Beginning balance	48,527	54,682
Changes in the scope of consolidation (Note 2.b.e.)	(2,070)	(1,252)
Dividends	(13,678)	(25,518)
Translation differences	(1,393)	285
Other changes	98	(549)
Profit for the year	17,151	20,879
Ending balance	48,635	48,527

14. Obligations and bank borrowings

The detail, by maturity, of the obligations and bank borrowings in the accompanying consolidated statement of financial position at 31 December 2020 and 2019 are as follows:

	2020 - Thousands of Euros						
	Limit	Short Term Drawn	Long Term Drawn				Total
			2022	2023	2024	2025 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	225,869	225,869
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Bilateral facilities	50,000	20,000	20,000	10,000	-	-	50,000
Accrued interests	-	2,959	-	-	-	-	2,959
Debt Arrangement fees	-	(973)	(973)	(539)	(131)	(170)	(2,786)
Other loans	-	638	292	145	22	264	1,361
Credit facilities	186,848	7,159	-	-	-	-	7,159
Obligations under finance leases	-	2,994	1,029	465	311	26	4,825
Total	1,066,848	32,777	20,348	10,071	202	655,989	719,387

	2019 - Thousands of Euros						
	Limit	Short Term Drawn	Long Term Drawn				Total
			2021	2022	2023	2024 onwards	
Facility A "Term Loan"	200,000	-	-	-	-	200,000	200,000
Facility B "Revolving Credit Facility"	400,000	-	-	-	-	115,000	115,000
US Private Placement lenders	230,000	-	-	-	-	230,000	230,000
Accrued interests	-	2,808	-	-	-	-	2,808
Debt Arrangement fees	-	(976)	(973)	(973)	(539)	(301)	(3,762)
Other loans	-	461	243	216	211	76	1,207
Credit facilities	146,067	54,397	-	-	-	-	54,397
Obligations under finance leases	-	2,503	1,438	842	534	120	5,437
Total	976,067	59,193	708	85	206	544,895	605,087

The consolidated Group's debt structure is composed of a portion of bank borrowings with a syndicate of nine banks and a placement of private debt with US institutional investors. The bank borrowings consist of a multi-currency syndicated loan of EUR 600 million, which comprises of a Facility A "Term Loan" of EUR 200 million and a Facility B "Revolving Credit Facility" of EUR 400 million. The total amount of the private debt is EUR 230 million.

On 16 April 2020, the Applus Group entered a new bilateral facilities agreement with a bank. The total loan amounts to EUR 50 million maturing on April 2023. The loan bears a market interest.

On 16 April 2020, the Applus Group entered a new credit line with CaixaBank limited to EUR 100 million maturing in 2021. This credit line has not been disposed.

The Group had liquidity of EUR 546 million at 31 December 2020, taking into account cash and cash equivalents reflected in the accompanying consolidated statement of financial position and the undrawn balances of the financing lines detailed previously (2019 year-end: EUR 526 million).

a) Syndicated loan and private placement debt

The syndicated loan bears interest at Euribor for tranches in euros and at Libor for tranches in foreign currency (CAD 72 million drawn down at 2020 year-end) plus a spread based on a leverage grid for each Facility.

All the tranches had an initial single maturity at 27 June 2023, which may be extended for a total of two additional years at the end of the first and second years. On 27 June 2019 all tranches were extended to 27 June 2024 and, on 16 June 2020, they were extended to 27 June 2025.

The private placement debt was placed from two US institutional investors. The structure includes a tranche of EUR 150 million maturing on 27 June 2025 and a tranche of EUR 80 million maturing on 27 June 2028.

The detail of syndicated loan and the private placement debt in 2020 and 2019 is as follows:

2020

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2025
Facility B "Revolving Credit Facility"	400,000	225,869	27/06/2025
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	2,772	
Debt arrangement expenses	-	(2,786)	
Total	830,000	655,855	

2019

Tranche	Thousands of Euros		Maturity
	Limit	Amount drawn + interest added to principal	
Facility A "Term Loan"	200,000	200,000	27/06/2024
Facility B "Revolving Credit Facility"	400,000	115,000	27/06/2024
US Private Placement lenders - 7 years	150,000	150,000	27/06/2025
US Private Placement lenders - 10 years	80,000	80,000	27/06/2028
Accrued Interests	-	2,808	
Debt arrangement expenses	-	(3,762)	
Total	830,000	544,046	

a.1) Obligations and restrictions relating to the syndicated loan and private debt

Both the syndicated loan and the private placement debt are subject to the achievement of certain financial ratios. The main one is defined as consolidated net debt to consolidated EBITDA of the last twelve months lower than 4.0x, tested every six months at 30 June and 31 December.

In 2020 the Group obtained approval from the banks and institutional investors for an increase in the limit of the aforementioned ratio, for the periods ending 31 December 2020 and 30 June 2021, subject to certain terms and conditions.

At 31 December 2020, the ratio, calculated on the basis of the contractually established definitions of net consolidated debt and consolidated EBITDA, was 3.0x.

In accordance with the newly established terms and conditions, the Parent's Directors expect the financial leverage ratio covenant to be met in the following years.

The Group also has to fulfil certain obligations under the syndicated loan and the private placement agreement which relate mainly to disclosure requirements concerning its consolidated financial statements and negative undertakings to not perform certain transactions without the lender's and investor's consent, such as certain mergers or changes of business activity (see Note 27.a).

a.2) Guarantees given:

None of Applus Group subsidiaries have their shares or other assets pledged to secure the financial debt.

b) Credit facilities and other loans

The interest rates on the credit facilities and loans are tied to Euribor and Libor, plus a market spread.

The Group entered into a non-recourse factoring agreement to sell outstanding receivables from customers for up to a maximum of EUR 25 million bearing interest at the market rate, of which EUR 6,441 thousand had been used at 2020 year-end (2019 year-end: EUR 11,590 thousand).

c) Disclosure for currency of obligations and bank borrowings

The detail of the main current and non-current obligations and bank borrowings at 31 December 2020 and 2019, by currency, is as follows:

	2020 - Thousands of Euros						
	Euro	US dollar	Canadian dollar	Malaysian ringgit	Chilean peso	Others	Total
Syndicated loan	379,986	-	45,869	-	-	-	425,855
US Private Placement	230,000	-	-	-	-	-	230,000
Bilateral facilities	50,187	-	-	-	-	-	50,187
Other loans	753	-	-	-	416	192	1,361
Credit facilities	3,680	3,061	-	145	-	273	7,159
Finance leases	32	4,456	-	-	290	47	4,825
Total	664,638	7,517	45,869	145	706	512	719,387

	2019 - Thousands of Euros						
	Euro	US dollar	Pound sterling	Malaysian ringgit	Colombian peso	Others	Total
Syndicated loan	314,046	-	-	-	-	-	314,046
US Private Placement	230,000	-	-	-	-	-	230,000
Other loans	935	-	-	-	-	272	1,207
Credit facilities	51,547	68	8	765	1,967	42	54,397
Finance leases	57	5,108	100	-	-	172	5,437
Total	596,585	5,176	108	765	1,967	486	605,087

15. Others non-current financial liabilities

The detail at 31 December 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Payable due to reversion	19,074	18,999
Other non-current financial liabilities	3,395	6,994
Total other non-current financial liabilities	22,469	25,993

"Payable due to reversion" for 2020 and 2019 essentially includes the provisions for the guarantees covering the reversion of land on which certain vehicle roadworthiness testing centres (see Note 27.b). The payment period relating to these guarantees will not be known until the process described in Note 27.b has been completed.

"Other financial liabilities" includes mainly various loans with favourable terms and conditions that the subsidiaries have been granted by various public bodies. These loans mature between 2022 and 2027.

16. Financial risks and derivative financial instruments

Financial risk management policy

The main purpose of the Group's financial risk management activity is to assure the availability of funds for the timely fulfilment of financial obligations and to protect the value in euros of the Group's economic flows and assets and liabilities.

This management activity is based on the identification of risks, the determination of tolerance to each risk, the analysis of the suitability of the hedging of financial risks, and the control of the hedging relationships established.

The Group's Policy consists on hedging all significant and intolerable risk exposures as long as there are adequate instruments for this purpose and the hedging cost is reasonable.

The Group's financial risks are managed on a single and integrated basis, which enables it to identify the existence of natural hedges between and within the various lines of business and to thus optimise the arrangement of hedges in markets. All external hedges, including those relating to subsidiaries and those arranged on their behalf, must be authorised and arranged on a centralised basis at Group level.

Following is a description of the main financial risks to which the Group is exposed and the practices established:

a) Foreign currency risk

Group Executive Committee, based on activity in countries outside the eurozone, monitors the changes in the various currencies in which it operates and assesses the foreign currency risk that could affect its financial statements. Normally, the operations in each of the countries where the Group operates, both income and expenses are in local currency so foreign currency risk only impacts Equity.

To manage foreign currency risk, the Group takes the following measures:

- If the financial market of the country in which the investment is made allows for adequate financing to be obtained in terms of timing and cost, hedging is naturally obtained through financing taken in the same currency as that of the investment.
- If the above is not possible, the Group determines asset and liability sensitivity to exchange rate fluctuations on the basis of the extent and severity (volatility) of the risk exposure.

In relation to foreign currency risk, the estimated sensitivity in the Group's consolidated statements of profit or loss for 2020 and 2019 to a change of +/-5% in the exchange rates against the euro of the main currency in which the Group operates, US dollar, would entail approximately a +/-1% variation of the Group's revenues.

b) Interest rate risk

Interest rate risk relates to the effect on profit or loss of rises in interest rates that increase borrowing costs. Exposure to this risk is mitigated by the natural hedging offered by businesses in which inflation and/or interest rates are factors which are part of the periodical tariff and price revision process. The other exposure is assessed periodically and, taking into consideration the projected interest rate fluctuations in the main borrowing currencies, the desirable fixed-rate protection levels and periods are determined. The structure thus established is achieved by means of new financing and/or the use of interest rate derivatives.

Net debt at floating rates is generally tied to Euribor for the debt in euros and to Libor for the debt in US dollars.

As part of the debt refinancing process, a private debt placement was taken at a fixed rate of interest. Private Placement Debt represented 32% of total drawn debt at 31 December 2020 (2019: 42% of total drawn debt).

The detail of the average interest rate and of the average financial debt drawn is as follows:

	2020	2019
Average interest rate	1.59%	1.97%
Average financial debt drawn (thousands of euros)	727,496	606,055

On the basis of the financial debt drawn, the impact on borrowing costs of a change of half a point in the average interest rate would be as follows:

	2020		2019	
Change in interest rate	+0.50%	-0.50%	+0.50%	-0.50%
Change in borrowing costs (thousands of euros)	2,487	(2,487)	1,880	(1,880)

c) Liquidity risk

Liquidity risk relates to the possibility of adverse situations in the capital markets preventing the Group from financing, at reasonable market prices, its obligations relating to both non-current financial assets and working capital requirements, or of the Group being unable to implement its business plans using stable financing sources.

The Group takes various preventative measures to manage liquidity risk:

- The capital structure of each company is established taking into account the degree of volatility of the cash generated by it.
- Debt repayment periods and schedules are established on the basis of the nature of the needs being financed.
- The Group diversifies its sources of financing through continued access to financing and capital markets.
- The Group secures committed credit facilities for sufficient amounts and with sufficient flexibility.

Hedging instruments arranged

At the end of 2020 and 2019, the Group does not have any hedging instruments arranged.

17. Non-current provisions

The detail of "Non-Current Provisions" in 2020 and 2019 year end is as follows (in thousands of euros):

	31/12/2020	31/12/2019
Long-term employee obligations	13,310	12,999
Other provisions	12,263	13,901
Non-Current provisions	25,573	26,900

The changes in "Non-Current Provisions" in 2020 and 2019 are as follows:

	Thousands of Euros
Balance at 1 January 2019	23,364
Changes in the scope of consolidation (Note 2.b.e)	(32)
Additions	5,421
Amounts used	(2,034)
Effect of exchange rate changes	181
Balance at 31 December 2019	26,900
Changes in the scope of consolidation (Note 2.b.e)	3,798
Additions	5,397
Amounts used	(9,760)
Effect of exchange rate changes	(762)
Balance at 31 December 2020	25,573

The recognised provisions constitute a fair and reasonable estimate of the effect on the Group's equity that could arise from the resolution of the lawsuits, claims or potential obligations that they cover. They were quantified by the Group Executive Committee and Committee of the subsidiaries, with the assistance of their advisers, considering the specific circumstances to each case.

a) *Long-term employee obligations:*

In 2020, long term employee obligations contain, mainly, benefits to certain employees of the Energy & Industry Seameap cash-generating unit amounting to EUR 9,060 thousand (2019: EUR 8,749 thousand) and to employees of the Energy & Industry Northern Europe cash-generating unit amounting to EUR 1,345 thousand (2019: EUR 1,553 thousand) and to certain staff of the Finisterre cash-generating unit amounting to EUR 2,698 thousand (2019: EUR 2,526 thousand).

The benefits of the Energy & Industry Northern Europe CGU relate, mainly, to the companies located in the Netherlands. These plans include the provision to pay one monthly salary payment to current employees upon completing 25 years of service and two monthly salaries payments upon completing 40 years of service.

The benefits of the Energy & Industry Seameap CGU relate, mainly, to benefits that employees from companies located in the Middle East and Italy receive at the end of their employment in Applus Group.

The benefits of the Finisterre CGU relate to benefits that the employees from companies mainly located in Spain receive at the end of their service at Applus Group.

b) Other provisions:

Other provisions mainly contain:

	Thousands of Euros	
	31/12/2020	31/12/2019
Tax risks	1,413	3,318
Legal contingencies	2,455	2,455
Other provisions	8,395	8,128
Total	12,263	13,901

The tax contingencies covered by provisions are described in Note 20.f. since, at 31 December 2020 no changes had occurred in the estimates made by management, these provisions were not re-estimated, and neither were they re-estimated as a result of the adoption of IFRIC 23.

Legal contingencies balance has not changed significantly during last years.

18. Other non-current and current liabilities

The detail of "Other non-current liabilities" and "Other current liabilities" in 2020 and 2019 is as follows (in thousands of euros):

	31/12/2020	31/12/2019
Variable price of the acquisition of ownership interest payable at long term	20,667	18,863
Other non-current liabilities	16,728	10,614
Other non-current liabilities	37,395	29,477
Variable price of the acquisition of ownership interest payable at short term	559	1,124
Other current liabilities	5,748	5,564
Other current liabilities	6,307	6,688
Total other liabilities	43,702	36,165

"Variable price of the acquisition of ownership interest payable" includes the amounts payable for business combinations performed in 2020 and prior years in relation to contingency payouts and variable payouts (earn outs), which the Parent's Directors consider will comply with the related payment terms and conditions and should therefore be paid. The increases recognised under "Variable price of the acquisition of ownership interest payable at long term" are due mainly to the business combinations described in Note 2.b.e.1. The aforementioned amounts are classified as current and non-current in accordance with the date scheduled for their payment.

In relation to the acquisition of 80% of Inversiones Finisterre, S.L., performed in 2017, there is an agreement where a call and put options are granted for the potential acquisition of the remaining 20% of the Finisterre Group from July 2022, subject to the occurrence of certain events. The Applus Group has recognised a liability for the present value of the estimated amount of this option of EUR 14.8 million (2019: EUR 14.8 million) in "Variable price of the acquisition of ownership interest payable at long term", in accordance with IAS 32.23.

"Other current liabilities" and "Other non-current liabilities" include mainly other financial payables not related to bank borrowings.

19. Trade and other payables

The detail of trade and other payables in 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Trade and other payables	211,270	186,571
Trade and other payables with related companies (Note 28.b)	-	3
Remuneration payable	71,445	68,883
Tax payable	82,431	74,585
Total	365,146	330,042

The difference between the reasonable and nominal value does not differ significantly.

The Group's average payment period in 2020 was 64 days (2019: 60 days).

"Remuneration payable" mainly relates to ordinary remuneration payable which includes the annual bonus and other remunerations payable such as extra-pay and holidays accruals.

In "Tax payable" the Group recognised the amounts payable of value added taxes, social security taxes and personal income tax withholdings (or equivalent taxes in each country).

Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.

The Group companies with tax residence in Spain adapted their payment periods in line with Additional Provision Three "Disclosure Obligation" of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December). Detailed below are the disclosures required by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 to be included in notes to the financial statements in relation to average payment periods to suppliers in commercial transactions.

	2020	2019
	Days	
Average payment period to suppliers	64	60
Ratio of transactions settled	66	61
Ratio of transactions not yet settled	52	52
	Thousands of Euros	
Total payments made	143,740	170,835
Total payments outstanding	20,547	19,320

The data shown in the table above relates exclusively to the Spanish companies. The data referred to payments to suppliers relate, pursuant to the ICAC Resolution, to commercial transactions relating to goods supplied and services provided since the entry into force of Law 31/2014, of 3 December 2014.

Suppliers, solely for the purpose of disclosing the information provided for in this resolution, are considered to be trade creditors for the supply of goods and services and are included under "Current liabilities - Trade and other payables" in the accompanying consolidated statement of financial position.

"Average payment period to suppliers" is understood to be the period between the supply of the goods or the provision of the services on the supplier's account and the effective payment of the transaction.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, is 30 days. This period may be extended by an agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2019).

However, most of the payments outstanding by the Spanish consolidated companies at year end has been paid during the first two months of the year 2021.

20. Corporate income tax

20.a Corporate income tax expense recognised in the consolidated statement of profit or loss

The detail of the corporate income tax expense recognised in 2020 and 2019 is as follows (in thousands of euros):

	2020	2019
Current tax:		
For the year	26,874	38,236
	26,874	38,236
Deferred tax:		
For the year	(26,181)	(5,224)
Impact of Royal Decree-Law 3/2016	(1,864)	(2,636)
	(28,045)	(7,860)
Corporate Income tax expense/(benefit)	(1,171)	30,376

The detail of the changes in deferred taxes, recognised as corporate income tax expense/(benefit) in the consolidated statement of profit or loss in 2020 and 2019, is as follows (in thousands of euros):

	2020	2019
Tax credits for tax loss carry forwards	2,310	9,880
Withholding taxes and other unused tax credits	1,654	(263)
Temporary differences:		
Amortisation of intangible assets	(30,559)	(13,358)
Finance costs - Spanish companies	-	106
Impact of Royal Decree-Law 3/2016	(1,864)	(2,636)
IFRS 16 impact	-	210
Others	414	(1,799)
Deferred corporate income tax expense/(benefit)	(28,045)	(7,860)

The corporate income tax expense is calculated in 2020 and 2019 as follows (in thousands of euros):

	2020	2019
Profit before tax	(142,259)	106,905
Consolidated corporate income tax rate at 25%	(35,565)	26,726
Tax effect of:		
Others	39,879	15,664
Deduction of unrecognised tax assets and others	(5,485)	(12,014)
Corporate income tax expense/(benefit)	(1,171)	30,376

Others include the differences due to corporate income tax rates in different countries and the impact for unrecognized tax losses generated in 2020 and 2019.

Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances and other urgent social measures, was published in the Spanish Official State Gazette on 3 December 2016.

As a result of this Royal Decree-Law, at 2016 year-end the Spanish consolidated tax group recognised a tax expense amounting to EUR 11,363 thousand in the accompanying consolidated statement of profit or loss (EUR 2,273 thousand in current tax and EUR 9,090 thousand in deferred tax), since it was considered that there are very severe restrictions on the transfer of certain securities representing investments in the share capital or equity of some subsidiaries before the five-year period expires, due to legal, contractual or other reasons, in relation to the sale or settlement of the investments concerned, and to the circumstances specifically affecting them. This amount covers the impairment losses to be reversed and included in the tax base in the five year period from 2016 to 2020.

20.b Current corporate income tax assets and liabilities

The detail of the current corporate income tax receivables and payables at the end of 2020 and 2019 is as follows (in thousands of euros):

	31/12/2020	31/12/2019
Current corporate income tax assets	19,424	23,391
Corporate income tax prepayments	19,424	23,391
Current corporate income tax liabilities	18,663	13,802
Corporate income tax payables	18,663	13,802

20.c Deferred tax assets

The detail of Deferred tax assets at the end of 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Tax losses of Spanish companies	22,592	25,641
Tax losses of US companies	-	108
Tax losses of other foreign companies	3,679	2,832
Tax credits for tax loss carry forwards	26,271	28,581
Tax credits of Spanish companies	5,581	4,380
Tax credits and Withholding taxes of foreign companies	6,609	8,283
Withholding taxes and other tax credits	12,190	12,663
Other temporary differences - Spanish companies	7,424	6,225
Temporary differences - foreign companies	14,129	13,887
Temporary differences – IFRS 16	4,146	4,149
Total temporary differences	25,699	24,261
Total deferred tax assets	64,160	65,505

The deferred tax assets indicated above were recognised because the Parent's Directors considered that, based on their best estimate of the Group's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

At the end of each year the Parent's Directors analyse the recoverability of the deferred tax assets and only recognise those that they consider will probably be recovered over a time period of less than ten years.

The factors taken into consideration by the Parent's Directors to recognise as a deferred tax asset, including tax credit for tax loss carry forwards, withholding taxes, and tax credits for temporary differences at 31 December 2020, which support their future recoverability, are as follows:

- In 2020 and 2019 the consolidated tax group in Spain obtained taxable income of EUR 44,027 and EUR 83,542 thousand which enabled it to use unrecognised tax losses from prior years amounting to EUR 1,000 and EUR 4,679 thousand, respectively.

The prior years' tax loss carry forwards of the companies at the end of 2020 and 2019 are as follows:

Year incurred	Thousands of Euros			
	2020		2019	
	Recognised	Not recognised	Recognised	Not recognised
2005	-	9,855	-	8,336
2007	5,205	17,488	5,205	17,684
2008	474	-	474	-
2009	2,657	153	7,005	190
2010	49,509	143	57,460	189
2011	38,563	270	38,563	980
2012	-	264	-	1,916
2013	-	273	-	1,557
2014	87	2,419	429	6,403
2015	6	8,079	-	5,541
2016	-	17,251	-	10,929
2017	4	17,386	-	12,840
2018	3	14,952	-	11,387
2019	824	15,141	-	11,464
2020	7,095	-	-	-
Total	104,427	103,674	109,136	89,416

The recognised tax losses from the Spanish consolidated tax group are EUR 90,368 thousand recognised and EUR 27,274 thousand not recognised.

The detail of the Spanish companies' unused tax credits at the end of 2020 and 2019 is as follows:

Year	Thousands of Euros			
	2020		2019	
	Recognised	Not recognised	Recognised	Not recognised
2006	-	7	-	7
2007	-	126	-	5
2008	-	-	-	-
2009	-	-	-	322
2010	-	261	-	1,035
2011	-	1,428	-	1,426
2012	-	2,388	-	2,410
2013	4,380	11,029	4,380	15,287
2014	68	6,497	-	6,504
2015	-	5,790	-	5,791
2016	260	5,093	-	5,164
2017	335	5,798	-	6,190
2018	515	5,022	-	5,312
2019	23	6,165	-	6,145
2020	-	5,190	-	-
Total	5,581	54,794	4,380	55,598

Of the total recognised and unrecognised tax credits at 31 December 2020, EUR 13,400 thousand relate to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 46,213 thousand relate to double taxation credits and EUR 762 thousand to the reinvestment of gains. Of the total recognised and unrecognised tax credits at 31 December 2019, EUR 13,346 thousand related to incentives for certain activities (mainly investment in R&D+i expenditure), EUR 46,390 thousand related to double taxation credits and EUR 242 thousand to the reinvestment of gains.

The foreign companies' unused tax credits not recognised in the accompanying consolidated statement of financial position are not significant.

20.d Deferred tax liabilities

“Deferred tax liabilities” on the liability side of the accompanying consolidated statement of financial position as at 31 December 2020 and 2019, includes mainly the following:

	Thousands of Euros	
	31/12/2020	31/12/2019
Temporary differences associated with:		
Recognition at fair value of the identifiable assets in acquisitions of business combinations	88,925	99,952
Depreciation and amortisation and measurement of assets and goodwill	20,242	20,482
Royal Decree-Law 3/2016 (Note 20.a)	-	1,864
Amortisation of goodwill paid in the acquisition of foreign companies by Spanish companies	6,838	6,164
Other deferred tax liabilities	12,095	8,950
Total deferred tax liabilities	128,100	137,412

20.e Corporate Income Tax rates applicable to the Group

Each company calculates its corporate income tax expense in accordance with its respective legislation. The main corporate income tax rates applicable to the Group are as follows:

Country	Tax rate	Country	Tax rate	Country	Tax rate
Spain	25%	UK	19%	Angola	30%
US	21%	Germany	30%	United Arab Emirates	-
China	25%	Australia	30%	Luxembourg	25%
Ireland	12.5%	Italy	24%	Kuwait	15%
Canada	26.5%	Brazil	34%	Malaysia	24%
Sweden	21%	Argentina	30%	Singapore	17%
Denmark	22%	Chile	27%	Qatar	10%
Netherlands	25%	Colombia	33%	Saudi Arabia	20%
Mexico	30%	Oman	15%	Costa Rica	30%

20.f Years open for review and tax audits

In 2019 tax audits were commenced by the Spanish tax authorities at certain Spanish companies part of the Corporate Income Tax group 238/08 and VAT group 0036/11 in relation to the following taxes: Corporate Income tax (2014 to 2017), VAT (2015 to 2017) and Personal income tax and withholdings (2015 to 2017). The tax audits were completed in 2020 and the Group received tax assessments, which it signed on an uncontested basis and paid. The tax assessment had a negative impact of EUR 1.9 million on the consolidated statement of profit and loss and a cash out impact of EUR 1.4 million on the consolidated statement of cash flows. In general, at 2020 year-end, the Spanish companies which belong to Spanish tax group have 2018 and 2019 years open for review by the tax authorities for the Corporate income tax and 2018-2020 for the rest of applicable taxes.

The foreign companies have the last few years open for review in accordance with the legislation in force in each of their respective countries and all those ongoing tax audits. The Parent's Directors do not expect any additional significant liabilities to arise in the event of a tax audit.

These notes to the financial statements do not include the information referred to in Article 42 bis of Royal Decree 1065/2007 in relation to persons resident in Spain, whether legal entities that are beneficiaries or holders of accounts abroad or individuals from the Group who are authorised representatives for accounts abroad held by a Group subsidiary non-resident in Spain, since such information is duly recorded and detailed in the Group's accounting records pursuant to Article 42 bis 4.b of Royal Decree 1065/2007.

21. Operating income and expenses

a) Revenue

The Group obtains its income from contracts with customers in which it transfers goods or services according to the following categories, as per Group's managerial structure, and according to the criteria detailed in Note 3.q.

	Thousands of Euros	
	2020	2019
Applus+ Energy & Industry	907,335	1,059,334
Applus+ Laboratories	92,928	92,967
Applus+ Automotive	355,847	385,443
Applus+ IDIADA	201,482	240,145
Others	22	55
Total	1,557,614	1,777,944

Substantially all of the Group's revenue relates to contracts with customers which generally include set prices. The revenue of the Automotive division of Applus+ includes mainly revenue from contracts with customers in which the performance obligations are satisfied at a specific point in time (when the technical inspections of the vehicles are conducted), while the revenue of the Applus+ Energy & Industry, Applus+ Laboratories and Applus+ IDIADA divisions also includes contracts in which revenue is recognised over time in relation to the satisfaction of the performance obligations of the various projects performed.

At year-end, there are no significant amounts of outstanding performance obligations since, as a general rule, contracts with customers have an expected initial duration of one year or less.

b) Staff costs

The detail of "Staff costs" in the accompanying consolidated statement of profit or loss in 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Wages, salaries and similar expenses	691,981	775,110
Severances	7,745	4,504
Employee benefit costs	101,396	111,185
Other staff costs	85,113	88,572
Total	886,235	979,371

In 2020, the Group's staff costs had been reduced, among other factors, due to the impact of the furlough-type arrangements (ERTEs) approved in Spain and other similar measures adopted in the other geographical areas in which the Group operates, which resulted in lower costs in relation to wages, salaries and similar expenses and employee benefits.

The tax relief or grants received, where applicable, did not have a significant impact in the accompanying consolidated statement of profit or loss.

The average number of employees at the Group, by professional category and gender in 2020 and 2019, is as follows:

Professional category	Average number of employees		
	2020		
	Men	Women	Total
Top management	155	25	180
Middle management	432	115	547
Supervisors	1,053	249	1,302
Operational employees & others	16,499	4,101	20,600
Total	18,139	4,490	22,629

Professional category	Average number of employees		
	2019		
	Men	Women	Total
Top management	140	23	163
Middle management	426	82	508
Supervisors	998	233	1,231
Operational employees & others	16,426	4,048	20,474
Total	17,990	4,386	22,376

Also, the distribution of the workforce, by gender and category, at the end of 2020 and 2019, is as follows:

Professional category	No. of employees end of year		
	2020		
	Men	Women	Total
Top management	98	19	117
Middle management	290	95	385
Supervisors	791	203	994
Operational employees & others	17,458	4,433	21,891
Total	18,637	4,750	23,387

Professional category	No. of employees end of year		
	2019		
	Men	Women	Total
Top management	84	21	105
Middle management	276	82	358
Supervisors	610	158	768
Operational employees & others	17,522	4,298	21,820
Total	18,492	4,559	23,051

c) Other results

The detail of the other results for 2020 and 2019 relates mainly to extraordinary termination benefits due to restructuring, start-up costs, changes in fair value of considerations in business combinations and impairment and gains or losses on disposal of non-current assets.

d) Fees paid to auditors

In 2020 and 2019 the fees billed for financial audit and other services provided by the auditor of the Group's consolidated financial statements, Deloitte, S.L., and by firms in the Deloitte organisation, and the fees billed by the auditors of the separate financial statements of the consolidated companies, and by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows (in thousands of euros):

2020

Description	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,820	385
Other attest services	260	-
Total audit and related services	2,080	385
Tax advice	131	
Other services	16	
Total professional services	2,227	

2019

Description	Fees for services provided by the principal auditor	Fees charged by other audit firms
Audit services	1,905	335
Other attest services	248	-
Total audit and related services	2,153	335
Tax advice	205	
Other services	9	
Total professional services	2,367	

22. Financial result

The detail by nature of the financial result in 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Finance Income:		
Other finance income by third parties	2,284	1,638
Total finance income	2,284	1,638
Finance costs:		
Borrowing costs relating to syndicated loan and US Private Placement	(11,389)	(10,057)
Other finance costs paid to third parties	(5,132)	(5,311)
Interest expense on lease liabilities (Note 26.b)	(7,552)	(7,683)
Exchange differences	(1,972)	(349)
Total finance costs	(26,045)	(23,400)
Gains or losses on the net monetary position (Note 3.o)	(1,078)	(2,135)
Financial result	(24,839)	(23,897)

23. Information on the environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

The Parent's Directors consider that the environmental risks which might arise from its business activities are minimal and, in any event, adequately covered, and that no additional liabilities will arise in connection with these risks. The Group did not incur significant expenses or receive environment-related grants in 2020 or 2019.

24. Proposal of allocation of profit/loss

The proposed allocation of the Parent's net profit, formulated by the Board of Directors that will be presented at the next Parent's Annual General Meeting of the Shareholders, for 2020 is as follows:

	Thousands of Euros
Basis of allocation:	
Unrestricted reserves	7,497
Profit for the year	13,956
	21,453
Allocation:	
To dividends	21,453
Total	21,453

The proposed dividend of EUR 21,453 thousand corresponds to a gross amount of EUR 0.15 per share.

25. Segmented information

At 31 December 2020, the Group operates through four operating divisions and a holding division, each of which is considered to be a segment for financial reporting purposes.

The main fourth operating segments are as follows:

- Applus+ Energy & Industry provides non-destructive testing, quality control and accreditation services, project management, supplier inspection, facility inspection and asset certification and integrity services. It also provides qualified staff recruitment and hiring services for the oil and gas, aircraft, energy, mining, telecommunications and construction industries.
- Applus+ Laboratories offers a wide range of laboratory testing, system certification, product development services across various industries and electronic payment systems, including the aerospace and industrial sectors.
- Applus+ Automotive offers mandatory vehicle roadworthiness testing services, verifying vehicles' compliance with safety and emissions regulations in force in the various countries in which it operates.
- Applus+ IDIADA offers design, engineering, testing and certification services mainly to car manufacturers.

a) Financial information by segment

The financial information, by segment, in the consolidated statement of profit or loss for 2020 and 2019 is as follows (in thousands of euros):

2020

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Revenue	907,335	92,928	355,847	201,482	22	1,557,614
Operating expenses	(865,954)	(83,194)	(273,320)	(189,970)	(26,773)	(1,439,211)
Adjusted Operating Profit	41,381	9,734	82,527	11,512	(26,751)	118,403
Amortisation of non-current assets identified in business combinations (Note 5)	(13,727)	(2,302)	(36,050)	(6,315)	-	(58,394)
Other results						(177,429)
Operating Profit						(117,420)

2019

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Revenue	1,059,334	92,967	385,443	240,145	55	1,777,944
Operating expenses	(970,283)	(79,499)	(293,405)	(209,555)	(28,116)	(1,580,858)
Adjusted Operating Profit	89,051	13,468	92,038	30,590	(28,061)	197,086
Amortisation of non-current assets identified in business combinations (Note 5)	(17,049)	(1,427)	(36,042)	(4,560)	-	(59,078)
Other results						(7,206)
Operating Profit						130,802

The Adjusted Operating Profit is the operating profit before the amortisation charge of the intangible assets allocated in the business combinations (PPA) (see Note 5), and other results (see Note 21.c).

The "Other results" are included under "Impairment and gains or losses on disposal of non-current assets" and "Other results" in the consolidated statement of profit or loss.

The "Other" segment includes the financial information corresponding to the Applus Group's holding activity.

The finance costs were allocated mainly to the "Other" segment as it is the Holding division who manages bank borrowings (see Note 14).

The current, non-current assets and liabilities, by business segment, at the end of 2020 and 2019 are as follows (in thousands of euros):

2020

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Goodwill	208,395	134,135	292,041	29,627	1,258	665,456
Other intangible assets	104,072	62,364	223,686	24,877	10,811	425,810
Rights of use	40,451	26,004	78,080	33,624	999	179,158
Property, plant and equipment	78,637	30,226	84,114	38,639	962	232,578
Investments accounted for using the equity method	542	-	-	-	-	542
Non-current financial assets	8,333	733	4,913	991	-	14,970
Deferred tax assets	21,535	1,940	9,202	3,210	28,273	64,160
Total non-current assets	461,965	255,402	692,036	130,968	42,303	1,582,674
Total current assets	343,177	57,162	59,524	79,375	35,068	574,306
Total liabilities	277,522	85,687	287,004	123,490	749,404	1,523,107

2019

	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Goodwill	271,354	67,917	208,542	60,178	1,254	609,245
Other intangible assets	188,975	19,064	221,569	30,281	14,432	474,321
Rights of use	53,179	20,833	38,554	38,970	1,398	152,934
Property, plant and equipment	88,127	20,501	77,746	40,103	257	226,734
Investments accounted for using the equity method	686	-	-	-	-	686
Non-current financial assets	23,374	699	4,986	1,010	(69)	30,000
Deferred tax assets	23,459	2,016	7,376	1,947	30,707	65,505
Total non-current assets	649,154	131,030	558,773	172,489	47,979	1,559,425
Total current assets	422,724	38,567	47,095	95,021	9,733	613,140
Total liabilities	308,229	63,980	222,197	127,423	626,281	1,348,110

The additions to intangible assets and also to property, plant and equipment, by business segment, in 2020 and 2019 are as follows (in thousands of euros):

	Applus+ Energy &Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
Capex 2020	19,812	8,206	15,391	10,156	2,209	55,774
Capex 2019	25,980	9,462	16,122	16,577	2,579	70,720

b) Financial information by geographic segment

Since the Group has presence in several countries, the financial information has been grouped geographically.

The sales, by geographical area, in 2020 and 2019, were as follows:

	Thousands of Euros	
	2020	2019
Spain	371,605	403,938
Rest of Europe	398,382	464,517
US and Canada	291,906	339,991
Asia and Pacific	179,542	201,098
Middle East and Africa	150,942	175,031
Latin America	165,237	193,369
Total	1,557,614	1,777,944

The non-current assets, by geographical area, in 2020 and 2019, are as follows (in thousands of euros):

Total non-current assets	Spain	Rest of Europe	US and Canada	Asia Pacific	Latin America	Middle East and Africa	Total
31 December 2020	800,864	394,671	194,212	102,608	75,414	14,905	1,582,674
31 December 2019	787,956	321,003	257,721	87,156	87,476	18,113	1,559,425

26. Leases

a) Amounts recognised in the consolidated statement of financial position

The amounts related to operating leases recognised in the consolidated statement of financial position as at 31 December 2020 and 2019 are as follows:

Rights of use

	Thousands of Euros	
	Net value	
	31/12/2020	31/12/2019
Rights of use		
Offices	121,269	87,695
Rights of use of facilities (fixed levies)	27,655	32,570
Vehicles	18,472	21,753
Machinery	6,295	6,463
Land	4,376	3,072
Hardware	1,091	1,381
Total	179,158	152,934

Lease liabilities

	Thousands of Euros	
	31/12/2020	31/12/2019
Maturity analysis - lease-related cash flows (not discounted)		
Within one year	51,553	49,101
Between one and five years	116,292	107,606
More than five years	50,343	22,066
Total lease-related cash flows (not discounted)	218,188	178,773

	Thousands of Euros	
	31/12/2020	31/12/2019
Lease liabilities		
Current	51,170	45,674
Non-current	144,379	124,500
Total	195,549	170,174

b) Amounts recognised in the consolidated statement of profit or loss

At 31 December 2020, the amounts related to leases recognised in the consolidated statement of profit or loss are as follows: amortisation of the right-of-use assets for an amount of EUR 45,307 thousand (2019: EUR 47,390 thousand), basically offices and vehicles; finance costs on lease liabilities for an amount of EUR 7,552 thousand (2019: EUR 7,683 thousand) (Note 22); operating expenses related to leases of low-value assets not considered in a short-term, short-term leases and, variable lease payments not included in the measurement of lease liabilities, for an amount of EUR 44,633 thousand (2019: EUR 58,254 thousand), which correspond, basically, to auto stations' variable rent levies of the Automotive division for an amount of EUR 25,179 thousand (2019: EUR 34,827 thousand); and income amounting to EUR 78 thousand arising from contract modifications, basically as a result of terminations of leases which caused the de-recognition of the related right-of-use asset and lease liability.

In 2020, the consolidated EBITDA impact corresponds to minor operating lease expenses amounting EUR 52,979 thousand (2019: EUR 55,593 thousand).

c) Amounts recognised in the consolidated statement of cash flows

In the period ended at 31 December 2020, the total amount of cash outflows relating to leases amounted to EUR 52,979 thousand (2019: EUR 55,593 thousand).

d) Leases in which the Group acts as lessee

All amounts recognised in the consolidated statement of financial position relate to leases in which the Group acts as lessee.

The main rights of use assets of the Group include two levies of surface rights of Applus+ Laboratories in Bellaterra and Applus+ IDIADA in L'Albornar (Catalonia, Spain) with maturities 2033 and 2024 respectively.

In 2020 and 2019, the Group has not recognised gains or losses arising from sale and leaseback transactions.

Additionally, new lease contracts have been registered as additions amounting to EUR 24,5 million, mainly as a consequence of the signature of the contract for the provision of statutory vehicle inspection services in Ireland with local authorities for ten years from 27 June 2020, as well as new lease contracts have been incorporated amounting EUR 23 million due to companies acquired in 2020, relating mainly to vehicle inspection testing centres (see Note 2.b.e.).

Lastly, it should be noted that no renegotiations were held that have led to reductions or forgiveness of rent or other economic incentives resulting in a significant positive effect on the consolidated statement of profit or loss.

27. Obligations acquired and contingencies

a) Guarantees and obligations acquired

The Group has guarantees required by the business activities of the Group companies amounting to EUR 101.1 million (31 December 2019: EUR 105.1 million), as shown in the following detail by segment (in millions of euros):

Guarantees provided	Applus+ Energy & Industry	Applus+ Laboratories	Applus+ Automotive	Applus+ IDIADA	Other	Total
31 December 2020	58.9	7.3	30.2	4.5	0.2	101.1
31 December 2019	59.7	77.0	316.0	5.9	0.2	105.1

There are guarantees included in Applus+ Laboratories, Applus Automotive and Applus+ IDIADA divisions amounting to EUR 18.3 million (31 December 2019: EUR 18.3 million) provided to the Catalonia Autonomous Community Government in connection with the incorporation of the subsidiaries IDIADA Automotive Technology, S.A. and LGAI Technological Center, S.A. and with the management of vehicle roadworthiness testing service.

The guarantees provided by Applus+ Energy & Industry relate mainly to guarantees provided to companies or public-sector agencies as provisional or final guarantees to submit bids or to assume liability for contracts awarded.

The Group also has certain obligations and guarantees under the financing agreement (see Notes 14.a.1 and 14.a.2). These obligations include reporting obligations relating to the Group's financial statements and business plans; the obligation to take certain measures such as guaranteeing accounting closes, refrain from performing certain transactions without the consent of the lender, such as certain mergers, changes of business activity, share redemptions, and the financial obligation to achieve certain financial ratios, among others.

The Parent's Directors do not expect any material liabilities as a result of the transactions described in this Note and in addition to those recognised in the accompanying consolidated statement of financial position.

b) Contingencies

b.1. Auto Catalonia

Current legislation on access to the provision of the vehicle roadworthiness testing activities (ITV) stipulates a quota-bound administrative authorisation system, which was challenged by certain operators on the basis that the Services Directive should be applicable and hence, a free market be set.

In line with the Judgment given by the European Court of Justice (in the Reference for preliminary ruling from the Spanish Supreme Court), which concluded that the Services Directive does not apply to roadworthiness testing activities as those are part of "services in the field of transport" falling within the scope of Title VI of the EU Treaty, the Supreme Court confirmed in its judgments of 21 April and 6 May 2016 that the Catalan ITV regime and the authorisations granted in 2010 to the Group until 2035, were in conformity with applicable law and additionally that restrictions on the maximum market share and minimum distance between roadworthiness testing centres of a single operator were void (as these restrictions to the freedom of establishment were not justified).

By judgment of 25 April 2016, the Supreme Court declared null the call for tender to access the authorisation of new roadworthiness testing centres provided as established under the territorial plan, as it included the restrictions of maximum market share and minimum distance between vehicle roadworthiness testing centres licensed to the same undertaking, which had been declared void.

In addition, in the referred judgment of May 6, 2016, the Supreme Court declared void the “Disposición Adicional Segunda” of the Decree 30/2010 that provided for the right to use the assets and rights owned by the Administration by those operators who had been originally concessionaires, as well as the Order regulating the economic consideration for the use of such assets (in a judgment of 4 May 2016). As a result, in another litigation opened before the High Court of Justice of Catalonia (TSJC), the latter has issued a judgment on 24 April 2017, declaring void the Instruction of the General Director of Energy, Mines and Industrial Safety defining the criteria set to define the economic consideration for the use of said public assets; this decision was finally upheld by the Supreme Court.

The Parent’s Directors believe that the 2016 judgments of the Supreme Court confirmed the validity of the roadworthiness testing activities’ regime in Catalonia - quota authorization- as well as the titles upon which Applus operates in that territory, however the Generalitat de Catalunya (Autonomous Government of Catalonia) shall implement the appropriate measures to comply with the Supreme Court judgments referred to above.

As of November 10th the Catalan Government approved a preliminary report for a draft bill on the automotive inspection services in Catalonia. On November 17th, the Government approved a law-decree 45/2020 on the transitory and extraordinary authorisation to continue the automotive inspection services, which however was finally repealed by the Catalan Parliament on December 3rd. The process for the approval of a draft bill is currently on its initial phase, with a public consultation period open until February 1st 2021. According to the preliminary report for the draft bill, the process to issue and approve a new law on the subject matter may take fifteen months.

b.2. Other contingencies

Two subsidiaries of the Group are facing a number of lawsuits from former employees regarding the amount of hours of over-time worked. In any case, the impact of these lawsuits would not be significant for the attached consolidated financial statements. The Parent’s Directors consider that the outcome of all above proceedings will not entail material additional liabilities to those in the consolidated financial statements at 31 December 2020.

At 2020 year-end, the Parent’s Directors were not aware of any significant claims brought by third parties or of any ongoing legal proceedings against the Group that, in their opinion, could have a material impact on these consolidated financial statements.

28. Transactions and balances with related parties

For the purposes of the information in this section, related parties are considered to be:

- The significant shareholders of Applus Services, S.A., are understood to be shareholders holding directly or indirectly 3% or more of the shares, and shareholders which, without being significant, have exercised the power to propose the appointment of a member of the Parent’s Board of Directors.
- The Directors and Senior Executive, as well close members of those persons’ family. "Director" means a member of the Board of Directors and "Senior Executive" means persons reporting directly to the Board or to the Chief Executive Officer (CEO) of the Group.
- Associates of the Group.

The transactions between the Parent and its subsidiaries were eliminated on consolidation and are not disclosed in this Note.

The transactions between the Group and its related companies disclosed below, are performed at arm's length and in line with market conditions.

Transactions with related companies

In 2020 and 2019 the Parent and its subsidiaries performed the following transactions with related companies:

	Thousands of Euros					
	2020			2019		
	Operating revenue	Procurements	Other expenses	Operating revenue	Procurements	Other expenses
Velosi (B) Sdn Bhd	69	-	83	46	-	-
Total	69	-	83	46	-	-

The transactions with related companies correspond to commercial transactions.

Balances with related companies

a) Receivables from related companies:

	Thousands of Euros	
	Trade receivables from related companies	
	31/12/2020	31/12/2019
Velosi (B) Sdn Bhd	253	233
Total	253	233

b) Payables to related companies:

	Thousands of Euros	
	Trade and other payables to related companies	
	31/12/2020	31/12/2019
Velosi (B) Sdn Bhd	-	3
Total	-	3

The transactions and balances between the Applus Group and related parties (Directors and Senior Executives) are detailed in Note 29.

During 2020 and 2019 there have been no transactions and there no significant amounts outstanding at year end with significant shareholders.

29. Disclosures on the Board of Directors and the Senior Executives

As a result of the COVID-19 crisis, the Group's Board of Directors decided to reduce its remuneration by 30% of the Executive Directors' fixed remuneration and by 30% of the Independent Directors' during the state of emergency and period of maximum uncertainty. Likewise, the Seniors Executives reduced its fixed remuneration by 25% for the same period. This measure impacted for a period of three months.

Remuneration and obligations to the Board of Directors

The detail of the remuneration (social benefits included) earned by the Executive Directors and by the different members of the Parent's Board of Directors at 2020 and 2019 year-end is as follows:

a) Annual remuneration:

	Thousands of Euros					
	31/12/2020			31/12/2019		
	Executive Directors	Members of the Board of Directors	Total	Executive Directors	Members of the Board of Directors	Total
Fixed remuneration	999	-	999	1,075	-	1,075
Variable remuneration	382	-	382	775	-	775
Other items	91	-	91	81	-	81
Non Executive Chairman and Independent Directors	-	620	620	-	646	646
Corporate Social Security Committee	-	46	46	-	50	50
Appointments & Compensation Committee	-	65	65	-	70	70
Audit Committee	-	83	83	-	84	84
Total	1,472	814	2,286	1,931	850	2,781

The fixed remuneration of the Executive Directors includes a portion in the form of RSUs amounting to EUR 58 thousand per year. In February 2018, 2019 and 2020, 5,159, 5,838 and 5,317 RSUs, respectively, were granted. These RSUs will be convertible to shares three years after the date on which they were granted. In February 2020 the Group effected delivery of 3,172 net shares relating to the plan granted in February 2017.

59.51% of the Executive Directors' variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. These RSUs amounted to EUR 222 thousand in the year. At 2020 year-end, 3 RSU plans were in force, having been granted in March 2018, 2019 and 2020 for 7,425, 30,607 and 34,645 RSUs, respectively. In February 2020 the Group effected delivery of 8,384 net shares.

The plans in force at the end of the year in relation to the RSUs granted in 2018, 2019 and 2020 can be consulted in the Remuneration Report.

b) Long-term incentive ("LTI"):

Under the remuneration policy in force, the Executive Directors shall annually receive PSUs (performance stock units) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in 2020 in this connection amounted to EUR 0 thousand as a result of the achievement of the variables established for them. At 2020 year-end, three PSU plans were in force, having been granted in 2018, 2019 and 2020 for 44,964, 50,874 and 46,338 PSUs, respectively. The detail of the PSU plans in force can be consulted in the Remuneration Report. In February 2020 the Group effected delivery of 47,786 net shares relating to the plan granted in February 2017.

In 2020, the Executive Directors and the members of the Board of Directors did not earn or receive any termination benefits.

The pension plan benefits earned by the Executive Directors in 2020 amounted to EUR 53 thousand.

At 31 December 2020, no loans or advances had been granted to the members of the Parent's Board of Directors.

Applus Services, S.A. took out a third-party liability insurance policy. The insureds under this policy are the Directors and Executives of the Group companies the Parent of which is Applus Services, S.A. The Parent's Directors are included among the insureds of this policy. The premium paid in 2020 for this insurance policy amounted to EUR 89 thousand (2019: EUR 75 thousand).

The Parent's Board of Directors at 31 December 2020 and 2019 is made up of 7 men and 3 women.

Information relating to conflicts of interest on the part of the Parent's Directors

It is hereby stated that the Parent's Directors, their individual representatives and the persons related thereto do not hold any investments in the share capital of companies engaging in identical, similar or complementary activities to those of the Group or hold positions or discharge duties thereat, other than those held or discharged at the Applus Group companies, that could give rise to a conflict of interest as established in Article 229 of the Spanish Companies Act.

Remuneration of and obligations to Senior Executives

Senior Executives are considered to be those who make up the Group's Executive Committee. For the purposes of information on remuneration the internal auditor is also included, as defined in current accounting legislation and, in particular, in the Report of the Special Working Group on the Good Governance of Listed Companies published by the Spanish National Securities Market Commission (CNMV) on 16 May 2006.

The breakdown of the remuneration earned in 2020 and 2019 by the Group's Senior Executives is as follows:

a) Annual remuneration:

	Thousands of Euros	
	2020	2019
Fixed remuneration	3,730	3,936
Variable remuneration	1,060	2,055
Other items	477	610
Termination benefits	204	-
Pension plans	128	146
Total	5,599	6,747

The fixed remuneration of certain Senior Executives includes a portion in RSUs amounting to EUR 276 thousand, which are convertible to shares three years after the date on which they are granted. The plans in force at the end of 2020 relate to shares granted in February 2018, 2019 and 2020 for 27,007, 30,557 and 23,608 RSUs, respectively. In February 2020 the Group effected delivery of 11,775 net shares relating to the plan granted in February 2017.

65.36% of the Senior Executives' variable remuneration is given in cash, with the rest comprising RSUs convertible to shares three years after the date on which they are granted, 30% of which are granted in each of the first two years and the remaining 40% are granted in the third year. The RSU plans in force at the end of 2020 relate to the RSUs granted in February 2018, 2019 and 2020 for 78,673, 86,313 and 88,308 RSUs, respectively. In March 2020 the Group effected delivery of 42,583 net shares relating to the plans granted in 2017 (40%), 2018 (30%) and 2019 (30%). EUR 822 thousand were charged to the consolidated statement of profit or loss for 2020 in this connection.

b) Multiannual remuneration and long-term incentive in PSUs:

Under the current remuneration policy, certain of the Group's Senior Executives annually receive PSUs (performance stock units) that are convertible into shares of the Parent three years after the date on which they are granted. The expense recognised in this connection amounted to EUR 42 thousand in 2020 as a result of the achievement of the variables established for them. The PSU plans in force at the end of 2020 relate to the PSUs granted in February 2018, 2019 and 2020 for 27,007, 40,560 and 33,862 PSUs, respectively. In February 2020 the Group effected delivery of 23,544 net shares relating to the plan granted in February 2017.

Also, the Group has life insurance obligations to certain Senior Executives; the related expense is included under "Other Items" in the tables above.

The Group's Senior Executives, not counting the internal auditor, comprised 15 men and 3 women at 31 December 2020, (31 December 2019: 16 men and 3 women).

30. Events after the reporting period

In 2021 and until the date of authorisation for issue of these consolidated financial statements, no relevant events took place other than those already included in these consolidated financial statements and, in particular, in relation to the current management of the COVID-19 situation, the consequent situation and the gradual recovery of the Group's business that should be included in, or modify or significantly affect these consolidated financial statements for 2020.

31. Explanation added for translation to English

These consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group (see Note 2.a). Certain accounting practices applied by the Group that conform to that regulatory framework may not conform to other generally accepted accounting principles and rules.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group. This translation has been prepared by the Company for informative purposes only, has not been approved by the Board of Directors and has not the consideration of official or regulated information. In the event of a discrepancy, the Spanish-language version prevails.

Integrated Consolidated Directors' Report of Consolidated Financial Statements for the year ended 2020

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Applus Services, S.A. and Subsidiaries

Independent Limited Assurance
Report on the Consolidated
Non-Financial Information Statement
for the year ended 31 December 2020

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

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

INDEPENDENT LIMITED ASSURANCE REPORT OF THE NON-FINANCIAL INFORMATION

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Financial and Non-Financial Report (ESG), which contains the Non-Financial Information Statement (NFIS) for the year ended December 31, 2020 of Applus Services S.A. and subsidiaries ("Applus" or "the Group"), which forms part of the Consolidated Directors' Report of Applus.

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

Responsibilities of the Directors

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

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

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

Our independence and quality control

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

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

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

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to 2020. Information on prior years was not subject to the verification required by prevailing Spanish corporate legislation.

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

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

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

- Meetings held with Applus personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, materiality and completeness of the contents included in the CSR based on the materiality analysis carried out by Applus and described in the "Commitment to our stakeholders" section of chapter 5 of the ESG, also considering contents required by current Spanish corporate legislation.
- Analysis of the processes used to gather and validate the data presented in the 2020 ESG.
- Verification, by means of sample-based review tests, of the information relating to the contents identified in the "Cross references table: GRI and Global Compact" and the Table of "Equivalents with Law 11/2018 on non-financial reporting" in the ESG, and the appropriate compilation thereof based on the data furnished by Applus information sources.

- Obtainment of a representation letter from the directors and management.

Conclusion

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

- a) The NFIS included in the 2020 CSR of Applus was not prepared, in all material respects, including the adequacy of the contests revised detailed in the “Cross references table: GRI and Global Compact”, in accordance with GRI Standards in their core option.
- b) Applus NFIS for the year ended 31 December 2020 was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI Standards, as well as other criteria described as indicated for each matter in the “Cross references table: Law 11/2018” in the ESG.

Use and distribution

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

DELOITTE, S.L.

Ana Torrens Borrás

February 19, 2021

Applus Services, S.A. and Subsidiaries

Financial and Non-Financial
Report (ESG) 2020

Date: 16/02/2021

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01. LETTER FROM THE CHAIRMAN AND THE CEO

GRI 102-14

Welcome to the Applus+ Group's first integrated report, combining financial and operational management aspects with environmental, social and corporate governance.

With the unprecedented disruption to everyone's lives in 2020, we first express our deep gratitude to colleagues and partners for their dedication in delivering the Group's TIC services to benefit the societies our services touch. Our people's capabilities and care have demonstrated the resilience of the Applus+ Group under the most challenging of economic and societal circumstances. We are impressed and delighted with their proactivity and actions.

The pandemic has starkly demonstrated the world's interconnectivity, so we are immensely proud that the Applus+ Group immediately worked with a wide group of stakeholders to make a difference. Our experts quickly developed testing and certification for life-saving medical equipment such as mechanical ventilators. Health and safety are central to our TIC services and naturally, to our people's wellbeing, so we introduced preventive training and a range of new safety protocols in response to coronavirus. The company-wide annual Safety Day 2020 continued as a new remote, digital edition taking up these themes. Sadly, the Group suffered two unconnected work-place fatalities in 2020, and our heartfelt condolences and support were provided to the employees' families and the colleagues impacted. The Board was immediately informed of these sad events and a robust investigation followed.

Inevitably, the Group was materially impacted in 2020 by the pandemic, and despite an encouraging recovery in the second half, the year recorded lower revenue and profit compared to 2019. We delivered a gradual recovery from the third to fourth quarter, with a double-digit operating profit margin in the second half. For the full year in 2020, revenue was down 12% to €1,558 million and adjusted operating profit was down 40% to €118 million.

The Group's proactive financial management resulted in an exceptionally strong year for cash flow and liquidity, with adjusted free cash flow increasing by almost 21%, or €39 million, to €226 million, and we ended the year with liquid resources in excess of €546 million. This strong financial position allowed the acquisition strategy to resume in the final quarter, in which we purchased four highly strategic, margin and earnings accretive companies. The acquisitions further position the Group towards business lines with higher growth and margins, and were additional to the two made in the first quarter. We are monitoring many opportunities and confident of continued success, whilst remaining disciplined on price.

The adjusted earnings-per-share fell to €0.33, and statutory earnings-per-share was negative after the one-off impairment in the year's first half, with no further impairments. Following the dividend cancellation in 2020, which was one of several measures for financial resilience taken at the time, the Board will recommend the dividend at 15 cents per share in 2021 for payment on 8th July 2021. Looking ahead, the Group will aim to increase the dividend payment annually.

The Group's efforts for a more sustainable world was confirmed with classification by MSCI ESG Research, the CDP and continued inclusion in the FTSE4Good IBEX Index. In 2020, we amended the former CSR Policy to the revised ESG Policy, and approved 11 specific targets to further integrate the principles of good governance across the Group. These actions strengthen our commitment to the UN's Global Compact at "Advanced Level", and we continue to report and implement the SDGs adopted.

Diversity in leadership roles also received a further boost in the Board, amending the Director's Selection Policy to reflect the next goal of the Board comprising 40% women by 2022, along with measures for more women in directorship roles. Initiatives to support our people's satisfaction and talent were also recognised by wide-ranging industry awards for programmes championing employee-engagement, diversity and inclusion.

For more sustainable operations, Applus+ stepped up measures to reduce our global energy consumption, with 23% of electricity consumption at our facilities from renewable sources in 2020. This is achieved by following a medium term carbon neutrality strategy, seeking to use resources efficiently and working to deliver sustainable value for society. The Group added more electric vehicles to our fleet, which helped reduce GHG emissions intensity by 19%. In contributions to sustainable development, the Group expanded our technical expertise at new solar parks, wind farms and for hydrogen-energy plants planned for the future. In sectors radically pursuing energy transition, our divisional teams' wide collaborations continued to push innovations in the next-generation electric vehicles and to reduce fuel use in aerospace. In 2020, we generated approximately €200 million of revenue, or 13% of Group revenue, from what we term Green Revenues. Going forward, new opportunities outweigh the risks in the Group's markets as the world transitions to a low-carbon economy.

Closing comments

2020 was a challenging year and the Group's management responded by prioritising our people's wellbeing, clients' requirements, Group liquidity, operating costs and technological advancement. With considerable remaining uncertainty in every country and in our end-markets, our guidance assumes conditions today will either remain the same or not deteriorate. In 2021, we expect total revenue to grow by at least double digits at constant exchange rates, from both organic and the acquisitions made, and for the margin to improve to close to 10%. The Group will also continue to make acquisitions supported by liquidity and leverage headroom.

Applus+ will continue to do what we do best. We will provide superior safety and quality in our services to a broad range of clients around the world, with rising demand due to greater scrutiny and regulation over more complex and varied products, infrastructure and assets. The Group will allocate excess cash flow to support organic revenue growth, supplementing with acquisitive growth that diversifies the business towards higher margins and with more sustainable, longer term revenue-generating streams.

Our experienced Management and Board will continue to be alert and agile in progressing the growth and performance of the Business, whilst being ever mindful of risks.

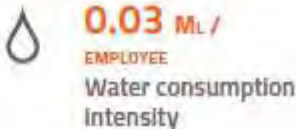
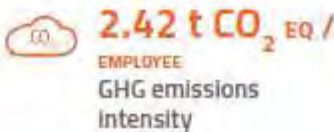
Key to this performance and the Group's strength is the continued trust and support of our people, shareholders, clients and partners. Working together, we will achieve a safer, more sustainable, diverse and inclusive world.

02. Applus+ AT A GLANCE

GRI-102-2 GRI 102-4 GRI 102-6 GRI 102-7

The Applus+ Group is a leading global testing, inspection and certification (TIC) company. We provide innovative TIC services to national and multi-national companies on all continents. With a highly-skilled workforce, our engineers and technicians deploy

technological know-how and advanced processes across a diverse range of industry sectors. We enhance the quality and safety of our clients' assets, infrastructure and products while safeguarding their operations, and provide solutions that improve their environmental performance.



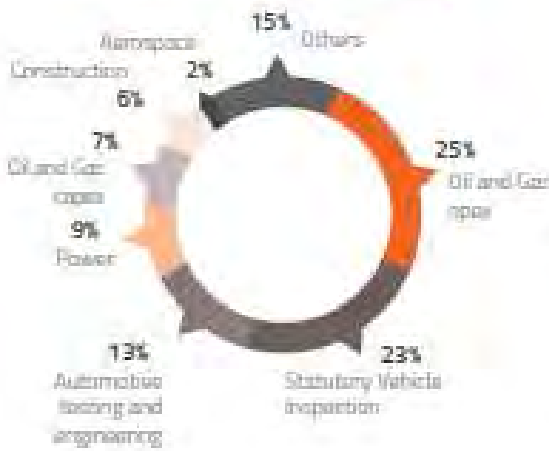
Our divisions

	<p>Revenue €907.3M</p> <p>Employees 13,848</p>	<p>ENERGY & INDUSTRY DIVISION</p> <p>Core Services:</p> <ul style="list-style-type: none"> • Inspection • Non-destructive testing • Engineering and consulting • Certification services • Supervision, Quality Assurance and Quality Control • Testing and analysis • Vendor surveillance <p>Principal Industries: Oil and gas, power, telecommunications, construction, mining and aerospace.</p>
	<p>Revenue €92.9M</p> <p>Employees 1,494</p>	<p>LABORATORIES DIVISION</p> <p>Core Services:</p> <ul style="list-style-type: none"> • Industrial testing laboratories • Engineering • Certification • Metrology services <p>Principal Industries: Aerospace, automotive, electronics, construction and information technology.</p>
	<p>Revenue €355.8M</p> <p>Employees 5,599</p>	<p>AUTOMOTIVE DIVISION</p> <p>Core Services:</p> <ul style="list-style-type: none"> • Statutory vehicle inspections for government programmes • Driver-testing inspections • Public-service vehicle inspections • Off-leasing vehicle inspections • Vehicle condition, emission and registration inspection • Road-safety education <p>Principal Industries: Government and public transport agencies.</p>
	<p>Revenue €201.5M</p> <p>Employees 2,446</p>	<p>IDIADA DIVISION</p> <p>Core Services:</p> <ul style="list-style-type: none"> • Testing and engineering services • Worldwide homologation and product certification • Proving ground • Facility design services <p>Principal Industries: Automotive.</p> <p><small>IDIADA S.L. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 35.1-hectare technology centre near Barcelona owned by the Government of Catalonia since 1999. The contract to operate the business and use the assets runs until September 2024 and although it is renewable in five-year periods until 2043, it has been decided that there will be no further extensions but a tender for a new 20 or 25-year concession.</small></p>

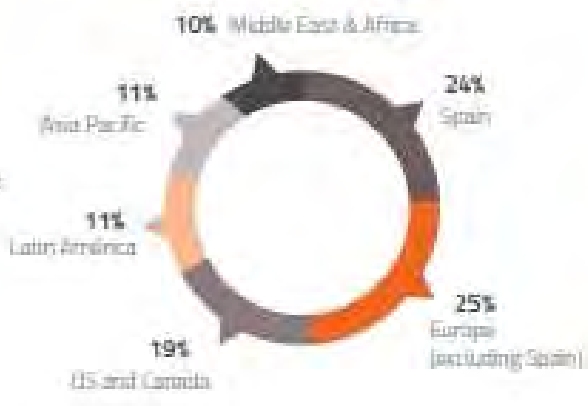
Global presence



Total revenue by industry



Total revenue by region

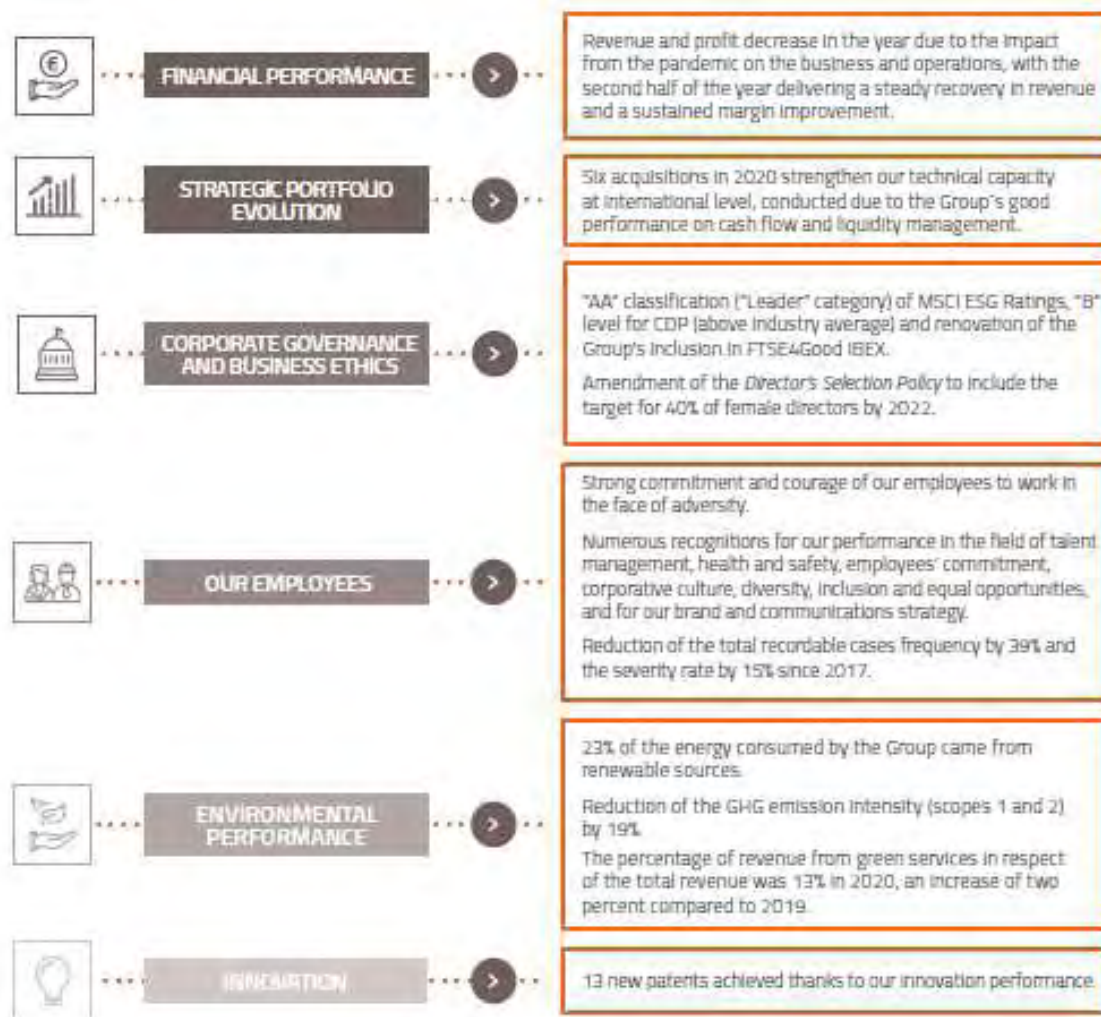




Employees by region



Financial and non-financial highlights



Acquisitions

In 2020, Applus+ made six acquisitions following our **inorganic growth strategy** to evolve towards higher margin and longer term more sustainable revenue generating streams. **Despite the impact of the coronavirus pandemic**, the Group's **liquidity** and **strong cash flow** enabled the company to make **two** in the **Automotive Division**, **three** in the **Laboratories Division** and **one** in the **Energy & Industry Division**, made in December 2020 and which will be closed during the first quarter of 2021.

These acquisitions support our growth through sustainable services and therefore reinforce the resilience of the Group's services portfolio.

In February, Applus+ acquired the company **ITV Canarias**, expanding the number of local stations in the Automotive Division within these Spanish territorial islands.



In October, Applus+ acquired the total share capital in **Besikta Bilprovning i Sverige Holding AB** (Besikta), a leading statutory-vehicle-inspection company in Sweden with 185 stations and 560 employees.



The market in Sweden is liberalised, so there is no contract-renewal risk; on the contrary, the acquisition presents new opportunities for growth through investments in other stations in strategic locations with a strong potential.

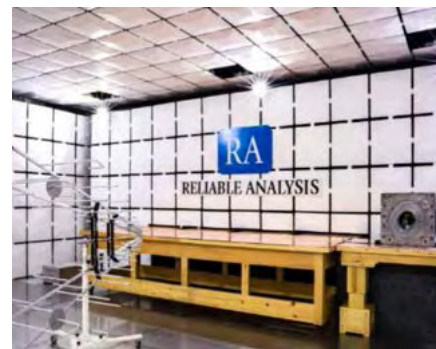
With these two acquisitions, **the Group**, through the **Automotive Division**, is reinforcing our global leadership position in services for **statutory vehicle inspection**. The Group provides these services in 13 countries, which inspect vehicles for compliance with technical safety specifications to lower accident rates on roads and comply with the applicable emission legislation, contributing to climate-change mitigation.

In February, the Laboratories Division acquired **ZYX Metrology**, a **metrology laboratory** located in Ripollet (Barcelona) to expand its portfolio in metrology services.



This laboratory makes use of state-of-the-art 3D scanning and measurement technologies, providing dimensional metrology, digitalisation and reverse-engineering services for products and components from sectors such as automotive and transport.

At the end of 2020, and in line with its growth strategy in the field of electric and electronic testing services, the Laboratories Division acquired two new companies, **Reliable Analysis** and **QPS**. This move strengthened its position as global provider for the testing of automotive components and the certification of electric and electronic equipment, as well as consolidating its presence in China and North America.



The Reliable Analysis laboratories are located in China and the USA, are a reference in the automotive sector, and have unique capabilities for electric-vehicle component testing.

The acquisition of Reliable Analysis increases the capabilities of the Laboratories Division as testing provider for electric vehicles and strengthens the Division's position in the Chinese market, the fastest growing market in the world in this field.

QPS is an electric and electronic product certification company, well established in North America. Its capabilities and accreditations in the fields of electric security and ATEX fit perfectly with the Laboratories Division's services for EMC and Wireless.



The addition of QPS expands the Division's portfolio of certification services for electric and electronic products and allows it to offer its clients services with global reach.

In December, **Energy & Industry Division** acquired Soil and Foundation Company Limited and Geotechnical and Environmental Company (together “**SAFCO** Group”), a leading construction testing and inspection services company in Saudi Arabia.

SAFCO Group is the largest and oldest company in Saudi Arabia to provide construction-based testing and inspection services, building this position over the past 40 years. It provides on-site and laboratory-based testing for the materials used in construction projects as diverse as small commercial buildings to mega projects, as well as soil investigation services and environmental inspection and consulting.

It has a strong reputation and good brand recognition in the industry, which will immediately support the expansion of Applus+ delivering services for construction, building and environmental products testing in the region where Applus+ already currently serves mainly other end-markets.



03. SUSTAINABILITY

Sustainability approach

GRI 102-12 GRI 102-16 GRI 103-2 GRI 103-3

CREATION OF VALUE

The Applus+ Group offers **innovative testing, inspection and certification (TIC) services** to companies in a wide variety of industrial sectors all over the world through our four divisions



ENERGY & INDUSTRY DIVISION

We assist our clients in developing and monitoring industrial processes, protecting assets and increasing operational and environmental safety.



LABORATORIES DIVISION

We develop testing, engineering and certification services for industries such as aerospace, automotive, electronics, IT and construction.



AUTOMOTIVE DIVISION

We offer statutory-vehicle-inspection services to comply with regulations for technical safety and environmental protection.



IDIADA DIVISION

We offer design, engineering, testing and homologation services to the leading automotive companies in the world.

At Applus+, we generate value by responsibly conducting our business activities. The ESG approach, which guides our economic performance, engages our employees, delivers benefits to society and offers trust to our stakeholders.

- OUR MAIN BUSINESS**
- Circa €250M in acquisitions
 - Revenues of €1,557.9M and AOP of €118.4M
 - Effective compliance rate of 87% of the recommendations of the National Securities Market Commission (CNMV)
 - Top Employer in Spain for the third year in a row and in Latin America for the first time
 - Personnel Today Awards 2020 as one of the top-three companies in Europe for "Talent Management and Development"
 - 27 hours of training/employee
 - 76% employees with permanent contracts
 - 23% decrease in the accident rate
 - Consumption of green electricity by 23%
 - Intensity of GHG emissions 2.42 t CO₂ eq/employee, 19% decrease
 - "AA" (Leader category) on the MSCI ESG Ratings, index; Level "B" from the CDP (above the industry mean), and inclusion on the FTSE4-Good IBEX index

- OUR CONTRIBUTION TO SOCIETY**
- 286,580 hours invested in innovation
 - €16,677 thousand taxes paid
 - 88% of the EVA generated was distributed
 - €539 million spent on suppliers and 95% of products and services purchased locally
 - 88% of employees are local. Steadfast commitment to diversity, inclusion and equal opportunities.
 - 13% of green services
 - Numerous activities to support disadvantaged groups around the world
 - Our projects contribute to technological advancement, environmental protection and social development in many countries.
 - Applus+ has adhered to the UN's Statement of Business Leaders to renew international cooperation; boost security, peace and human rights and development; and achieve the SDGs.

The principal Sustainable Development Goals (SDGs) to which we contribute are:



AOP: Adjusted Operating Profit

EVA: Economic Value Added

THE GROUP'S STRATEGY

The Applus+ Group establishes our **strategy within the framework of responsible and sustainable business management which contributes to society. We are committed to the environment in which the company operates**, and we define our purpose and values within this context.



The Group's strategy is built upon **three cornerstones**: leadership in the markets where we operate, developing the best technical solutions through innovation and technology, and nurturing long-term relationships with our clients.

The Group's **leadership in the TIC sector** is based on:

- Our business management focused on business excellence to offer our clients the best services that meet their needs and expectations through ethical, robust and responsible operations.
- Our professionals' engagement through different initiatives to foster the development of their talent, to offer a sense of belonging and to continually improve in the effective implementation of our principles for diversity and equality.
- Our commitment to the socio-economic development of many countries through our services, promoting the adoption of actions to preserve environmental wealth worldwide.

Through our divisions' activities in innovation, and by fostering digitalisation, we are contributing to a more sustainable development. These innovations assist in implementing actions to mitigate climate change, drive progress in local communities and achieve advances which improve public safety.

We develop and deliver our services and activities so they are recognised for strong social and ethical responsibility. This approach contributes to maintain customer loyalty and safeguards the Group's position as a **trusted partner**.



Leadership: *Be market leaders in our verticals*

- Testing, inspection, certification in chosen key geographies and market sectors
- Inspection and NDT mission-critical services for oil, gas and power end-markets
- Statutory vehicle inspection across Europe and the Americas
- Automotive proving grounds, homologation services and passive-safety testing facilities
- Laboratory testing and metrology services in Spain and other geographies



Innovation and Technology: *Offer the best technical solutions*

- Target investment in proprietary technology and know-how
- Plan to accelerate the digitalisation of the operations and the development of new digital services.
- Deliver technical solutions to reduce risk more efficiently for our clients and the public
- Innovate TIC practices by working with global companies, government legislators and industry associations



Trusted Partner: *Build long-term relationships*

- Nurture long-term relationships and Master Service Agreements with blue-chip clients
- Provide essential and regulatory-driven, mission-critical services cost effectively

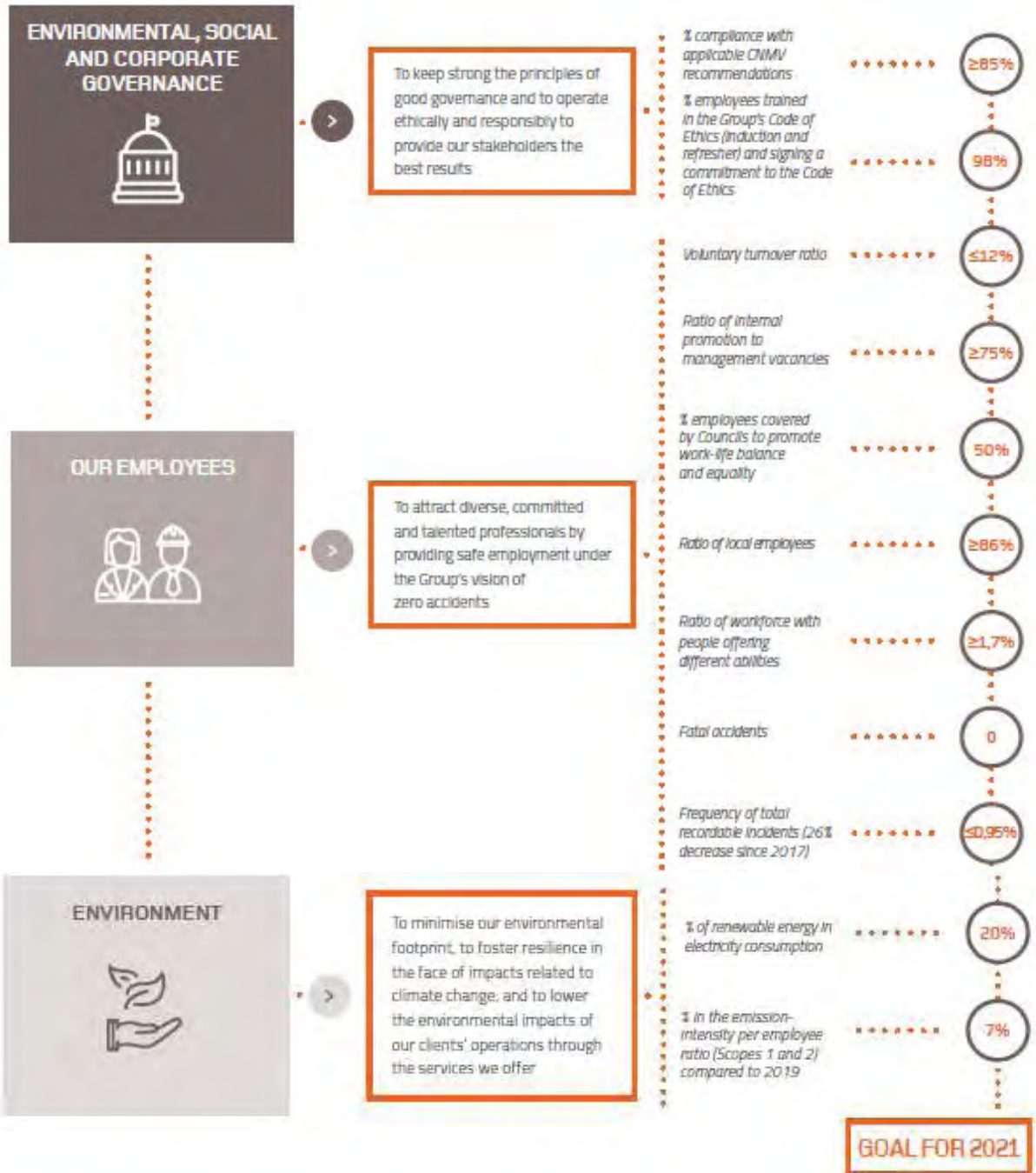
The Group in 2018 set three year **financial and non-financial objectives**, all of which are aligned with our strategy and within the framework defined in the company's purpose and values.



The three main drivers are organic and inorganic **income growth**, **margin improvements**, and **cash flow** generation for strategic acquisitions and shareholder dividends.

The crisis caused by the coronavirus pandemic, with its huge impact globally, has also affected some of the objectives defined in our three-year plan set out until 2020. Nonetheless, other objectives have been well met despite the pandemic, and therefore the Group made six acquisitions throughout 2020 thanks to the Group's robust cash-flow generation and strong liquidity.

In 2021, the Group will focus efforts on **recovering** back towards pre-pandemic **levels of sales and margins** and managing the **integration of the acquisitions** made in 2020, while also continuing to **promote our sustainability measures to meet our environmental, social and corporate governance (ESG) objectives:**



We expect a gradual, declining impact of the pandemic on our business activities in 2021, following which the Applus+ Group may develop a **new three-year plan** for the period **2022-2024**.

DELIVERING WORLD-CLASS TIC SERVICES

At Applus+, we implement our business strategy driven by our mission to be a world leader in our TIC markets and to create trust for our stakeholders by offering the most innovative services and by managing our company with a **sustainability approach that achieves optimal financial and non-financial results.**

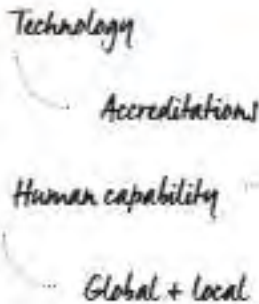
The Applus+ brand defines our success to deliver world-class TIC services: a global leader, a trusted partner and with a passion for improvement. These three pillars underpin the Group's long-term growth within our TIC markets, supported by strategic investment into technology, innovation and human capital.

With four attributes in each pillar, they reflect both how we deliver service excellence and how to attain global leadership. The attributes also demonstrate our approach to worldwide collaboration with clients from different industrial sectors, global operations and regulatory jurisdictions. The pillars and attributes enable us to create value by reinforcing our strong reputation and international recognition.

As a Group, we deliver collective know-how, innovative services and accredited skill-sets for our clients, which we summarise as **TOGETHER BEYOND STANDARDS.**



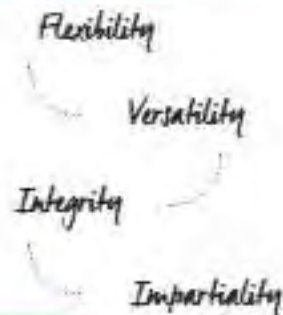
HOW DOES Applus+ ATTAIN GLOBAL LEADERSHIP?



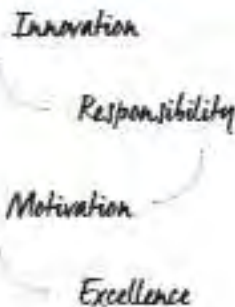
Through our highly skilled teams, we develop and deploy technical solutions across complex industry sectors to enhance operational efficiency, to improve product quality and to reduce risk for clients and the public. These value-adding services have made Applus+ a technological reference point for bespoke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

Applus+ is a dynamic and responsive company, adapting technical and human resources to a project's needs. With teams of multidisciplinary problem-solvers, our services offer solutions – from conventional to the advanced – to provide clients with the right answers for the challenges of their activities. In each case, we ensure that our ability to make decisions objectively and independently remains, retaining the trust of our clients.

HOW DOES Applus+ BECOME A TRUSTED PARTNER?



HOW DOES Applus+ PROMOTE PASSION FOR IMPROVEMENT?



Applus+ strategically invests in innovation to advance its technologies and services. Across our divisions, we build best practice by working with companies, government and industry associations to help develop better industry-wide operations and standards. To respond to our sectors' challenges, we invest in the talent of our teams to equip them with the capabilities that drive service excellence. Complementary to this focus on improving together, we operate robust ESG policies to meet our stakeholders' environmental and social expectations.

SUSTAINABILITY FRAMEWORK

GRI 207-1 GRI 207-2

FINANCIAL MANAGEMENT

The Board of Directors, the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Vice-Presidents of our four divisions are responsible **for managing** the Applus+ Group's **financial results**.

Through **executive committees**, the members of the executive management team, and the directors of the functional corporate areas, analyse the information and economic results reported by our four divisions.



Internal Control System

Applus+ prepares the **consolidated financial statements** in accordance with the **International Financial Reporting Standards** approved by the European Union (IFRS-EU) and conforming to Regulation (EC) 1606/2002 of the European Parliament and Council.

Applus+ has an **IFRS Manual** to apply the Group's accounting principles and standards homogeneously within all of its dependent companies, as well as its valuation criteria. Correspondingly, the Group uses a **unique reporting package** with a standardised accounting system, applicable to all of the companies to guarantee a consistent approach across the Group.

Furthermore, Applus+ has designed and developed an **Internal Control System over Financial Information (ICFR)**, which establishes the **processes** carried out by the Board of Directors, the Audit Committee, the management and the Group's personnel to **ensure a reasonable level of security** in relation to the reliability of the information published.

The **Board of Directors** is ultimately responsible for the existence and maintenance of the **ICFR**, and it is led by the **Audit Committee**. The model implemented by the Applus+ Group is fully described in Section F of the **Annual Corporate Governance Report**.

Each year, the proper implementation of the **ICFR** and the company have been in **compliance** since being a listed company in 2014.

To better meet the requirements of **Spanish law 11/2018** on non-financial information, Applus+ is continuing our efforts to **expand** the content of the **reporting package**, which is used by all of the companies in the Group, by **introducing non-financial information** (related to social, environmental and governance topics, in addition to other information). Currently, some information has already been included, and other topics will be included in 2021 financial year.

Tax contribution

The Group's **fiscal strategy**, approved by the Board of Directors, focuses on:

- Ensuring **responsible compliance** with the tax laws in force while safeguarding corporate interests.
- Being aligned with the **business strategy and values** of the Applus+ Group, which require the strict observance of the law and the criteria set by the regulatory bodies governing our businesses.
- Developing and implementing **best practices in tax governance**.
- Combining compliance with tax obligations together with the commitment to **create value for our shareholders**.

We exhaustively monitor compliance with our tax obligations in all of the countries in which we operate through the **Applus+ GRG** tool.

We operate in compliance with the **internal procedures** we have defined, which set out how the Corporate Tax Department should be informed to minimise any possible sanctions in the event of inspection notifications. **There were no significant fiscal sanctions** in the financial year ending 31st December 2020.

Each quarter, the Audit Committee reviews all fiscal risks that could materialise, when applicable, derived from verifications by the relevant authorities, and thereby the Group monitors the fiscal risks to minimise such exposure.

The employees with responsibilities to fulfil fiscal obligations are trained according to what is considered relevant, and, when applicable, the Group also has external fiscal advice to ensure the company fulfils its obligations in this area.

A key priority for the Applus+ Group is to fulfil the company's obligations to pay taxes in accordance with the regulatory requirements applicable in each territory, with the aim of creating value in all of the countries where the Group operates through tax payments that fulfil the company's fiscal obligations. The Applus+ Group paid **16,677 thousands of euros** in business tax in the **2020** financial year.

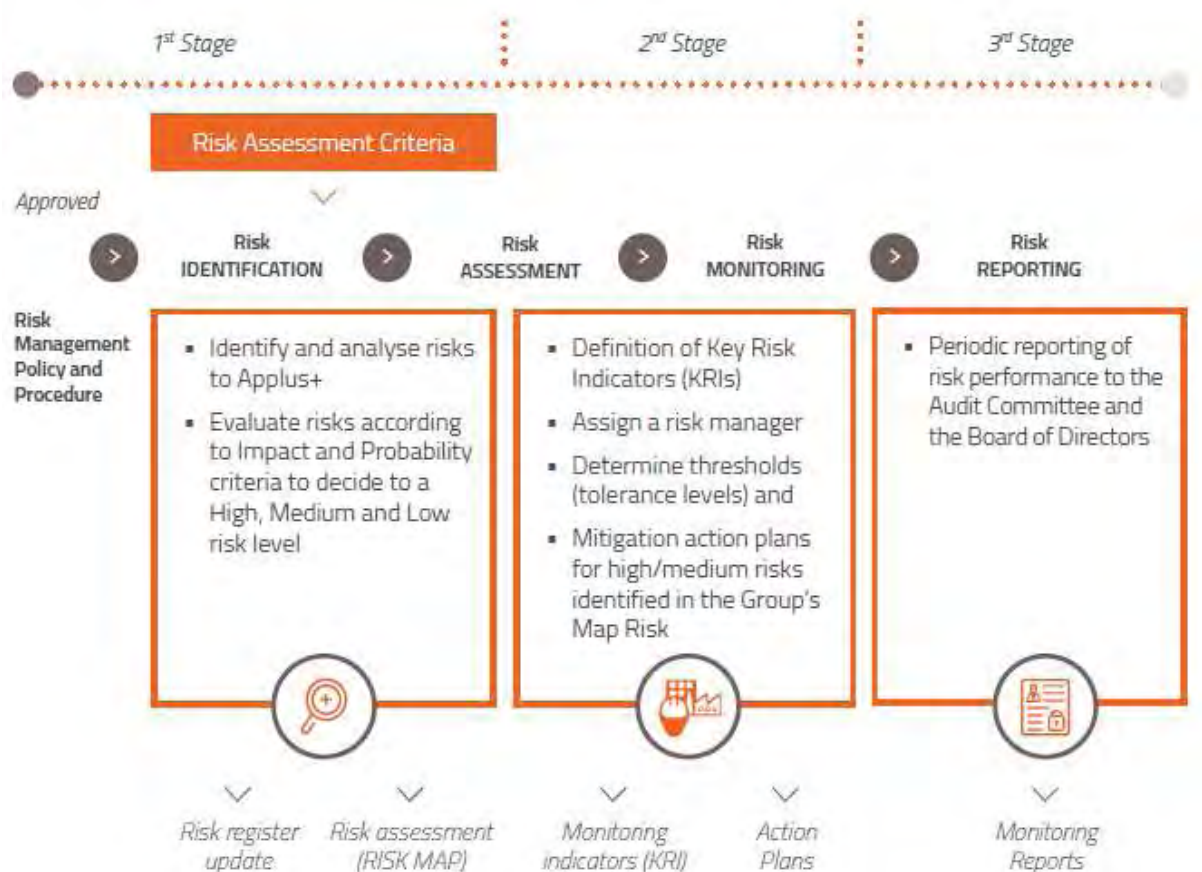
RISK MANAGEMENT

The Board of Directors and the Audit Committee of the Applus+ Group have clear responsibilities for risk management and control policies, as well as for the periodical evaluation of the company's financial and non-financial risks. The Applus+ Group manages risks by implementing the company's **Risk Management Policy and Procedure**.

In addition, the Group has a Criminal Risk Map and a **Handbook of Criminal Risk Management and Crime Prevention System**. Therefore, under the impetus of the Environmental, Social and Corporate Governance (ESG) Responsibility Committee, the Group has revised and strengthened our **Compliance Management System (CMS)**.

To fulfil and improve risk management, the management team periodically updates the Risk Map, which identifies and quantifies the main risks that could affect the Group's strategic objectives. These risks include all the factors regarded as critical for the Group's business activities from the **strategic, operational, financial, legal and compliance** perspectives and in terms of **sustainability**. The Risk Map encompasses **social and environmental risks**, including **risks related to climate change**.

The risk-management model implemented in the Group primarily comprises the following stages:



The Risk Map, and its associated action plans, is revised by the Audit Committee twice yearly and by the Board of Directors annually.

This process, which covers the four divisions and geographic regions of the Group's operations, **guarantees informed decision-making**, which improves the Group's risk-management performance by **tracking the Key Risk Indicators (KRI)** defined for each risk. These indicators are periodically **evaluated** by the Audit Committee, and the Group develops the action plans needed to manage those risks appropriately.

NON-FINANCIAL MANAGEMENT. ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) APPROACH

The Applus+ Group demonstrates our commitment to sustainability through our **ESG Policy** (Environmental, Social and Corporate Governance), previously the *CSR Policy*, published on the Group's website.

The *Policy* is defined and approved by the Board of Directors in accordance with our values of **integrity, transparency, impartiality and independence and responsibility**, and it is implemented in all of the Group's regions and four divisions.

We implement this approach in the short- and medium-term through **lines of action** related to each of the **five pillars** underpinning our policy.



AWARDS AND RECOGNITIONS

As in other years, Applus+ has been widely acknowledged by many institutions for our professional performance in different areas of business management, as well as for the Group's deep involvement in issues related to ESG. Here, we review the most significant awards and recognitions.

ESG Index

MSCI ESG Ratings. Applus+ Group has been classified within the AA category by MSCI ESG Research. This index measures a company's long-term strength regarding the management of relevant environmental, social and governance (ESG) from a financial point of view. The AA classification falls into the "Leader" category of MSCI ESG Research, and the attainment acknowledges the more significant actions by Applus+ and our policies on the management of ESG risks and opportunities, which places the company as one of the global leaders on sustainability in the TIC sector.



FTSE4Good IBEX. The Group maintains our inclusion in the FTSE4Good Index Series from Ixex, a leading market tool for investors interested in committing to companies that highlight their environmental, social and good-governance practices.

Human resources

Top Employer. Applus+ Group was named "Top Employer" in Spain for the third consecutive year and in Latin America for the first time.



"Cinco Días" Award for the most innovative business initiative in ESG, **PREMIOS CIUDADANOS ("CITIZENS AWARDS")** as the best Social company for its CSR strategy aligned with nine of the 17 UN's Sustainable Development Goals and recognition from the **Randstad Awards** for being in the top-three of large companies thanks to our project for Diversity and Inclusion.



Personnel Today Awards 2020 in Europe. The Applus+ Group was selected as one of the top-three European companies in the category "Talent Management and Development".



Finalist among the best international companies in the Europe, Middle East and Africa (EMEA) and North America regions in the category "Engagement Strategy".



BUSINESS CULTURE AWARDS 2020 FINALIST. Applus+ has been selected as one of the three best companies in Europe thanks to our project to promote a group-wide corporate culture.



PREVENCIONAR AWARDS, where Applus+ has been placed as one of the three large companies in the “Healthy Corporation” category for our best practice in safety, health and wellbeing.



ALARES AWARDS FOR THE RECONCILIATION OF WORK, FAMILY AND PERSONAL LIFE 2020. Applus+ has been included in the top-ten of companies, among 393 candidates, for our good practices to promote a better work-life balance.



Brand and Communication

Our **global brand management** and internal communications were recognised by the **European Excellence Awards** and the **MARCOM Awards**. The **European Excellence Awards** highlighted our communications high practice in the “Branding” category. The **MARCOM Awards** recognised the work within the top Platinum award in the category “Strategic Communications – Branding”, and the Gold award in the categories “Annual Report - Corporation” and “Video Corporate Image”.



Our **internal magazine, *Appeople***, was recognised as a finalist by the **European Excellence Awards 2020** in the category “Internal Publication” and by the **MARCOM Awards 2020** with the Platinum award in two categories, “Employee Publication - Internal Magazine” and “Digital Media”.



Purchasing

For our quick implementation of **Ariba** SAP purchase-order tool, Applus+ received **Bronze in the SAP Quality Awards in the “Fast Delivery” category**. The system has enabled us to lower operating and administrative costs, to increase the volume of purchasing via orders, to improve on savings opportunities and data quality, and to exchange information with suppliers electronically.



Technical and operational excellence

Applus+ has been recognized by the Galician Society of Civil Engineers in Spain in the conversion into a dual carriageway of corridor CG-4.1 with the second prize. The jury valued how the project shortened the route and improved road safety, respecting the environment and landscape at all times during construction.



Innovation

‘Key innovator’ in the European Nanomanufacturing project. The Laboratories Division has been recognised as ‘key innovator’ by the European Commission, and added to its ‘Innovation Radar’ platform for its contributions to the European Horizon 2020 Nanomanufacturing project. The Division’s experts have developed two new scalable processes for the synthesis of ligands, substances necessary for the production of nanoparticles used in nanomedicine.

Airbus ‘Merit’ rating for the Shanghai materials laboratory. The Laboratories Division’s materials laboratory in Shanghai has received the Airbus ‘Merit’ rating and is one of the 15 laboratories, from over the 100 assessed by Airbus, to have obtained this recognition. The Shanghai materials laboratory also received an equivalent recognition in 2020 by NADCAP, the international organisation in charge of evaluating and accrediting providers for the aerospace sector. Both Merit awards recognise the excellence of the laboratory, as much for its competence and technical expertise as for the quality of its processes and customer service.

New automotive manufacturer recognitions for EMC testing. The Laboratories Division’s EMC laboratories have added the recognitions of the manufacturers Hyundai/Kia and GEELY- CEVT & LOTUS to their extensive list of recognitions. Furthermore, the integration of the Reliable Analysis laboratory has added the recognitions of the leading brands of the Chinese market, such as GAC, GWM, FAW and BAIC, to this list. The ability to perform tests in different parts of the world, and in accordance with the specifications of practically every manufacturer in the world, gives Applus+ Laboratories a big advantage over its competitors.

Accreditations and certifications

Applus+ in Australia was recognised for acting as an instructor and operator by the Industrial Rope Access Trade Association (IRATA). The association, which promotes creating a safe environment for procedures in rope access techniques, uses audits to accredit its associates to teach training courses and guarantee that associate-employees work with the utmost safety during these operations. The Applus+ Group in the United Kingdom, Singapore, the Netherlands and Qatar are also registered members of IRATA

Cybersecurity accreditation for high assurance evaluations. The Laboratories Division has extended the reach of its accreditation as a Common Criteria security laboratory to the EAL6+ level, of which only 11 companies in the world hold this level of accreditation.

NCAP accreditations in the United States to evaluate vehicles and conduct safety-testing protocols. The IDIADA Division was assigned to be the sole, exclusive laboratory in Europe and the United States to conduct ASEAN NCAP tests for new evaluation programmes in vehicles destined for the Southeast Asia region. The ADAS passive- and active-safety assessment and testing related to ASEAN NCAP will be carried out exclusively at the IDIADA Division facilities when completed in Europe or the United States. Applus+ IDIADA in the United States has also expanded the scope of accreditation as a NCAP laboratory by securing the accreditation of the National Highway Traffic Safety Administration (NHTSA) to conduct active-safety testing protocols to assess a vehicle's propensity to overturn during the fishhook manoeuvre.

New accreditations in the USA and Europe to evaluate vehicle safety according to consumer tests protocols. The IDIADA Division has achieved the accreditation as an exclusive laboratory for ASEAN NCAP in Europe and USA to conduct passive- and active-safety assessment of vehicles destined for the Southeast Asia region. In addition, the National Highway Traffic Safety Administration (NHTSA) has extended the IDIADA Division's US NCAP accreditation scope in the USA to conduct active-safety testing. In particular, a contract as exclusive supplier has been awarded to evaluate a vehicle's propensity to rollover when undertaking the fishhook manoeuvre.

NADCAP accreditation to conduct tests of aerospace components in the USA. Among other locations, our laboratory in Sterling Heights (Michigan, United States) has received the accreditation of Audit Criteria for Inspection and Test Quality System Nadcap AC7004, and at this same location and in Sterling Troy, our laboratories have also received the Nadcap accreditation for non-destructive testing.

ISO accreditation in Chile. Our Laboratory in Santiago de Chile has secured the accreditation for 100 tests in the field of construction, according to the ISO/IEC 17025:2017 standard for competence, impartiality and consistent operation of laboratories.

Notified Body for the certification of facemasks. In June 2020, the Laboratories Division expanded its ENAC no. 12/C-PR054 accreditation as Notified Body in order to perform the CE marking of facemasks. From the first half of 2020, a larger number of facemask manufacturers and distributors were able to turn to our experts for the certification of their products.

Applus+ in the USA is leading the way in assessing high-risk gas pipelines. Applus+ conducted an extensive, independent engineering study to assess the need to replace cast iron and ductile iron natural-gas pipelines. The report was successfully submitted to the Illinois Commerce Commission (ICC) and was approved after several months of reviews by the different stakeholders involved, included environmental protection groups and client representatives.

Health and safety

Order of Distinction of the Royal Society for the Prevention of Accidents (RoSPA). The Energy & Industry Division in the United Kingdom has received the RoSPA's prestigious award in recognition of its health and safety practices, as well as the assistance provided to its employees, clients and contractors to ensure that they complete their working day safely.

QAFAC award from the Qatar Fuel Additives Company. Applus+ in Qatar received an award as a key supplier of QAFAC, which held an event to recognise management teams and leading suppliers after reaching 15 million hours of accident-free work.

Certificate of appreciation for Applus+ in Indonesia for its **contribution to achieving 100,000 hours of safe work**, free of accidents with injuries in a project to redevelop the Tyra gas field. With this recognition, Applus+ continues to be a trusted partner which guarantees the utmost operational efficiency through safe-working practices in partnership with its clients.

Professional certification from the Board of Certified Safety Professionals (BCSP). The BCSP awards certifications to safety professionals in the United States. The supervisor trained in safety (STS or STS-C) is an upper-level certification earned after passing a 100-question test which encompasses all safety issues, in addition to more than 30 hours of training. Thanks to this certification, our supervisors can participate in the HSE programme, a sponsorship programme for companies which achieve and maintain a certain number of STS certifications within their organisation. Applus+ is the only Non-Destructive Testing (NDT) company in the United States which has attained this sponsorship at the Ruby level with more than 25 certificates.

Certificate as a COVID-19 Responsible Company. The IDIADA Division has been certified as a COVID-19 Responsible Company after passing the audit conducted by the company AGS. During the certification process, the following procedures and equipment were audited: COVID-19 management system, COVID-19 preventive measures and protocols, personal protective equipment, coordination with suppliers and clients, and protocols in place in the event of a positive diagnosis.



Environment

Applus+ renews its `B` classification by CDP

Applus+ Group has renewed its classification of `B` Level given by CDP for environmental disclosure, which is above the average. This level places us in *Management* zone, which shows that the company measures and manages its environmental impact. CDP is a not-for-profit organisation that operates the international information system for investors, companies, cities, states and regions with the aim of managing their environmental impact. In 2020, the Group maintains the classification achieved in 2019 and reaffirms our commitment to environment protection and the fight against climate change.



Certification under the ESCO qualification of the Bureau of Energy Efficiency of India

Applus+ has received the qualification "CRISIL-BEE Grade 3" as an Energy Service Company (ESCO), which allows us to operate while offering deposit guarantees, risk management when implementing energy-efficiency projects, and energy-saving measurement activities after implementing energy-efficiency projects. The qualification is issued by the Bureau of Energy Efficiency, a government agency that reports to the Ministry of Energy and the Government of India.



Award for commitment to sustainable mobility in Costa Rica

The Automotive Division, through its Riteve brand in Costa Rica, was granted the FIA Americas Awards from the Fédération Internationale de l'Automobile (FIA) for contributing to improving road safety and promoting environmental protection. With this recognition, Applus+ is reinforcing our social commitment in Costa Rica, and thereby contributing to safety and more environmentally-friendly mobility, thanks to the programmes we promote for road safety and accident prevention.



Business excellence

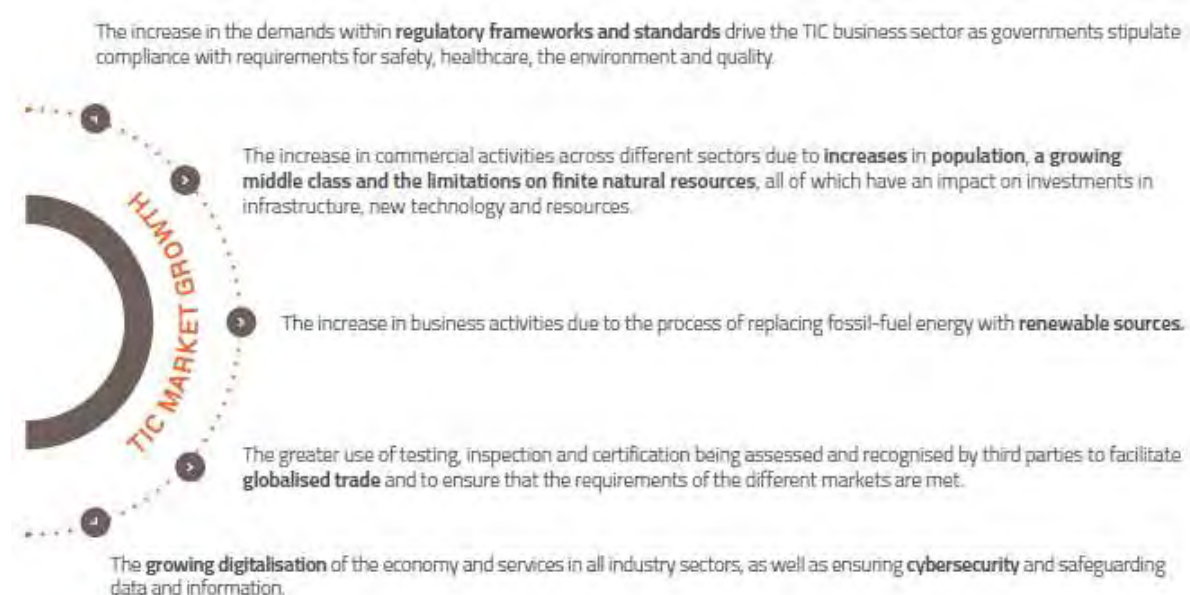
GRI 102-12 GRI 103-2 GRI 103-3

THE TIC SECTOR

The TIC sector encompasses **many types of highly specialised services**, which are offered throughout the value chain, ranging from laboratory to in situ testing, facility and asset inspections, product-conformity certification, management-process audits, documentation assessment and the verification of data coherence.

The market for TIC services is experiencing **continued worldwide growth**. This can be attributed to government initiatives for improving the quality of many different product categories and on the processes of globalisation favouring trade with emerging countries, which impose strict requirements to comply with international standards.

The main **growth factors affecting** the TIC market are:



SERVICES AND CLIENTS GRI 102-2

The Applus+ Group has a large **multidisciplinary team** of professionals with **wide experience and strong capabilities**, recognised internationally for their **technical excellence** in a variety of industry sectors.

Our technical capability, together with our capacity for innovation and our highly qualified and motivated team, allows us to maintain a **solid commitment to technological development and innovation**. We are a partner that is trusted and recognised in our markets, and we assist our clients to improve the quality and security of their assets, infrastructure and operations.

We deliver our business activities across **four divisions**, based on our commitment to the principles set out within the framework of the United Nations' **Sustainable Development Goals (SDG)**.

The **ENERGY & INDUSTRY DIVISION** is a world leader in non-destructive testing, industrial and environmental inspection, quality assurance and quality control, engineering and consultancy, vendor surveillance, certification and asset-integrity services.

The Division designs and deploys proprietary technology and industry know-how across diverse sectors, helping our clients to develop and control industry processes, protect assets and increase operational and environmental safety. The services are provided for a wide range of industries including power, construction, mining, aerospace, telecommunications and oil and gas.



13,848
Employees



60+
Countries



58%
Revenue
(of Group)

The **AUTOMOTIVE DIVISION** delivers statutory-vehicle-inspection services globally. The Division's programmes inspect vehicles in jurisdictions where transport and systems must comply with statutory technical-safety and environmental regulations.

The Division operates 30-plus programmes, carrying out over 20 million vehicle inspections across Spain, Ireland, Denmark, Finland, Sweden, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador and Uruguay in 2020. In the programme-managed services, third parties delivered a further 6 million inspections.



5,599
Employees



13
Countries



23%
Revenue
(of Group)

IDIADA A.T. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 351-hectare technology centre near Barcelona (owned by the Government of Catalonia) since 1999. The contract to operate the business and use the assets runs until September 2024 and although it is renewable in five-year periods until 2049, it has been decided that there will be no further extensions but a tender for a new 20 or 25 year concession.

IDIADA A.T. provides design, testing, engineering and homologation services to the world's leading automotive manufacturers.



2,446
Employees



22
Countries



13%
Revenue
(of Group)

The **LABORATORIES DIVISION** provides testing, certification and development engineering services to improve the competitiveness of its clients' products and encourage innovation. The Division has a network of multidisciplinary laboratories in Europe, Asia and North America.

Our state-of-the-art facilities and the technical knowledge of our experts allow us to offer high added-value services to a wide range of industries such as aerospace, automotive, electronics, IT and construction.



1,494
Employees



12
Countries



6%
Revenue
(of Group)



Energy & Industry Division



Automotive Division



IDIADA Division



Laboratories Division

OUR SERVICES ALIGNED WITH SDG				
Sustainable Development Goals (SDG)	Energy & Industry Division	Automotive Division	IDIADA Division	Laboratories Division
	●	●	●	●
	●			
	●	●	●	●
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KEY PROJECTS

ENERGY & INDUSTRY DIVISION



Engineering services at one of the highest wind turbine farms in Latin America

Our multidisciplinary team of Applus+ in Colombia and Applus+ in Spain have provided engineering services to a wind farm in Ecuador, located at 3,000 meters above sea-level, which qualifies it as one of the highest altitude wind-turbine farms and with the most extreme conditions in Latin America.

Among the services provided, we have carried out engineering for civil works, which includes access roads to the wind farm, internal roads, platforms and foundations; as well as electrical engineering, which includes the medium-voltage installations network between the 25 wind-turbines, the substation and the evacuation line.

Thanks to our knowledge of local environments and the joint work of our teams at a global level, we have been able to successfully manage the challenges of the project.



5-year contract with one of the largest nuclear energy producers in North America

This Master Service Agreement confirms Applus+ as the non-destructive testing and primary technical-workforce provider for two nuclear-energy generating stations in Ontario, property of the largest power producer in North America. Applus+ provides 200 professionals to perform non-destructive testing as well as technical support during power-outage events.

We are proud to be selected by the client for this project, with whom we had already collaborated on previous projects, such as the refurbishment of its nuclear power stations. This trust and collaboration marks the growing presence of Applus+ in the nuclear-power industry sector in Ontario and throughout Canada.



Implementation of the most efficient and less invasive methodologies for the pipelines' inspection and rehabilitation in India

Applus+ has provided state-of-the-art technology for the inspection and renovation for many kilometres of pipeline in Delhi, India. To carry out this project, our specialised team used the CCTV (closed-circuit television) and CIPP (cured-in-place-pipe) methodologies.

CCTV is remote inspection used to inspect the interiors of the pipelines visually, through a wide selection of cameras, robotic cutters, etc. All reports generated are coded to EN13508 normative and all our professionals are certified to MSCC4 (WRC). In addition, CIPP methodology is one of the alternative methods for non-invasive trenchless rehabilitation used by Applus+ to repair existing pipelines, which minimise or eliminate the need for excavation. CIPP is a joint-less, seamless pipe-within-a-pipe system and is capable of rehabilitating pipes from DN 100 to DN 1600 in diameter. The process is carried out through the maintenance covers of sewage systems, avoiding excavation and traffic congestion.

Thanks to these methodologies, Applus+ has successfully carried out this complex project, minimising the environmental, economic and social impact that this type of project can generally generate.




Inspection on 6,000+ mission-critical welds at newly built nitrogen-mixing station in the Netherlands

A major network provider for gas and power in the Netherlands has expanded its facilities with the construction of a new nitrogen-mixing plant. At the new facilities, Applus+ has performed advanced non-destructive testing services on welds. In the first phase, we examined a total of 400 welds using Rotoscan, TOFD (time-of-flight diffraction), UT (ultrasonic testing), MT (magnetic particle testing) and RT (radiographic testing) for small diameters, and the second phase included the examination of 6000 welds.

This is the first project in which we have provided services at a newly built nitrogen facility. We expand our capabilities while helping our clients minimise risks and protect both their professionals and the environment.




Other industries

Quality Control services according to Moroccan market regulations for imported products

Applus+ has been selected as a provider of the verification of conformity (VoC) services in Morocco, which have been mandatory since June 2020. VoC consists of inspecting goods prior to their shipment from one country to another to ensure that imported items meet minimum standards for quality and safety.

Among the VoC services, Applus+ provides the coordination between the different teams to carry out the visual-inspection services, the laboratory inspection of samples and documentary review of industrial products. By regulation, products need to be supervised and approved prior to their entry into the country. Following the verification of all these aspects, Applus+ issues a certificate of conformity (CoC) required by the Moroccan regulatory authorities. When products do not meet the defined requirements, Applus+ issues a discrepancy report in order to allow for corrections before a new evaluation can be issued.

We have been selected for our agility and flexibility, as well as for our great professionalism in guaranteeing the safety and the quality of the products.



Construction

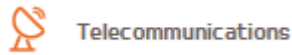
Contribution to road-quality improvements in Saudi Arabia

Applus+ provides consultancy services to the Ministry of Transport of Saudi Arabia. This three-year contract is focused on improving quality of the roads in the country. Our team of over 40 engineers and project managers provides road-management services, and testing and analysis of the materials for the roads. In addition, we will develop new concrete and asphalt design-guides and provide multiple training courses for the Ministry's workforce.

The contract is a result of the hard work from our talented human capital and is the first of its type to be awarded by the Ministry of Transport. We are proud to be working closely with the Saudi Arabian Government, and to be establishing further collaboration for a continued partnership.



DIVISIÓN LABORATORIES



Benchmark laboratory for Common Criteria evaluations

The Laboratories Division is one of the leading laboratories worldwide for the security evaluations of IT products under the Common Criteria certification scheme.

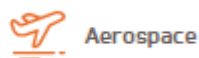
Throughout 2020, the Division has managed multiple highly critical security-evaluation projects with high assurance levels (up to EAL6+) for sectors such as aerospace, telecommunications, digital identification and biometric payment systems.



Cybersecurity evaluations for the automotive sector

The Laboratories Division has carried out multiple cybersecurity evaluations of critical electronic components for vehicles, according to the TARA criteria (Thread Analysis & Risk Assessment).

The attacks performed by our experts allow Tier-1 suppliers and European vehicle manufacturers to evaluate components or electronic systems and verify that their integration will not compromise the security of a new vehicle or its passengers.



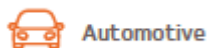
Test benches for helicopter components

The Laboratories Division was selected by a major helicopter manufacturer to design and manufacture a multifunctional test bench for the development and validation of the gearboxes for different next-generation helicopter models.

The Division will manage the whole project, from coordinating the construction of the building and installation, to the design, manufacturing and commissioning of the test bench.

The magnitude of this project guarantees a long-term business relationship between Applus+ and the helicopter manufacturer. Over the past 3 years, the Division has become one of the main providers of technological services and test-bench engineering for critical helicopter components.

AUTOMOTIVE DIVISION



Digitalisation of our services at statutory-vehicle-inspection centres

During 2020, Applus+ has digitised some of its services and processes in the statutory-vehicle-inspection stations that the Group has around the world. This digitalisation has allowed us to adapt to the extra demands in safety and hygiene requirements during the Covid-19 pandemic, and, in addition, the improved processes have increased our flexibility and efficiency.

The Automotive Division has rolled out online payment at all of its centres, which currently represents 30% of payments made through the reservation-payment system. With this new system, now all of our clients have the option to pay in advance of their visit to the statutory-vehicle-inspection station, which allows the customer to remain inside the vehicle during the entire inspection process. The customer can make the payment when booking online or later, but always before the inspection, through a PayLink+, an application that delivers a link for payment via SMS or email.

In addition, we have developed the eCheckin+ programme to manage the vehicles' entrance into the centres. The customers with a scheduled-inspection receive a SMS, which provides their instructions to follow for accessing the station. The improvements delivered by digitalisation minimise queues and improve centre-productivity.

Finally, through our "No-paper" project, we offer option for clients to receive their *Inspection Report* and the invoice via an email service, reducing paper-use across all of our centres.



Development of ID-certificate for vehicles to stop frauds on cloned-vehicle leasing

Leasing fraud related to cloned vehicles is spreading significantly, especially in Denmark. Applus+, together with one of its partners in commercial leasing, has developed an identification certificate for vehicles to prevent these frauds. The service consists of verifying the cars that are subjected to sale or rental, reviewing all the vehicle's history and documents before a purchase or lease agreement is established, and issuing a certificate of conformity.

Applus+ in Denmark is the only provider that develops this service in the country. Thanks to the aptitude and versatility of our teams, we adapt our services to the needs of our clients, improving their operations.

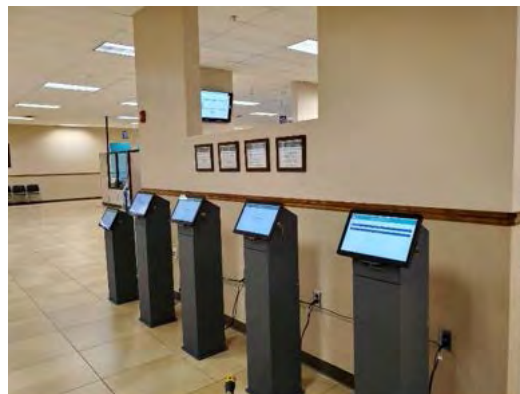


Optimisation of the queue-management system for the Texas Department of Public Safety through DriveQueue

Applus+ in the USA has implemented an enhanced queue-management solution for the Texas Department of Public Safety (DPS), Driver License Division (DLD). Among other services, DPS provides driving licences and identification cards to over seven million customers each year across more than 200 of its offices.

The DriveQueue application developed by Applus+ has been implemented in the DLD offices and allows DPS's clients to book their appointments online and register themselves through self-service digital displays when attending.

This new application and the digitalisation of processes increase service efficiency and allow DPS to optimise, control and manage the flow of customers within their DLD offices. Once more, Applus+ has contributed to improving processes thanks to our advances in technology.



IDIADA DIVISION



The extension of ADAS and connected and automated vehicle services in regions around the world

The IDIADA Division has consolidated its leadership in the field of Advanced Driver Assistance Systems (ADAS) and connected and automated vehicle development by the deployment of local engineering and testing capabilities worldwide. New capabilities in Europe (UK), in Asia (China) and in North America (USA) complement the Group's already existing assets in Spain.

At these new locations, Applus+ has allocated engineering teams and resources to support vehicle development activities, as well as accredited regulatory and consumer testing programmes, including Euro NCAP, US NCAP and ASEAN NCAP.

The project demonstrates IDIADA Division's capabilities to expand and manage its service-expertise globally.



Management of the vehicle-emissions laboratory for a multinational vehicle manufacturer

Applus+ has been appointed by a leading vehicle manufacturer to operate their vehicle-emission laboratory and to manage the laboratory service's availability to the automotive industry.

The facility, located in Itatiaia, in the Brazilian state of Rio de Janeiro, is equipped with leading-edge technologies to undertake new development projects, including vehicle emission testing, configurations for hybrid and electric-vehicle testing and homologation programmes to comply with current and future regulations.

This facility is the only laboratory in Brazil currently capable of providing support on projects based on the new Brazilian legislation PROCONVE L7 regulation projects involving On-board Refuelling Vapour Recovery (ORVR) requirements.



QUALITY AND EXCELLENCE GRI 418-1

OUR QUALITY MANAGEMENT APPROACH

At Applus+, we focus our business on a **strategy orientated towards the client, which is based on close communication**. This approach allows us to understand and **foresee their needs to fulfil their expectations**, while maintaining the highest levels of service excellence.

Our system for quality management is governed by international standards. We rely on different protocols in its management, taking into account the range of services we offer, although all of these are covered by the **International ISO 9001 Standard** and by **our global policy for Quality, Prevention and the Environment**, where the system is certified in over 30 countries based on quality regulations.

For the Applus+ Group, the **satisfaction of our clients** is the driving force to **continually improve** our services within a safe and sustainable environment. The following six aspects underpin **our operational activities**:



As evidence for the commitment Applus+ has developed for Quality Management, in 2020 we celebrated the **Worldwide Quality Day**.

On this occasion, the slogan of the day “**Information management**” focused on excellence in managing and preserving information generated when delivering our activities.

The **key points** of this management focused on:

- data confidentiality and restriction to its access
- compliance with data-protection legislation
- retention of information only for the strictly required amount of time, while always safeguarding confidentiality and security.



CLIENT FEEDBACK

At Applus+, **listening to our clients’ opinion** is essential for the ongoing improvement of our company’s professional performance.

We therefore **meet and communicate with our clients frequently**, both at the beginning of the work to understand their expectations accurately and to plan the requirements of the work carefully, as well as during the delivery of the work and at the review of the results.

The feedback from our clients is obtained through **different communication channels**. We organise open-day seminars, forums, conferences, regular meetings and personal interviews to directly understand our clients’ degree of satisfaction and their suggestions for improvement, and we also use more formal channels such as email or the Group’s website.

We are proud to attain **very high levels of satisfaction** from our most loyal clients. For example, in Saudi Arabia a large company in the oil and gas sector gave us a 96% satisfaction rating for our services in different categories such as management and administration, project control, human resources, equipment and installations, safety, and quality.

We view any complaint as an opportunity to improve our services. Although the channels for receiving complaints may vary at a local level, during 2020 we received a total of **721 complaints from clients**, of which **644 have already been closed**, with the remaining being analysed and resolved.

STRATEGIC ALLIANCES GRI 102-13

Applus+ participates on a large number of technical and business associations, taking part in different technical committees which bring together experts in disciplines pertaining to our services.

This participation provides us with the knowledge at an international level to develop our professional capability to the fullest, while contributing our experience through recommendations that assist managers in decision-making and in the drafting of the most appropriate regulations to be followed.

Moreover, our participation on ESG committees reasserts our commitment and vocation to develop a business model that creates value for the company.

TECHNICAL FORUMS

The Automotive Division is a leading member of International Motor Vehicle Inspection Committee (CITA) and part of the **Permanent Member Bureau**, in addition to taking part in all the active work groups: WG1 (Safety systems); WG2 (environmental-protection systems assessment); WG3 (training and inspection quality results); WG4 (ongoing compliance) and WG5 (IT systems), as well as on other regional advisory groups (RAG) which the association has worldwide. This international forum fosters the exchange of information, knowledge and experience relating to the regulations that improve vehicle performance for road safety and environmental protection.

Our engineers at the IDIADA Division actively participate on the different working groups of **EARPA** (Independent Association of Automotive R&D Organisations). We are members of the **Foresight Group Connectivity Automation Safety** (safety in connected driving), the **Foresight Group Energy Powertrains and Electrification** (energy propulsion and electrification), the **Foresight Group Integrated and Connected Product Development** (development of integrated and connected products), and the **Foresight Group Future Mobility for People and Goods** (future mobility for people and goods). These groups are concerned with studying technologies involved in these research areas and the support allowing their development.

The IDIADA Division also participates in working groups involved in the challenge of automated and autonomous vehicles, covering the definition of requirements, data analysis, validation and different safety aspects of vehicles, especially those organised by the **UNECE** based on its principles for promoting sustainable, safe transport and improving traffic safety. The **GRVA** working group prioritises the safety of vehicle protection and connectivity, the study of the components of Advanced Driving Assistance Systems (ADAS), and the working group on Brakes and Running Gear (**GRRF**) is preparing regulatory proposals on vehicle automation, ADAS, active safety, braking, and the operational issues for the harmonisation of the regulations for vehicles.

As a member of the European Telecommunications Standards Institute (**ETSI**), Applus+ actively participates in developing new testing standards. The organisation is responsible for producing standards for information and communications technologies applicable at a worldwide level, including those for landline phones, mobile phones, radio, transmission, the Internet and aerospace communications. Among others, our technicians participate in the Technical Committee (TC) Broadband Access Networks (BRAN), which sets the standards for the present and future technologies of broadband wireless access (BWA) on different frequency ranges.

Experts from different divisions at Applus+ participate in **ASTM International**. The association is a forum for developing and publishing voluntary international consensus standards for materials, products, systems and services. They develop the technical documents which form the basis of manufacturing, management, procurement, coding and regulating in dozens of industry sectors. Among other committees, our experts at the **Energy & Industry Division in North America participate in the Non-Destructive Testing Committee**, and the **Laboratories Division** is a member of the subcommittee that deals with over 175 regulations, published in the *Annual Book* of ASTM Standards: emerging methodologies for (X-Ray, Gamma and Neutron Radiology), penetrating liquids, magnetic particles and acoustic emission.

Our technical experts work closely with the **European Standardisation Committee** (CEN), one of the three European standardisation organisations, together with the CENELEC and the ETSI, which have been officially recognised with the responsible for developing and defining **voluntary European standards**.

Applus+ is also a member of the **TIC Council**, an international association representing independent Testing, Inspection and Certification companies. We participate in technical committees such as the Industrial Life Cycle Services committee and in the working group for pressurised equipment, as well as in horizontal committees such as the Accreditation and Standardisation and the Ethics and Legal committee.

SOCIAL RESPONSIBILITY (ESG)

The Applus+ Group is signatory of **UN Global Compact**, committing to its **10 principles** relating to human rights, work, the environment and fighting corruption.

The Group works together with **FORÉTICA**, a leading association in ESG, focused on businesses and professionals in Spain and Latin America for the certification of its system blueprints.

In Spain, Applus+ is a sponsor of the **ADCOR Foundation**, a not-for-profit organisation dedicated to supporting **equality in workplace opportunities** for people with different capabilities in A Coruña.

We work with several **foundations and associations** to foster talent with **different capabilities**, as well as the **Prodis Foundation, Down Syndrome, Aura, Fademga, Asindown, Aspanri, the Matamoros Corporation in Colombia and ONCE** among others.

We work together with **employment platforms** such as **Portamento**, which allow us to attract employees with different capabilities to cater for the company's human resource needs.

In 2020, we hired new personnel with the framework of our "**Sin Límites**" (**Without Limits**) programme to bring people with different **intellectual capabilities** into the Applus+ Group's workforce.

Through our adherence to the **Diversity Charter of the European Commission**, we communicate to the world our commitment for cultivating **professionals from different cultures, genders, ages and capabilities**.

In Spain, we participate in the "**Más mujeres, mejores empresas**" (**More women, better companies**) initiative by the Ministry of the Presidency, and with the same commitment, we are adopting the **Empowerment Principles for Women defined by the United Nations**, which aims to continue promoting equality opportunities, integration and non-discrimination for women within an organisation.

INNOVATION

The innovation activities at Applus+ assist us to maintain our **commitment to creating value and service excellence for our stakeholders**. Our aim is to become technological partners with our clients when developing new products and implementing new technologies, which allow us to offer more advanced services with greater value.

One of the Group's priorities is to provide a response to our clients' needs and seek new ways of interacting with them, making full use of the possibilities of **new digital technologies**, as well as to evolve with our partners when adapting to rapidly changing environments occurring within the markets where we operate. This was especially important in 2020 to assist clients in **overcoming or minimising the impact of the crisis** caused by the coronavirus pandemic.

In this context, the **synergies between our divisions** are a key asset. These broaden our horizons and capabilities to provide a better response for both our internal challenges and those of our clients, allowing the Group to create new services or improve existing ones and adapt them to different scenarios in different sectors, while taking advantage of new business opportunities.

For this, we continue to have **creative and motivated experts**, with knowledge and experience in many disciplines.

This year, **eight hundred and sixty-five of our people** were involved in and contributed to projects delivering innovations, dedicating more than 286,000 hours. To continue providing innovative solutions to our clients' businesses and in markets affected by the global pandemic, our divisions have devised new **plans to effectively optimise** our innovation projects.

Our teams worked on **177 projects** for research, development and innovation, many of which were already in progress and will continue in the years ahead.

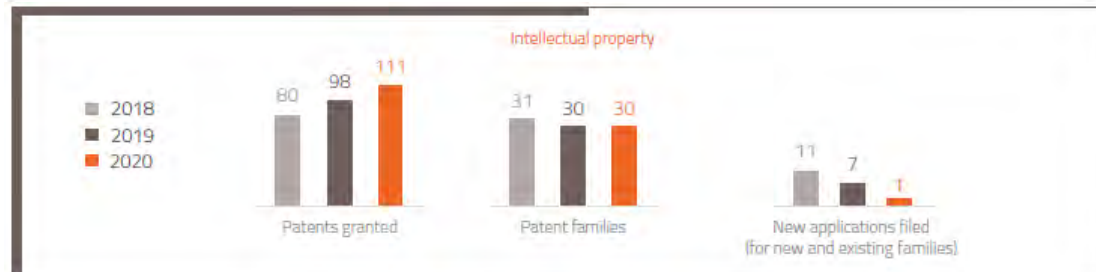
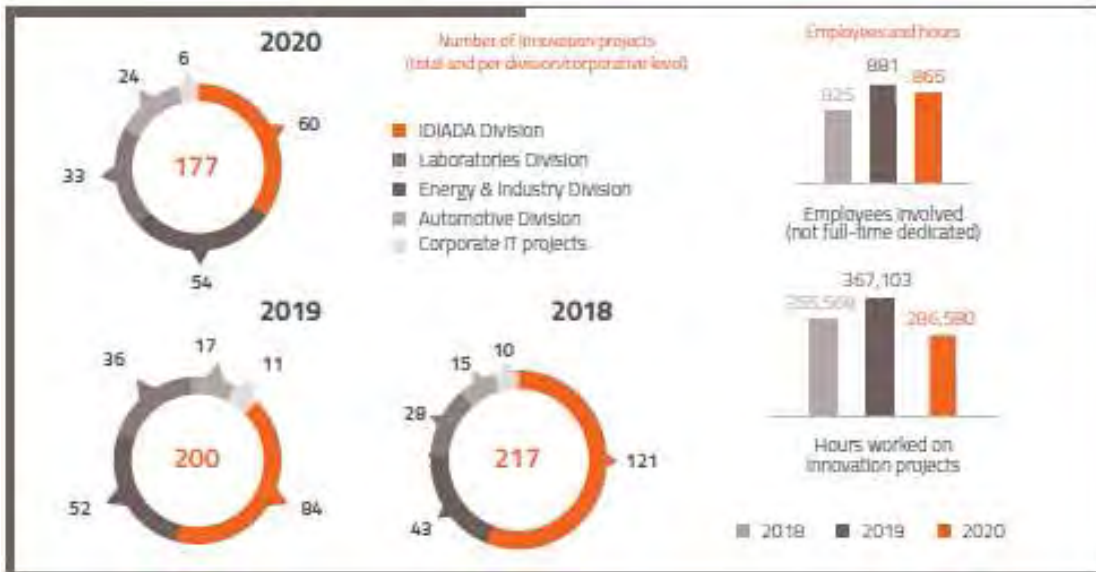
A total amount of **13 patents** were granted from 5 different existing families, resulting in a new total of **111 valid patents**, while the number of active patent families keeps being 30. During this year, according to the optimization of patent portfolio initiated in previous years, only a new application for an existing patent family was filed.

In 2020, our innovation management activity has enhanced the following aspects:

- With regards to the **internal innovation activities**, our efforts have been focused on **accelerating the development of digital tools specially to offer remote services** in order to continue the company's operations under the new working scenario, with the utmost security and safety for our clients and employees and a high quality of service.
- The activities relating to digital technologies have been crucial to minimise the impact of the pandemic, and we have increased the speed of the rollout plan. We have launched **new services** to respond to the requirements arising from the crisis, **and some pre-existing services have been adapted** to respond to the needs of our clients and the wider society.
- Some **financed projects have been postponed** to facilitate their proper performance and completion, as well as to reduce the impact due to the lockdown period, especially with regards to laboratory activities.

At the beginning of the health crisis, conferences and technological meetings stopped across the globe, and consequently, we reduced our participation at these industry events. Latterly, we regained our contributions as online events became widely initiated, and similarly, our four divisions set up webinars to deliver training courses, which addressed our clients' requirements. Through these measures, we have maintained our technological presence across our TIC markets in a complicated year.

KEY FIGURES



DIGITAL TRANSFORMATION PROJECT

Introducing technological advances through innovation in our business lines is one of the **strategic practices** that drives Applus+ to be a global leader in the TIC sector.

We evolve together with our clients in adopting digital technologies in business.

To accelerate the digitalisation within our operations and to develop new digital services, we have multiple initiatives, including the Digital Transformation Project launched in 2018 that promotes digitalisation across the Group by following a clearly defined roadmap. The application of digital technology such as data management, data analytics, machine learning, IoT and smart devices are the foundation of the digital solutions under development at Applus+.

Digital Twin

This is a new service from the Energy & Industry Division to create digital twins of clients' assets using photogrammetry and LiDAR (Light Detection and Ranging or Laser Imaging Detection and Ranging) techniques, which consist of taking thousands of photographs and data points, respectively, with different devices, including drones. The images are then processed to generate virtual models which can be used to inspect the real assets from anywhere in the world and to measure the evolution and degradation of the installations through constant monitoring.

The system **increases safety considerably**, and our technicians do not need to be mobilised to physically inspect the installations. With these remote visual inspections, **costs and time** are reduced, improving the entire process.



e-Testing

The Laboratories Division has implemented the use of its online platform "e-Testing" at several of its laboratories, **allowing clients to remotely manage, monitor and control their products' tests securely and in real time.**

The e-Testing platform was initially developed to meet the needs of the aerospace sector. Nowadays, e-Testing is an open window to our laboratories for our clients and provides their experts with real-time access to all the information related to their projects (testing footage, real-time measurement data and simulations, among others).

e-Testing is not only a monitoring tool but also an efficient decision-making solution for our clients. It has made all the difference when facing the mobility restrictions caused by the pandemic.



EVAD 2022

The IDIADA Division has launched this project to develop a methodology with which it can test and validate emergency braking and evasive systems on vehicles, technology which is currently under development.

Through virtual simulations and physical tests, EVAD 2022 sets out to develop and standardise the methodology for checking that automatic braking and evasive systems are working properly, based on the driver's behaviour when these emergency systems are activated. The ultimate goal is to further the human-machine interface which assist manufacturers in designing and developing the connected and automated vehicles (CAV) of the future.



GPSi

This system from the Automotive Division replaces the rolling-roads normally used at statutory-vehicle-inspection centres to inspect taximeters. Based on GPS technology, Applus+ has developed a highly economical, portable device, calibrated and accredited by ENAC (Spanish accreditation entity), which allows taximeters to undergo metrological inspections, while also allowing public administrations to conduct taxi inspections in the field.

The measurement system on the GPSi is not affected by tyre deformation or wheel defects, as with the traditional static rolling-roads. The system also avoids electronic problems and can be applied universally for all types of vehicles.



OTHER INNOVATION PROJECTS

CAVWAY

The CAVWAY project consists of implementing a technical centre devoted to testing connected and autonomous vehicles (CAV), which will be part of a network of testing sites located at strategic locations across the United Kingdom, with the goal of furthering the development of these new types of vehicles.

For the CAVWAY project, road traffic junctions will be designed and built at a former airbase in Oakley, near Oxford. These new intersections will be flexible and appropriate for a variety of road configurations representing the broad range of junctions on motorways in the United Kingdom, ranging from smart motorway exits to national roadways regulated by traffic lights to junctions on secondary roadways with lower visibility.

CAVWAY will also include a new private-road network dedicated to testing activities, as well as V2X (Vehicle to everything) communication components.

The Division's project will contribute to creating an **infrastructure for testing connected and autonomous vehicles (CAV) in United Kingdom**, on which to grow the product-engineering business at Applus+ within the automotive industry.



CAVRIDE (AUTOTAXI)

IDIADA Division has worked to increase its knowledge on Connected and Automated vehicles. The CAVRIDE project developed a Level 4 Automated Taxi, which will be implementing new technologies in the same unit and allow the IDIADA Division to develop their own Connected and Automated functionalities in its own hardware systems and having the proper tools for developing and validating this kind of new technologies. **The resulting automated vehicle could be used as a tool for validating systems and also as a prototype vehicle to develop new concepts.** The automated vehicle has been designed following the functional safety standard (ISO26262), allowing IDIADA to demonstrate its capabilities in this field across all levels of development.

Connected and Autonomous vehicles will gradually gain traction in the market over the next two decades, from about 4% of the global market for light vehicles in 2025, rising to approximately 41% in 2030 and 75% by 2035. The automotive industry is currently developing new concepts and prototypes to add ever more functionalities to their vehicles and increase the level of autonomy of their vehicles. IDIADA Division, as an automotive engineering partner, is already working on projects to develop these kinds of systems.



High technological value testing and data-modelling solutions for the automotive industry

The Laboratories and IDIADA Divisions have brought together their knowledge and experience in the fields of testing, crash tests and simulation for the automotive industry to develop a unique process for providing the necessary material models used in full-vehicle crash test simulations.



On-Board Fuel Consumption Meter (OBFCM)

In 2020, the adaptation of OBD (On-Board Device) systems, already used in the statutory-vehicle-inspection centres at Applus+ in Spain, has been developed to include the **monitoring of a vehicle's cumulative fuel consumption**. The meter, which is compulsory in new vehicles from 2020, is being spearheaded by the European Commission, and it will provide better data on the real consumption of new vehicles. With this new monitoring system, the Automotive Division's statutory-vehicle-inspection stations will combat both local pollutants and the excess emissions of greenhouse gases.

New remote-inspection services

Within the context of the coronavirus pandemic, remote-inspection solutions are having an important impact at many levels. First, remote inspections preserve public health, and secondly, they enable the activity to continue while lowering the environmental impact through the elimination of travel.

The Energy & Industry Division has developed new remote-inspection services using a variety of technologies and strategies applicable to different use-cases. One of these is **remote vendor inspection**, a collaborative system based on augmented reality through a TRA (Technical Remote Assistant), which enables the client to ascertain the state of their assets or suppliers remotely, without impacting on the accuracy of the information and decision-making.

Another solution developed is remote inspection of pipelines, in which experts located anywhere in the world can check, analyse and report on the inspection without actually being present at the site, with the consequent impact on lowering the number of personnel required to travel to the inspection site.

The Technology Centre of Rotterdam has developed a cloud-based communication system to remotely support IWEX and Rotoscan ultrasonic inspections of newly built pipeline in the field from the operator's centralised location.



Offshore pipeline inspections for ADNOC

The Energy & Industry Division in the Middle East was awarded a contract with the Abu Dhabi National Oil Company (ADNOC) in the UAE for intelligent pigging and in-line **inspections of pipelines** between the several offshore facilities in the Arabian Gulf.

This complex collaborative project, which is developed between Applus+ UAE and Applus+ North Europe teams, is highly challenging due to the utilisation of advanced NDT techniques in a **hazardous, offshore environment**.



Benchmark supplier for the aerospace sector

Throughout 2020, the Laboratories Division has carried out multiple high-complexity projects for the aerospace industry, including:

A test bench for helicopter gearboxes, which allows the gearboxes from several helicopter models to be tested. For this project, the Division provided a turnkey solution including design, manufacturing and commissioning of the test bench.

A test bench for high velocity impacts, the "Gas Gun", allowing for high-velocity tests to be performed with several types of projectiles on any part of the fuselage, the motor or the cockpit of an aircraft or drone.

A+ Glide Forming: the carbon-fibre component manufacturing technology developed by the Laboratories Division has been deemed as key technology for two innovative, complex geometry component-forming projects using thermostable and thermoplastic composite materials.



Turnkey tooling project for the assembly of scientific infrastructures

Thanks to the Division's experience in developing large-scale tools, the Laboratories Division was chosen both by the CERN (Conseil européen pour la recherche nucléaire, France) and by FERMILAB (US) to carry out the design and manufacturing of two necessary tools for the assembly of the sections of their respective particle accelerators.

INNOVATION THROUGH COLLABORATION

MuCCA Project

The Multi-Car Collision Avoidance Project (MuCCA) has been a 30-month project worth £4.6 million, financed by the Centre for Connected and Autonomous Vehicles (CCAV) as part of the **Innovate UK** programme. The consortium, comprising the IDIADA Division at Applus+, Connected Places Catapult, Cosworth, Cranfield University, Westfield Sportscars and SBD Automotive, has developed a next-generation controller to help avoid multiple-car collisions on motorways. The technology primarily seeks to avoid accidents, but if unavoidable, the MuCCA system tries to minimise the consequences of an accident. Through the MuCCA project, solutions for the numerous technical challenges facing CAV vehicles have been tested and fine-tuned. These were shown at the **online seminar which closed the project** and at the **Cenex 2020** event, at which one of our engineers from the IDIADA Division in the United Kingdom delivered a virtual talk to share the conclusions of the project.

NHYTE project

Throughout 2020, the Laboratories Division was involved in several projects financed by the European H2020 programme and the Clean Sky2 initiative, and it collaborated closely with the European industry, universities and technological centres.

In October 2020, the NHYTE Project came to an end. Its main objectives were the development of a more environmentally-friendly manufacturing processes of aero-structures and the integration of a new hybrid thermoplastic composite material with multifunctional capabilities and reduced recycling costs. Some of the results obtained were presented at the **EASN Conference 2020** and are documented in the article "Virtual testing activities for the development of a hybrid thermoplastic material for the NHYTE project".



Participation in technical conferences and sponsorship

In 2020, the Laboratories Division has participated at multiple digital events to present its solutions and technological advances:

- **Composite thermoplastic materials for the manufacturing of aerospace components**
Our experts conducted a webinar at the ITHEC conferences to present the A+ Glide Forming complex geometry part-manufacturing technology and its applications on composite thermoplastic materials.
- **Materials testing for simulation**
The experts of the Division showcased solutions in the field of simulation at the NAFEMS 2020 Nordic Regional Conference and at the Global Altair Technology Conference 2020, both on an international scale.
Furthermore, the Division was "silver sponsor" at the LS-DYNA Conference 2020, "associate sponsor" at the SPE ACCE 2020 Virtual Forum, "silver sponsor" at the SPE Thermoplastic Elastomers Virtual Conference and "premier sponsor" of the 2020 Global 3DEXPERIENCE Modelling & Simulation Virtual Conference.
- **Common Criteria: guarantee the continuity of evaluations during the pandemic**
Our experts took part in the CCUF virtual workshop, explaining the measures our cybersecurity laboratory took during the pandemic to guarantee the continuity of the Common Criteria evaluations, at all times in accordance with the requirements of the Certification schemes and set out by our clients.

Webinar participation in the field of safety and the environment in statutory vehicle inspections

In 2020, International Motor Vehicle Inspection Committee (**CITA**) organised webinars for its different stakeholders to outline the regulatory framework that seeks to **improve road safety and environmental protection**. Personnel from Applus+ actively participated to share their knowledge, such as the talk on **"Status of implementation of EU regulation 2019/621"** held in October 2020 for 90 participants. Our experts from the Automotive Division shared details on the application of the regulation, within the regulatory framework for their respective regions. In November, the webinar entitled **"Collecting OBFCM Data in PTI (Periodic Technical Inspection)"** was also held with the participation of our experts, who presented the use of the fuel-measurement devices governed by EU regulation 2018/1832. The contribution of statutory vehicle inspections to collecting OBFCM (On-Board Fuel Consumption Meter), through the port of on-board devices on vehicles, may help reduce pollutants, improve safety and combat climate change.

OUR SUPPLIERS GRI 102-9 GRI 204-1 GRI 308-1 GRI 414-1

APPROACH TO PURCHASING MANAGEMENT

Our **Corporate Purchasing Department** is responsible for the Group’s purchasing policies for services and products, and the department leads throughout the entire purchasing process, covering:

- The definition of policies aimed at our suppliers, concisely aligned with the objectives defined by Applus+ for our purchasing activity.
- The optimisation of communication mechanisms with our suppliers to reach the best price-quality ratio.
- The simplification of processes, with the ensuing improvement of service levels.
- Risk reduction and the development of successful relationships.

The Purchasing Department ensures an **optimal implementation** of our policies **in all of the countries** where we operate, supervising the performance of the teams responsible for the policies’ compliance at a divisional, regional and local level.

Impartiality and independence, responsibility, integrity and transparency are key aspects of our purchasing process, as well as a **commitment with the supplier to fulfil our social and environmental requirements**.



All of the Applus+ Group’s suppliers are submitted to an **objective assessment process** before working with the company, which includes the assurance to fulfil all of the fiscal, environmental, workplace and human rights regulations; the review of the anti-corruption procedures; the data-protection practices and the current legislation on personal protective equipment (PPE) for each country.

As defined in our purchasing management standards, our suppliers’ offers are assessed following objective criteria, such as price, quality, delivery time, communication and collaboration, service levels, domestic and international geographical coverage, financial responsibility, technical and productive capacity, and synergies within the Group.

Once approved, suppliers must comply with **the Group’s commitments** relating to our **Code of Ethics** and the Group’s policies for **Anti-Corruption, Environment and Health and Safety**.

NOTEWORTHY HIGHLIGHTS IN 2020

In 2020, we **reviewed and updated** two of the main policies led by the Corporate Purchasing Department: the **Purchasing policy** and the **Group Suppliers’ policy**.

The first determines the criteria for Applus+ and the delegation of authority for all of the purchasing activities, and the second sets out the qualification requirements, as well as the guidelines for managing suppliers, **giving more weight to the other criteria based on ethics and environmental actions**.

Within our selection and qualification criteria, Applus+ also ensures that all of our suppliers have the right to **freedom of association and collective bargaining** and that suppliers comply with the United Nations’ regulations on **fair trade**, including the signing of a charter that expressly indicates an adherence to norms such as banning child or forced labour. We have not detected any non-compliance with these rights by our suppliers.

We have continued with our policy based on the **preferential use of local suppliers** insofar as is possible. Similarly, within the qualification process of suppliers, we have started to request information with the purpose of **fostering the diversifying of suppliers**, such as companies owned by women, people with different capabilities or minorities, especially in certain countries like the USA.

2020 was severely affected by the **health crisis** caused by the coronavirus pandemic. Due to the closures of several countries and the reduction of operations at Applus+, the Purchasing Department had to renegotiate many contracts to align our operations with the new situation. We also experienced a shortage of material and delays due to the global situation, and we had to adapt our personal protective equipment (PPE) to provide a safe environment, both for our employees and clients.

In 2020, the **total expenditure with suppliers** was 539 million euros, and the total number of worldwide suppliers used by Applus+ was 61,325.

The 100% of new supplier-type that we consider as strategic, as well as our regular suppliers, are **approved using environmental and social criteria**. The scope of these figures is limited to the countries covered by the SAP application software (41%).

The percentage of products and services acquired locally (at a country level) was of 95% in 2020.

FOLLOW-UP OF PURCHASING POLICIES

Our purchasing policies are applied in all countries and are **monitored** from the Corporate Purchasing Department under the **Suppliers Relationship Officer** function. Monitoring is completed with the **Qsens** application, which can ascertain the policies’ proper implementation and observe qualification-attainment ratios for suppliers.

In 2020, we detected no incidence in supplier management. Moreover, during the year we developed a **supplier management system** by using a **new tool** which provides us with more information and consequently a greater level of control. This will be implemented in 2021.



Financial information

GRI 103-2 GRI 103-3

MANAGEMENT REPORT GRI 102-45

FULL YEAR REPORT 2020

Overview of Performance

The financial performance of the Group is presented in an "adjusted" format alongside the statutory ("reported") results. The adjustments are made in order that the underlying financial performance of the business can be viewed and compared to prior periods by removing the financial effects of other results.

Where stated, organic revenue and profit is adjusted for acquisitions or disposals in the prior twelve-month period and is stated at constant exchange rates, taking the current year average rates used for the income statements and applying them to the results in the prior period.

In the table below the adjusted results are presented alongside the statutory results.

EUR Million	FY 2020			FY 2019			+/- % Adj. Results
	Adj. Results	Other results	Statutory results	Adj. Results	Other results	Statutory results	
Revenue	1,557.6	0.0	1,557.6	1,777.9	0.0	1,777.9	(12.4)%
Ebitda	218.4	0.0	218.4	296.5	0.0	296.5	(26.3)%
Operating Profit	118.4	(235.8)	(117.4)	197.1	(66.3)	130.8	(39.9)%
Net financial expenses	(24.8)	0.0	(24.8)	(23.9)	0.0	(23.9)	
Profit Before Taxes	93.6	(235.8)	(142.3)	173.2	(66.3)	106.9	(46.0)%
Income tax	(29.4)	13.9	(15.5)	(43.7)	13.4	(30.4)	
Extraordinary Income tax	0.0	16.7	16.7	0.0	0.0	0.0	
Non controlling interests	(17.2)	0.0	(17.2)	(20.9)	0.0	(20.9)	
Net Profit	47.0	(205.2)	(158.2)	108.6	(52.9)	55.7	(56.7)%
Number of Shares	143,018,430		143,018,430	143,018,430		143,018,430	
EPS, in Euros	0.33		(1.11)	0.76		0.39	(56.7)%
Income Tax/PBT	(31.4)%		(0.8)%	(25.2)%		(28.4)%	

The figures shown in the table above are rounded to the nearest €0.1 million

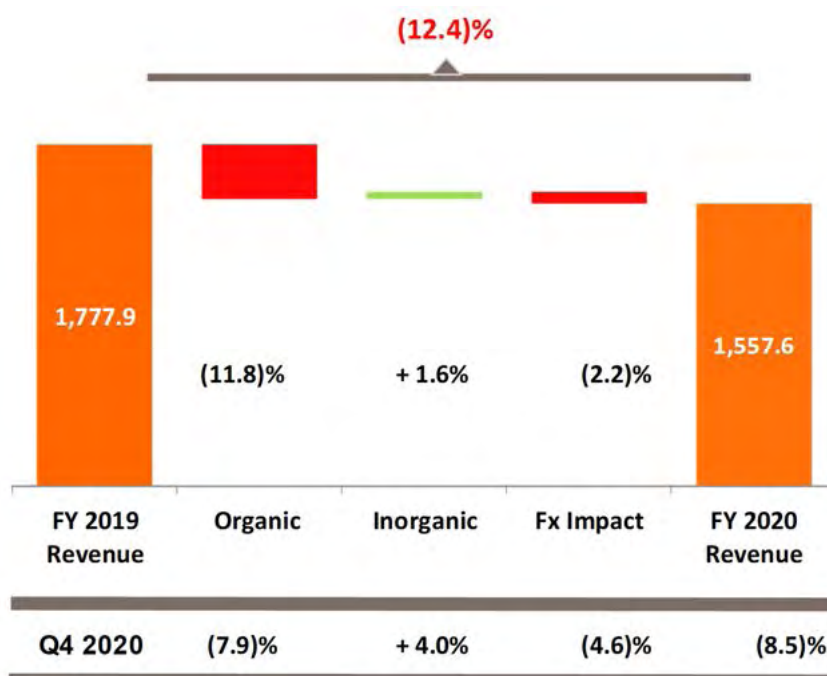
Other results of €235.8 million (2019: €66.3m) in the Operating Profit represent impairment of goodwill and non-current assets of €165.0 million (2019: nil), amortisation of acquisition intangibles of €58.4 million (2019: €59.1m); severance costs on restructuring of €8.1 million (2019: €4.1m); transaction costs relating to acquisitions of €3.5 million (2019: €0.9m) and; other gains and losses that net to a charge of €0.8 million (2019: €2.2m).

A reduction in the deferred tax liability is booked against these Other results of which €16.7 million (2019: nil) booked against the impairment of €165.0 million and €13.9 million (2019: €13.4m) relates to the remainder of the Other results.

Revenue

Revenue for 2020 of €1,557.6 million was lower by 12.4% compared to the previous year.

The revenue bridge for the year in € million is shown below and the change in the percentage figures for the last quarter of 2020 are shown below the waterfall chart.



The total revenue decrease of 12.4% for the year was made up of a decrease in organic revenue at constant exchange rates of 11.8%, the addition of revenue from acquisitions (Inorganic) of 1.6% and an unfavourable currency translation impact of 2.2%.

In the final quarter of the year, the total revenue was €410.2 million. This was a decrease of 8.5% from the prior year's final quarter revenue of €448.1 million. This was made up of an organic revenue decrease of 7.9%, a negative currency impact of 4.6% with a 4.0% increase in revenue from acquisitions. The organic revenue decrease in the final quarter was slightly less than in the previous two quarters showing the gradual recovery of the business.

All four divisions of the Group had a decrease in organic revenue in the year with only the Laboratories division reporting flat total revenue in 2020 compared to 2019 due to the organic revenue decrease being the same as the additional revenue from the acquisitions made, less the currency impact.

The revenue increase of 1.6% from acquisitions relates to a partial year of revenue from three acquisitions made in 2019 until they had been owned for twelve months plus revenue from five of the six acquisitions signed for in 2020 from the date of acquisition to the end of the year. The sixth acquisition signed for in 2020 had not closed by the end of the year.

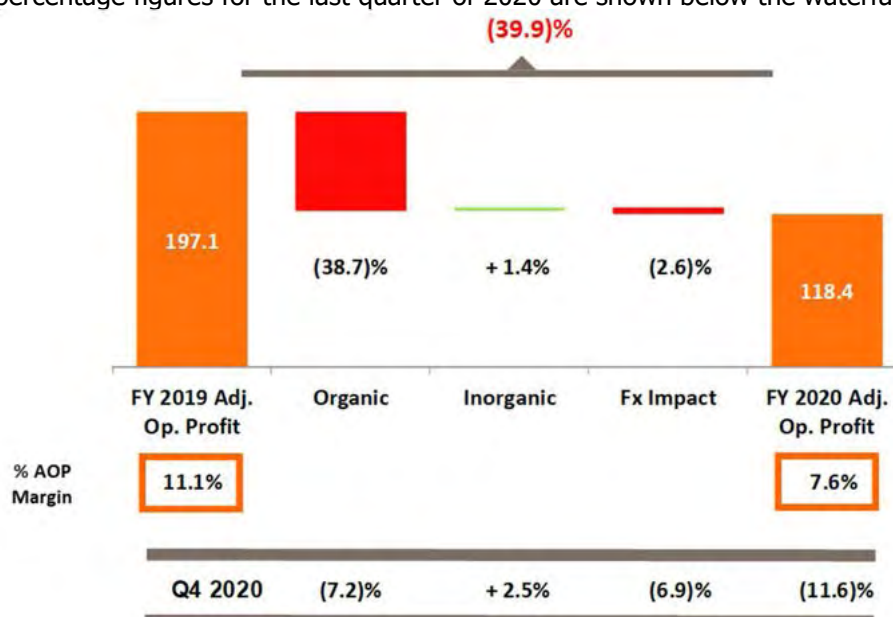
The largest acquisition was of Besikta, a statutory vehicle inspection business in Sweden that closed during November and currently generates approximately €62 million of annual revenue.

Of the revenue in 2020, 47% was generated in the reporting currency of the Group which is the euro and 53% in other currencies of which the US dollar and other currencies linked to the US dollar are the largest at 24%. The exchange rates changed materially during the year with the US dollar rate used for the translation of the profit and loss in the first half being 2.5% stronger against the Euro and the second half was 5.9% weaker. A similar trend was seen with the Canadian dollar. This resulted in the average exchange rate of the US dollar to the euro for the full year of 2020 compared to 2019 weakening by 1.8% with some other key currencies weakening even more against the euro and this resulted in an unfavourable foreign exchange impact on the revenue and adjusted operating profit for the year and in the final quarter.

Adjusted Operating Profit

Adjusted operating profit for 2020 of €118.4 million was lower by 39.9% compared to the previous year.

The adjusted operating profit bridge for the year in € million is shown below and the change in the percentage figures for the last quarter of 2020 are shown below the waterfall chart.



The total adjusted operating profit decrease of 39.9% for the year was made up of a decrease in organic adjusted operating profit at constant exchange rates of 38.7%, acquisitions (Inorganic) of 1.4% and an unfavourable currency translation impact of 2.6%.

In the final quarter of the year, the total adjusted operating profit was €43.0 million a decrease of 11.6% from the prior year final quarter of €48.6 million. This was made up of a decrease in the organic component of 7.2%, a significant negative foreign currency impact of 6.9% with the addition of 2.5% from acquisitions.

The adjusted operating profit decrease in the period came from all four divisions due to the significant fall in revenue especially in the first half of the year. With tight cost control and the benefit of the various Government cost protection measures, the fall in profit from the significant reduction in revenue was mitigated so that each division reported positive adjusted operating profit for the period with the second half profit being considerably higher than the first half at more than twice as much on both an organic and total reported basis.

The resulting adjusted operating profit margin for the year was 7.6%, significantly lower than the margin of 11.1% in the prior year. The second half margin was nevertheless in double digits at 10.3% being 70 basis points lower than the second half margin in 2019 which was 11.0%.

Other Financial Indicators

The reported operating loss was €117.4 million in the year compared to a reported operating profit of €130.8 million in the previous period. The main reason for the extent of the loss was due to the non-cash impairment charge of €165.0 million taken in the first half year period. See below for a further description of the one-off impairment charge.

The net financial expense in the profit and loss for the period was €24.8 million, €0.9 million higher than the previous period expense of €23.9 million mainly due to the cost of the increase in bank facilities taken out to increase the liquidity and the fees for securing higher leverage covenant levels for the December 2020 and June 2021 tests.

The profit before tax on an adjusted basis was €93.6 million compared to €173.2 million in 2019 and on a statutory basis was a loss of €142.3 million compared to a profit of €106.9 million in 2019. The adjusted profit before tax was significantly lower than for the corresponding period last year due mainly to the lower adjusted operating profit. The statutory loss before tax was additionally significantly greater due to the impairment charge.

The effective tax charge for the year was €29.4 million which was lower than the prior year of €43.7 million. This gave an effective tax rate of 31.4% being higher than the rate in the prior period of 25.2%. This increase is due to some operations having losses in the year which is not normally the case and where no deferred tax assets have been recognised against these losses. On a statutory basis, the reported tax was a credit of €1.2 million compared to a charge of €30.4 million in the prior year. The tax credit in the profit and loss account was due to a release of the deferred tax liabilities of €16.7 million related to the one-off impairment.

Non-controlling interests decreased from €20.9 million in 2019 to €17.2 million in 2020. The decrease of €3.7 million or almost 18% in the period is mainly due to the lower profit from the minority interests, especially within IDIADA and Energy & Industry (Middle East) divisions.

The adjusted net profit was €47.0 million (2019: €108.6m) and the adjusted earnings per share was 0.33 euros (or 33 cents) (2019: 0.76 euros) for the year. The statutory or reported net position was a net loss of €158.2 million due to the non-cash impairment charge of €165.0 million as well as the regular non-cash intangible asset amortisation of €58.4 million and €12.4 million of other results, less the reduction in the deferred tax thereon.

Cash Flow and Debt

The business generated exceptionally strong cash flow in 2020 mainly due to the decrease in the level of working capital by €86.1 million from the year end position compared to the flat movement in working capital in the prior year. Additionally, capex and taxes outflows were considerably lower than last year.

The decrease in working capital was due to the lower revenue in the year, better debt collection of receivables and due to a step up in capital expenditure in the final quarter where payment is made after year end.

This significant working capital inflow more than compensated for the reduction in Adjusted EBITDA of €78.1 million from €296.5 million last year to €218.4 million in 2020.

Net capital expenditure on expansion of existing and into new facilities was lower than the prior year at €50.2 million (2019: €57.6m) due to the lower activity requiring investments despite investments made for the renewed Automotive contracts in Ireland and Aragon. This capex expenditure represented 3.2% (2019: 3.2%) of Group revenue, the same level as last year.

Adjusted operating cash flow (after capital expenditure) was €254.2 million being €15.2 million or 6.4% higher than for the prior year period last year and this corresponded to a cash conversion rate of 116.4% (2019: 80.6%).

The decrease in taxes paid of €24.6 million from €41.3 million paid in 2019 to €16.7 million paid in 2020 was due to the lower amount of advance payments of corporation tax due to expected lower profits, some tax refunds received in the first half of the year and some permitted tax payment delays as part of the COVID-19 Government assistance schemes.

	FY			
	2020	2019	Change	
Adjusted EBITDA	218.4	296.5	(78.1)	(26.3)%
Change in Working Capital	86.1	0.1		
Capex	(50.2)	(57.6)		
Adjusted Operating Cash Flow	254.2	239.0	15.2	6.4%
<i>Cash Conversion rate</i>	<i>116.4%</i>	<i>80.6%</i>		
Taxes Paid	(16.7)	(41.3)		
Interest Paid	(11.4)	(10.2)		
Adjusted Free Cash Flow	226.2	187.4	38.7	20.7%
Extraordinaries & Others	(2.3)	(4.9)		
Applus+ Dividend	-	(21.5)		
Dividends to Minorities	(11.5)	(23.8)		
Operating Cash Generated	212.4	137.2	75.2	54.8%
Acquisitions	(216.8)	(35.7)		
Cash b/Changes in Financing & FX	(4.4)	101.5		
Payments of lease liabilities (IFRS 16)	(53.0)	(55.6)		
Other Changes in financing	113.7	(31.2)		
Treasury Shares	(1.3)	(3.0)		
Currency translations	(10.8)	1.1		
Cash increase	44.3	12.8		

The figures shown in the table above are rounded to the nearest €0.1 million

Adjusted Free Cash Flow was €226.2 million being €38.7 million or 20.7% higher than for the previous year.

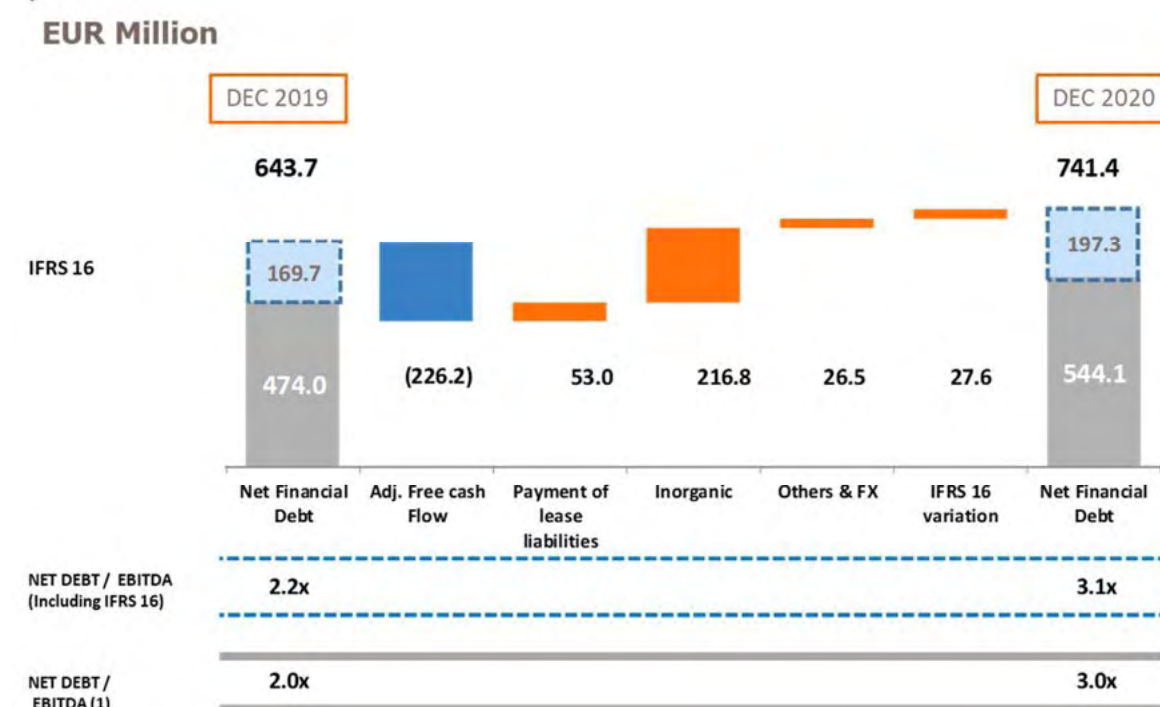
There was a decrease in the dividend distributions made in the period. The dividend payout declared for the 2019 full year profits to the Applus+ Group shareholders that was originally proposed to be paid in July was cancelled in April due to the uncertainty surrounding the financial impact arising from the outbreak of COVID-19. The dividends paid to Minority share interests were reduced due to lower profits in those subsidiaries.

The cash outflow for acquisitions of €216.8 million relates to five that were closed in the period plus deferred consideration on acquisitions made in prior periods. A sixth acquisition, SAFCO for €25 million, was signed and agreed during the year but had not closed by the end of the year.

The final net cash increase in the period was €44.3 million. This was from the cash outflow after acquisitions and before financing and foreign exchange of €4.4 million, less the payment or lease liabilities of €53.0 million that previous to the new accounting standard of IFRS 16 used to be included within operating costs, a net increase in the drawdown of borrowings of €113.7 million, outflows relating to the purchase of treasury shares for management incentive plans of €1.3 million and currency differences of €10.8 million.

Net Debt was €741.4 million at the end of the year which was €97.7 million higher than the Net Debt position at the end of 2019 despite incurring €216.8 million in acquisitions and an increase of €27.6 million in lease liabilities, required to be accounted for under the new accounting standard of IFRS 16, from €169.7 million at the start of the year to €197.3 million at the end of the year. The increase in the lease liabilities was due to new leases taken on with acquisitions and the renewals of leases, especially following the renewal of the Auto contract in Ireland, that lengthened their average maturity and hence liability.

The robust performance in the Net Debt was due to the exceptionally strong free cash flow generated by the business. The Net Debt waterfall chart is shown below.



(1) Stated at annual average rates and excluding IFRS 16 as defined by bank covenant

The resulting financial leverage of the Group measured as Net Debt to last twelve months Adjusted EBITDA was 3.0x (as defined by the bank covenant for the syndicated debt facilities and the US Private Placement notes) which was higher than at the end of the previous year (2.0x) due mainly to the lower EBITDA in the year that included the second quarter period when the business was the most severely affected by the pandemic. The covenant from the lenders is set at 4.0x to be tested twice a year at the end of June and the end of December, except for December 2020 and June 2021 for which the covenant has been relaxed to a higher level by the lenders which permitted the Company to continue with its acquisition strategy with a comfortable level of covenant headroom.

The financial leverage calculation using the covenant definitions except for using current accounting standards including IFRS 16, is also shown in the table and at 31 December 2020 was 3.1x compared to 2.2x at 31 December 2019.

At the end of the year, the available liquidity position was €546 million that is made up mostly of cash and long dated undrawn loan commitments.

Dividend

In recognition of the strong cash flow, comfortable financial leverage, liquidity position and favourable future earnings and cash flow potential, the Board will propose to shareholders at the forthcoming Annual General Meeting on the 28th May 2021, a dividend of 15 cents per share. This is the same amount as was last declared on the 2018 earnings and paid in 2019 and is equivalent to €21.5 million (2019: Nil and 2018: €21.5 million) and is 45.6% (2019: Nil and 2018: 22.1%) of the adjusted net income of €47.0 million as shown in the summary financial results table. If approved at the Annual General Meeting, the dividend will be paid to shareholders on the 8th July 2021.

As previously notified, the Board in April 2020 reluctantly withdrew the recommendation for a dividend to be paid in July 2020 on the 2019 results consistent with the prudent actions taken due to the rapidly evolving and deteriorating situation at the time and so are pleased to be able to resume recommending a dividend in these less uncertain times.

The Board will continue to review the appropriate level of dividend going forward with the aim of annually increasing the payment.

Impairment review

At least once per year the Group carries out an impairment review of the cash generating units. The goodwill and the non-current assets were mostly booked in 2008 when the Group was bought by a private equity firm from the previous owners.

In H1 2020, the Group recognised an impairment of €165.0 million, relating to the Energy & Industry business in North America, North Europe and the Middle East and the IDIADA Division. The impairment was driven by the challenging Oil & Gas and Automotive industry end market situation and the unprecedented degree of forecast uncertainty relating to COVID-19.

The review at 30 June 2020 included using lower future growth rates over the next five years for some business lines that make up cash generating units, including for Oil & Gas.

There is a release of €16.7 million of deferred tax liability directly allocated to these impaired assets, resulting in a net impairment amount of €148.3 million allocated as follows:

	EUR Million
Energy & Industry	137.1
IDIADA	27.9
Gross Impairment	165.0
Deferred tax liability release	(16.7)
Net Impairment	148.3

The impairment and associated net tax effects are all non-cash items.

COVID-19 update

The response by the Group to the COVID-19 outbreak has been wide ranging with due consideration for the social and human consequences and for the long-term benefit of the company. It has been to prioritise the well-being of the people and their families including to reduce the risk of people catching or spreading the coronavirus, protecting jobs as far as possible, supporting customers meet their operational challenges where in many cases the services provided by the people of Applus+ continue to be essential. Tight cost control, prioritisation of the management of cash inflows and outflows and the prudent management of financial resources and financial risk continue to be applied whilst being open to business opportunities including those that require investment to ensure the future growth in value of the business.

The Group has also been careful to ensure the shareholders and financial markets have been kept informed of developments throughout the year and especially with regards to operational and financial performance and liquidity and balance sheet strength.

Applus+ is a prudently managed business and entered the crisis with a strong balance sheet, long debt maturities and a high level of liquidity. The Group nevertheless continues to remain vigilant and will continue to take all the precautionary measures that are at its disposal to protect itself and its stakeholders and emerge from this crisis with the capacity and strength to return to its proven growth strategy that has been successful.

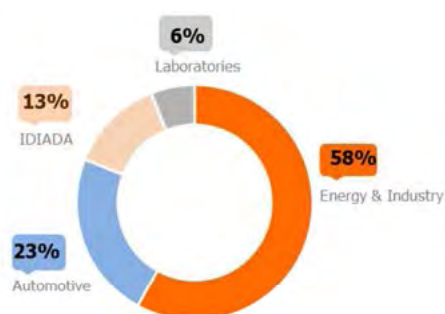
Outlook

Whilst there remains considerable uncertainty in every country and in the end markets, guidance is provided by the Group assuming that the conditions today either remain the same or improve. In 2021 it is expected that total revenue will grow by at least double digits at constant exchange rates from both organic and acquisitions already made and for the margin to improve to close to 10%. Furthermore, the inorganic growth strategy will continue to followed supported by the liquidity and leverage headroom.

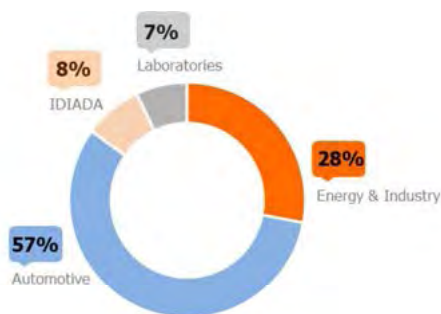
Operating review by division

The Group operates through four global business divisions: Energy & Industry Division, Automotive Division, IDIADA Division and Laboratories Division, and the respective shares of 2020 revenue and adjusted operating profit are shown below.

FY 2020 revenue split



FY 2020 adjusted operating profit split



Energy & Industry

The Energy & Industry Division is a world leader in non-destructive testing, industrial and environmental inspection, quality assurance and quality control, engineering and consultancy, vendor surveillance, certification and asset-integrity services.

The Division designs and deploys proprietary technology and industry know-how across diverse sectors, helping our clients to develop and control industry processes, protect assets and increase operational and environmental safety. The services are provided for a wide range of industries including oil and gas, power, construction, mining, aerospace and telecommunications.

Revenue for Energy & Industry for the year was €907.3 million, which was 14.3% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €41.4 million which was 53.5% lower than in 2019 resulting in an adjusted operating profit margin of 4.6%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	907.3	1,059.3	(14.3)%	(12.4)%	0.6%	(2.5)%
Adj. Op. Profit	41.4	89.1	(53.5)%	(52.5)%	0.6%	(1.6)%
% AOP Margin	4.6%	8.4%				

Following two years of good revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced materially in 2020 because of the impact of the coronavirus pandemic on the business and operations.

Organic revenue at constant exchange rates decreased by 12.4%. There was additional revenue of 0.6% related to a part year contribution from the acquisition of LEM in Chile made in 2019. Currency translation decreased reported revenue by 2.5% mainly because of the weaker US dollar and Latin American currencies against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 52.5% being significantly more than the organic revenue decrease. There was the same contribution from the acquisition of 0.6% and a negative currency impact of 1.6%.

The adjusted operating profit margin decreased by 380 basis points from 8.4% for 2019 to 4.6% in 2020 with this decrease coming from the organic revenue decline. Costs were reduced through the use of the Government temporary lay-off programmes and restructuring of the business to reduce the permanent cost base going forward.

In the final quarter of the year, reported revenue was €220.4 million compared to revenue of €269.8 million in the final quarter of 2019 or 18.3% lower. This was mainly due to a decrease in organic revenue of 13.7%, the revenue from the acquisition added 0.2% and a negative impact from currency translation of 4.8%.

Following the significant decrease in revenue in the second quarter of 2020, there was a gradual recovery in the second half with third quarter and fourth quarter organic revenue decrease remaining approximately similar at 12.8% and 13.7% respectively. The COVID-19 impact continued to directly affect revenue due to projects being cancelled or delayed into 2021 with this being exacerbated by the lower demand for oil and the low price especially in the first half impacting the customers in the oil and gas end market to reduce spending with their suppliers.

All regions were heavily impacted and reported lower revenue than in 2019 with the Mediterranean, Northern Europe and Latin American regions showing a recovery in the final quarter of the year.

The business that services the end markets of Power, Construction, Aerospace and Telecom and account for 44% of the division revenue in 2020 have grown solidly over the previous few years but was down by 9% in 2020 due to the lockdowns and project delays. It is expected that this part of the business

will have strong growth going forward led by geographic expansion and the energy transition where electricity generation and distribution is expected to continue to migrate from fossil fuels to renewables where Applus+ is well positioned to serve through the Energy & Industry division within the Power business line.

The business that services the Oil & Gas end market for operational expenditure for maintenance and inspection work (Opex) accounts for 43% of the division by revenue in 2020 and has been resilient over the years. This business was also severely impacted by lockdowns and project delays resulting in a 15% decrease in revenue in 2020. Nevertheless, there are good prospects for this business based on the extensive infrastructure and assets that continue to be used for production and delivery of oil and gas and as these get older and regulations become tighter, the inspection requirement will increase.

The business that services the Oil & Gas end market for new investments and new build (Capex) accounts for 13% of the division by revenue in 2020 and has been heavily impacted since 2015 due to the significant decrease in capex investment by the industry. This business is the most sensitive to the oil price and the energy transition to lower carbon emissions. The revenue in this part fell by 26% in 2020. At the Group revenue level, this exposure has fallen from 9% in 2019 to 7% in 2020 and in 2014 was 24%.

In December of 2020, the Group signed an agreement to purchase SAFCO which is a leading construction testing and inspection services company based in Saudi Arabia for an initial consideration of USD 30 million (c. €25 million) and that currently generates approximately USD 35 million (c. €29 million) of annual revenue at margins significantly higher than the Applus+ Group. The closing of the acquisition is expected to take place in March 2021.

Automotive

The Automotive Division delivers statutory-vehicle-inspection services globally. The Division's programmes inspect vehicles in jurisdictions where transport and systems must comply with statutory technical-safety and environmental regulations.

The Division operates 30-plus programmes, carrying out over 20 million vehicle inspections across Spain, Ireland, Sweden, Denmark, Finland, Andorra, the United States, Argentina, Georgia, Chile, Costa Rica, Ecuador and Uruguay in 2020. In the programme-managed services, a further 6 million inspections were delivered by third parties.

Revenue for Automotive for the year was €355.8 million, which was 7.7% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €82.5 million which was 10.3% lower than in 2019 resulting in an adjusted operating profit margin of 23.2%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	355.8	385.4	(7.7)%	(8.6)%	3.4%	(2.5)%
Adj. Op. Profit	82.5	92.0	(10.3)%	(9.6)%	1.2%	(1.9)%
% AOP Margin	23.2%	23.9%				

Following many years of good revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced in 2020 because of the impact of the coronavirus pandemic resulting in postponements of the mandatory inspections and closures of many of the stations for a period of time during the year.

Organic revenue at constant exchange rates decreased by 8.6%. There was additional revenue of 3.4% related to a part year contribution from the acquisitions of ITV Canarias made in the first quarter of the year and Besikta in Sweden made in the final quarter. Currency translation decreased reported revenue by 2.5% mainly because of the weaker South American currencies and US dollar against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 9.6% being slightly more than the organic revenue decrease. There was a contribution from the acquisitions of 1.2% and a negative currency impact of 1.9%.

The adjusted operating profit margin decreased by 70 basis points from 23.9% for 2019 to 23.2% in 2020 with this decrease coming from both the organic revenue decline and the lower margin businesses within the acquisitions. Costs were managed through the use of the Governmental temporary lay-off programmes.

In the final quarter of the year, reported revenue was €107.9 million compared to revenue of €89.8 million in the final quarter of 2019 or 20.1% higher. This was mainly due to an increase in organic revenue of 14.8%, the revenue from the acquisition added 12.3% and a negative impact from currency translation of 7.0%.

Following the significant impact the division experienced in the first half of the year and in particular in April when most of the stations were closed, there was a strong recovery in the second half for revenue and profit with the second half margin of 26.8% being similar to the first half margin in prior years due to the normal seasonality with the higher volume of the business usually being in the first half but in 2020 was in the second half.

All contracts in 2020 recovered to similar to prior year levels of revenue except for Ireland, Argentina and Chile where either there was a permanent shift forward of the vehicle inspection dates or the stations were closed for a prolonged period of time.

The contract held in the Autonomous Region of Aragon in Spain that generates approximately €5 million per annum was extended for a further 10 years on the same terms and conditions as the previous contract with some up-front investment required to increase capacity for this renewed period. Four other small contracts in the US were also extended by between one and five years, with a total revenue of another €5 million per annum.

Three new vehicle inspection contracts were recently awarded in Mexico that will generate approximately €2 million of additional revenue per annum once they start in 2022. This award is a first entry into Mexico for Applus+ and will open further opportunities of expansion in the country.

In the first quarter of the year, a vehicle inspection business was bought in Spain, ITV Canarias, which has three wholly owned stations plus one 50% owned station in the Canary Islands, all operating under the liberalised regime and generates €4 million of revenue at a high margin with good opportunities for marketing and cost synergies.

In the final quarter of the year, the Group purchased one of the leading statutory vehicle inspection companies in Sweden called Besikta Bilprovning for €101 million. Besikta's current revenue is €62 million per annum and is highly recurring and growing as are its cash flows and has an EBITDA margin in the high teens before applying IFRS 16. It performs 1.5 million inspections per annum being approximately 25% of the total market in Sweden. Integrating Besikta into the Applus+ Automotive division will bring mutual benefits from the opportunity to share best practice and consumer marketing expertise. Following this acquisition, Applus+ has become the leading operator in the Nordic region building upon its strong presence in the liberalised markets of Denmark and Finland and this has improved the portfolio quality of the Automotive division by reducing the dependence of the division on concessions that require periodic renewals.

There is a pipeline of further opportunities for both organic and inorganic expansion which the Group will continue to monitor and review closely.

IDIADA

IDIADA A.T. (80% owned by Applus+ and 20% by the Government of Catalonia) has been operating under an exclusive contract from the 351-hectare technology centre near Barcelona (owned by the Government of Catalonia) since 1999. The contract to operate the business runs until September 2024 and although it is renewable in five-year periods until 2049, it has been decided that there will be no further extensions but a tender for a new 20 or 25 year concession.

IDIADA A.T. provides services to the world's leading vehicle manufacturers for new product development activities in design, engineering, testing and homologation.

Revenue for IDIADA for the year was €201.5 million, which was 16.1% lower than the revenue in 2019 and the Adjusted Operating Profit for the year was €11.5 million which was 62.4% lower than in 2019 resulting in an adjusted operating profit margin of 5.7%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	FX
Revenue	201.5	240.1	(16.1)%	(15.2)%	(0.9)%
Adj. Op. Profit	11.5	30.6	(62.4)%	(62.4)%	(0.0)%
% AOP Margin	5.7%	12.7%			

Following many years of uninterrupted revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced significantly in 2020 because of the impact of the coronavirus pandemic resulting in a temporary period of closure of the facilities and a decrease in customers especially at the facilities in Spain. Following the low in the second quarter, the business has recovered, albeit slowly.

Organic revenue at constant exchange rates decreased by 15.2% and currency translation decreased reported revenue by 0.9% mainly because of the weaker US dollar, Brazilian real and several other currencies against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 62.4% being significantly more than the organic revenue decrease.

The adjusted operating profit margin decreased by 700 basis points from 12.7% for 2019 to 5.7% in 2020. The margin fall was mitigated by reducing costs using the Governmental temporary lay-off programmes and permanent restructuring.

The adjusted operating profit margin decreased more than the Adjusted EBITDA as a result of the faster depreciation of assets as the term of the current five-year renewed contract with the Government of Catalonia ends in 2024.

In the final quarter of the year, reported revenue was €51.4 million compared to revenue of €62.5 million in the final quarter of 2019 or 17.8% lower. This was mainly due to a decrease in organic revenue of 16.5%, and a small negative impact from currency translation of 1.3%.

The division continued to be materially affected to the end of the year largely due to the mobility restrictions and the reluctance for customers to travel internationally to visit the facilities in Spain with their cars for testing on the Proving Ground which is the highest margin segment of the division.

Nevertheless, the business saw good growth for the testing of Electric and Hybrid vehicles and for ADAS (Advanced Driving Assistance System).

The tender for a new 20 or 25-year concession by the Government of Catalonia from September 2024 when the current five year extension ends is still expected to take place and is expected to commence in the first half of this year.

Laboratories

The Laboratories Division provides testing, certification and engineering services to improve product competitiveness and promote innovation. The Division operates a network of multidisciplinary laboratories in Europe, Asia and North America.

With cutting-edge facilities and technical expertise, the Division's services add high value to a wide range of industries, including aerospace, automotive, electronics, information technology and construction.

In 2020, the Laboratories Division acquired three companies which are discussed below, to add to the two purchased in 2019 and five purchased in the previous two years.

Revenue for Laboratories division for the year was €92.9 million, which was flat on 2019 and the Adjusted Operating Profit for the year was €9.7 million which was 27.7% lower than in 2019 resulting in an adjusted operating profit margin of 10.5%. These results in € million and the percentage changes from 2019 are broken down into organic, inorganic and foreign exchange and are shown in the following table.

	2020	2019	Change	Organic	Inorganic	FX
Revenue	92.9	93.0	(0.0)%	(7.8)%	8.6%	(0.8)%
Adj. Op. Profit	9.7	13.5	(27.7)%	(37.2)%	10.5%	(1.0)%
% AOP Margin	10.5%	14.5%				

Following two years of double-digit organic revenue and adjusted operating profit growth in this division, the revenue and adjusted operating profit reduced in 2020 because of the impact of the coronavirus pandemic reducing the demand for products for testing. After the trough in revenue in the second quarter of the year the division had a gradual recovery in the second half including delivering a double-digit adjusted operating profit margin.

Organic revenue at constant exchange rates decreased by 7.8% for the year. There was additional revenue of 8.6% related to a part year contribution from the two acquisitions made in the first quarter of last year and a part year contribution from the three acquisitions made in 2020. Currency translation decreased reported revenue by 0.8% mainly because of the weaker US dollar against the Euro.

At constant exchange rates, organic adjusted operating profit decreased by 37.2% being more than the organic revenue decrease. There was a contribution from the acquisitions of 10.5% and a negative currency impact of 1.0%.

The adjusted operating profit margin decreased by 400 basis points from 14.5% for 2019 to 10.5% in 2020 with this decrease coming from the organic revenue decline. As for the other divisions, costs were reduced through the use of the Governmental temporary lay-off programmes as well as some permanent restructuring.

In the final quarter of the year, reported revenue was €30.5 million compared to revenue of €26.0 million in the final quarter of 2019 or 17.5% higher. This was mainly due to the acquisitions that had been made during the year adding 23.5% to revenue with organic revenue being down 4.1% and a negative impact from currency translation of 1.9%.

In the second half of the year, the Construction and Product Certification businesses led the recovery, while Aerospace, Electrical & Electronics (E&E) and Metrology continued to be the most impacted.

There were three acquisitions made in the year. In the first quarter, the Group purchased ZYX which is a small metrology business in Spain with revenue of under €2 million per annum. In the final quarter of the year, two acquisitions were made. Reliable Analysis was purchased for €67 million which has €24 million of annual revenue and is a laboratory-based materials, component, electrical and EMC testing company with over 300 employees primarily serving the automotive industry and specifically for electric vehicles (EV) operating from two locations in China and two in the USA. This acquisition significantly increases the division's footprint in China and its exposure to the fast growth EV market, especially in

China which is the largest EV market in the world. QPS Evaluation Services Inc was purchased in December for €41 million with €16 million of annual revenue which is a product certification company for a wide range of industrial, medical and electrical and electronic (E&E) products including equipment and devices used in hazardous locations (explosive atmospheres). It has 133 employees and an extensive presence in its home market of Canada and the USA with a presence also in Europe and Asia. Both Reliable Analysis and QPS potentially have further deferred consideration payable in 2024 subject to the achievement of certain financial targets.

In the last four years, the Laboratories Division has made ten acquisitions with a combined revenue of €58 million per annum at accretive margins and this has expanded its testing facilities to reinforce its position in the electrical & electronics, automotive components, fire protection, aerospace parts and calibration sectors. This acquisition momentum for this division is expected to continue.

The division now comprises six key business units: Electrical & Electronics (includes electrical and electromagnetic compatibility testing and product certification for the electronics and automotive sector); Mechanical (includes aerospace and materials testing); Construction (includes fire and structural testing of building materials); IT (includes electronic payment system protocol testing and approval); Metrology (includes calibration and measuring instruments) and Systems Certification. Electrical & Electronics is now the largest business unit comprising approximately 40% of the division by revenue in 2020 on a proforma basis including the acquisitions made.

BUSINESS RISKS GRI 102-15 GRI 201-2 GRI 207-2

The Applus+ Group's **Risk Map** covers all the risks that could present a significant impact on the company's results. The risks included within the map have been identified under four different categories:

1. **Strategic risks**, including sustainability-related risks and climate change (further details are discussed in the section *Risks related to climate change*).
2. **Operational risks**, which are inherent to the Group's activities.
3. **Financial risks**, including tax risks.
4. **Legal and compliance risks**.

The Group's **main risks and their management** are as follows:

- Precise monitoring of the business conducted by the Group which are subject to **long-term, finite contracts**, such as concessions in the statutory-vehicle-inspection business in Spain, Europe and America, and in the IDIADA Division's businesses, which provide services to the leading vehicle manufacturers worldwide.
- The company implements a diversification strategy to manage certain levels of **exposure to Group's evolving markets**, such as the oil and gas and automotive sectors.
- Meticulous tracking of the formal terms and service quality of all the **services provided based on accreditations** awarded. To reduce such risks, the Group has insurance policies to cover damages that may be caused by third parties in the course of our services offered.
- Risks related to the **economic, social and political situations in the countries** where the Group operates, as well as the main macroeconomic indicators which may have short-term or long-term future impacts on the results of the Applus+ Group, especially considering the Group's extensive geographic reach.
- Our personnel's qualifications and motivation are crucial to our activities, so we make major efforts to **retain key staff** and improve talent management.
- Exhaustive monitoring of **legislative and compliance issues** to prevent criminal sanctions or significant business losses arising from non-compliance with the *Criminal Risk and Crime Prevention Management System* implemented in the Group.
- A specific action plan to combat risks related to **cybersecurity**.

To manage financial risks, the Group monitors the main risks that could have an impact on our results:

- **Management of the Group's risks connected to liquidity and indebtedness**, as well as **working-capital management**, which are essential for achieving the Group's strategic goals.
- **Risk of overestimating the value of certain significant assets** (such as stock-in-trade, intangible assets generated from inorganic growth, as well as tax assets).

RISKS RELATED TO CLIMATE CHANGE

The Applus+ Group's risk-management procedure takes a **holistic approach**, which includes different types of risks and those related to climate change.

To conduct and assess climate-related risks systematically, we use the standard global reference from the **Task Force on Climate-related Financial Disclosures (TCFD)**, which established the definition and categorisation of the risks associated with climate change in 2017.

In accordance with this standard, these risks can be divided into two main categories: **physical risks** and **transitional risks**. Physical risks arise from an increase in extreme weather or the long-term impacts of climate change, which are classified into acute or chronic risks and transition risks of economic agents for an economy based on decarbonisation. Transitional risks are subdivided into legal, technological, market and reputational risks.

These risks are identified through **surveys with our managerial team and the persons responsible for different regions** to get an accurate, realistic picture of the situation for each business unit and geographic region. Following these assessments, the risks identified are included in our **risk matrix** under the process described in this report's section *Business Risks*. This process is undertaken periodically and once a year minimally.

Physical risks

a) **Acute risks**

The risks classified as acute arise from extreme weather events such as **cyclones, hurricanes, floods or wildfires**. These risks could be significant because the Applus+ Group has facilities all over the world, and every year we experience disruptions due to extreme weather events. Occasionally, these disruptions are because our facilities have been affected, and in other times, the risk arise because our clients' facilities have been affected. **Such disruptions** have affected us for brief periods of time, although they have clearly **impacted our performance**.

In 2020, several examples include Tropical Cyclone Damian in Australia in February, which forced us to stand down our teams on one project; the wildfire in California during their summer months; the typhoons in South Korea in September and November, which closed industry for a number of weeks and caused delays in some projects because the personnel were left house-bound; Hurricane Delta in Mexico in October; and the floods along the east coast of Spain, which caused delays on some projects.

b) **Chronic risks**

These arise from a change in the climate's behaviour in the mid- or long-term, especially due to the overall rise in global temperatures, which may generate an **increase in energy costs** and require **new investments in the mid-term**. In the long-term, an increase in global temperature could lead to rising sea levels, which would force the company to relocate some facilities.

To date, **the financial impact on the Group's operations has been low** because the events have been **brief and occasional**. However, given the geographic spread of our operations, the likelihood of these events happening simultaneously in many different locations is considered low.

Transitional risks

a) **Legal risks**

Climate change is an issue which is evolving quickly and **requires a determined reaction to the new regulations in each country**. In view of these changes, the main risk identified is non-compliance with these new regulations.

- ✓ The reporting obligations are increasing in general because, firstly, the legislative changes associated with the reporting of non-financial information; and secondly, from investors exerting greater pressure for information related to our climate-change management. Adapting to these changes requires the company to establish and implement reporting and internal-control tools that ensure compliance with the new requirements.
 - **The risk of non-compliance is considered low for Applus+.** The Group monitors legislative changes and has implemented a plan to deploy and expand our information-collection process gradually. For example, in 2019, in anticipation of future requirements, we included in our reporting-data Scope 3 of greenhouse gas emissions (GGE) for energy distribution and employee commuting.
 - Nevertheless, the processes we have implemented have provided the management with the opportunity to better manage and establish improvement plans in the short-, medium- and long-term. As a consequence, we have defined a plan with short-, medium- and long-term targets to reduce the Group's emissions.
- ✓ At an operational level, the new regulations on sustainable mobility that promote the use of vehicles with lower emissions, which sometimes tax or limit the use of vehicles with higher pollution, can lead to costs for the Group's vehicle fleet because of the need to either adapt or replace them.
 - This risk is being managed through a fleet-renewal programme, which has led to a steady decrease in average emissions in recent years. Furthermore, we have added clean vehicles to our purchasing catalogue, and we are internally promoting and increasing the use of eco-vehicles.
- ✓ In addition, the energy-efficiency regulations for buildings in the EU legislate for all member states to decarbonise their inventory of existing buildings by 2050. This regulation was due to be ratified by all EU countries in 2020. There is no doubt that this regulation will require investments to adapt to the new requirements; however, at Applus+ this risk is considered low because we own very few buildings.

Notwithstanding these types of risks, the new regulations enable the Group to design and implement new services that assist our clients to comply with the new regulations, therefore reinforcing our presence in fields like emissions testing or standardisation and "clean" vehicle testing, or testing insulation materials and construction products.

b) Technological risks

The technological improvements or innovations that are supporting the transition to the low-carbon economy may have a significant impact on our organisation. This may affect different aspects of our internal management and in our services.

The main risk is associated with a lack of flexibility to adapt to these new technologies, which could exclude our services from markets, either because we are incapable of covering our clients' new needs or because our ability to react is lower than our competitors'. This could lead to a change in our Group's business and income.

Conversely, the application of new technologies makes remote inspection and real-time monitoring of tests possible, which reduces our employees or clients' times and lowers service times, plant or asset shutdowns and costs, while increasing the safety of service delivery.

We are constantly innovating together with our clients, which enables our technicians to understand and address their needs. Furthermore, specifically in digitalisation, Applus+ has set up a working group to promote and develop technologies for these new opportunities within the organisation.

c) **Market risks**

Climate change is unquestionably affecting the market, primarily in the supply and demand of certain products and increased production costs.

The Group's exposure to the oil and gas sector is considered a risk factor because of the transition to a low-carbon economy. In this regard, the Group's greatest exposure revolves more for services in operations (77%) than for new facilities (23%). The transition in this area will take place gradually, which provides the company with a period to adapt to this transition. To do so, the Group has implemented a **diversification plan to reduce the Group's level of exposure**, which has enabled us to advance from almost 50% in 2014 to 32% in 2020, lowering the company's dependence on this sector in recent years. Furthermore, the current mix of services the company provides in this area is primarily based on services in operating expenses (OPEX), while only 7% of these services are provided for new facilities (CAPEX).

More assuredly, the market's shift towards **promoting and using renewable energies is also providing new opportunities for growth** in these sectors. We have developed a plan to increase the Group's presence in regions where our presence in this sector has historically been more limited.

The **automotive** sector is also an area which could be affected by this transition process, with the greatest risk in the mid- to long-term **as emission inspections in vehicles become less necessary with fewer** internal-combustion engines on the road. This would affect the USA market which accounts for approximately 2% of the Group revenue, although in other countries these inspections are marginal. In addition, the introduction of increasingly connected and **electric vehicles will require different homologation, testing and inspections**, in which factors like their functionality and safety are more important than the current ones.

d) **Reputational risks:**

Depending on how the company manages our contribution to the transition to a more sustainable economy, the effects on our company's image and prestige may present significant risks as well as strong opportunities.

The main risk is the loss of trust among our investors and stakeholders in the Group's management approach to the issues related to climate change. However, this risk can also be transferred to our clients because, by being part of their supply chain, we can contribute to improvements in their management.

In this respect, we have established a **plan with measurable and assessable objectives to show our commitment and progress transparently**.

Even though the Group's operations do not contribute greatly to emissions or other environmental impacts, we responsibly manage the impacts we have by **planning and implementing energy-reduction and efficiency measures**.

Even though we perceive some risks, we believe that we are effectively managing these risk, so we should not have major impacts. Furthermore, we are identifying clear opportunities due to climate change, which we are developing and fostering, and as a whole, the company can offset the potential impacts identified, even if the impacts are minimal.

- ✓ **Impact of the risks:** The results of the assessment-analysis showed that the risks identified are being managed to ensure that the risks are not relevant to the Group's activities in the majority of our regions and businesses.
- ✓ **Management approach:** We are implementing plans to reduce and mitigate any negative consequence associated with these risks.
- ✓ **Opportunities:** Our assessment shows that a number of issues related to climate change are actually opportunities for the Applus+ Group. The positive part of climate-change mitigation is greater than the costs to the Group of managing the impacts.

RESPONSE TO THE CORONAVIRUS PANDEMIC

In 2020, we had to confront the health crisis caused by the coronavirus pandemic, which posed a major **challenge** globally, both as a **health** crisis and a **socio-economic** crisis.

The Applus+ Group has implemented specific **actions** to **protect our employees' health, adapt our activities and services, support society to our best ability, and guarantee the company's sustainability in the mid- to long-term.**

Our response to this global challenge has been **robust** and **emphatic**, implementing measures that inspire trust in all of our stakeholders through our efforts to work towards the near future dependably and optimistically for when the pandemic is behind us.

- From the outset, to prevent and control the risk of infection in the settings where we deliver our activities and to protect **our employees' health**, we immediately established **corporate guidelines and safety protocols across our global operations**. These guidelines and protocols covered all the key safeguarding aspects: the use of personal protective equipment (PPE); hygiene and cleaning processes; social-distancing and travel restrictions; reduced occupancy at our offices by encouraging home-**working**; and establishing the minimum safety requirements at our facilities, while assuring the constant availability of PPE for all our employees.
- We have worked to guarantee our capacity to provide services, help manage the risks and assist our **clients to resume** operations. To do this, we have adapted **our services** and created specific services to continue meeting our clients' needs during the crisis, thanks to our steadfast commitment to innovation. Our efforts in the area of **digitalisation**, which were started some years ago and intensified this year, and these have enabled us to develop digital and remote tools, such e-testing to track industrial-testing programmes remotely in real time; methodologies to conduct remote inspections using augmented-reality systems and other digital features; and remote visual inspections (RVIS) on hard-to-reach or dangerous inspections. These advances allow our teams to deliver activities with the maximum safety for clients and employees alike, while maintaining excellent service quality.
- To minimise the impact of the pandemic on the company's margins, the Group has adopted **strict cost controls**, and in some of our businesses and regions, we have benefited from the **protection measures offered by the governments** in a number of countries.
- Liquidity management was the Group's principle concern, and the company's executive management reacted quickly to maintain the company's strong financial position. The first measures consisted of cancelling the dividend payment in 2019, increasing the financing lines, and temporarily lowering the remuneration paid to the Board of Directors and the Group's senior management. In parallel, the Group lowered the planned investments budgeted for 2020 to adapt to the new economic situation, and we proficiently managed the accounts payable from clients. As a result of these measures, we maintained a **strong liquidity position** that, along with the **outstanding cash generated**, enabled the Group to make important **acquisitions**.
- We have issued guidelines for remote working, while providing the **IT infrastructure** needed to facilitate and ensure secure home-working, and to strengthen our employees' training in cybersecurity.
- Different **initiatives** for **social action** have enabled the Group to help the people who experienced hardship resulting from the pandemic in local communities all over the world. This included certifying ventilators in Spain at the beginning of the pandemic; lending our facilities to conduct COVID-19 diagnostic tests in the United States; providing protective gear in the United Kingdom, Spain and the Netherlands; and supplying food and basic products to those in most need.

The **Board of Directors** held many sessions throughout the year to **track exhaustively** the impact of the crisis on the Group and to **ensure that the measures implemented were effective and sufficient**.

Non-financial information

GRI 103-2 GRI 103-3

OUR EMPLOYEES GRI 102-8 GRI 102-12 GRI 102-41 GRI 401-2 GRI 402-1 GRI 403-1

GRI 403-2 GRI 403-3 GRI 403-4 GRI 403-5 GRI 403-6 GRI 403-7 GRI 405-1 GRI 411-1

HUMAN RESOURCES POLICIES

In 2020, the Applus+ Group maintained our existing policies and did not introduce any new ones, so we could instead focus on supporting employees and operations in view of the challenges posed by the coronavirus pandemic.

EMPLOYEE-RELATIONS PRACTICES

In 2020, the Group has continued our long-standing practices for good **employee relations**, which have **proven effective during the pandemic**.

In all the countries where Applus+ offers services and conducts activities, the Group seeks to **reach agreements on working conditions for employees and adapt these agreements by** considering our employees' needs, respecting and protecting their fundamental rights to freedom of association and trade union membership. The Group's policy is upheld and supported by the regulations approved locally, our corporate policies and procedures, and the guidelines in the Applus+ Group's *Code of Ethics*.

At Applus+, we respect our employees' **right to collective bargaining**, and we work with our employees' freely-elected representatives according to the employment laws in force in each country in an effort to promote **freedom of association**. Correspondingly, we encourage a **culture of dialogue and negotiation** with our employees' representatives and stakeholders by promoting and maintaining the use of ongoing communication channels which play an active role in our policies.

We have **mechanisms by which employees can obtain information and ask questions**, while complying with the employment laws in force in each country where we operate. Any worker may submit questions or suspicions of non-compliance through the **Ethics and Compliance Communication Channel** at Applus+. We **respect minimal notice periods** by warning employees before applying significant operational changes, in accordance with local employment practices and markets.

Organisation of work

To keep our employees informed and up to date with the latest news, Applus+ produces and provides our employees with corporate and local handbooks, which contain information related to the company and the general, applicable working conditions (annual work hours, breaks, paid leave, etc.). These handbooks fulfil the laws in force in each country, as well as any applicable collective-bargaining agreements and corporate policies and procedures.

In addition to having these rules at work, we **try to adapt our employees' work to their personal needs** whenever possible. At the Applus+ Group, we are **committed** to our employees' **work-life balance**. This is why we implement flexibility strategies which enable our people to balance their personal, family and professional lives, as shown by the results and acknowledgements we have received in this area cited below.

- We facilitate **our employees' geographic and functional mobility**. This ensures that we have highly motivated employees who are engaged in developing their potential and work with commitment and effort to achieve the company's success.
- Furthermore, **we adapt the working conditions** for employees with different capabilities, women carrying children, nursing parents or individuals with other special conditions or requirements, as stipulated in the laws currently in force, collective-bargaining agreements or applicable programmes of best practices.

And finally, we can report absenteeism was 2.1% of hours worked, out of the Group's total headcount in 2020.

EMPLOYEE REMUNERATION POLICIES

The Applus+ remuneration policy is based on the **criteria of objectivity, external competitiveness and internal equality.**

The procedure **establishing the organisation’s remuneration system** is always adapted to the legal regulations in force in each of the countries where the Group operates. Furthermore, the process also includes the participation of and consultations with employee representatives in locations where legal provisions or cultural practices require.

Equal pay between women and men within the company is a commitment by Applus+ for which we strive to promote and guarantee. The **commitments to equality and anti-discrimination by Applus+** are represented in our *Code of Ethics* and *Global Anti-Discrimination Policy*.

EMPLOYEES’ RIGHTS AND BENEFITS

We have an array of **programmes** for social and economic **benefits** to foster our employees’ **wellbeing**. Our initiatives always try to adapt to the particular conditions, needs and resources of our people, which vary according to the features of each location.

Correspondingly, the Group also complies with the **right to disconnect from work**, in accordance with the provisions included in the applicable collective-bargaining agreements and the local regulations established in this area.

Applus+ has been placed as one of the three best large companies in the “*Healthy Corporation*” category among the 340 companies applying to the “*Preveñonar Awards*”. This honour highlights our best practice in safety, health and wellbeing.



EMPLOYMENT AND HUMAN CAPITAL MANAGEMENT

The Applus+ **strategy for managing human capital** is based on **four main cornerstones**. In 2020, we continued to implement them by offering a broad range of programmes and projects to **foster professional development and equal opportunities.**

<p>TALENT MANAGEMENT</p> <p>We have the conviction that talent is the key to long-term sustainability and competitiveness.</p>	<p>EMPLOYEE ENGAGEMENT</p> <p>Ensuring that employees, who are one of our key stakeholders, are motivated and engaged in their roles is an essential part of building loyalty.</p>	<p>COMMUNICATION AND BRANDING STRATEGY</p> <p>The aims of the strategy are to encourage commitment from our employees and attract talented candidates, while enhancing the Group’s image to our markets around the world.</p>	<p>DIVERSITY, INCLUSION AND EQUAL OPPORTUNITY</p> <p>At Applus+, we believe in a diverse, inclusive and equal work environment, where each person can grow personally and professionally.</p>
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Talent management

At Applus+, we **make people and talent a priority in our management.**

In 2020, we concluded the **second edition of the Group's Global Management Development Programme (GMDP)** for the second intake of **29 managers from 13 countries** across the divisions at Applus+. For seven months, the participants shared ideas and experiences in areas such as business strategy, business management, leadership and communication.

The programme is designed exclusively for Applus+ in collaboration with one of the most renowned international business schools - the IE Business School (Madrid). The programme combines training by our Management Team and academic lectures provided by the business school's professors. The programme's content focuses on supporting the development and growth of our people's capabilities and management skills, while ensuring the future success and sustainability of the Group.

Thanks to our talent programs, the Applus+ Group has been selected in the Personnel Today Awards as one of the three best companies in Europe in the "Talent Management" category.



Employee engagement

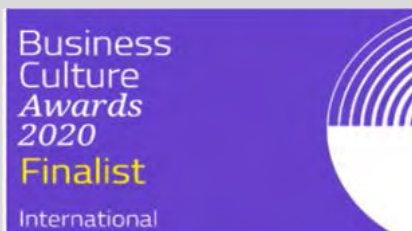
Based on the results of the most recent Global Satisfaction Survey, we have defined **action plans in 34 countries**, with **645 measures** addressing the different dimensions from within the survey model.

Throughout 2020, all 645 measures were implemented within the established timeframe, which finalised all of the action plans designed by each division of the Group.

As a result, Applus+ was chosen as a **finalist among the best international companies within the EMEA region** (Europe, Middle East, and Africa) **and North America** in the "Engagement Strategy" category for our plans and projects oriented to maximise our professionals' commitment and the Group's talent management plans.



Applus+ was also been chosen as **one of the best companies in Europe for our corporate-culture project.** This recognises our commitment to create a strong corporate culture with which all of our people can identify.



Diversity, inclusion and equal opportunities

Everyone who is part of the Applus+ Group is unique, and we want them to contribute the **best of their capabilities**. We are committed to building a diverse and inclusive society and **attracting talent that helps the company compete in a global context**.

We prioritise the **elimination of prejudices and unconscious biases and we promote socio-labour inclusion** and professional promotion of all social groups, particularly those with greater difficulties in accessing the employment market. This is why in 2020 we continued to advocate for:

- **Diversity of belief, culture, ethnicity, and people with different abilities.** We are present in over 70 countries on all five continents, with 88% of our personnel employed locally. Internal promotion favours local workforces, which means most of our managers are from their countries of origin.

We have been recognised by Premios Ciudadanos ("Citizens Awards"), at the Spanish Ministry of Economic Affairs as the best company in the Social category for "our Corporate Social Responsibility strategy, aligned with nine of the 17 UN's Sustainable Goals."



We continue to collaborate with South Africa's government initiative for **Broad Based Black Economic Empowerment** to redress the social and economic inequalities of the former apartheid system. Applus+ has a Level 4 on the BBBE-E certification.

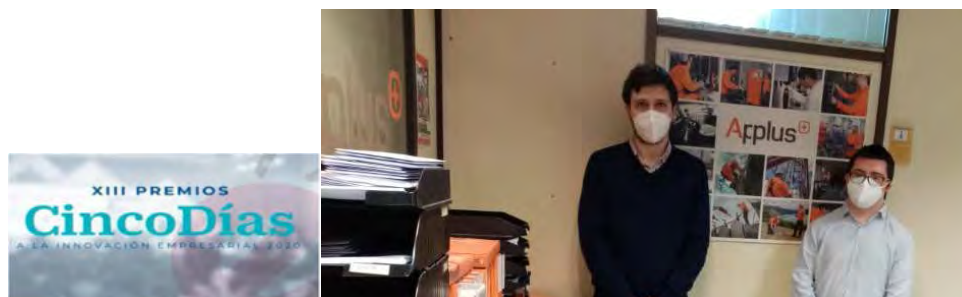
- **Diversity in gender by incorporating women in the design and advancement of plans and in the Global Executive Development programmes.**

We continue to work on the Councils established for work-life balance and equality. The Councils, set up in 2019, are forums to express interests, concerns, needs and barriers affecting work-life balance and equality, and to develop action plans and proposals for improvements.

In addition, Applus+ has been selected as one of the top-ten companies, among the 393 companies submitted to the 2020 Alares Awards, for our work-life balance practices in Spain.



- **We support the integration of people with different intellectual abilities** into our workforce. Thanks to our inclusion programmes, we won the *Cinco Días* business newspaper's award for the most "Innovative Business Initiative" in ESG, and we have been recognised as one of the top-three major companies in the Randstad Awards for our Diversity and Inclusion programme.



- **We have adhered to the Diversity Charter 2020-2022 initiative**, a project promoted by the European Commission and the Ministry of Equality, in line with our firm commitment to promoting a workplace which is socially respectful, economically sustainable and legally rigorous.

As the foundation **for developing the Group’s human resources strategy, we are firmly committed to digital transformation.**

The digital evolution in which we are immersed consists essentially of developing different areas of Human Resources, outlined here:

- At Applus+, the Human Resources department in Spain has transformed its way of working by turning to robotic process automation (RPA) in a risk-controlled environment. This robot interacts with applications in the same way as a person, working in a multifunctional way to automate the tasks, in our case, of the entire recruitment process.
- In 2020, we also started the implementation of “Workday” to provide Human Resources with a global tool that could work as a master-data archive and integrate analytics and cost management into the same digital system.

Brand and Communications strategy

One of our main strategic objectives in the area of marketing and communication is to **develop a strong global brand** acclaimed as a world leader and trusted partner in all of our markets.

Since 2004, the Applus+ Group has acquired and integrated over 50 companies around the world. We have redesigned our brand strategy and architecture in response to the Group’s growth, sectoral diversification, broad portfolio of services and geographical presence, to combine our different identities under a singular vision, unique brand identity and shared business culture.

As a result, in 2020 Applus+ was distinguished in the **European Excellence Awards** and the **MARCOM Awards** for our global brand management and internal communications strategy.

The European Excellence Awards honoured Applus+ with the first prize in the “Branding” category.

These awards were created in 2007 and is the leading recognition for marketing and communication in Europe.



In addition, Applus+ earned two Platinum prizes at the **MARCOM Awards 2020**, including its most prestigious award in the “Strategic Communications – Branding” category. The Group also received the Gold award in the categories for “Corporation Annual Report” and “Video Corporate Image”.

These prestigious awards recognise the best companies in the areas of Global Marketing and Corporate Communication.

Within our **internal communications area**, a key element to communicate with our employees, Applus+ launched over 20 internal communication initiatives digitally and globally in 2020.

Of special mention is our **employee magazine, *Appeople***, which was recognised with the Platinum prize from the **MARCOM Awards 2020** in two categories: "Employee Publication - Internal Magazine" and "Digital Media". In addition, *Appeople* was a finalist in the **European Excellence Awards 2020** in the "Internal Publication" category.



At Applus+, we strive to provide our employees with the best work environment. Our dedication has received excellent results, with the Applus+ Group **recognised in 2019, 2020 and 2021 as "Top Employer" in Spain and in 2021 in Latin America**.

The Top Employers Institute Certification Programme awards this distinction and was attained after comparing the company's management practices for human resource with those of the best companies in the world. **This certification demonstrates that Applus+ in Spain and Latin America have successfully met with the institute's demanding standards**, covering the following areas: talent strategy, workforce planning, talent acquisition, employee incorporation, training and development; performance management and leadership development; career management and replacement; compensations and benefits; and culture.



TRAINING

For the Group, it is vital to ensure that the services provided in the TIC sector are performed with the greatest excellence and satisfaction, and Applus+ owes this reputation to our highly qualified personnel. This is why **developing and training the expertise** of our professionals is the core goal of the Group's strategy for Human Resources.

At Applus+, we work hard to maintain the necessary certifications and accreditations at a local level, and keep specialisations aligned with our high-quality standards by deploying specific training and development programmes. This training is managed locally to guarantee satisfaction for our clients' needs and their service expectations.

The Group's online **tool, ApplusNet**, allows us to reach all of the locations where we provide services, and enables the Group to increase our capability to deliver our training programmes locally all around the world.

The Applus+ Group provides all new employees with a professional and efficient welcome to provide their comfortable start at Applus+ and rapidly assume their role. The new **employee-induction training** includes areas, among others: corporate induction (corporate presentation and global policies), code of ethics and compliance and health and safety. The training is conducted through our **global eLearning platform**.

At the Applus+ Group, our teams' professional and ethical integrity is fundamental to the services we deliver, so each year we reinforce the Group's *Code of Ethics* policy with all of our employees through annual training.

RESPECT FOR HUMAN RIGHTS

At Applus+, we believe that business can only prosper in societies where human rights are protected and respected. **The fulfilment of human rights is an integral part of our corporate culture**, and we recognise that these are **fundamental and universal** and should be based on conventions, treaties and international initiatives, such as the principles within the United Nations' Universal Declaration of Human Rights and Global Compact, and the International Labour Organization.

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

The Applus+ Group's commitment to respecting human rights is reflected within the **policies and procedures** followed by the Group. These include our *Diversity and Equality Policy*, as well as, our *ESG Policy (formerly CSR Policy)*, *Code of Ethics*, *Non-Discrimination Policy*, *Suppliers Policy*, *Global Anti-Corruption Policy and Procedure* and *QHSE Policy*.

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



These policies establish mechanisms to ensure the fulfilment of these commitments by our employees, and, in the case any of their provisions are broken, the company enforces disciplinary and corrective measures through the appropriate channels.

In addition to these, the **Modern Slavery and Child Labour regulations govern our activities** in all of the countries where we operate. All of our offices must comply with local legislation relating to minimum working/school leaving age. A non-compliance procedure has been established at all levels for our management to pursue in the event of any potential issues or breaches.

To safeguard personal rights, the company has also **defined practices to prohibit actions that restrict personal freedom**, such as the withholding of passports, visas or work permits. Therefore, any perceived notion of such activities occurring would be rejected quickly and comprehensively remedied.

Moreover, the Energy & Industry Division has a **specific Human Protection Policy** to reinforce our commitment to protect human rights. This policy sets guidelines regarding four fundamental rights of the Division's employees: acceptable wage; minimum working/school-leaving age; working hours in compliance with contractual and local legislative requirements; and the elimination of modern slavery and human trafficking. Although the rest of the Group's divisions also deploy the commitment by Applus+ to protect human rights at a divisional level, this is not currently formalised with a policy as already in place at the Energy & Industry Division. However, in the near future, a specific policy for human protection will be extended to all of the Group's divisions.

In addition, in accordance with the UN Guiding Principles on Business and Human Rights, where business enterprises identify that they have caused or contributed to adverse impacts on human rights, entities should provide or cooperate in their remediation through legitimate processes. To facilitate this requirement, the **Applus+ Group operates an Ethics and Compliance communication channel**. In 2020, the Group did not receive any complaints regarding violations of human rights.

WORKPLACE HEALTH AND SAFETY

As a part of our **integrated management system**, Applus+ has developed and implemented policies for managing workplace health and safety, as well as fostering actions to create a **corporate culture** that **ensures the safety and health of our employees**. Our system complies with the OHSAS 18001 **international standard**, and we are currently in the process of migrating to the ISO 45001 standard. Our strategy consists of going beyond the legal requirements, and we pursue the objective of zero accidents.

The **cornerstones on which we base health and safety management** within the Group are:

- **The Corporate Quality, Prevention and Environmental Policy**

Applied to all employees at the Applus+ Group and our legal entities and activities, the policy establishes the framework for security management and includes specifications for our four divisions. The policy bolsters our commitment to manage health and safety effectively across the organisation at all levels, empowering key personnel and providing the resources to meet the Group's required standards.

- **Corporate health and safety directives**

These are a set of detailed guidelines for each of the minimum health and safety requirements included in the programmes, through which we can control our risks and improve our performance in the area of health and safety.

- **Golden Safety Rules at Applus+**

These are **11 rules** conceived to **eliminate or reduce the risk** associated with the activities that historically have had the largest impact on the Applus+ Group's claims.



- **Local health and safety management systems**

With the scope covering legal entity, country and/or division, the system is defined in accordance with the international ISO 45001 workplace health and safety standards. These management systems are **certified by third parties in more than 23 countries**.

Identification of hazards and risk assessment

We identify and assess hazards in health and safety for all of our activities, works and installations before they commence or are opened. The hazard assessments are reviewed regularly when changes occur in working conditions or when safety incidents occur.

As part of the **process for hazard assessment in health and safety**:

- We consider the legal **requirements**, recognised codes of best practice and manufacturers' requirements, and the requirements of third parties.
- In general, we estimate the hazard levels using a **risk analysis matrix** and when necessary with **specific evaluation methods**.
- Making use of the **control hierarchy** as a systematic approach, **we establish the preventive and corrective measures** for the elimination, reduction and/or control of the assessed hazards.

To complement this, **our employees carry out their own hazard assessment** of the work or task before starting it to verify that all of the hazards are controlled and safety measures are adopted. This allows us to identify unforeseen hazardous situations, correct them and start the work only when it is safe.

To ensure the fulfilment of these requirements, Applus+ performs **internal controls at a local level**, along with these internal and independent audits carried out by clients or third parties, including those done by certification entities.

During 2020, there were over 64,405 in situ audits and inspections; 10,510 safety observations were notified; and we published 43 lessons learned. The results of these processes, together with investigations into accidents and incidents, assist us to continuously improve our management and performance.

Coordination of business activities

Our policy defines our commitment to work with clients and suppliers, **creating relationships based on trust, loyalty, transparency and mutual respect. We adopt organisational processes and structures to facilitate the relationship and fulfil their expectations**, including **working in a safe environment**. We have developed a specific Golden Rule to establish the requirements that ensure the fulfilment of this commitment.



Similarly, from **our suppliers** we request a strong **commitment** to health and safety, which we take into account during their evaluation process.

Unsafe incidents and situations

Among our employees, Applus+ promotes the notification of unsafe incidents and situations, and we make different **communications channels** available to our employees. We set specific annual **objectives** and follow these through **indicators**.



Authority to stop unsafe work

Our employees have the management's full support to stop any work they consider unsafe. Our Golden Rules include the principle to confer authority **"to all our employees and contractors to stop unsafe situations"**.

The investigation of incidents and reporting is done according to **protocols** set by the Group at a divisional, local or national level. These protocols provide a **systematic approach** to investigating, analysing and reviewing all incidents, according to the following criteria:

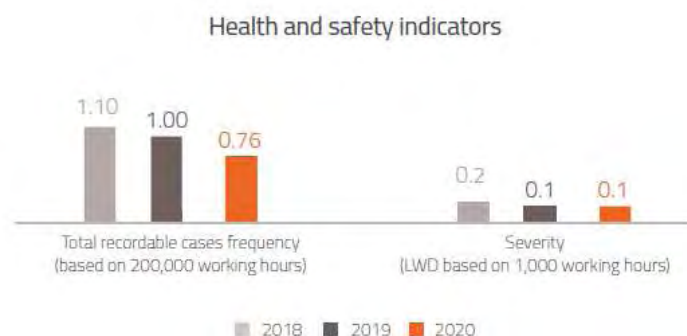
- The aim is to ascertain the **root cause** of the incident and to define **actions plans** to prevent its reoccurrence.
- We share the **lessons learned** with the entire organisation of such accidents, where the actual or potential consequences are relevant.
- We use **different methodologies** depending on the degree of criticality or complexity of each incident.
- **We monitor and control** the investigation of incidents and non-conformities to ensure that action plans are established and the most appropriate corrective or preventive measures are put into place.

Follow-up and results

To **monitor the performance** of health and safety and the Group's preventive culture, we have a reporting procedure that applies to our overall activities at a worldwide level. This process includes **proactive indicators** that are precursor of incidents and help measure the Group's preventive culture and **reactive indicators** that refer to the Group's performance in health and safety.

The local representatives for QHSE are responsible for reporting accident data using the Governance Risk Compliance (GRC) tool and for sending the training reports to the corporate department for QHSE. The corporate department reviews and consolidates the data, performs a quantitative and qualitative analysis of the information, and prepares the related reports to be forwarded to the management team and the Board of Directors for their regular review of the process.

Here are the **accident indicators** for the last three years.



	2018	2019	2020
Working hours (in thousands)	46,220	47,065	43,376
Fatalities	1	0	2
Fatalities rate	0.004	0.000	0.009
Number of high-consequence work-related injuries	0	0	0
Rate of high-consequence work-related injuries	0.000	0.000	0.000
Recordable cases	264	240	165
Total recordable cases frequency (TRCF)	1.14	1.02	0.76
Female rate	-	0.08	0.08
Male rate	-	0.94	0.68
Lost working days	7,580	5,759	4,368
Severity	0.16	0.12	0.10
Female rate	-	0.01	0.01
Male rate	-	0.11	0.09
Professional illness	0	1*	0
Female rate	0	1	0
Male rate	0	0	0

In some countries where we operate, musculoskeletal disorders are classified as accidents as opposed to professional illnesses. As a consequence, we adopted this criterion globally for data consistency. Therefore, any cases of musculoskeletal disorders have been included as accidents in the calculations.

*Carpal tunnel syndrome with 10 lost workdays. Professional illness according to the Spanish law.

In 2020, we reduced the TRCF by 23% and the severity rate by 13%. With these results, we have maintained the downward trend started in 2017, with a total reduction of TRCF by 39% and the severity rate by 15% since then. The main causes of the accidents in the Group were, as in prior years, falls at the same height (slips and trips) and overexertion.

In the analysis, for the contribution-by-gender to the accident rates in relation to the proportion of our employees, any bias or significant differences regarding the exposure to hazards and their consequences are observed.

We are deeply saddened to report two fatal accidents within the Group in 2020, one in Spain and the other in Colombia. In both cases, we provided support to the families and to the employees impacted. We conducted in-depth investigations to ascertain the root cause and the improvement actions to be taken. Based on the findings in both cases, we continue to strengthen our procedures to better protect against these incidents.

Health surveillance

Applus+ has implemented **health surveillance programmes** for employees depending on the hazards they are exposed to, which are associated with our activities or for hazards in work carried out at our clients' premises.

The main components of these programmes are **medical check-ups** to assess aptitude in respect of the job position and the annual **epidemiological study** to identify incidences on health that could be related to the work.

To deliver these programmes, we use **external medical services** which, in accordance with the regulations of each country and the General Data Protection Regulation (GDPR), take custody and safeguard the confidentiality of the employees' personal data, solely bringing in an aptitude assessment relating to the job position.

Moreover, through different programmes and initiatives at the local level, Applus+ facilitates **access to medical services and promotes sports practice** among our employees. Similarly, we have carried out several **health-promotion campaigns** relating to illnesses such as diabetes in the United Arab Emirates and Costa Rica or addressing various types of cancer in Panama, Costa Rica and Indonesia.



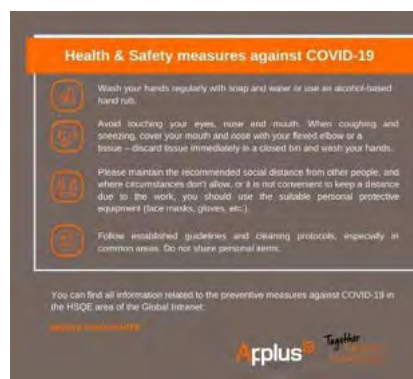
The coronavirus pandemic

From the outset, to **prevent and control the risk of contagion** in our activities' environments and with concerned about the spread of coronavirus and for the health of our employees, we established **corporate directives and safety protocols**. At the same time, at the country and divisional level, we set up management procedures and specified protocols, with the participation of employee representatives for health and safety matters. These protocols have been adapted to the evolution of the pandemic and to the directives established by the healthcare authorities.

We maintained **regular communications** with our employees and provided specific channels for **queries or questions**. Similarly, we created **an ad-hoc space on the Group's intranet**, accessible to the entire workforce, where we publish the directives, procedures and protocols defined by the company to fight against the spread of coronavirus.

Among the **awareness-raising actions**, we highlight the creation of a **training course** to detail the **preventive measures to be adopted** during work, as well as **raising awareness on the importance of the course's contribution** to controlling the pandemic.

A **desktop wallpaper image** installed on all of the Group's computers acted as a reminder for the basic measures for hygiene and social distancing.



The measures adopted include hygiene and cleaning measures, the distribution of Personal Protective Equipment (PPE), maintaining social distancing, reducing the occupancy in our offices by **fostering working from home**, establishing **minimum safety requirements at our facilities**, such as ventilation and cleaning protocols, and establishing **travel restrictions**. To do this, we have monitored the evolution of the pandemic by country and ascertained the risk level for each country.

Similarly, we have **monitored the impact** of the pandemic at Applus+, gathering data using our GRC tool on the COVID-19 cases detected in all of the countries and our divisions. We have controlled and tracked the detected cases, identifying the root of contagion and taking the necessary measures, while always following the recommendations of the national authorities. According to the information gathered, the number of confirmed cases in 2020 (including quarantines) amounted to a total of 1,270 cases within 33 countries. The large majority of the cases were mild and the source of contagion came from outside the Group. Regretfully, we report that two of our employees in Mexico and Saudi Arabia developed fatal complications during their hospitalisation.

Training and raising awareness

The training of all employees on health and safety issues is an essential aspect of the company's **training programmes** at the time employees join, prior to their exposure to certain risks and regularly during their employment.

These programmes have a common part referring to how prevention is managed at Applus+, which is complemented with their specific training needs in each job profile or position (mechanical risks, working at heights, working in confined spaces, electrical hazards, etc.).

At Applus+, we ensure all of our employees are familiarised with health and safety programmes at the Group and their operational divisions, so **they understand the procedures, know the risks and preventive measures associated with their activities, and act in a safe manner**.

Moreover, we undertake different **activities to raise awareness** among our employees:

The celebration of Safety Day. This is an annual event in which the entire global workforce participates and to which we also invite our clients and contractors to participate. Due to the circumstances and the effects of coronavirus, the 2020 edition was held as a virtual, digital edition to ensure the participation of everyone in a safe context.



In 2020, the motto was **"Prevention saves lives"**, which refers to both health and safety measures at work and the preventive measures to fight against the spread of coronavirus.



Social Wall. As a novelty for Safety Day 2020 Digital Edition, we created a **social wall** at the Group’s intranet, giving our employees the opportunity to share their experiences on health and safety.

QHSE communication campaign in which communiques were issued to reinforce our Golden Safety Rules for Coordination activities at work (N°5), Working at heights (N°9) and Manual handling of loads (N°2), as well as other risk factors such as exposure to extreme heat.

Lessons learned: more than 43 were shared throughout the entire Group.



Specific safety banners on the Group’s global intranet, including a specific banner to raise awareness of our internal policies and directives to stop the spread of coronavirus.

Other local initiatives to foster safety, such as road safety campaigns in Chile or the “Let’s care for our bodies” campaign in Mexico.



Appeople Magazine: our employee publication which features content relating to safety and health.

Safety awards at a local level to recognise employees who stand out for their contributions relevant to safety and health.

CARING FOR THE ENVIRONMENT

GRI 102-11 GRI 102-12 GRI 302-1 GRI 302-3 GRI 303-1 GRI 303-2 GRI 303-3 GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4 GRI 306-1 GRI 308-1

FOCUS OF ENVIRONMENTAL MANAGEMENT

At Applus+, we share a **respect for the environment**, and we promote **environmental sustainability** in all our Group's operations.

The **lines of action** we defined to achieve a **sustainable performance** are based on focusing our management efforts on **minimising the environmental impact** of our activities. These are mainly related to our offices and facilities, as well as transport to the client's facilities.

The main **environmental indicators** associated with the Applus+ Group's activities are related to energy consumption, greenhouse gas emissions (GGE) and water consumption. These indicators quantitatively display compliance with the company's targets for improvement and the degree to which we attain our environmental commitment.

Energy consumption associated with the use of electricity for lighting, equipment and heating/air conditioning, as well as for the transport to carry out work at our clients' premises.

GHG emissions GEI originating from the consumption of fuel by our vehicle fleet, business travel, other travel by our staff, and energy use for heating and electricity.

Water consumption associated with the sanitation and irrigation facilities, as well as with the IDIADA Division's vehicle testing tracks.



At Applus+, we use business intelligence (BI) to manage, control and verify the environmental indicators of **energy consumption**, **GHG emissions** and the **water consumption** of our facilities in the countries where we operate. Correspondingly, due to our business model, we do not depend on the extraction nor consumption of raw materials to develop our businesses' activities, and our activities do not generate any impact as a result of an inefficient use of such resources. However, at Applus+ we choose to manage resources efficiently and sustainably, as well as optimising and continuously monitoring every defined procedure and indicator.

For this reason, using the **Applus+ Site Management (ASM)** system, we record all consumptions together with their evidences to maintain traceability. And using **QlikView**, we consolidate all the reported data to offer a detailed analysis for each of our indicators.

Our management framework also includes the waste generated during the development of our activities, mainly in the IDIADA and Laboratories Divisions. The waste generated by both divisions requires specific storage and management conditions so that we focus our efforts on reducing, controlling and improving its management.

The activities of the Applus+ Group do not generate direct impacts on biodiversity; and the locations of our facilities do not represent any risk for the natural areas in the countries where the Group operates.

A comprehensive analysis of our risks and opportunities related to climate change is included in the section *Business Risks* of the chapter *Financial Information*. Similarly, our environmental impacts have been assessed and categorised, and the results are shown in a specific section of the chapter About the Report.

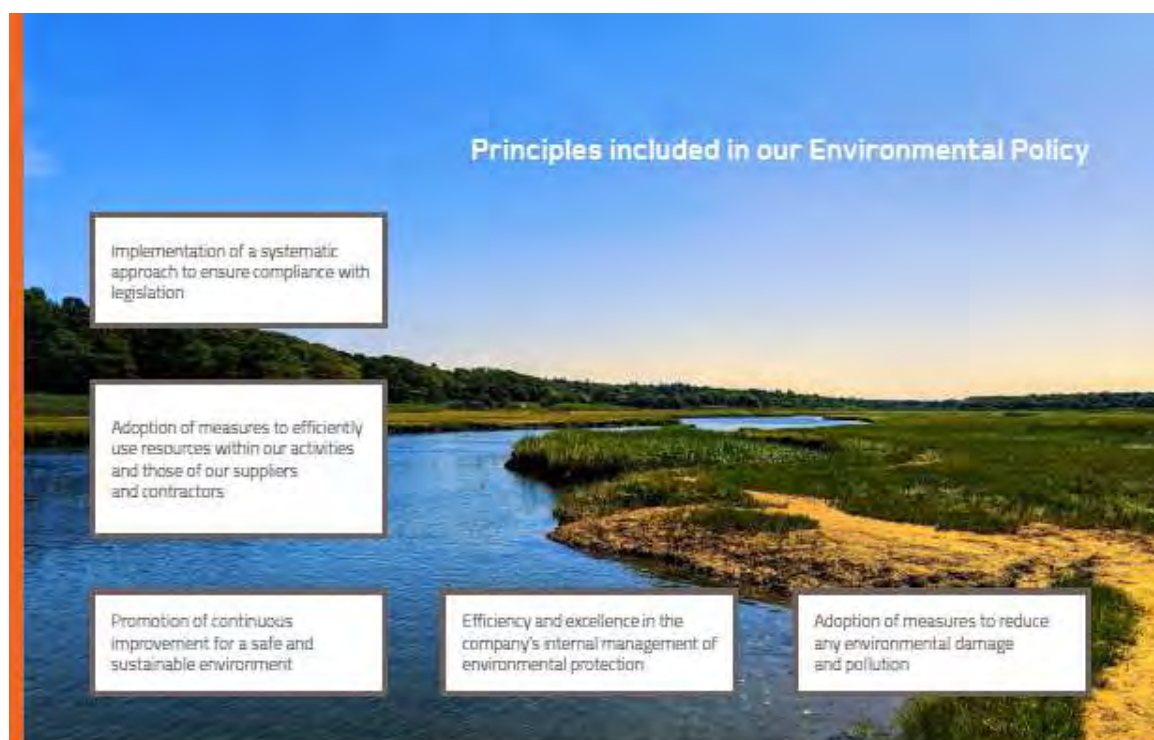
In 2020, the unprecedented impact of the coronavirus pandemic on our activities caused our consumption and emissions to reduce because of the travel restriction measures implemented. However, this crisis has also accelerated the transition towards a more sustainable and digital world. **Home-working and video meetings helped reduce our travel emissions considerably.** The use of remote communications tools within the company increased by more than 450% when making the comparison of the figures of March with those of February 2020, when considering calls, chats and online meetings.

The **commitments** governing how we act to achieve environmental protection are encompassed in the **Corporate Quality, Health & Safety and Environmental Policy (QHSE)**, which also ensures the quality of our services and the health and safety of our employees.

The policy applies to all of our employees and those working on the behalf of Applus+. Through the policy, the Applus+ Group's management strengthens their commitment to protecting the environment, giving priority to the **preventive approach** over corrective measures when we carry out our activities, while providing the company with sufficient human and financial resources to continuously improve our environmental management.

The Corporate Purchasing Department integrates the Group's **compulsory QHSE requirements** within its supplier management processes for selection and qualification. Within the **approval process, the supplier must know and adhere to** the Group's **QHSE Policy**. Moreover, in the **initial assessment** of our suppliers, we positively value those that implemented and are certified according to the **ISO 14001** Standard or the European Commission's voluntary Eco-Management and Audit Scheme (EMAS).

Our suppliers' **adherence** to the **Policy**, and consideration of the **environmental management systems implemented** as part of their selection and qualification, is significant. Spending with suppliers adhering to the Group's QHSE policy represents 73% of total purchases.



To develop the policy, we implemented **Environmental Management Systems (EMS)** at a local level in more than 25 countries, based on the cycle of continuous improvement and developed following the international **ISO 14001** Standard. Our EMS are regularly audited and our certificates are maintained over time.

ENERGY AND EMISSIONS

The total energy consumed and the GHG emissions generated by the Group's activities are obtained from electricity consumption, gas fuel and liquid fuel in the following groupings:

- Electricity: comprises the electricity consumptions (lighting, equipment, etc.) and heating.
- Gas fuel: comprises the consumptions of natural gas, propane, liquid propane, liquid natural gas and compressed natural gas.
- Liquid fuel: comprises the consumptions of gasoline, diesel and biodiesel oil.

The **Group's Good environmental practices guide** defines clear **directives** addressed to all of our employees to **reduce energy consumption** at the company's facilities, as well as the **consumption of fuel**, both in our fleet vehicles and in private vehicles.

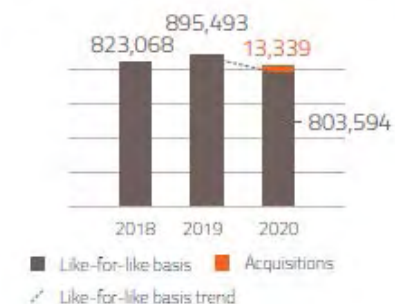
Total Energy Consumption

In 2020, the Applus+ Group's total energy consumption was of 816,932 GJ. The **liquid fuel** is, by a wide margin, **the most significant consumption source**, representing almost half of the total energy consumption. The consumption of petrol, diesel and biodiesel is directly related to our activities because our employees travel to our clients' facilities.

Energy consumption overall decreased by 9% compared to 2019 and by 10% when compared measure for measure. There was a notable reduction due to the impact of the coronavirus pandemic on all of the company's activities. However, the Group introduced measures to reduce annual consumption, such as the installation of LED illumination to reduce electricity consumption at facilities or the use of more efficient vehicles providing lower fuel consumption.

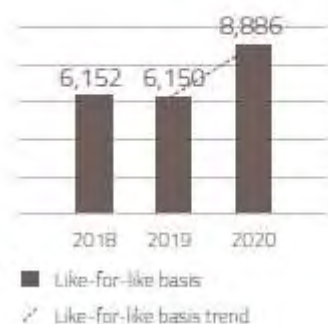
As a result of the home-working measures by the Group and the reduction of activities, fuel consumption decreased dramatically in 2020 compared to the prior year. And due to the weighting of petrol and diesel within the company's overall energy mix, a decrease in total energy consumption followed.

Total energy consumption (renewable and non-renewable) (GJ)

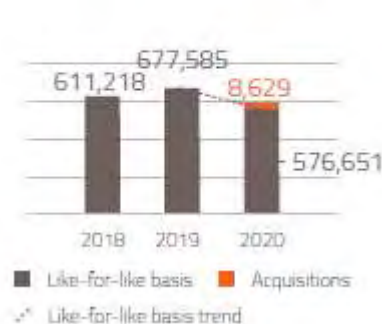


Renewable and non-renewable sources

Renewable fuel consumption (GJ)



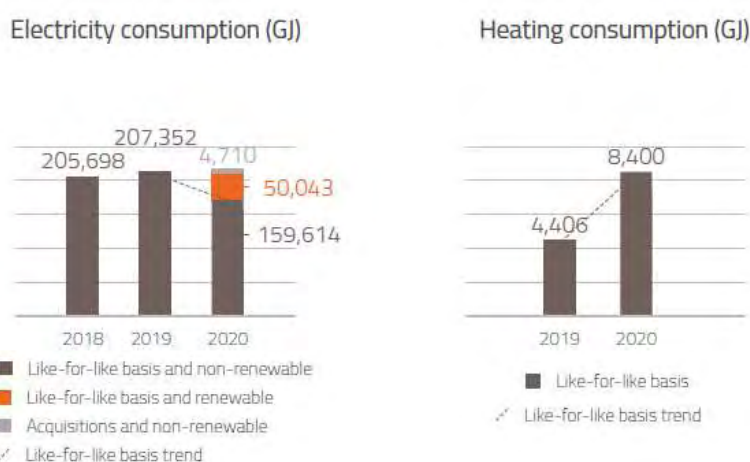
Non-renewable fuel consumption (GJ)



The Group's energy consumption can come from **renewable or non-renewable sources**, depending on the energy consumed. Natural gas, liquid or compressed natural gas, propane or liquid propane, petrol and diesel oil are non-renewable sources; whereas the electricity consumed can come from renewable or non-renewable sources, except the energy for heating which comes from non-renewable sources, and biodiesel comes from renewable sources.

In 2020, the consumption of **renewable fuels** was 8,886 GJ. Within the Group, biodiesel is mostly consumed in Colombia, used by the vehicle fleet to travel to the facilities of clients. This consumption recorded a 44% increase compared to the data published in 2019 (6,150 GJ), principally for projects carried out in rural areas that require the use of other fuels, such as biodiesel; and therefore this offset the decrease in compressed natural gas (CNG) used in their fleet of natural gas vehicles (NGV).

For **non-renewable fuels**, in 2020 the consumption was 585,280 GJ. This group of fuels includes petrol, diesel oil and the gaseous fuels, such as natural gas, propane, LPG, LNG and CNG. On the whole, there was a 14% decrease in consumption compared to 2019, which is directly related to fewer business trips in the company's fleet vehicles, particularly from the second quarter of 2020 in the USA and Spain because of the impact of the coronavirus pandemic.



Finally, total **electricity consumption** was 214,367 GJ, and **heating** was 8,400 GJ. There was no energy consumption within the organisation for cooling or steam, and no energy was sold.

A like-for-like basis comparison shows an increase of 1%, while total electricity consumption in 2020 increased by 3% compared to the previous year. This increase is concentrated in consumption by the companies that joined the Applus+ Group, adding 2% to the global consumption.

Since July 2020, **most of the electricity consumed at our facilities in Spain comes from renewable sources**, with a certificate of "Guarantee of Origin" issued by the National Commission of Markets and Competition (CNMC). The certification guarantees that the 50,043 GJ of the electricity consumed was produced from renewable energy sources. This represented 23% of the total electricity consumed across the Group. This major milestone highlights our commitment to sustainable energy, and represents the first step towards becoming a carbon neutral company.

Energy indicators

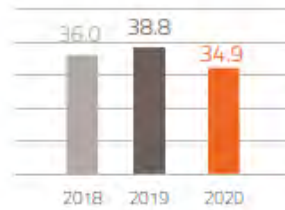
The indicator Applus+ uses to measure performance is **energy intensity per employee**, and by using this value, we can estimate the average amount of energy used per employee.

In the energy concept, we consider the total energy consumed within the company (electricity, heating, gaseous fuel and liquid fuel).

In 2020, the Group's energy intensity was 34.9 GJ per employee, which represents a decrease of 10% on the prior year.

This significant decrease in intensity is due to mobility restrictions within the different countries where we operate. However, we were able to continue carrying out our activities through remote services and home-working using the digital tools provided to all employees.

Energy intensity
(GJ / No. employees)



Emissions

At Applus+, we calculate our GHG emissions in accordance with Scopes 1, 2 and 3.

The **Scope 1 emissions** are the direct emissions from the combustion of fuel, being both liquid fuel and also gaseous fuel. Fuel is the most significant source of GHG emissions within the Group, and consumption is directly related to vehicle-use for travelling to our clients' facilities. Moreover, these also include the emissions from gas boilers for heating and for the performing tests at our facilities.

The **Scope 2 emissions** are the indirect emissions from the generation of energy for the electricity and heating at our premises.

In 2020, a significant drop occurred compared to the prior year due to three significant factors:

- The change from the emissions of the energy mix; in other words, the emissions from each country's original energy source. For 2020, we used the values from the *IEA (2019) Emission Factors for electricity and heat generation* report. This change led to a decrease of 12%.
- The usage of electricity from renewable sources mainly in Spain was 23% of the Applus+ Group's electricity consumption and therefore GHG emissions are avoided.
- And finally, the promotion of home-working and the lockdowns of certain facilities due to the impact of the pandemic, also caused a slight decrease in emissions.

The **Scope 3 emissions** are the direct emissions not included in Scope 2, produced outside Applus+. The emissions considered in this concept are:

- Activities relating to fuel and energy not included in Scopes 1 or 2.
- Business travel (by plane, train and taxi).
- Employees commuting between work and home.

GHG emissions: Scopes 1, 2 and 3



Scope 3	2019	2020
Emissions due to electricity transmission and distribution losses (1)	1,739	1,164
Emissions due to the electricity value chain (1)	6,240	4,505
Emissions due to the fuel value chain (1)	58,291	50,356
Emissions due to the heating value chain (1)	-	222
Emissions due to the employee commuting (2)	55,602	49,277
Business trip w/ Plane and Train (3)	7,584	1,898
Business trip w/ Taxi (4)	6	1

The scope of countries included:

(1) Andorra, Angola, Argentina, Australia, Bahrain, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Ghana, India, Indonesia, Ireland, Italy, Kuwait, Malaysia, Mexico, Mongolia, Netherlands, Nicaragua, Nigeria, Norway, Oman, Panama, Papua New Guinea, Peru, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Turkey, United Arab Emirates, United Kingdom, Uruguay and USA.

(2) Australia, Canada, Chile, Colombia, Germany, Ireland, Netherlands, Panama, Spain and USA.

(3) Angola, Australia, Chile, Colombia, Mexico, Netherlands, Spain, United Kingdom and USA.

(4) Spain

In general, the impact of the pandemic reduced our emissions (Scope 1, 2 and 3) in 2020 compared to 2019.

A detailed review of the data shows that Scope 1 emissions decreased by 14%, due mainly to the reduction in fuel consumption for vehicle-development testing at the IDIADA Division, and from a reduction in the services delivered from the Energy & Industry Division.

As in previous years, the Group worked constantly to reduce the impact of direct emissions since these make up the majority of the direct emissions from the company. This is why the average emissions for fleet vehicles from our largest supplier recorded a two percent reduction compared to 2019. This demonstrates that the Group's vehicle fleet is becoming more efficient and environmentally-friendly.

Following our commitment to reducing emissions derived from fuels, in 2020 the Group added to the electric vehicles on our fleet from the principal vehicle supplier to 13. We are making these changes gradually and without jeopardizing the efficiency of the service in our operations.

However, Scope 2 emissions recorded a larger reduction of 27%. Much of this reduction was achieved in Spain, where the Group emitted the equivalent of 4,008 tons less of CO₂, thanks to the energy consumed from predominantly renewable sources, with zero emissions guaranteed by the CNMC's "Guarantee of Origin" certificate. In addition to this, a change in the electricity-emission factor of countries resulted in a 12 percent reduction in emissions, along with the general reduction that the Group recorded as a result of the coronavirus pandemic.

Finally, for Scope 3 emissions, we consider each concept separately because of the different scopes these have. However, each of the scopes recorded a decrease compared to 2019. The emissions from electricity transmission and distribution losses, and its value chain, reduced by approximately 30% as a result of the decrease in consumption. Similarly, in the emissions resulting from the fuel value chain, fuel consumption fell by 14% in parallel with the reduction of fuel consumption across the Group. The emissions in respect of our employees commuting reduced by 11%. This reduction followed measures taken to reduce commuting during the pandemic (9%) and a change in the emission factors used for the calculation (2%). Finally, emissions generated by transport for our employees' movement by plane, train and taxi fell dramatically by almost 75%, attributed to a reduction in business trips and an increase in remote meetings.

Emissions indicators

To calculate our employees' average GHG emissions, we use **emission intensity per employee** as an indicator. In 2020, this was of 2.42 tCO₂eq/employee, including the values of Scopes 1 and 2. Compared to 2019, we saw a decrease caused by the change of energy-mix emissions, the usage of electricity from renewable sources, implementation of efficiency processes and the impact of restrictions due to the pandemic.

Comparing emissions intensity year on year, there was a 19% reduction resulting from a 18% reduction in overall emissions (Scope 1 and 2), for the reasons outlined previously.

The decrease in emissions-per-employee is the result of a lower consumption of fuels and the Group's commitment to use electricity from renewable sources. These adopted measures have been made without jeopardizing the delivery of services to the client, while maintaining or increasing the number of employees.

Intensity of GHG Emissions
(t CO₂eq / No. employees)



WASTE, WATER AND EFFLUENTS

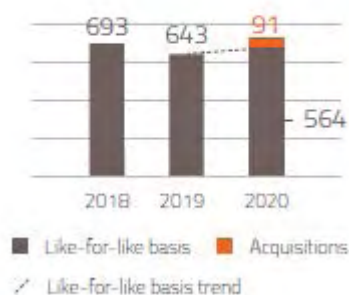
Water use

The Group's total water consumption during 2020 was 655ML, representing an increase in water use of 2%.

The main reason for this increase is due to the inclusion of consumption from the IDIADA Division's activities in the USA, which require large amounts of water consumption for vehicle development testing.

In fact, the like-for-like basis comparison, there was a 12% decrease, due to less activity at the IDIADA Division's facilities in Tarragona (Spain) and their efficiency achievements when recovering the water used in their services.

Water consumption
(ML)



The water used within the organisation can have different **origins**: water from third-party suppliers (308 ML) or groundwater (347ML).

Total groundwater consumption has decreased by 9% (379 ML) compared to 2019. This decrease is mainly recorded at IDIADA's facilities in Tarragona, due to a reduction in activity.

Part of the water used in their activities comes from underground (344 ML). The water is used in buildings, the watering of green areas and for four out of its 14 vehicle-testing tracks: two braking tracks, a wet pavement driving track and a fatigue track. The test tracks have the most intensive water consumption, and to minimise this, the water is filtered and recycled for reuse, without requiring grease and hydrocarbon separators. In this process, the water loss is only between 7-11%.

The environmental controls performed are:

- For water used on tracks and in buildings, the pH and chlorine levels are measured.
- For the track water, osmosis treatment is available and its conductivity is analysed.
- And for the water solely used in buildings, its organic and chemical parameters are controlled.

Waste management

Our activities mostly generate urban waste and other assimilable waste, such as paper, plastic packaging, print toners and office supplies.

The directives set out in the Group's *Good environmental practices guide*, as well as the local regulations applicable for **waste management**, govern the rules of our behaviour, applying the 3 Rs formula: Reduce, Reuse and Recycle. Both at our offices and when providing services at the clients' facilities, all employees must apply these good practices for generated waste management.

At our offices, waste segregation is mandatory when the country has a public or private infrastructure for selective recycling and treatment. The office and workplace managers are responsible for providing the resources needed to comply with these management policies, as well as for adherence.

Moreover, to **reduce the consumption of paper, toner and ink**, the *Good environmental practices guide* establishes certain action guidelines.

The **IDIADA and Laboratories Divisions** also generate **hazardous waste and other types of waste** which, by their nature, require specific management; for example, tyre waste at the IDIADA Division's vehicle-proving grounds or inert waste from fire-resistance tests at the Laboratories Division. The hazardous and specific waste generated at both divisions is always managed through duly authorised companies, and the documentary evidence is always retained as required to verify the traceability of this management.

ENVIRONMENTAL ACTION

Applus+ chooses electric mobility

During 2020, at two of the Group's main headquarters in Spain at Bellaterra and in Madrid, we installed **electric-vehicle recharging points**. With this project, the company wants to express our firm commitment to the environment and make a difference in promoting the future of sustainable mobility.

At Bellaterra, we installed two recharging points with capacity to charge four cars simultaneously, which is available to our employees and clients. And at Las Mercedes offices in Madrid, a charging area was installed with the capacity to charge two vehicles.

With this project, **we want to encourage and promote the use of the electric vehicles among all of those who work for and with Applus+.**



New EV charging station at the IDIADA Division

At the IDIADA Division, we installed an **EV charging station** to offer the latest available technologies in the automotive sector, following strict environmental and safety regulations.

This new **EV charging installation** is equipped with four chargers: two with a power rating of 50 kW and two with 175 kW, which can reach up to 350 kW. Moreover, the installation is ready to accommodate up to six additional chargers, with one more prepared for heavy goods vehicles or for two small cars.

Since the charging processes can be complex, especially with prototypes, a fire-extinguishing system has been installed to offer the utmost safety at all times, and the facility is constantly monitored for any hazardous situation. In the event of discharged from the vehicles or batteries, the liquid containment systems ensure proper storage of the fluid so that it can be treated to preserve the environment.

The entire **service is managed and supervised remotely** using **software designed by our engineers at the IDIADA Division**, which allows us to manage all of the processes involved before, during and after each charging cycle. The users of this service will be able to obtain specific information about each charging cycle, and users can also obtain real-time information on the availability and location of these and other chargers.



The IDIADA Division backs organic-waste composting

In 2019, the IDIADA Division in Spain acquired a composting machine for organic waste with a 30-tonne capacity. However, the capacity soon reached its limit because the site generates approximately 90 tonnes of organic waste each year. In 2020, we therefore invested in a **new composting machine with a 120-tonne capacity**.

The environmental benefits from the composting machine are the **reduction in the amount of organic waste** sent to the landfill, a **saving in transport emissions**, and the **generation of compost** which is used as **fertiliser on the green areas** of our facilities.



More sustainable non-destructive testing services

In the Netherlands, Applus+ RTD, a leader in the development of non-destructive testing (NDT) techniques, is transitioning towards using **organic products for the x-ray film-developing processes**. These new products eliminated all the compounds contained in traditional film-processing, which were harmful to human health, carcinogenic and hazardous to the environment. One of these new products uses **vitamin C as a substitute for the hydroquinone and aldehyde**, and in the other, **the use of boric acid was eliminated**.

Moreover, the **containers** for these products are made of polyethylene and can therefore be **recycled**. In addition, sixty percent of the cardboard packaging comes from **recycled paper**.

These measures allow us to offer services which are **increasingly sustainable and environmentally friendly**.

Digital tools to increase the sustainability of our services

Applus+ developed the **AuditA+** and **GEOAPP Pollution** tools to digitalise our inspection activities in the field. This **reduces the paper consumed when delivering these activities**, and the transfer of information to our databases and those of our clients and partners is more reliable and effective.

Importantly, we also improve our service offer to clients by **verifying the status of inspections in real-time**.

The GEOAPP Pollution tool focuses on soil and groundwater characterisation, and the AuditA+ tool allows the user to **design and generate recording formats for deployment in the field**.



OUR ENVIRONMENTAL CONTRIBUTION BY TIC SERVICES

The TIC services provided by Applus+ make a significant positive environmental impact by assisting our clients to reduce their environmental impact and protect against or reduce environmental risks on their assets, products and services. Since 2019, the Group has been measuring and increasing our revenues from Green Services to adapt and extend these services progressively in order to meet our clients' needs in their transition to a low-carbon economy.

At Applus+, Green Services are defined according to the European Union's classification: "Those which make a substantial contribution to the goal of achieving a low-carbon economy by reducing the CO2 emissions, as well as to improve the performance in relation to other environmental goals."

In 2020, circa €200 million (13% total revenue) came from services focused on reducing and/or mitigating environmental impacts. Some examples of these services are those related to renewables, control of the automotive emissions, surveys of environmental parameters, energy audits, waste management, and innovation projects for automotive eco-engines and lightweight aerospace materials.

	<p>REDUCTION AND EMISSION CONTROL</p> <p>Statutory vehicle inspection</p> <ul style="list-style-type: none"> • Regulatory vehicle inspections. • New independent technology for emissions tests. • New independent procedures for validating controls of vehicle pollutants. <p>Aerospace</p> <ul style="list-style-type: none"> • Compliance with international standards and regulations. • Incorporating new composites materials into manufacturing systems. <p>Industry, energy, oil and gas and public administrations</p> <ul style="list-style-type: none"> • Compliance with international standards and regulations. • Incorporating new composites materials into manufacturing systems. <p>Testing and automotive engineering</p> <ul style="list-style-type: none"> • Technology for new engines. • Use of alternative fuels. • Promotion of hybrid and electric vehicle uptake. • Investigation of alternative systems for electric vehicles.
	<p>PREVENTION OF SOIL CONTAMINATION AND POLLUTION DISCHARGES</p> <p>Construction and civil infrastructure</p> <ul style="list-style-type: none"> • Improvement of the machinery in park management. <p>Companies of any sector and public administrations</p> <ul style="list-style-type: none"> • Analysis of the water quality. • Analysis of the wastewater or process discharge. <p>Industry, oil and gas and mining</p> <ul style="list-style-type: none"> • Technologies for efficient non-destructive testing (NDT). • Preliminary assessments of soil contamination. • Studies for the remediation of contaminated soils. • Environmental Risks Analysis.
	<p>CERTIFICATION AND VERIFICATION OF MANAGEMENT MODELS</p> <p>Companies in any sector</p> <ul style="list-style-type: none"> • Advice for compliance with applicable national and international standards and regulations. • Implementation of Environmental Management Systems. • Application of good environmental practices in facilities and offices. • Conducting Environmental Risk Analysis. • Design of environmental indicators. • Authorised control body of a large number of public administrations. • Verification and validation of clean development projects (CDMs). <p>Organisations and public administrations</p> <ul style="list-style-type: none"> • Advice to the public administrations to develop regulations and the design of guides to facilitate their application. • Design of environmental indicators.



OPTIMISATION OF ENERGY AND WATER CONSUMPTION

Companies of any sector and public administrations

- Energy audits.
- ESE (Energy Services Company) design and proposal of measures for energy saving.
- Energy-efficiency solutions.
- Water footprint design.
- Technologies for efficient non-destructive testing (NDT).

Electrical and electronic equipment

- Equipment design and products with lower energy consumption.
- Obtaining the energy-efficiency certificate for products.

Construction

- Sustainable certifications: BREEAM, LEED and GREENLIGHT.



MINIMISATION OF WASTE AND OPTIMISATION OF MANAGEMENT

Industry

- Analysis of products/services life-cycle.
- Design and implementation of integrated waste-management systems.
- Packaging declarations and packaging waste.

Electrical and electronic equipment

- Analysis of the equipment life-cycle.
- Design and implementation of integrated waste-management systems.
- Application of restrictions on the use of certain dangerous substances in the manufacture of equipment.

Construction

- Construction and waste audits.
- Plans for the waste management and minimisation.
- Asbestos detection audits and processes for its controlled management.
- Physical and chemical testing on construction materials to ensure environmental standards.

Organisations and public administrations

- Design and development of joint plans for circular-economy strategy implementation.



BIODIVERSITY AND ECOSYSTEMS PROTECTION

Energy and telecommunications

- Environmental monitoring of electrical networks.
- Landscape integration studies.
- Environmental Impact Assessments.

Organisations and public administrations

- Strategic Environmental Assessments.

Industry and oil & gas

- Innovative technologies for efficient non-destructive testing (NDT).

Civil infrastructure and mining

- Testing, process engineering and production optimisation by applying criteria for sustainability.
- Environmental Impact Assessments.
- Plans and programmes for environmental monitoring (throughout infrastructure operation and environment restoration work).
- Land surveying services.
- Restoration plans.

Relevant projects

Our greatest environmental contribution comes through our services. Although most of our TIC services generally contribute to sustainability through their very nature, we identified certain services that are specifically oriented towards climate-change mitigation, based on the taxonomy applied by the EU. In this regard, in 2020 13% of the Group's income came from these services, which support a sustainable economy. We highlight here some of these key services and projects.

Verification of recycling in Portugal

From the Energy & Industry Division in Portugal, Applus+ contributes to the continued improvement of recycling figures in this country through our service to verify the quality of local-waste separation. According to the Association of Waste Management in Portugal (ESGRA), the collection of urban waste in the country increased by 18% in the first quarter of 2020 compared to the same period in 2019.

In addition to verifying the correct segregation of waste, Applus+ **studies the materials to develop new segregation methods** and monitors compliance with the applicable legislation.

Technical assistance on new wind turbine projects

Applus+ participates in the **most advanced engineering assignments in the wind turbine industry**, providing wide-ranging technical assistance. The wind turbine farms in Scotland and Mexico are some of the most noteworthy projects on which we collaborate.

Scotland's new offshore project for wind turbine generation will be the first in the world to feature wind turbines generating more than 9 MW, located 15 km off the coast of Aberdeen. Applus+ will certify the welding work on the complex marine structures by carrying out non-destructive testing (NDT).

Applus+ also participates in a wind turbine project in Fenicias (Mexico), ensuring that the project meets our customer's specifications in terms of quality, cost and time. The project will have a 168 MW power rating, with 42 wind turbines each generating 4 MW of power.

The services offered by Applus+ contribute towards **fostering renewable energy sources** that reduce GHG emissions and contribute towards environmental protection.



Vehicle emission inspections

The Applus+ Group works with governments at all levels (municipal, regional, state and international) to create **customised solutions that assist in maintaining cleaner air**, while providing quality services and fostering safer roads.

Applus+ manages comprehensive statutory vehicle inspection and maintenance programmes that together account for more than 20 million emissions control inspections a year.

Through our global technical expertise, **we actively contribute to ensuring greater control of vehicle emissions** and promote the **improvement of air quality in many countries around the world**.

BUILDING A BETTER SOCIETY GRI 413-1

SOCIAL ACTION

In 2020, Applus+ continued our programme for **social action** in different countries, in which the following **projects** are noteworthy:

- In Italy, Applus+ organised an **internal lottery** called "Lotteria della Befana", donating all the proceeds to the **Children's Oncology Department of Papa Giovanni XXIII Hospital**.
- In Spain, Applus+ organised the "**Súmate, Operación Solidaria**" (Join the Solidarity Operation) to help those who suffer the most from the severe economic and social impact of the coronavirus pandemic and who encounter the greatest difficulty in accessing basic food and hygiene products.

Since the project was launched May 2020, **218 tonnes of basic products** have been distributed through "Banco de Alimentos de Madrid" (Madrid Food Bank), "Cáritas Diocesana de Madrid" (Diocesan Charity of Madrid) and "Cruz Roja Comunidad de Madrid" (Red Cross Community in Madrid), **contributing towards feeding 2,100 families for a month**. Applus+ participated in the deliveries of products, donations in kind, transport and logistics services, as well as with monetary contributions.

The project is supported by the Administration for the Community of Madrid, through the Department for Social Policy, Family, Equality and Childbirth, which resulted from a collaboration agreement signed through the KPMG Foundation.

- In Indonesia, Applus+ has continued with our "**Giving Back**" programme, which is the result of our social commitment at a local level to contribute to the community by **supporting the flood-affected families** in the area.



- In Costa Rica, Applus+ has run a solidarity project for the **daily donation of food** to families affected by COVID-19.
- The Applus+ Group's supervisors who work at the **Karratha gas plant in Western Australia** attended a **training activity for cultural awareness**, organised by the Murujuga Aboriginal Corporation, to foster respect for the culture of Australian Aborigines.

With a tour through the Murujuga National Park, the supervisors could get to know one of the largest petroglyphs collections in the world, the local flora and the fauna used by the Aborigines in the past, and discover the cultural importance the Aborigines give to the North West Shelf region.

The training activities were completed with a presentation on local history, the Aboriginal tradition and culture, and the work that the Murujuga Aboriginal Corporation is doing to preserve both their history and the Murujuga National Park.

- For the past eight years, Applus+ has sponsored the **Solidarity Race** organised by the **Universidad Autónoma de Barcelona (UAB)**. In each edition, the race has attracted 2,000 participants on average.

In 2020, the pandemic forced us to set up a new format to continue our contribution to the cause. Through a mobile application, each participant chose the route and their distance, and they totalled the solidarity kilometres run and donations. In doing so, many races in one event were run from many places, integrating both the collective and individual challenges.

- In 2020, thanks to the **"Sin Límites" (Without Limits) programme** for social inclusion in Spain, our employees took the opportunity to **donate their Christmas hampers** to the foundations for people with different abilities with whom we collaborate.



OUR SERVICES' CONTRIBUTION TO DEVELOPMENT

At Applus+, we are **committed to local development** through different activities and services in the places we operate:



The Group's TIC services assist to protect operations, assets and the quality of products in sectors such as for energy, particularly from renewable sources, telecommunications, automation, oil and gas, construction, mining and aerospace. In many cases, we **support** the implementation of **key projects for a country's structural development, thereby contributing to social and economic growth locally.**

Moreover, at Applus+ we contribute to local communities by promoting their employability and training:

- **Fostering employment** by directly hiring local personnel and contracting local suppliers for our services. In 2020, locally hired personnel represented 88% and local suppliers represented 95%.
- **Training local experts to acquire specific technical skills** and sharing our experience acquired through the different areas of our business.

Relevant projects

Local training initiatives

Applus+ in the Netherlands trains university students

Over the past few years in the Netherlands, Applus+ has organised demonstration seminars for the students studying IKT-2 (level 2 of Inspection and Inspection Techniques) at the University of Applied Sciences of Utrecht, obtaining very satisfactory results. The person responsible for the training is a Technical Manager at Applus+ and a lecturer for the level 2 and 3 Inspection and Inspection Techniques courses.

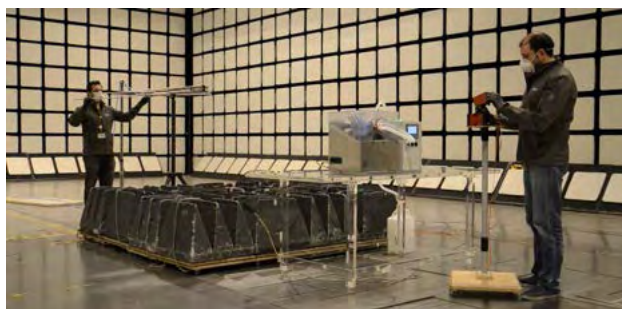
Online inspection-training programme

Applus+ in Spain has facilitated online training to external professionals on a programme for eligibility to become a Vehicle Inspector. The programme provided a total of 33,840 hours of training to 423 people through our ApplusNet tool.

Promoting health during the pandemic

Applus+ tests ventilators for the fight against COVID-19

In the early stages of the pandemic to overcome the shortage of equipment available to the health authority, we worked with manufacturers and the Spanish Medicines Agency to test artificial respirators required by the patients most severely affected by COVID-19. In a very short timeframe, manufacturers developed prototypes and the professionals at Applus+ collaborated with their expertise, and we provided facilities 24 hours a day, 7 days a week to speed up the validation of the equipment being developed.



Healthcare in the Netherlands

Applus+ is contributing to healthcare in the Netherlands. The traditional scanners used in brain and back diagnosis, such as hernias, tumours and Parkinson's disease, have been enabled to conduct examinations for COVID-19 by a leading technology-development company in the healthcare sector. These X-ray scanners were used at the Applus+ RTD's Elsloo (Netherlands) bunker and workshop for coronavirus research. Through this work, Applus+ is contributing to the future research to overcome COVID-19.

Contributing vehicle testing stations for COVID-19 tests in the USA

In 2020, Applus+ made several of our vehicle inspection facilities in Illinois and Washington available to third parties to perform COVID-19 test on the public from their vehicles. By lending our support, Applus+ is contributing to the fight against the spread of coronavirus in the United States.



Improving public infrastructure and services

Engineering study of Route Y-290 in Chile

In Chile, Applus+ will prepare the detailed engineering study commissioned by the Chilean Ministry of Public Works to improve the road Y-290 to Cueva del Milodón, the Río Serrano Route in Última Esperanza province, and the route in the Magallanes and Antártica Chilena region.

The project is aimed at adapting the design and construction conditions to reduce the costs and environmental impact of the infrastructure.

Bridge inspections in Tanzania

Applus+ delivered our first infrastructure inspection in Tanzania for a major client in the construction and civil engineering sector using ultrasonic testing (UT) to ascertain the cause of the cracks which appeared during the construction of the Nkrumah-P37 bridge. The use of UT allowed our customer to measure the depth of the cracks precisely without damaging the surface of the pavement.

Support for rural and indigenous communities in Panama

Applus+ is inspecting and supervising the construction of 25 educational centres and sanitation facilities in Panama, two initiatives generating a significant positive social impact.

Applus+ in Colombia participates in the initiative “Plan Todos Somos PAZíficos” (We are all Peaceful Plan)

This is an expansion of the project for technical, administrative, financial, legal, environmental and social intervention on projects financed by the “Plan Todos Somos PAZíficos” (PTSP) project.

The PTSP is an initiative set up by the Colombian Government to contribute to the social, economic and environmental development of the Pacific Coast, an area of influence covering 50 municipalities of the Departments of Chocó, Valle del Cauca, Cauca and Nariño. Applus+ is carrying out a comprehensive supervision of projects for electrification and the standardisation of electricity grids, which include renewable energy projects.

Rehabilitation of the sewage network in Delhi (India)

Applus+ is carrying out the repair and renovation of the household wastewater-sewage network in Delhi. The project will have a very significant impact and involves a major breakthrough in local environmental protection and social development.

Type approval of vehicles imported into Costa Rica

In Costa Rica, Applus+ is monitoring used vehicles for import to verify they have not been previously declared an accident write-off in any other country. The monitoring has two phases: a documentation inspection and full vehicle inspection, permitting importation only when the vehicle is type-approved following the inspection.



Fostering the local development of new technologies

Artificial intelligence

To adapt to new social needs, a project to automate statutory-vehicle-inspection centres is being developed in Spain. The automation using artificial intelligence technologies (Machine Learning) to allow us to offer clients more efficient services.

Heritage preservation

Archaeology services at the Tamaya photovoltaic plant in Chile

During the construction of a photovoltaic plant located in Tamaya Park in Chile, with a nominal capacity of approximately 122 MW, six heritage elements were found: four milestones, a bottle and a highly altered cattle trail.

Applus+ collaborated in preserving this discovery, carrying out the systematic recording and topographical survey of the linear feature and developing a historiographic study of the features from the bibliographic review. We collected the moveable cultural materials associated with the cattle trail, conducting permanent archaeological monitoring and giving heritage education talks to the staff involved in the construction works.

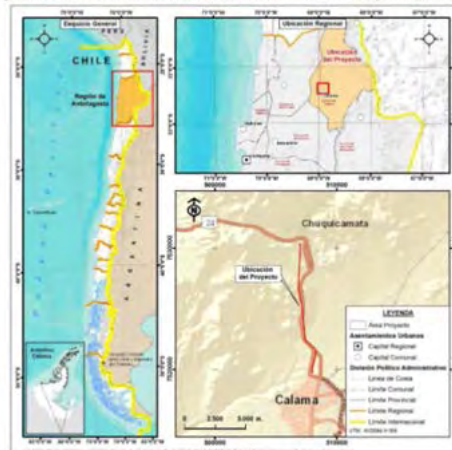


Paleontological and archaeological monitoring during the erecting of a power line in Chile

Applus+ is delivering technical services for paleontological and archaeological monitoring during the construction of a new 2x220 kV electricity installation in Nueva Chuquicamata, South East Calama in Chile to ensure the protection of cultural heritage during the works.

Our technical services are contributing to heritage preservation through paleontological monitoring during excavations and earthworks, recording sediment samples during the inspection of excavation fronts, providing induction training for the employees involved in the works, the implementation of a "fortuitous-find" protocol and report preparation just in case, and the definition of measures for paleontological-heritage protection.

Figura 1. Ubicación de la Subestación Seccionadora Nueva Chuquicamata 220 kV



04. CORPORATE GOVERNANCE

Approach to corporate governance

GRI 102-16

FOUNDATIONS

The Applus+ Group is governed by a set of corporate rules, policies and processes that define, under applicable laws, our corporate governance model to ensure the Group's long-term vision. **Ethics and transparency** are key principles which guide the Group's management to continue earning the trust of our stakeholders.

The Corporate Governance framework at Applus+ has been developed by taking into account the CNMV's **Good Governance Code** for listed companies, which was amended in June 2020, and **internationally-accepted best practice**, including the feedback from our stakeholders. The continuous development, review and improvement of the **framework** are the cornerstones of the Applus+ Group's **strategy in the area of corporate governance**.

The Group's principles of good governance are integrated into the **core rules** of governance and have been developed through the approval of specific **policies**. As a result of the CNMV's approval of their new version of the Good Governance Code in June 2020, and the Applus+ Group's continuous improvement plan, the Board of Directors at Applus+ has proceeded to amend and/or approve some of the existing documents, the regulations of the respective committees and a new policy:

Basic rules	Policies
Applus+ by-laws	<i>Remuneration Policy of the Directors</i>
Regulations of the Board of Directors	<i>Applus+ Environmental, Social and Corporate Governance Policy (ESG, formerly CSR)</i>
Regulations of the Board of Directors	<i>Policy for the Communication of Economic-financial, Non-financial and Corporate Information and Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors.</i>
Internal regulations for conduct in the security markets	<i>Applus+ Director's Selection Policy</i>
Audit Committee Regulations	<i>Risk Management Policy</i>
Appointments and Remuneration Committee Regulations	<i>Diversity and Equality Policy</i>
Environmental, Social and Corporate Governance Committee Regulations (ESG, formerly CSR)	

As a listed company, Applus+ prepares an **Annual Corporate Governance Report (ACGR)**, an **Annual Report on the Remuneration of Directors**, and **this report**, all of which are available at the Group's website, and where we publish comprehensive information yearly.

Overall, the ACGR shows a good level of performance by the Applus+ Group according to CNMV recommendations, with an **effective compliance ratio of 87%**. Of the 64 recommendations in total, 10 are not applicable to the Applus+ Group. Out of the remaining 54 recommendations applicable to the Group: 47 were complied with; and 7 are partially complied with.

THE MAIN MILESTONES ACHIEVED IN 2020

1. Amendment to the *Regulations of the Board of Directors*, approved in December 2020, to adapt the policy to the amended **Good Governance Code**, among others.
2. Amendment to *Director's Selection Policy*, expressly stating the **goal of 40% of women members on the BOD for the year 2022**, as well as stating our **commitment to society for gender diversity and promotion of women to directorships**.
3. Amendment to the *ESG Policy* (formerly *CSR*).
4. Approval of the Regulations of each of our Committees: Audit, Appointments and Remuneration and ESG.
5. Approval of a new *Policy on Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors*, as well as a general policy regarding the **communication of financial, non-financial and corporate information through the media, social networks and other channels**.
6. Successful holding of a hybrid General Shareholders' Meeting partially online with high engagement from stakeholders.
7. Holding of 11 sessions of the Board of Directors to ensure the timely **monitoring of the effects of the crisis** caused by the coronavirus pandemic, among others.

GOVERNING BODIES

The governing bodies at Applus+ comprised the **Board of Directors** and its **three Committees**, which focus on specific relevant areas to assist the Board in its supervisory function. All three Committees report quarterly to the Board of Directors and provide a yearly report on the progress of the respective committees' duties.



To lead the integration of the Group's policies on ESG into day-to-day management practice, the Chief Executive Officer is a member of the ESG Committee to set the tone from the Board for the actions that follow throughout the company.

The Applus+ Group regularly reviews its ESG strategy and *Policy*, and provides support to internal structures to ensure the **effective deployment** and continuous improvement of performance.

The ESG strategic lines, and the targeted actions deployed from these, are monitored through specific **KPIs**. These indicators provide the Group's management with useful quantitative information on the Group's ESG performance in order to take management and operational decisions for improvements.

Board of Directors

GRI 102-18

COMPOSITION OF THE BOARD



*Testing, Inspection and Certification

7/10 Directors are independent	Separation of Chairman and CEO positions	3/10 Directors are women
4/10 Directors come from outside Spain, reflecting the Group's international presence		

PROFILES OF THE BOARD OF DIRECTORS



Christopher Cole

Non-Executive Chairman and Chairman of the Corporate Social Responsibility Committee

Mr Cole has a degree in Environmental Engineering from London South Bank University and is a UK qualified Chartered Engineer. He was a founder of WSP Group Plc, which was listed on the London Stock Exchange in 1987 and where he was CEO until it merged with Genivar Inc. in 2012 to become WSP Global Inc. Mr Cole remains as the Non-Executive Chairman. He is also Non-Executive Chairman of Tracsis Plc. He was Non-Executive Chairman position at Ashted for 12 years where the company progressed to a FTSE 100 leading performer until last year when he left.

He was appointed as Non-Executive Independent Chairman on 7th May 2014, and thereafter re-elected by the AGM on May 31st 2018.



Fernando Basabe

Chief Executive Officer and Member of the Corporate Social Responsibility Committee

Mr Basabe holds a degree in Law from the Universidad Complutense de Madrid and an MBA from IESE (Barcelona).

Before joining Applus+, Mr Basabe spent 15 years at SGS S.A. in different senior management positions, ultimately becoming the Chief Operating Officer for Western Europe. He started his career at Manufacturers Hanover Trust Co. (JP Morgan & Co) where he held different positions within the corporate banking division.

He was appointed as Chief Executive Officer of Applus+ on 1st February 2011, and thereafter re-elected by the AGM on May 31st 2019.



Joan Arriagó

Chief Financial Officer

Mr Arriagó holds a degree in Economics from the Autonomous University of Barcelona, a PhD from IESE (Barcelona) and an AMP from ESADE (Barcelona and Wharton-Pennsylvania).

He started his career at Price Waterhouse Coopers in 1991 as an external auditor. In 1994, he joined Bimbo (Sara Lee), a consumer goods company based in Spain and Portugal, where he held various senior positions: Vice President and Chief Financial Officer, Financial Shared Services Director, Controller and Internal Audit Director. In 2006, he was appointed Vice President for Financial Planning and Control at Sara Lee Bakery's Europe Division.

He was appointed as Chief Financial Officer in December 2007 and thereafter as Director of Applus+ on 30th May 2019.



Essimar Kairisto

Non-Executive Director and Member of the Audit Committee

Ms Kairisto has a diploma in Business Administration from the University of Fachhochschule Bielefeld (Germany).

Ms Kairisto was the Chief Financial Officer and a Board Director for Hochtief Solutions AG until 2016, after which she has taken on independent consulting roles. These include since 2015, Supervisory Board Member of Freudenberg, the privately owned German technology company, and since 2018, Non-Executive Director and member of the Audit and Risk Committee of Fortum Oyj, the clean-energy generation and distribution company that is listed on the Helsinki stock exchange. Additionally, Ms Kairisto is member of the Supervisory Board of Tennet, the Dutch state owned leading European electricity transmission system operator (TSO) with its main activities in the Netherlands and Germany.

Prior to her move to Hochtief Solutions in 2013, Ms Kairisto had several high profile roles in finance and general management including at Sasol, RWI and Schlumberger.

She was appointed as Director of Applus+ on 10th April 2019.



Ernesto Gerardo Mata

Director and Member of the Audit Committee

Mr Mata has a degree in Economics from the University of Geneva and PADE from IESE (Barcelona).

Mr Mata has held many Board positions, including a Director of Unión Fenosa (Gas Natural), Chairman of Unión Fenosa Soluciones S.A., and Director of Abertis Infraestructuras S.A., where he was also Chairman of the Audit Committee.

He is currently Chairman of the Advisory Board of KPMG Spain and Quironsalud. He also sits on the Boards or Advisory Committees of other organisations and private companies in Spain.

He was appointed as Director of Applus+ on 29th November 2007, and thereafter re-elected by the AGM on May 31st 2019.



Richard Nelson

Non-Executive Director, Member of the Appointments and Remunerations Committee and Member of the Corporate Social Responsibility Committee

Mr Nelson has a degree in Economics from the London Business School, and he is a fellow of the Institute of Chartered Accountants in England & Wales.

Mr Nelson was the Chief Executive Officer of Intertek Group Plc, a UK listed FTSE 100 company in the testing, inspection and certification industry, until his retirement in 2006. Previously he was the Chairman of the International Federation of Inspection Agencies until it merged with another organisation into the TIC Council.

He was appointed as Director of Applus+ on 1st October 2009, and thereafter re-elected by the AGM on May 31st 2019.



María José Esteruelas

Non-Executive Director and Member of the Appointments and Remunerations Committee

Ms Esteruelas holds a degree in Industrial Electrical Engineering from ICAI (Madrid). She has a Master's degree in Operations from the Instituto de Empresa (Madrid) and a General Management Executive Programme from the IESE (Madrid).

Ms Esteruelas currently serves as Executive Vice President of America at Abengoa, leading all the subsidiaries of the Region. Previously she was CEO of the Power Division and formerly Executive Vice President of Latin America. Most of her career has been at Abengoa, which she joined in 1997, performing a variety of senior positions in Operations and Concessions.

From July 2014 to December 2017, she was member of the Atlantica Yield Board of Directors appointed by Abengoa.

She was appointed as Director of Applus+ on 20th February 2019.



Cristina Henríquez de Luna

Non-Executive Director and Member of the Audit Committee

Ms Henríquez holds a degree in Business Administration and Economics from ICADE in Madrid.

She is the President and Managing Director Spain and Head of Iberia and Israel Cluster at GlaxoSmithKline, as well as Independent Director at Meliá Hotels International.

Previously she held a variety of senior finance roles at CSK, and was at Procter & Gamble Europe based in Switzerland after an extensive Latin American experience based in Peru and Mexico.

She was appointed as Director of Applus+ on 21st July 2016.



John Daniel Hofmeister

Non-Executive Director and Chairman of the Appointments and Remunerations Committee

Mr Hofmeister has an honorary doctorate from the University of Houston and is a Doctor of Letters at Kansas State University, where he obtained his Bachelor and Master's degree in Political Science.

At Royal Dutch Shell, Mr Hofmeister was Group Director of Human Resources before becoming the President of Shell Oil Company, the U.S. subsidiary of Royal Dutch Shell. Prior to this, he held executive leadership positions at General Electric Company, Nortel Network Corporation and AlliedSignal (Honeywell). He founded Citizens for Affordable Energy and remains a Member of the United States Energy Security Council. Currently, he serves as Non-Executive Director of Ionier Ltd.

He was appointed as Director of Applus+ on 1st July 2013, and thereafter re-elected by the AGM on May 31st 2018.



Nicolás Villén

Non-Executive Director and Chairman of the Audit Committee

Mr Villén is an industrial engineer, graduated from the Polytechnic University of Madrid. He holds a Master in Electrical Engineering from the University of Florida, where he was a Fulbright Scholar, and he has an MBA from Columbia University.

Previously, Mr Villén was the Chief Executive Officer of Ferrovial Aeropuertos and Chief Financial Officer at Ferrovial. Prior to this, he was the CEO of Midland Montagu Ventures and Smith Kline & French, as well as other responsibilities at Abbott Laboratories and Corning Glass Works.

He currently sits on the Boards of FCC Aqualia and ACR Grupo. He is also external advisor for IFM Investors, an Australian Infrastructure fund.

He was appointed as Director of Applus+ on 27th October 2015 and thereafter re-elected by the AGM on May 29th 2020.



Vicente Conde

Secretary Non-Director

Mr Conde has a degree in Law from the Universidad Autónoma de Madrid and a postgraduate degree in European Law from the Université Libre de Bruxelles.

He is a specialist in Corporate and Business law, Capital Markets and M&A and is a Partner in the Madrid offices of Osborne Clark. Previously, he was a Partner at Pérez-Llorca and worked at Uria Menéndez in Spain and Chile. He is also a lecturer at several universities and is a regular speaker at conferences.

He was appointed as Secretary Non-Director of Applus+ on 29th January 2016.



INDEPENDENCE OF THE DIRECTORS

The Board's composition of **independent Directors** is essential for the good governance of the Applus+ Group:

- In 2020, eight out of ten directors were non-executive and seven were independent.
- An independent Chairman heads the Board, with separation from the CEO function.
- Independent Directors chair all Committees.
- All three Committees comprise a majority of independent Directors.
- The Audit and the Appointments and Compensations committees comprise only independent Directors.

DIVERSITY OF THE BOARD OF DIRECTORS

On 15th December 2020, Applus+ amended the ***Director's Selection Policy***.

The objective of this policy is to define the principles that govern the selection of candidates to achieve an **adequate balance** on the Board of Directors as a whole; and, in particular, since the Board reached the 30% target of women as Board members one year ahead of the 2020 recommendation, the *Policy* has been updated with the new Good Governance Code's current recommendation to have **at least 40%** of women represented on the Board by 2022.

Thanks to this policy, Applus+ is managing the selection of directors by ensuring that the processes favour **diversity in gender, experience and knowledge**, and does not suffer from implicit bias that could imply any type of discrimination due to gender.

The final aim is to promote an increase in the presence of women on the Board in line with best corporate governance practices, and the *Policy* today refers to the promotion of diversity through measures that encourage the company to have a significant number of women directors.

Following this progress, the Applus+ Group continues to be proud of the Board's membership, achieving further diversity in gender and age and adding to the valuable skills and experience as set out in the *Policy*.

REMUNERATION OF THE DIRECTORS

In 2020, the ***Remuneration Policy of Directors for 2019-2021*** remained in force. This policy regulates the remuneration received by the members of the Board of Directors, and the specific remuneration and contractual elements that apply to the directors who perform executive functions, which is all in line with market practices and best international standards.

GROUP MANAGEMENT



Fernando Basabe
Chief Executive Officer (CEO)



Joan Amigó
Chief Financial Officer (CFO)



José Delfín Pérez
Human Resources, Marketing & Communications



Javier López
Corporate Development



Eva Argilés
Legal



Jordi Brufau
Laboratories Division



Josep Maria Farrán
ID/ASA Division



Aitor Retes
Automotive Division



Ramón Fernández
Energy & Industry Division



Brian Dawes
Energy & Industry Division (Middle East & Africa)



Don Heath
Energy/Industry Division - Americas (North America)



John Carr
Energy & Industry Division - Oil and Gas (North America)



James Grant
Energy & Industry Division - Canada (North America)



Julián Mayor
Energy & Industry Division (Mediterranean)



Pablo San Juan
Energy & Industry Division (Latin America)



Dirk Van der Put
Energy & Industry Division (Northern Europe)



Cameron Waters
Energy & Industry Division (Asia Pacific)



M^a Teresa Sanfeliu
Internal Quality, H&S and Innovation (HSQE)



Anna Díaz
Compliance



Aston Swift
Investor Relations

Business ethics and compliance

GRI 102-12 GRI 102-16 GRI 102-17 GRI 205-2 GRI 206-1 GRI 412-2

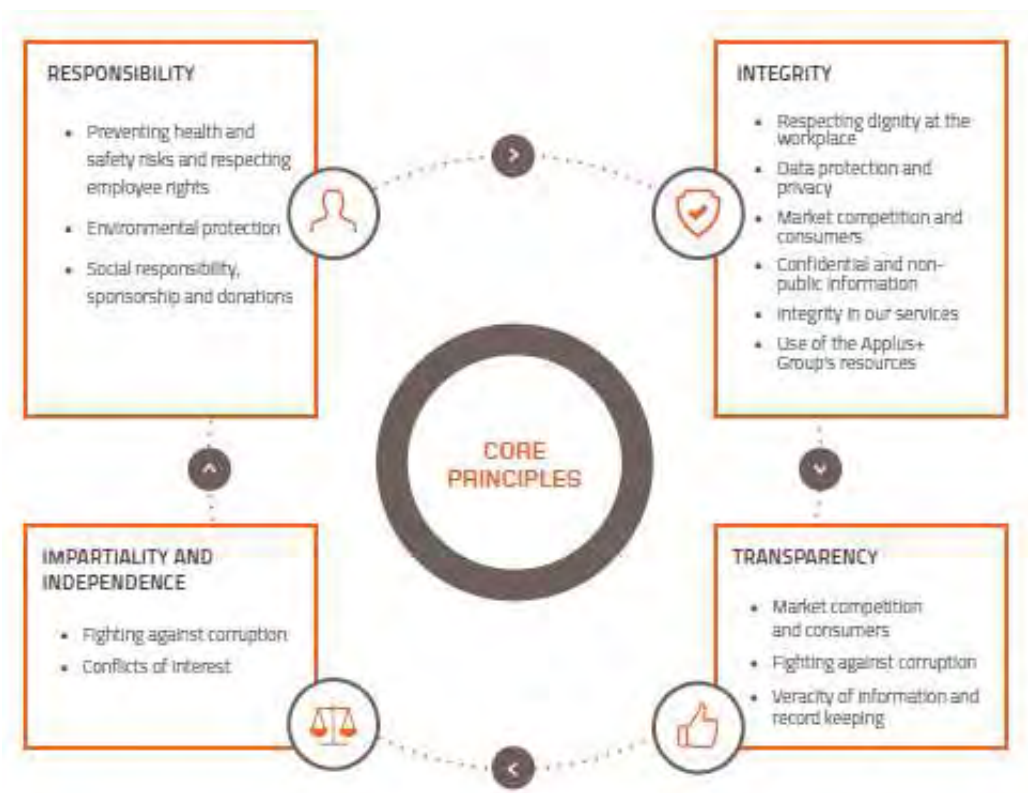
We are firmly committed to strong business ethics, which help us to **prevent, identify and stop any behaviour that threatens our principles** of conduct.

At the Applus+ Group, our practices and services are guided by our ethics and compliance policies and value-driven management practices because these achieve more efficient and competitive results over the long-term.

The Group's commitment to business ethics is managed by the Board of Directors through the ESG Committee and the Chief Compliance Officer. They ensure ethical behaviour is integrated across all of our business units, geographies and operations through our *Code of Ethics* and associated policies.

The **Applus+ Code of Ethics** is articulated in a framework that establishes a **set of principles and ethical values** to guide our professionals' everyday behaviour, wherever we operate in the world. These principles are **Integrity, Transparency, Impartiality and Independence, and Responsibility**. Our *Code of Ethics* is available in **24 languages** to all of our stakeholders around the world, either at our website or at our Applus+ Global Intranet.

The *Code of Ethics* sets out the **values, principles and rules of conduct** that guide our operations and activities:



Our *Code of Ethics* considers different scenarios, needs, risks and concerns that arise over time. Importantly, the Group's *Code of Ethics* operates as a reference guide for the ethical principles that should inspire all of our professional activities.

To ensure all of our professionals understand, align and follow the values and ethical principles set out in the *Code of Ethics* and related policies, each year we **deploy an annual online course** on the Group's *Code of Ethics* and *Global Anti-Corruption Policy and Procedure*. This training explores different topics and situations on ethical standards and is aimed to serve as **a reminder for all of our professionals at Applus+**, and forms part of the **induction** process of **each new recruit**.

New policies, changes and upgrades in our *Code of Ethics* and related policies are always a special focus in the yearly training calendar.



Every year during the annual training course on the *Code of Ethics*, **each professional renews their commitment to the Code**. Each signs an initial commitment to the *Code of Ethics* and related policies when they join the company as part of their work contract.

All third parties with whom we work must know, understand and follow the principles within our *Code of Ethics*. To assure this, we make the *Code* available in all languages on the Group's website.

In addition, **our suppliers** have access to our *Code of Ethics* and *Global Anti-Corruption Policy and Procedure* and sign a **General Compliance certification** where they state their commitment to the *Code* and its policies. **Our partners** in consortiums are asked to sign this same certification, where Applus+ is the managing partner of the consortium.

Those third parties, as agents or those that can perform activities on behalf of Applus+, must follow a strict approval process. This includes, apart from knowing and committing to our *Code of Ethics* and *Global Anti-Corruption Policy*, reputational and integrity tests before initiating any type of relationship together.

The pandemic caused by **the COVID-19** has not altered the training process for *Code of Ethics* or its associated policies, since it was already being taught online through the Applusnet corporate-training platform. However, the travel restrictions caused by the pandemic have forced the company to adapt to new ways of conducting compliance investigations, essentially in regards to interviews and follow-up meetings on the implementation of a number of policies and procedures with the various functional areas of the business.

Ethics and Compliance Communication Channel

The Applus+ **Ethics and Compliance Communication Channel** is a mechanism for Applus+ professionals and third parties (clients, suppliers and business parties) to:

- Raise any doubts or queries regarding the correct interpretation and application of our *Code of Ethics* or any other internal regulations at Applus+ (QUESTIONS); or
- Notify any indication or suspicion of any act or breach that may violate the rules of the *Code* and its regulations (COMPLAINTS).

Communication to the Ethics and Compliance Communication Channel may be sent by completing an electronic form available at the Applus+ Global Intranet, as well as at the Applus+ website.

The channel's terms of use detail its underlying principles (good faith, confidentiality, lack of reprisal), and explains how to submit a query or complaint, as well as outlining the process for managing any complaint.

We also have the *Procedure* that regulates the management of the communication channel.

The Chief Compliance Officer (CCO) is responsible for managing this communication channel and directing and coordinating any investigation.

In 2020, there were 104 communications received, with 93 of these opened for investigation into potential breaches. Out of the 93 communications opened for investigation, 77 cases were closed in 2020, and 16 continue to be open and under investigation and management by the CCO. Out of the 77 cases investigated, there was evidence found in 41 cases of irregular behaviour or breaches of the *Code of Ethics* values and/or the *Global Anti-Corruption Policy and Procedure*. All of these cases resulted in some type of correction or disciplinary action.

Out of the 104 communications, 83 came from internal sources and 21 came from people external to the Group. 68 percent of the cases used the formal communication channels of the company to send the allegations; 25% contacted someone from the management team, and the remaining came in via an audit process or other sources.

COMPLIANCE MANAGEMENT SYSTEM

Applus+ has implemented a **Compliance Management System (CMS)** to enable the Group to **detect possible criminal offences** under the Spanish Criminal Code, UK Bribery Act and the US Foreign Corrupt Practices Act.

The Group's CMS has, at its core, the *Code of Ethics* and *Anti-Corruption Policy and Procedure*. However, the CMS also comprises a series of other internal policies, such as the *Policy on Conflicts of Interest*, *Purchasing Policies*, *Suppliers Policies*, or the *Policy on the use of company resources*. The CMS is included in the scope of the periodic controls carried out by the Internal Audit Department.

Our commitment to a creditable, effective and efficient business ethics has led us to **adapt the *Global Purchasing and Supplier's Policies*** to reduce bureaucratic burden, focusing all efforts on the most important suppliers.

Furthermore, in awareness of the increasing importance of diversity and inclusion, the Compliance Department has collaborated in the drafting of the new Group's *Policy on Diversity and Equality*.

To monitor and manage situations of a conflict of interest at Applus+ that may arise in the activities between employees' personal interest and the interest of the company, to which all professionals owe a duty of loyalty, a conflict-of-interest form has been created, aimed at all new recruits, but not applicable to existing employees. The questionnaire deals with a number of contexts that could involve a conflict of interest between the parties, particularly areas that could lead to nepotism.

The answers given in the forms are analysed by Human Resources, who check that personnel are not faced with hierarchical-related problems that could give rise to subjective decisions on employment issues or professional advancement.

The Chief Compliance Officer, under the supervision of the ESG Committee, is responsible for taking the necessary measures to raise awareness of the CMS among the professionals at Applus+ and to monitor adherence to the compliance system.

To strengthen the effective implementation of the Group's CMS across our global operations, in 2019 the Group defined the principle core compliance controls at Applus+ (**CORE Compliance** document) for Country Managers, Finance Managers and Human Resources teams.

Having consolidated its CMS policies and procedures, in 2020 the Compliance Department focused its global efforts on **ensuring the policies' effective implementation across the company's divisions and regions**.

To understand the possible challenges in the implementation of the policies, Applus+ held regular meetings with the different corporate functional areas in each country, as a means to address these problems.

Correspondingly, the **internal control system** was adapted to the current regulations to ensure all managers follow applicable compliance requirements. Compliance controls include all of the Applus+ Group's internal policies and procedures comprised within our CMS. Managers must sign a statement of compliance to demonstrate it is being applied correctly.

CORRUPTION AND BRIBERY

Applus+ has a **Global Anti-Corruption Policy and Procedure** to prevent, detect, investigate and remediate any corrupt act within the Group.

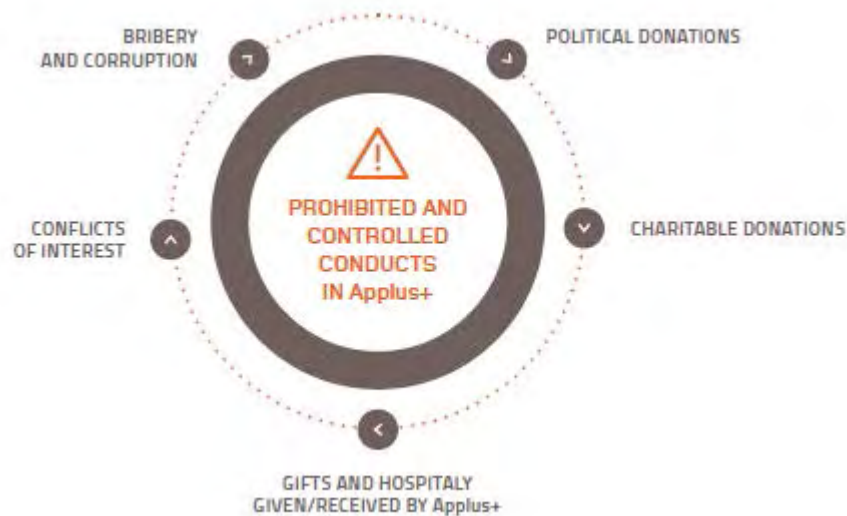
The **main commitments** include:

- To do business legally, ethically and professionally worldwide by complying with the anti-corruption laws relevant in the countries where the Group carries out our business; and to ensure that professionals at Applus+ and other third parties carry out business in a consistent manner.
- Fighting against bribery, kickbacks, improper or illegal payments, gifts or contributions, and any other improper method of seeking favourable treatment. The divisional Executive Vice-Presidents, under the leadership of the CCO, are responsible for monitoring compliance with the *Policy and Procedure*.

As stated in the *Global Anti-Corruption Policy and Procedure*, any sponsorship or donation must be legitimated, formalised and authorised. In 2020, **we contributed € 29,630 to foundations and not-for-profit entities**. Following our policies, Applus+ has not given donations to political parties.

The *Global Anti-Corruption Policy and Procedure* regulates both our professionals' behaviour and relations with third parties, as well as the process of mergers and acquisitions to **prevent any issues related to potential corruption**.

Based on our continuous-improvement process, our crime prevention model will include new developments in the future.



MARKET COMPETITION

Compliance with antitrust and competition laws is one of the values covered by the Group's *Code of Ethics*. The Group's *Competition Policy* and *Bids and Tenders Policy* defines the criteria to ensure compliance.

The Group has specific lines of internal review and approval concerning **bidding processes, consortiums or trade association membership**, ensuring the involvement of the Legal Department at Applus+ as required.

In **2020**, no legal proceeding was initiated against the Applus+ Group, **nor has the company been served with claims for unfair or monopolistic competition practices**. Furthermore, **no sanction** has been imposed, pecuniary or otherwise, due to the practices described above.

INFORMATION SECURITY MANAGEMENT

Personal data protection and privacy is one of the values upheld within our *Code of Ethics*. Therefore, we strive to **protect an individual's privacy** and their corresponding fundamental rights **when processing personal data**.

All of our professionals must respect the basic rules stated within the *Policy*, and be aware that **laws related to data protection vary** in the **different countries where the Group operates**.

To manage GDPR compliance, Applus+ has the following internal policies and procedures: **Applus+ Data-Protection Policy, Policy and Procedure for Management of Individual Rights and Data Breach Policy**.

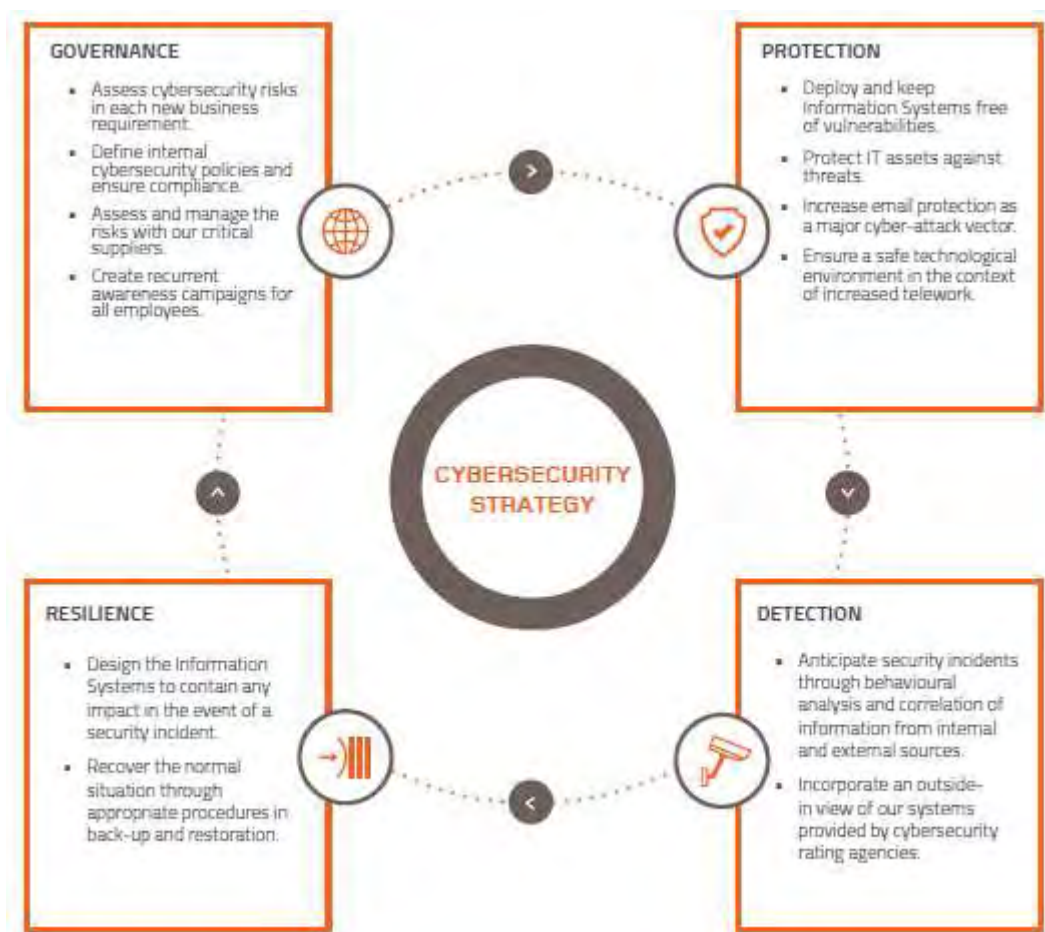
Information security is also safeguarded through the Applus+ Group's policy on the **use of IT resources**, and through the **confidentiality clauses** included in the **contracts** signed by our **employees** and **clients** (confidentiality clauses and non-disclosure agreements) and subsequent internal processes. In the case of the **IDIADA Division**, the specific **Information Technologies General Policy** is applied.

In addition, the Applus+ Group appointed a **data-protection team, including divisional or country managers**, responsible for ensuring the implementation and compliance of GDPR and for managing any concerns raised over data protection. The Corporate Legal Department, with whom the team holds periodic follow-up meetings, coordinates these managers and defines action plans where applicable.

The Group provides **training** (online and on-site) regularly to raise awareness about personal-data matters and regulatory compliance. In 2020, due to the disruption caused by the coronavirus pandemic among others, the Group had to postpone its training plans, but will launch online training for our EU employees in the first half of 2021, which benefits the newly-joined employees arriving through the recent acquisitions.

In **2020**, the Group did not suffer **any material leakage, theft or loss of information**, and the Group did **not receive any claim or complaint** in relation to information security or data protection. However, **during 2020**, Applus+ answered **approximately 3,500 enquiries on exercising data-privacy rights** through the channels dedicated to these purposes. These enquiries were mostly related to our statutory-vehicle-inspection activities in Spain.

In 2020, the Applus+ Group continued to develop the **continuous-improvement programme in cybersecurity**, which includes different initiatives related to the **four pillars of its strategy**:



05. ABOUT THE REPORT

Focus of sustainability reporting

GRI 101 GRI 102-46

This report reflects the Group's activities carried out during **2020** (1st January to 31st December) and is published **annually**.

The content has been prepared in accordance with:

- **GRI Standards, essential option.**
- **Spanish Law 11/2018**, which amends the Commercial Code's revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, and the Audit Act 22/2015, 20th July 2015, on the matters of non-financial information and diversity.

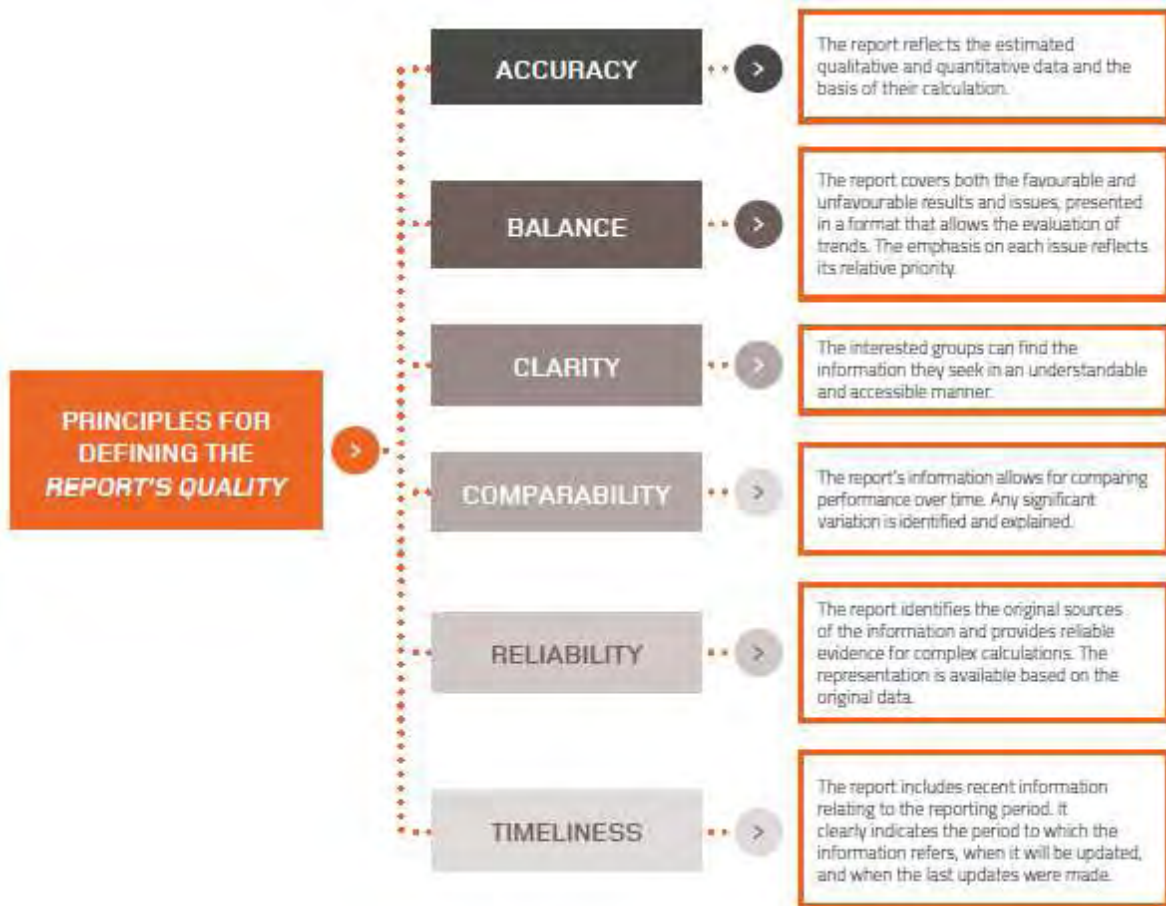
Similarly, this report is part of the Applus+ Group's '**Communication on Progress**' (CoP) of the **UN's Global Compact 2020**.

The appendices to this document include a table of cross references relating to the information required under the GRI Standards, the United Nations' Global Compact, and Act 11/2018, 28th December.

Similarly, for the first time this report includes detailed financial information, which was priory included in the Applus+ Group's *Annual Report*.

The following principles have been used to define the content and quality of this report:





Commitment to our stakeholders

GRI 102-40 GRI 102-42 GRI 102-43 GRI 102-44 GRI 102-46 GRI 102-47 GRI 102-49 GRI 103-1
GRI 103-2 GRI 103-3

STRUCTURE OF OUR STAKEHOLDER GROUPS

We relate to three different levels of stakeholders, considering the degree of affectation that our services and operations can have, as well as how these may affect our ability to successfully manage our business.

Our clients, employees and investors occupy a preferential place in our commitment to meet their needs.

Maintaining an **ongoing dialogue** with our stakeholders allows us **to align our business model** and initiatives with their expectations and concerns, **creating value for the company and long-term sustainability for the Group**.



MATERIALITY ANALYSIS

The content of this report has been defined based on the principles of **inclusion, sustainability, context, materiality and comprehensiveness**, considering the **impacts of our activities and the expectations and concerns of our stakeholder groups**.

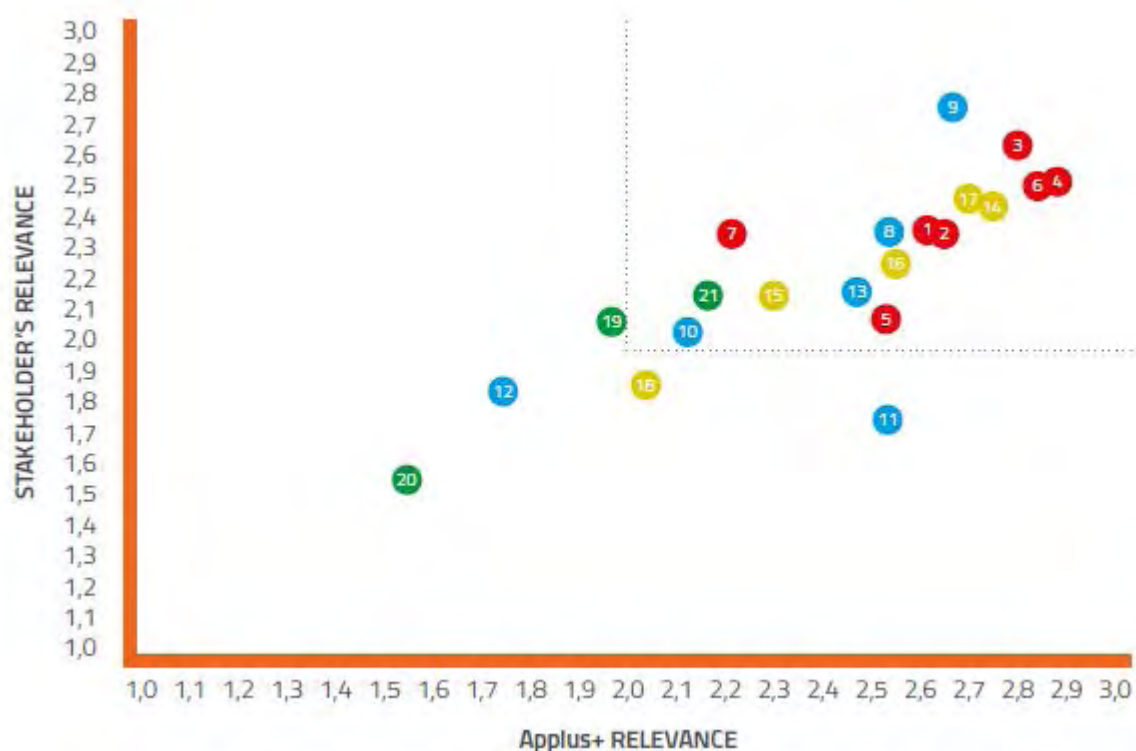
In 2020, we updated our **materiality assessment** using the following **process**:

- First, we identified the relevant issues, analysing the results of the prior year and comparing the information of some competitors in the TIC sector, clients and other companies in relevant sectors (Oil and gas, Automotive, Engineering, Construction and Aerospace), as well as both stock market and sustainability indices. As a result, we obtained a list of **21 issues**, organised into **four areas: Governance, Operations, Company and Environment**.

With regards to the **prior year's issues**, some eliminations have been made ("Role in the development of public policies", "Financial transparency" and "Operational eco-efficiency") due to the low scores attained in the materiality analysis for 2019, and several issues have been integrated on conclusion that these were clearly related ("Business model" with "Investment and growth strategy"; "Recognitions" with "Management systems"; and "Talent attraction and loyalty" with "Talent development and recognition"). The new issue "Green services" was included due to its growing importance to the Applus+ Group and to our stakeholders in respect of its relationship to environmental protection and climate change.

- Through personal interviews with company directors (divisional and corporate functions) and regional managers from all the Group's geographical areas, we assessed each issue according to its relevance by considering both the points of view at Applus+ and the points of view of our main stakeholder groups.

The results of the interviews led to the **new Materiality Matrix**, which synthesises the importance of the issues material to Applus+ vis-a-vis those relevant to our stakeholders.



GOVERNANCE

- 1. **Risk Management.** Risk assessment and management procedures.
- 2. **Business model and strategy.** Our company's plan for operating.
- 3. **Brand and reputation.** Strategy regarding our image and credibility.
- 4. **Economic performance.** Strategic objectives linked to growth and margins.
- 5. **Corporate Governance.** Rules, practices and processes by which our company is run.
- 6. **Codes of Ethics and Compliance.** Integrity and responsibility by which we run our operations and decision-making.
- 7. **Stakeholders' engagement.** Dialogue and commitment with our stakeholders.

OPERATION

- 8. **Innovation.** Innovation projects for developing our products and services.
- 9. **Service quality and customer relationship.** Overall performance of our service and measured customer experience.
- 10. **Privacy and data security.** Data protection practices for customers and employees.
- 11. **Management systems and acknowledges (accreditations/certifications).** Set of processes used to ensure that we can achieve our requirements and third party recognition to deliver our services.
- 12. **Sustainable supply chain management.** Our suppliers' practices to reduce their impact.
- 13. **IT Strategy and digital transformation.** Strategy for improving our company's digitalization and cybersecurity.

SOCIETY

- 14. **Health and Safety.** Practices to guarantee our employees' health and safety.
- 15. **Talent management.** Practices to attract, support and retain skilled employees.
- 16. **Diversity, inclusion and equality.** Fair opportunities, recognition, treatment and remuneration for all employees.
- 17. **Respect for human rights.** Practices to promote and protect human rights in our operations, including contractors.
- 18. **Local impact and socioeconomic contribution.** Encourage of local communities' development (employment, training, technology, etc.).

ENVIRONMENT

- 19. **Energy and climate change.** Commitment & practices for the reduction of energy consumption and GHG emissions.
- 20. **Biodiversity and natural areas protection.** Practices to preserve species and ecosystems.
- 21. **Green services.** Services helping our clients to reduce or mitigate their environmental impact.

Despite the omission of "Energy and climate change" within the relevant issues, the Applus+ Group also reports on these issues due to their relevance to our stakeholders.

CONCERNS OF THE STAKEHOLDERS

We have identified the main **issues of concern** by selecting the six issues with the greatest score per stakeholder group. To provide our stakeholders with the best response in relation to these issues, we provide them with specific **communications channels** that allow us to **understand their expectations** and **decide how the company can best meet these**.

STAKEHOLDERS	TOPICS OF CONCERN	DIALOGUE ON THEIR CONCERNS
<p>Clients</p>	Service quality and customer relationship Codes of Ethics and Compliance Stakeholders' engagement Economic performance Brand and reputation Corporate Governance	Satisfaction survey for clients Project meetings Open days and road shows Conferences and forums Client complaints Applus+ Ethics and Compliance Communication Channel Financial and Non-financial Report Associations and other forums
<p>Employees</p>	Health and Safety Service quality and customer relationship Brand and reputation Codes of Ethics and Compliance Diversity, inclusion and equality Respect for human rights	Satisfaction survey for employees Applus+ Ethics and Compliance Communication Channel Local human resource managers Trade union organisations Financial and Non-financial Report
<p>Investors</p>	Economic performance Risk Management Brand and reputation Innovation Respect for human rights Stakeholders' engagement	Vice-President of Investor relations Annual General Meeting (AGM) Annual Institutional Investor and proxy advertisement show Our website www.applus.com Financial and Non-financial Report
<p>Governments and regulatory bodies</p>	Health and Safety Corporate Governance Codes of Ethics and Compliance Stakeholders' engagement Management systems and acknowledgments (accreditations/certifications) Respect for human rights	Official channels indicated by the authorities Official reports Our website www.applus.com Financial and Non-financial Report
<p>Financial markets</p>	Codes of Ethics and Compliance Economic performance Risk Management Health and Safety Talent management Management systems and acknowledgments (accreditations/certifications)	Stock exchange markets Economic and market indices Vice-President of Investor Relations Financial and Non-financial Report
<p>Society</p>	Health and Safety Diversity, inclusion and equality Green services Energy and climate change Privacy and data security IT strategy and digital transformation	Financial and Non-financial Report Our website www.applus.com Associations and other forums Applus+ Ethics and Compliance Communication Channel
<p>Suppliers</p>	Brand and reputation Business model and strategy Talent management Energy and climate change Respect for human rights Diversity, inclusion and equality	Fairs and exhibitions Applus+ Ethics and Compliance Communication Channel Specific channel for suppliers Supplier portal
<p>Partners</p>	IT strategy and digital transformation Business model and strategy Sustainable supply chain management Management systems and acknowledgments (accreditations/certifications) Economic performance Corporate Governance	Fairs and exhibitions Applus+ Ethics and Compliance Communication Channel Project meetings Associations and other forums Our website www.applus.com
<p>Competitors</p>	Business model and strategy Economic performance Sustainable supply chain management Local impact and socioeconomic contribution Codes of Ethics and Compliance Corporate Governance	Fairs and exhibitions Our website www.applus.com Benchmarking and market research Associations and other forums

Assessment of impacts

GRI 203-2

The company's activities generate certain impacts in the geographies in which we operate. These impacts, which in many cases are positive, are related to the issues analysed in the materiality analysis.

DIRECT IMPACTS

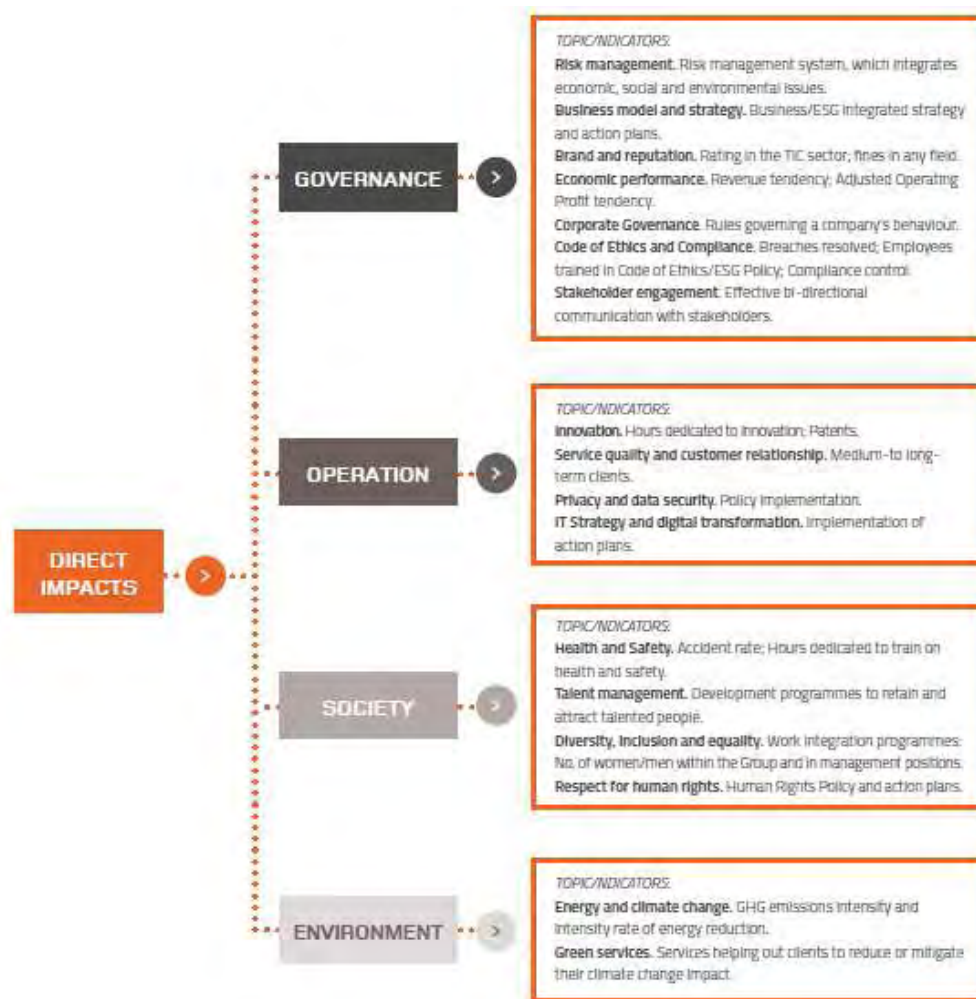
We calculate the direct impact taking into consideration **17 issues**, including the 16 issues that concluded to be **material** in the materiality analysis performed in 2020, as well as "Energy and climate change" due to the issue's relevance to our stakeholder groups.

Area	Issues
GOVERNANCE	Risk management
	Business model and strategy
	Brand and reputation
	Economic performance
	Corporate governance
	Code of Ethics and Compliance
	Stakeholder engagement
OPERATIONS	Innovation
	Service quality and customer relationship
	Privacy and data security
	IT strategy and digital transformation
COMPANY	Health and Safety
	Talent management
	Diversity, inclusion and equality
	Respect for human rights
ENVIRONMENT	Energy and climate change
	Green services

The methodology used to calculate direct impacts is based on the use of **performance indicators** relating to each material issue. Each issue is weighted from 0% to 100% using the following criteria:

- Prioritisation of the material issues by the stakeholder groups.
- Prioritisation of the material issues by the Applus+ Group.

The **indicators** used are the following:



First, each value obtained for **each material issue is weighted** according to its importance to Applus+ and to our stakeholder groups. The stakeholder groups' expectations and the external context are considered as part of this evaluation process.

To conclude, a value between 1 to 5 is obtained for each indicator by assigning **quantitative or qualitative criteria**, taking into account **our company's performance** within the framework defined by the stakeholders' expectations.

The **main impacts** are the following:

- **Service quality and the relationship with the client.** It is most important for the Applus+ Group to orient its services towards exceeding our clients' expectations. This issue is also important for our stakeholder groups because it is directly related to technological progress and socio-economic development.
- **Code of Ethics and Compliance.** The stakeholders and Applus+ positively value and welcome the implementation of practices that ensure the development of a responsible and sustainable business.
- **Health and safety.** At Applus+, we consider safe working and behaviour from employees to be crucial, and this has been especially relevant during the current pandemic.
- **Brand and reputation.** It is fundamental to Applus+ that our stakeholders perceive the company's image as consistent with the values we hold.

On analysing the information according to the different grouping to which the different material issues belong, we observe that the areas of "Operations" and "Environment" are those with the **greatest impact** (values greater than 70%), followed by the areas of "Society" and "Governance", with an **intermediate impact** (>60%). These results have been impacted by the pandemic.

INDIRECT IMPACTS

Similarly, to analyse the indirect impacts of our activities on our stakeholders, we focus on the 16 issues that were material in the analysis for 2020 and on the “Energy and climate change” issue because of its relevance for our stakeholder groups.

Applus+ INDIRECT IMPACTS								
Topic	Indirect impact							
		Employees	Clients	Investors	Society	Partners	Governments	Suppliers
GOVERNANCE	Risk management	Our risk management allows the Group to be prepared for a changing context and offer our stakeholders a stable and resilient company.	●	●	●		●	●
	Business model and strategy	Our company operates according to a clear strategy and structured plans to provide stakeholders with confidence in a solid business.	●	●	●		●	●
	Brand and reputation	Our image is associated with credibility, which guarantees our company's continuity.	●	●	●	●	●	●
	Economic performance	Our strategic objectives, linked to financial results, allow stakeholders to view the Group as a sustainable business.	●	●	●		●	●
	Corporate Governance	The rules for ethical and responsible behaviour of which the company's management follows have an impact on an improving and more lasting relationship with our employees, clients, partners and suppliers.	●	●			●	●
	Code of ethics and Compliance	Integrity and responsibility, by which we run our operations and decision-making, contribute to extend these values to people working with Applus+, as well as the rest of our stakeholders.	●	●	●	●	●	●
	Stakeholder engagement	The permanent dialogue with our stakeholders facilitates the implementation of actions to meet their expectation and decisions taking into account all points of view.	●	●	●	●	●	●
OPERATION	Innovation	Our intense innovation work boosts development and growth in different fields of knowledge in over 70 countries.		●	●	●	●	
	Service quality and customer relationship	Offering an excellent, tailored service contributes to the development of companies and industrial sectors around the world.		●	●	●		
	Privacy and data security	Our policies favour a strong relationship of trust with our clients, employees, suppliers, associations and public administrations.	●	●			●	●
	IT Strategy and digital transformation	The digitalisation of our services has an impact on the environment and, therefore, delivers an improvement for society, as well as in our clients' operations.		●		●		
SOCIETY	Health and Safety	Our health and safety operating policies contribute to create a culture of employee protection all over the world.	●	●		●	●	●
	Talent management	We influence the levels of local knowledge and promote socio-economic development in the geographies in which we work by creating jobs and developing our workforces.	●	●	●	●	●	●
	Diversity, inclusion and equality	With the application of diversity, inclusion and equality principles and practices, we are contributing to extending these values in many communities around the world.	●	●		●	●	●
	Respect for human rights	Applying our human rights principles help extend these values to every country where we operate.	●			●		
ENVIRONMENT	Energy and climate change	Many of our services contribute to implementing a low-carbon economy and help clients to reduce their carbon footprint.		●	●	●		
	Green services	We promote improvements in sustainability by helping our clients to reduce the environmental impact of their operations.		●	●			

06. ANNEX

Shareholder information

GRI 102-5

We set up annual **corporate-governance road shows** to maintain the constructive dialogue held with institutional investors and proxy advisors, in line with our *Policy for the communication of economic-financial, non-financial and corporate information and communication and contact with shareholders, institutional investors and proxy advisors*. In 2020, the Group's executives attended 268 meetings and conference calls with investors, at 17 conferences and roadshows, as well as on an ad-hoc basis.

CAPITAL AND SHAREHOLDER STRUCTURE

On 31st December 2020, the share capital of the head company, Applus Services, SA amounted to €14,301,843, which was represented by 143,018,430 shares, each with a value of €0.10. Each share ranks equally with the same economic and voting rights. The shares are listed on the Spanish Stock Exchanges through the automated quotation system (*Sistema de Interconexión Bursátil or Mercado Continuo*).

On the 9th May 2014, the company listed 130,016,755 shares in its initial public offering and on the 29th September 2017 a further 13,001,675 shares were admitted following a capital increase.

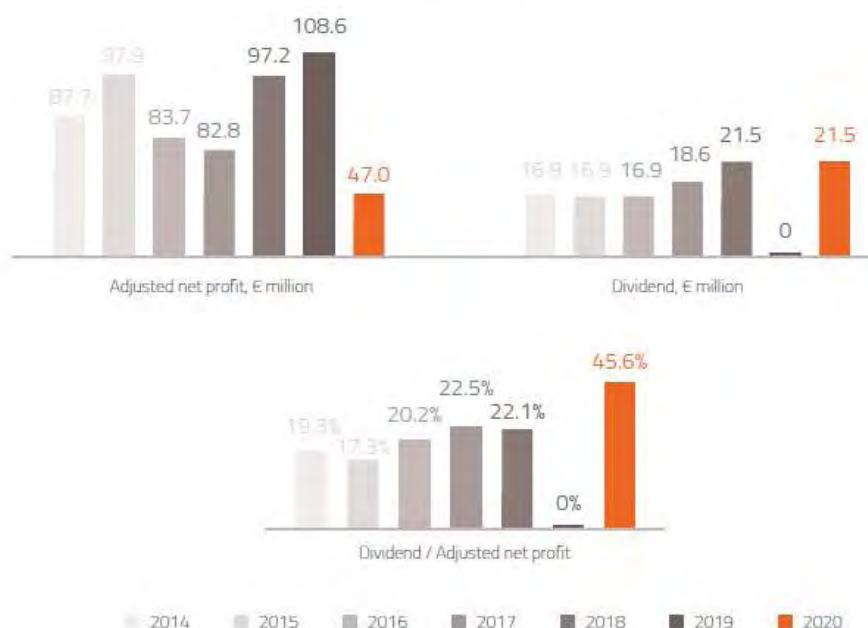
Per the notifications of the number of shares submitted to the Spanish National Securities Market (CNMV), the shareholders owning significant direct and indirect interests in the share capital of the Parent representing more than 3% of the total share capital at 31st December 2020 were as follows:

SHAREHOLDER	PERCENTAGE
River & Mercantile Group P.L.C.	5.0%
Norges Bank	5.0%
Southeastern Asset Management, Inc.	3.3%
Threadneedle Asset Management Limited	3.1%
Invesco Ltd	3.1%

DIVIDEND INFORMATION

On 28th May 2021, at the Group's AGM, the Board will propose the payment of a dividend of €0.15 per-share. This is equivalent to €21.5 million (2019: Nil) and represents 45.6% of the adjusted net profit of €47.0 million. On approval by the shareholders at the AGM, the dividend will be paid on 8th July 2021.

Dividend paid compared to adjusted net profit



The total cumulative amounts of Adjusted net profit and the Dividends paid over the seven year period since the Company was listed on the Stock Exchange are shown in the table below showing the Dividend to Adjusted net profit % over this period has been 18.6%.

TOTAL 2014-2020	
Adjusted net profit, € million	604.9
Dividend, € million	112.3
Dividend/Adjusted net profit, %	18.6%

FINANCIAL CALENDAR

EVENT	DATE*
Q1 2021 Results Announcement	10 th May 2021
Annual General Meeting of Shareholders	28 th May 2021
Q2 and H1 2021 Results Announcement	27 th July 2021
Q3 2021 Results Announcement	26 th October 2021
Q4 and Full Year 2021 Results Announcement	22 nd February 2022

*These dates may be subject to variation. All the updates can be found on the Applus+ website.

CONTACTS AND SHARE INFORMATION

Investor Relations

investors@applus.com

+34 900 103 067

Auditors

Deloitte, S.L. Avenida Diagonal 654 08034 Barcelona (Spain)

Applus Services, S.A. Head Offices

- Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4ª planta 28022 Madrid
- Campus UAB – Ronda de la Font del Carme, s/n 08193 Bellaterra – Barcelona

Share Information

Security number: 79396

ISIN: ES0105022000

CIF: A64622970

Shares issued as of the date of this report: 143,018,430

Listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges within Mercado Continuo.

Ticker Symbol: APPS-MC.

Data related to human resources

GRI 202-1 GRI 401-2 GRI 404-1 GRI 405-1

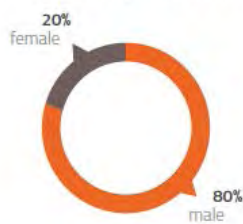
NUMBER OF EMPLOYEES



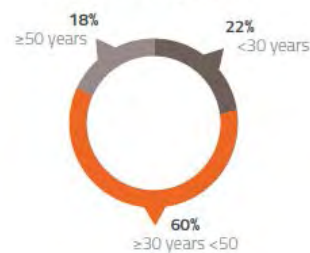
WORKFORCE PROFILE

EMPLOYEES BY GENDER			EMPLOYEES BY AGE			LOCAL EMPLOYEES	
	Male	Female	<30 years	≥ 30 years <50	≥50 years	Local	No Local
2018	81%	19%	24%	60%	16%	88%	12%
2019	80%	20%	23%	60%	17%	86%	14%
2020	80%	20%	22%	60%	18%	88%	12%

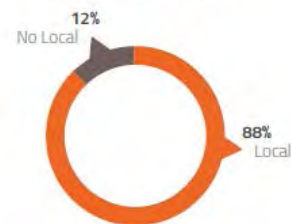
Employees by gender in 2020



Employees by age in 2020



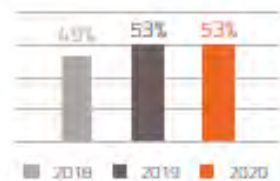
Local Employees in 2020



EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS

EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS		NUMBER OF COUNTRIES WITH COLLECTIVE-BARGAINING AGREEMENTS	
2018	49%	2018	21
2019	53%	2019	16
2020	53%	2020	25

% Employees covered by collective agreements 2020

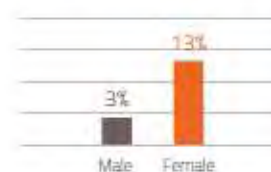


Currently, there are 25 countries where the Group has collective-bargaining agreements. The majority of these agreements include Health and Safety issues.

ORGANISATION OF WORK

	% PART-TIME		
	2018	2019	2020
Male	3%	3%	3%
Female	15%	14%	13%

Part-time hours in 2020



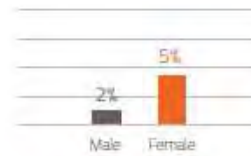
MATERNITY AND PATERNITY LEAVE

641 employees benefited from this leave with their families in 2020, with 63% returning at the end of the leave period.

Employees taking parental leave in 2020



Employees taking parental leave/total in 2020



	NUMBER OF EMPLOYEES TAKING PARENTAL LEAVE %			EMPLOYEES TAKING PARENTAL LEAVE %			EMPLOYEES TAKING PARENTAL LEAVE IN 2020/NUMBER OF EMPLOYEES (%)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Male	357	387	405	68%	59%	63%	2%	2%	2%
Female	168	268	236	32%	41%	37%	4%	6%	5%

FROM EMPLOYEES ENTITLED TO PARENTAL LEAVE, TOTAL NUMBER OF EMPLOYEES THAT RETURNED TO WORK IN THE REPORTING PERIOD AFTER PARENTAL LEAVE ENDED

	2018	2019	2020
% returning	90.10%	58.17%	63.34%

EMPLOYEES WITH FUNCTIONAL DIVERSITY

	EMPLOYEES WITH FUNCTIONAL DIVERSITY	RATIO
2018	227	1.00%
2019	259	1.13%
2020	293	1.26%

The figures cover 99% of Applus+ employees

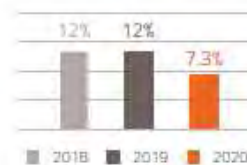
TALENT MANAGEMENT

Voluntary turnover

VOLUNTARY TURNOVER	
2018	12%
2019	12%
2020	7.3%

The figures cover 99% of Applus+ employees

Voluntary turnover

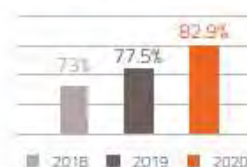


Internal promotion

INTERNAL PROMOTION	
2018	73%
2019	77.5%
2020	82.9%

The figures cover 99% of Applus+ employees

Internal promotion rate Management positions Tier 1,2 & 3



TRAINING

Training hours

	TRAINING HOURS
2018	1,065,640
2019	801,161
2020	630,880

	TRAINING HOURS PER EMPLOYEE
2018	47
2019	35
2020	27



The figures cover 99% of Applus+ employees

Training hours by area



Training hours by area

	TECHNICAL SKILLS	QHSE	LANGUAGES	OTHERS
2018	68%	16%	5%	11%
2019	59%	17%	7%	17%
2020	69%	19%	3%	10%

The figures cover 99% of Applus+ employees

Training by Tier

Organisational Level	2018		2019		2020	
	Training hours	% Training hours	Training hours	% Training hours	Training hours	% Training hours
Tier 1, 2 & 3	12,995	1.2%	8,758	1.1%	4,342	0.7%
Tier A	13,159	1.2%	20,776	2.6%	12,373	2.0%
Operational Employees and Others	1,039,476	97.5%	771,627	96.3%	614,166	97.4%
TOTAL	1,065,640	100%	801,161	100%	630,880	100%

The figures cover 99% of Applus+ employees

BREAKDOWN OF THE DATA RELATED TO HUMAN RESOURCES

Number of employees by organisational level

ORGANISATIONAL LEVEL	2018	2019	2020
Tier 1, 2 & 3	580	463	501
Tier 4	1,241	768	995
Operational employees and Others	21,031	21,820	21,891
Total	22,852	23,051	23,387

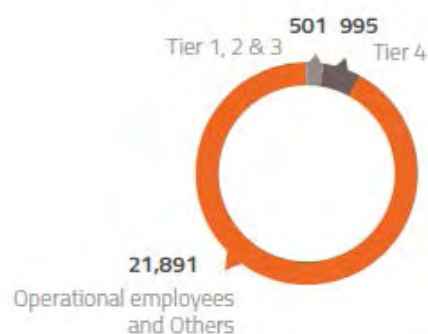
Tier 1: Managers who report directly to Applus+ Group's CEO

Tier 2: Managers who report directly to Tier 1 (corporate area directors, regionals, business unit area managers or country managers if they report directly to Tier 1)

Tier 3: Managers who report directly to Tier 2 (corporate areas managers, heads of departments, regionals, business unit area managers or country managers, key account managers, business line managers if they report directly to Tier 2)

Tier 4: Managers who report directly to Tier 3.

Operational employees and Others: Any other employee not included in the categories detailed above.



Number of employees by organisational level and gender

NUMBER OF EMPLOYEES BY TIER & GENDER	2018	2019	2020
Overall employees	Tier 4 81% M - 19% F	Tier 4 79% M - 21% F	Tier 4 80% M - 20% F
	Operational employees and Others 81% M - 19% F	Operational employees and Others 80% M - 20% F	Operational employees and Others 80% M - 20% F
Management	Tier 1, 2 & 3 84% M - 16% F	Tier 1, 2 & 3 78% M - 22% F	Tier 1, 2 & 3 77% M - 23% F

*The figures cover 99% of Applus+ employees

Number of employees by organisational level and gender in 2020

REGION	REGION/ COUNTRY	GENDER	TIER 1, 2 & 3	TIER 4	OPERATIONAL EMPLOYEES & OTHERS	TOTAL
Asia Pacific	Australia	M-Male	3	10	464	477
		F-Female	2	1	64	67
	Other Countries	M-Male	47	60	776	883
		F-Female	13	36	305	354
Latin America	Brazil	M-Male	11	12	470	493
		F-Female	3	1	62	66
	Chile	M-Male	2	33	709	744
		F-Female	-	4	256	260
	Colombia	M-Male	1	12	1,323	1,336
		F-Female	1	2	545	548
	Guatemala	M-Male	-	-	26	26
		F-Female	-	-	2	2
	Panama	M-Male	1	4	232	237
		F-Female	-	2	74	76
Other countries	M-Male	13	41	1,054	1,108	
	F-Female	2	8	261	271	
Middle East and Africa	Oman	M-Male	1	14	366	381
		F-Female	-	-	14	14
	Qatar	M-Male	-	8	292	300
		F-Female	-	1	24	25
	Saudi Arabia	M-Male	2	12	966	980
		F-Female	-	-	7	7
	Other Countries	M-Male	14	33	470	517
		F-Female	1	6	58	65
Rest of Europe	Germany	M-Male	6	12	372	390
		F-Female	4	4	55	63
	Ireland	M-Male	14	7	671	692
		F-Female	1	1	138	140
	Netherlands	M-Male	13	193	296	502
		F-Female	7	30	26	63
Other Countries	M-Male	34	96	1,529	1,659	
	F-Female	7	20	227	254	
Spain	Spain	M-Male	190	141	5,685	6,006
		F-Female	59	48	1,921	2,028
USA and Canada	USA and Canada	M-Male	43	98	1,644	1,785
		F-Female	13	38	365	416
Total			498	988	21,749	23,235

The figures cover 99% of Applus+ employees.

Number of employees by organisational level and gender in 2019

NUMBER OF EMPLOYEES BY GENDER						
REGION	REGION/COUNTRY	GENDER	TIER 1, 2 & 3	TIER 4	OPERATIONAL EMPLOYEES AND ONTERS	TOTAL
Rest Pacific	Australia	M-Male	3	33	303	539
		F-Female	2	1	71	74
	Other countries	M-Male	36	71	759	866
		F-Female	8	26	289	303
Latin America	Brazil	M-Male	11	13	457	521
		F-Female	4	1	62	67
	Chile	M-Male	2	24	523	549
		F-Female	1	4	201	206
	Colombia	M-Male	2	9	1,484	1,515
		F-Female	0	1	525	536
	Guatemala	M-Male	1	2	44	47
		F-Female	0	1	4	5
	Panama	M-Male	1	5	219	225
		F-Female	0	2	76	78
	Other countries	M-Male	14	41	1,127	1,182
		F-Female	2	9	244	256
Middle East and Africa	Oman	M-Male	1	14	527	542
		F-Female	0	0	16	16
	Qatar	M-Male	0	9	367	366
		F-Female	0	1	28	29
	Saudi Arabia	M-Male	2	9	992	1,003
		F-Female	0	0	5	5
	Other countries	M-Male	8	30	519	558
		F-Female	0	3	60	63
Rest of Europe	Germany	M-Male	17	17	407	441
		F-Female	5	2	70	77
	Ireland	M-Male	12	7	545	564
		F-Female	3	1	144	148
	Netherlands	M-Male	4	9	631	544
		F-Female	1	0	70	71
	Other countries	M-Male	29	39	1,009	1,121
		F-Female	9	9	157	175
Spain	M-Male	175	162	5,438	5,775	
	F-Female	57	62	1,867	1,986	
USA and Canada	USA and Canada	M-Male	37	36	1,769	1,842
		F-Female	11	36	402	448
Total			468	761	21,627	22,847

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

below 10%
between 10 and 30%
between 30 and 50%
above 50%

Number of employees by gender and age in 2020

REGION	REGION/ COUNTRY	MALE<30 YEARS OLD	FEMALE<30 YEARS OLD	MALE 30>YEARS OLD<50	FEMALE 30>YEARS OLD<50	MALE≥50 YEARS OLD	FEMALE≥50 YEARS OLD
Asia Pacific	Australia	38	17	342	42	97	8
	Other Countries	271	122	516	221	96	11
Latin America	Brazil	115	26	326	38	52	2
	Chile	192	59	403	167	149	34
	Colombia	319	271	890	262	127	15
	Guatemala	13	-	13	2	-	-
	Panama	126	49	95	24	16	3
	Other Countries	396	114	606	146	106	11
Middle East and Africa	Oman	92	5	221	9	68	-
	Saudi Arabia	301	5	576	2	103	-
	Other Countries	103	16	623	69	91	5
Rest of Europa	Germany	23	7	223	33	144	23
	Ireland	77	15	448	82	167	43
	Netherlands	52	9	289	29	161	25
	Other Countries	265	69	894	136	500	49
Spain	Spain	1,300	274	3,670	1,453	1,036	301
USA and Canada	USA and Canada	359	86	962	201	464	129
Total		4,042	1,144	11,097	2,916	3,377	659

*The figures cover 99% of Applus+ employees

Number of employees by gender and age in 2019

NUMBER OF EMPLOYEES BY GENDER & AGE							
REGION	REGION/ COUNTRY	MALE <30 YEARS OLD	FEMALE <30 YEARS OLD	MALE 30>YEARS OLD<50	FEMALE 30>YEARS OLD<50	MALE ≥50 YEARS OLD	FEMALE ≥50 YEARS OLD
Asia Pacific	Australia	49	17	366	44	104	13
	Other countries	185	98	544	182	133	21
Latin America	Brazil	92	35	365	27	64	5
	Chile	112	50	309	154	129	22
	Colombia	401	245	951	270	153	11
	Guatemala	44	4	3	1	0	0
	Panama	121	45	88	30	16	3
	Other countries	421	97	656	148	105	10
Middle East and Africa	Oman	139	9	325	7	79	0
	Saudi Arabia	329	3	565	2	109	0
	Other countries	132	19	716	69	76	5
Rest of Europa	Germany	38	15	243	35	160	27
	Ireland	66	12	442	92	156	44
	Netherlands	74	11	305	32	165	38
	Other countries	210	42	598	101	313	32
Spain	Spain	1,274	292	3,540	1,426	961	268
USA and Canada	USA and Canada	409	103	1,004	216	479	129
Total		4,096	1,097	11,020	2,816	3,200	618

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

below 10%
between 10 and 30%
between 30 and 50%
above 50%

Number of dismissals by gender and organisational level

GENDER	MALE		FEMALE		TOTAL	
	Tier 2 & Tier 3	Others	Tier 2 & Tier 3	Others	Dismissals	%
2018	26	1,211	14	230	1,481	8.4%
2019	11	1,766	-	315	2,092	9.2%
2020	12	1,527	3	275	1,817	7.8%

Number of employees by gender and contract in 2020

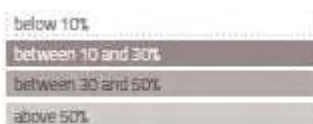
REGION	REGION/COUNTRY	GENDER	PERMANENT	NON-PERMANENT	TOTAL
Asia Pacific	Australia	M-Male	336	141	477
		F-Female	56	11	67
	Other Countries	M-Male	525	358	883
		F-Female	237	117	354
Latin America	Brazil	M-Male	444	49	493
		F-Female	63	3	66
	Chile	M-Male	744	-	744
		F-Female	260	-	260
	Colombia	M-Male	260	1,076	1,336
		F-Female	72	476	548
	Guatemala	M-Male	26	-	26
		F-Female	2	-	2
	Panama	M-Male	227	10	237
		F-Female	70	6	76
Other countries	M-Male	760	348	1,108	
	F-Female	195	76	271	
Middle East and Africa	Oman	M-Male	207	174	381
		F-Female	14	-	14
	Qatar	M-Male	109	191	300
		F-Female	24	1	25
	Saudi Arabia	M-Male	980	-	980
		F-Female	7	-	7
	Other Countries	M-Male	351	166	517
		F-Female	48	17	65
Rest of Europe	Germany	M-Male	363	27	390
		F-Female	61	2	63
	Ireland	M-Male	622	70	692
		F-Female	76	64	140
	Netherlands	M-Male	493	9	502
		F-Female	62	1	63
Other Countries	M-Male	1,560	99	1,659	
	F-Female	239	15	254	
Spain	Spain	M-Male	4,479	1,528	6,006
		F-Female	1,561	467	2,028
USA and Canada	USA and Canada	M-Male	1,776	9	1,785
		F-Female	413	3	416
Total			17,721	5,514	23,235

*The figures cover 99% of Applus+ employees

Number of employees by gender and contract in 2019

NUMBER OF EMPLOYEES BY GENDER & CONTRACT					
REGION	REGION/ COUNTRY	GENDER	PERMANENT	NON-PERMANENT	TOTAL
Asia Pacific	Australia	M-Male	377	142	519
		F-Female	59	16	74
	Other countries	M-Male	309	503	812
		F-Female	142	160	302
Latin America	Brazil	M-Male	465	55	521
		F-Female	62	5	67
	Chile	M-Male	549	0	549
		F-Female	206	0	206
	Colombia	M-Male	1,505	0	1,505
		F-Female	526	0	526
	Guatemala	M-Male	47	0	47
		F-Female	3	0	3
	Panama	M-Male	210	15	225
		F-Female	59	20	79
Other countries	M-Male	737	446	1,182	
	F-Female	190	65	255	
Middle East and Africa	Oman	M-Male	297	255	542
		F-Female	16	0	16
	Qatar	M-Male	118	248	366
		F-Female	24	5	29
	Saudi Arabia	M-Male	1,003	0	1,003
		F-Female	3	0	3
Other countries	M-Male	333	225	558	
	F-Female	44	19	63	
Rest of Europe	Germany	M-Male	405	26	441
		F-Female	67	10	77
	Ireland	M-Male	656	8	664
		F-Female	131	17	148
	Netherlands	M-Male	484	60	544
		F-Female	59	12	71
Other countries	M-Male	1,044	77	1,121	
	F-Female	150	23	173	
Spain	Spain	M-Male	4,385	1,390	5,775
		F-Female	1,515	471	1,986
USA and Canada	USA and Canada	M-Male	1,878	14	1,892
		F-Female	441	7	448
Total			18,544	4,303	22,847

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:



Parental leave by gender in 2020

PARENTAL LEAVE BY GENDER 2020		TOTAL NUMBER OF EMPLOYEES WHO ENJOYED PARENTAL LEAVE WITHIN THE PERIOD OF THIS REPORT		FROM THESE EMPLOYEES, TOTAL NUMBER WHO RETURNED TO WORK IN THE REPORTING PERIOD AFTER THE PARENTAL LEAVE ENDED		% RETURN	
		Male	Female	Male	Female	Male	Female
Asia Pacific	Australia	-	4	-	2	0%	50%
	Other Countries	8	7	7	5	88%	71%
Latin America	Brazil	-	6	-	-	0%	0%
	Chile	-	77	6	8	0%	10%
	Colombia	19	27	19	21	100%	78%
	Guatemala	-	1	-	1	0%	100%
	Panama	-	1	-	-	0%	0%
	Other Countries	13	9	13	6	100%	67%
	Oman	-	-	-	-	0%	0%
Middle East and Africa	Qatar	-	1	-	-	0%	0%
	Saudi Arabia	-	-	-	-	0%	0%
	Other Countries	-	1	-	1	0%	100%
Rest of Europe	Germany	12	4	8	1	67%	25%
	Ireland	20	6	20	6	100%	100%
	Netherlands	13	1	-	-	0%	0%
	Other Countries	139	38	96	5	69%	13%
Spain	Spain	181	50	145	34	80%	68%
USA and Canada	USA and Canada	-	3	-	2	0%	67%
Total		405	236	314	92	78%	39%

Parental leave by gender in 2019

PARENTAL LEAVE BY GENDER							
REGION	REGION/COUNTRY	TOTAL NUMBER OF EMPLOYEES WHO ENJOYED PARENTAL LEAVE WITHIN THE PERIOD OF THIS REPORT		FROM THESE EMPLOYEES, TOTAL NUMBER WHO RETURNED TO WORK IN THE REPORTING PERIOD AFTER THE PARENTAL LEAVE ENDED		% RETURN	
		Male	Female	Male	Female	Male	Female
Asia Pacific	Australia	11	5	11	4	100%	80%
	Other countries	6	20	6	4	100%	15%
Latin America	Brazil	0	0	0	0		
	Chile	0	10	0	6		50%
	Colombia	7	21	6	9	86%	38%
	Guatemala	3	0	3	0	100%	
	Panama	0	11	0	9		82%
	Other countries	17	3	11	3	65%	100%
	Oman	0	1	0	1		100%
Middle East and Africa	Saudi Arabia	0	2	0	0		0%
	Other countries	0	0	0	0		
	Germany	0	5	0	1		20%
Rest of Europe	Ireland	10	7	2	1	20%	14%
	Netherlands	14	9	14	9	100%	100%
	Other countries	8	6	0	2	0%	33%
	Spain	20	18	6	3	30%	11%
USA and Canada	USA and Canada	274	144	192	78	70%	53%
USA and Canada	USA and Canada	17	6	0	1	0%	17%
Total		387	268	251	130	65%	40%

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

below 10%
between 10 and 30%
between 30 and 50%
above 50%

The figures cover 99% of Applus+ employees.

Number of employees covered by collective agreements in 2020

REGION	REGION/COUNTRY	EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS	% EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS
Asia Pacific	Australia	135	25%
	Other Countries	353	29%
Latin America	Brazil	535	96%
	Chile	137	14%
	Other Countries	286	8%
Middle East and Africa	Other Countries	-	-
Rest of Europe	Germany	343	76%
	Ireland	809	97%
	Netherlands	554	98%
	Other Countries	558	29%
Spain	Spain	8,034	100%
USA and Canada	USA and Canada	547	29%
Total		12,391	53%

The figures cover 99% of Applus+ employees

Number of employees covered by collective agreements in 2019

NUMBER OF EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS			
REGION	REGION/COUNTRY	EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS	% EMPLOYEES COVERED BY COLLECTIVE AGREEMENTS
Asia Pacific	Australia	175	30%
	Other countries	330	29%
Latin America	Brazil	588	100%
	Chile	111	15%
	Other countries	255	8%
Middle East and Africa	Other countries	-	0%
Rest of Europe	Germany	332	64%
	Ireland	799	97%
	Paises Bajos	598	97%
	Other countries	469	36%
Spain	Spain	7,761	100%
USA and Canada	USA and Canada	640	27%
Total		12,088	53%

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

below 10%
between 10 and 30%
between 30 and 50%
above 50%

Number of employees by gender and dedication in 2020

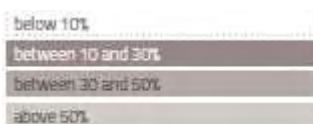
REGION	REGION/COUNTRY	GENDER	FULL TIME	PART TIME	TOTAL
Asia Pacific	Australia	M-Male	477	-	477
		F-Female	59	8	67
	Other Countries	M-Male	883	1	883
		F-Female	349	5	354
Latin America	Brazil	M-Male	446	47	493
		F-Female	66	-	66
	Chile	M-Male	744	-	744
		F-Female	259	1	260
	Colombia	M-Male	1,336	-	1,336
		F-Female	548	-	548
	Guatemala	M-Male	26	-	26
		F-Female	2	-	2
	Panama	M-Male	237	-	237
		F-Female	75	1	76
Other Countries	M-Male	1,107	1	1,108	
	F-Female	269	2	271	
Middle East and Africa	Oman	M-Male	381	-	381
		F-Female	14	-	14
	Qatar	M-Male	300	-	300
		F-Female	25	-	25
	Saudi Arabia	M-Male	980	-	980
		F-Female	7	-	7
	Other Countries	M-Male	511	6	517
		F-Female	65	-	65
Rest of Europe	Germany	M-Male	384	6	390
		F-Female	35	28	63
	Ireland	M-Male	660	32	692
		F-Female	76	64	140
	Netherlands	M-Male	486	16	502
		F-Female	31	32	63
	Other Countries	M-Male	1,570	89	1,659
		F-Female	213	41	254
Spain	M-Male	5,833	173	6,006	
	F-Female	1,630	398	2,028	
USA and Canada	USA and Canada	M-Male	1,679	106	1,785
		F-Female	381	35	416
Total			22,143	1,092	23,235

The figures cover 100% of Arplus+ employees

Number of employees by gender and dedication in 2019

NUMBER OF EMPLOYEES BY GENDER & DEDICATION					
REGION	REGION/ COUNTRIES	GENDER	FULL TIME	PART TIME	TOTAL
Asia Pacific	Australia	M-Male	519	0	519
		F-Female	74	0	74
	Other countries	M-Male	862	0	862
		F-Female	301	1	302
Latin America	Brazil	M-Male	484	37	521
		F-Female	67	0	67
	Chile	M-Male	549	0	549
		F-Female	306	0	306
	Colombia	M-Male	1,505	0	1,505
		F-Female	506	0	506
	Guatemala	M-Male	47	0	47
		F-Female	5	0	5
	Panama	M-Male	225	0	225
		F-Female	77	1	78
Other countries	M-Male	1,180	2	1,182	
	F-Female	252	3	255	
Middle East and Africa	Oman	M-Male	542	0	542
		F-Female	16	0	16
	Qatar	M-Male	366	0	366
		F-Female	29	0	29
	Saudi Arabia	M-Male	1,003	0	1,003
		F-Female	5	0	5
Other countries	M-Male	542	16	558	
	F-Female	58	5	63	
Rest of Europe	Germany	M-Male	427	14	441
		F-Female	40	37	77
	Ireland	M-Male	636	28	664
		F-Female	81	79	148
	Netherlands	M-Male	536	18	544
		F-Female	31	36	71
Other countries	M-Male	1,081	40	1,121	
	F-Female	143	32	175	
Spain	Spain	M-Male	5,612	153	5,775
		F-Female	1,574	412	1,986
USA and Canada	USA and Canada	M-Male	1,749	143	1,892
		F-Female	401	47	448
Total			21,733	1,114	22,847

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:



Annual comparison ratio

ANNUAL COMPARISON RATIO		RATIO 2019	RATIO 2020
Asia Pacific	Australia	4.2	4.0
	Other Countries	16.6	14.2
Latin America	Brazil	3.1	7.5
	Chile	7.8	8.4
	Colombia	10.7	10.0
	Guatemala	N/A	N/A
	Panama	5.7	5.1
	Other Countries	11.4	11.3
Middle East and Africa	Oman	12.2	8.3
	Qatar	4.3	17.4
	Saudi Arabia	7.4	6.3
	Other Countries	13.3	16.4
Resto of Europe	Germany	3.2	2.9
	Ireland	4.2	3.0
	Netherlands	4.8	3.5
	Other Countries	7.8	6.9
Spain	Spain	6.0	5.4
USA and Canada	USA and Canada	5.9	4.5

The figures cover 98% of Arplus+ employees. Executive Committee in Spain not included.

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

Ratio of minimum salary in 2020

RATIO OF MINIMUM SALARY AND AVG SALARY BY LAW WITHIN THE COUNTRY COMPARED TO THE LOCAL COUNTRY 2020		MINIMUM SALARY WITHIN THE REGION/COUNTRY BY LAW		MINIMUM SALARY WITHIN THE REGION COUNTRY (Applus+)		MINIMUM SALARY GAP BY GENDER (Applus+)	% Δ Minimum salary		% Δ Medium salary	
		Male	Female	Male	Female		Male	Female	Male	Female
Asia Pacific	Australia	25,285	25,285	34,203	32,917	-4%	35%	30%		
	Other Countries	1,134	1,134	5,691	6,358	12%	402%	461%	19%	-1%
Latin America	Brazil	2,169	2,169	2,364	3,262	38%	9%	50%		
	Chile	4,730	4,730	7,137	5,200	-27%	51%	10%	59%	85%
	Colombia	2,729	2,729	2,729	2,729	0%	0%	0%		
	Guatemala	-	-	-	-					
	Panama	8,356	8,356	8,356	8,356	0%	0%	0%		
	Other Countries	869	869	5,952	4,086	-31%	585%	370%	6%	-6%
Middle East and Africa	Oman	-	-	3,890	6,771	74%				
	Qatar	-	-	3,165	9,495	200%				
	Saudi Arabia	-	-	6,706	15,326	129%	0%	0%		
	Other Countries	633	633	14,138	9,628	-32%	2,133%	1,420%	1,520%	2,971%
Resto of Europe	Germany	19,610	19,610	24,335	23,681	-3%	24%	21%	-4%	-4%
	Ireland	22,422	22,422	28,505	28,505	0%	27%	27%		
	Netherlands	20,160	20,160	51,911	37,172	-28%	157%	84%		
	Other Countries	4,174	4,174	21,136	24,310	15%	406%	482%	73%	75%
Spain	Spain	14,509	14,509	24,592	21,113	-14%	69%	46%		
USA and Canada	USA and Canada	14,575	14,575	28,112	25,135	-11%	93%	72%	4%	9%

The figures cover 98% of Applus+ employees. Executive Committee in Spain not included.

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

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

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

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

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

Ratio of minimum salary in 2019

RATIO OF MINIMUM SALARY AND AVG SALARY BY LAW WITHIN THE COUNTRY COMPARED TO THE LOCAL COUNTRY										
REGION	REGION/COUNTRY	Minimum salary within the Region/Country by law		Minimum salary within the Region Country (Applus+)		Minimum salary gap by Gender (Applus+)	% Δ Minimum salary		% Δ Medium salary	
		Male	Female	Male	Female		Male	Female	Male	Female
Asia Pacific	Australia	23,933	23,933	30,228	29,017	-4%	26%	21%	-	-
	Other countries	1,170	1,170	9,948	9,963	0%	750%	725%	57%	2%
Latin America	Brazil	2,724	2,724	4,236	5,770	36%	55%	112%	411%	539%
	Chile	4,639	4,639	5,084	5,546	9%	10%	20%	150%	169%
	Colombia	2,702	2,702	2,702	4,241	57%	0%	57%	-	-
	Guatemala	-	-	-	-	-	-	-	-	-
	Panama	7,572	7,572	7,572	7,572	0%	0%	0%	-	-
	Other countries	1,793	1,793	6,468	5,913	-9%	261%	230%	-	-
Middle East and Africa	Oman	5,761	5,761	6,188	15,394	169%	7%	167%	-	-
	Qatar	-	-	2,849	8,786	208%	-	-	-	-
	Saudi Arabia	8,569	8,569	11,139	9,997	-10%	30%	17%	-	-
	Other countries	2,087	2,087	7,690	14,485	88%	268%	594%	0%	50%
Rest of Europe	Germany	17,976	17,976	28,538	31,012	0%	59%	73%	-4%	15%
	Ireland	19,874	19,874	26,040	26,040	0%	31%	31%	-1%	-3%
	Netherlands	21,197	21,197	25,849	35,222	36%	22%	66%	-	-
	Other countries	2,523	2,523	18,526	19,860	7%	634%	687%	82%	101%
	Spain	12,600	12,600	18,998	19,895	5%	51%	58%	-	-
USA and Canada	USA and Canada	13,460	13,460	27,864	30,224	8%	107%	125%	24%	9%

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

below 10%
between 10 and 30%
between 30 and 50%
above 50%

Benefits in 2020

NUMBER OF EMPLOYEES WITH BENEFITS		LIFE INSURANCE		HEALTH CARE		EDUCATIONAL ALLOWANCE		DISABILITY AND INVALIDITY COVER		PARENTAL LEAVE		RETIREMENT PROVISION		STOCK OWNERSHIP		OTHERS	
		PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME	PERMANENT	TEMPORARY /PART-TIME
Asia Pacific	Australia	-	-	-	-	-	-	373	84	4	-	390	154	-	-	-	-
	Other countries	458	150	603	495	51	15	244	62	9	6	12	2	-	-	-	-
Latin America	Brazil	1,248	228	1,248	228	72	-	436	-	6	-	-	-	1	-	-	-
	Chile	1,244	27	236	-	-	-	-	-	77	-	-	-	-	-	-	-
	Colombia	370	1,451	50	7	1	-	113	651	-	34	351	1,436	2	-	4	-
	Guatemala	19	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-
	Panama	258	13	1	1	-	-	-	-	-	-	-	-	-	-	-	-
	Other countries	65	370	22	-	3	-	3	71	5	17	-	-	2	-	7	-
Middle East and Africa	Oman	-	4	-	4	-	-	-	-	-	-	-	-	-	-	-	-
	Qatar	4	256	4	256	-	-	-	-	1	-	-	-	-	-	-	-
	Saudi Arabia	-	-	34	-	-	-	-	-	-	-	-	-	-	-	-	-
	Other countries	311	106	349	160	-	-	-	-	1	-	1	-	1	1	-	-
Rest of Europe	Germany	307	37	31	-	1	-	-	-	15	-	-	-	-	-	-	-
	Ireland	81	53	-	-	-	-	22	-	-	4	491	10	1	-	752	81
	Netherlands	555	10	-	-	-	-	544	10	14	-	550	10	1	-	-	-
	Other countries	854	31	795	35	237	6	19	2	-	1	212	8	2	-	252	-
Spain	Spain	124	-	427	4	-	-	1,202	489	192	39	38	-	69	-	160	-
USA and Canada	USA and Canada	1,320	-	1,156	-	127	-	458	-	3	-	672	-	3	-	1	-
Total		7,888	2,765	5,009	1,190	492	21	3,414	1,369	539	102	2,727	1,620	82	1	1,176	81

The figures cover 98% of Applus+ employees. Executive Committee in Spain not included.

Life insurance. Employees who had life insurance as a benefit. In Spain most of the Collective agreements have this due to business trips.

Health Care. Employees who had Health Care as benefit.

Educational allowance. Employees who enjoyed specific training programmes as Masters, PhD, etc.

Disability and Invalidity cover. Employees who enjoyed disability or invalidity cover.

Parental leave. Employees who enjoyed parental leave.

Retirement provision. Employees who received monetary assignments in their retirement plans to top of the local regulations.

Stock ownership. Employees who received RSUs

Others. Employees who received any other benefit.

Benefits in 2019

Number of employees with benefits		Life Insurance		Health Care		Educational Allowance		Disability and Invalidity Cover		Parental Leave		Retirement Provision		Stock Ownership		Others	
		Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time	Permanent	Temporary /Part-time
Asia Pacific	Australia	-	-	-	-	-	-	-	-	16	-	19	28	-	-	-	-
	Other countries	315	22	410	354	44	1	51	-	25	1	15	3	2	-	1	-
Latin America	Brazil	110	33	111	33	17	-	-	-	-	-	-	-	1	-	-	-
	Chile	170	12	29	-	-	-	15	-	10	-	-	-	1	-	-	-
	Colombia	214	-	1	-	-	-	108	-	28	-	-	-	-	-	63	-
	Guatemala	-	-	-	-	-	-	-	-	3	-	-	-	-	-	-	-
	Panama	112	-	1	-	12	-	-	-	7	4	-	-	-	-	-	-
	Other countries	63	513	85	-	1	-	5	41	9	11	-	-	2	-	41	-
Middle East and Africa	Oman	286	238	286	238	1	-	-	-	1	-	-	-	1	-	-	-
	Qatar	24	331	28	331	-	-	1	1	2	-	-	-	-	-	-	-
	Saudi Arabia	-	-	193	-	-	-	-	-	-	-	-	-	-	-	-	-
	Other countries	134	55	119	124	-	-	-	-	5	-	1	-	3	-	175	54
Rest of Europe	Germany	271	63	27	6	-	1	1	-	13	4	-	-	-	-	-	-
	Ireland	698	114	23	-	-	-	-	-	17	6	643	-	1	-	117	6
	Netherlands	491	112	494	121	-	-	491	112	14	-	491	112	3	-	-	-
	Other countries	90	15	97	22	117	4	36	20	31	7	172	25	1	-	4,004	-
Spain	Spain	447	6	669	17	3	-	1,396	589	328	90	141	-	48	-	2,448	6
USA and Canada	USA and Canada	918	-	815	3	476	-	425	2	21	2	883	2	4	-	1	-
Total		4,343	1,514	3,388	1,249	671	6	2,529	765	530	125	2,365	170	67	-	6,850	66

Figures from 2018 are available in the Applus+ CSR Report 2018. Variation 2018 and 2019 coded as:

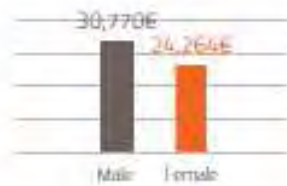
below 10%
between 10 and 30%
between 30 and 50%
above 50%

Salary gap

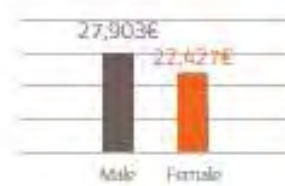
Salary gap by gender

	2019		2020	
	AVG by Gender	Gap Gender	AVG by Gender	Gap Gender
Male	30,770 €		27,903 €	
Female	24,264 €	-21.15%	22,427 €	-19.62%

Salary gap by gender in 2019



Salary gap by gender in 2020



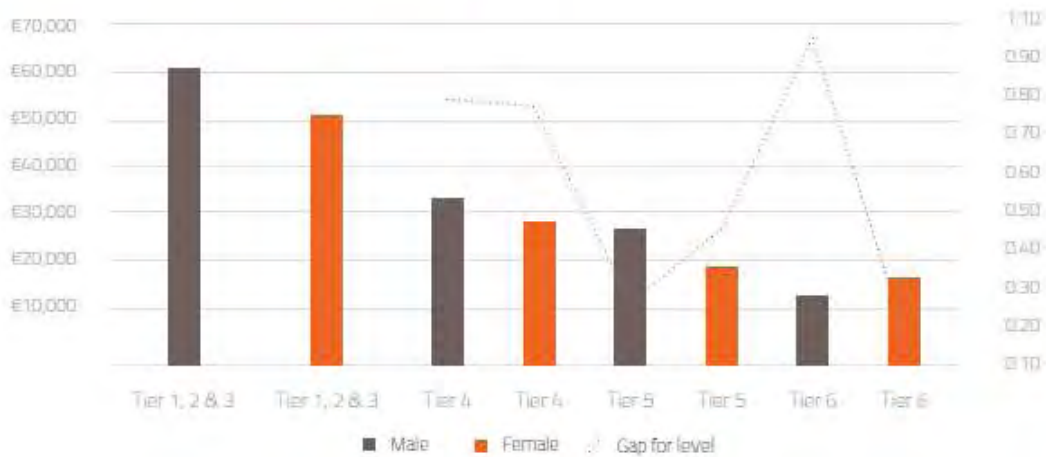
The figures cover 98% of Applus+ employees. Executive Committee in Spain not included.

(*) Salary gap: understood as the difference between the gross hourly wage of men and of women, expressed as a percentage of the gross hourly wage of men. Advisedly, the calculation of this indicator is not adjusted to the individual characteristics and may explain part of the salary differences between men and women.

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

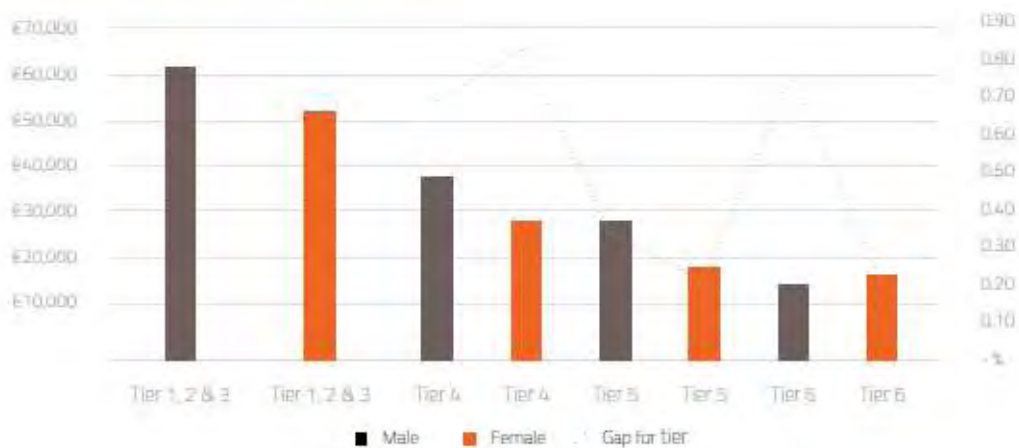
Salary gap by organisational level in 2020

Salary gap by organisational level (€) 2020			
Tier	Gender	AVG by Level	Gap by Level
Tier 1, 2 & 3	Male	61,620	
Tier 1, 2 & 3	Female	51,220	
Tier 4	Male	33,338	85%
Tier 4	Female	28,000	83%
Tier 5	Male	26,468	26%
Tier 5	Female	19,599	43%
Tier 6	Male	13,045	103%
Tier 6	Female	16,989	15%



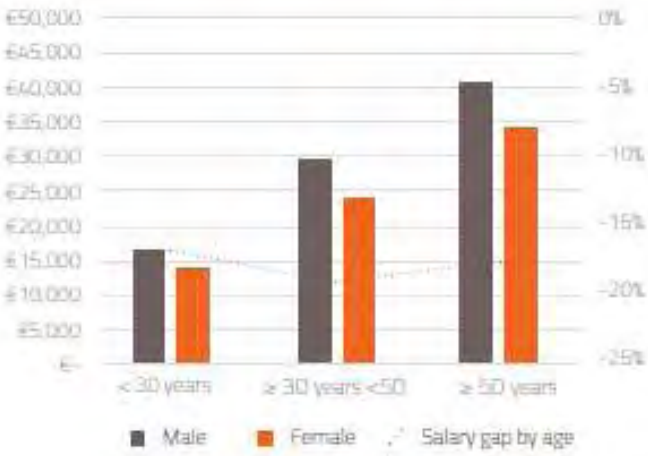
Salary gap by organisational level in 2019

Salary gap by organisational level (€) 2019			
Tier	Gender	AVG by Level	Gap by Level
Tier 1, 2 & 3	Male	63,836.37	
Tier 1, 2 & 3	Female	51,956.60	
Tier 4	Male	37,916.11	68%
Tier 4	Female	27,998.30	86%
Tier 5	Male	28,260.22	34%
Tier 5	Female	22,342.48	25%
Tier 6	Male	15,848.03	78%
Tier 6	Female	18,286.23	22%



Salary gap by age in 2020

Salary gap by age 2020			
	<30 years	≥ 30 years <50	≥50 years
Male	16,867	28,579	40,704
Female	14,114	23,176	33,642
Salary Gap by Age	-16%	-19%	-17%



Salary gap by age in 2019

Salary gap by age 2019			
	<30 years	≥ 30 years <50	≥50 years
Male	19,535.08	31,663.25	42,865.51
Female	16,049.13	25,113.47	33,519.08
Salary Gap by Age	-18%	-21%	-22%



The figures cover 98% of Applus+ employees.

Financial contribution

GRI 201-1 GRI 207-1 GRI 207-2

ECONOMIC VALUE ADDED (EVA) BREAKDOWN

EVA consolidado (miles de euros)	2018	2019	2020
Economic value generated (thousands of Euros)	1,676,234	1,782,620	1,563,315
Revenue	1,675,942	1,777,944	1,557,614
Revenues equity method	13	0	0
Financial income	2,510	1,638	2,284
Results on disposals of non-current assets	(2,231)	3,038	3,417
Economic value distributed (thousands of Euros)	1,509,706	1,547,604	1,380,975
Procurements	159,242	156,517	145,683
Staff costs	919,205	979,371	886,235
Other operating expenses	379,524	345,561	307,292
Other costs	4,646	10,244	15,813
Financial costs	23,739	25,535	27,123
Corporate income tax	23,350	30,376	-1,171
Economic value retained (thousands of Euros)	166,528	235,016	182,340

In 2020, 88.3% out of the EVA generated by Applus+ was distributed and 11.7% was retained by the organisation.

TAX BREAKDOWN

REGION	THOUSANDS OF EUROS IN 2020						
	Number of employees	Revenues - Unrelated Party	Revenues - Related Party	Profit before Tax (individual) (*)	Tangible Assets other than Cash and Cash Equivalents	Corporate Income Tax Paid (on a cash basis)	Corporate Income Tax Accrued
Spain	8,047	496,622	71,573	(44,708)	85,386	(1,345)	21,808
Rest of Europe	3,769	312,171	38,474	(5,787)	56,572	(2,356)	(2,098)
Latin America	5,167	161,681	1,723	19,067	26,967	(6,395)	(10,113)
US and Canada	2,334	286,558	4,081	(14,401)	46,396	(1,442)	(2,448)
Asia Pacific	1,781	152,501	14,465	(2,921)	12,536	(2,219)	(4,769)
Middle East and Africa	2,289	149,734	2,779	6,843	4,721	(2,920)	(1,209)
Total	23,387	1,559,267	133,095	(41,908)	232,578	(16,677)	1,171

REGION	THOUSANDS OF EUROS IN 2019						
	Number of employees	Revenues - Unrelated Party	Revenues - Related Party	Profit before Tax (individual)(*)	Tangible Assets other than Cash and Cash Equivalents	Corporate Income Tax Paid (on a cash basis)	Corporate Income Tax Accrued
Spain	7,829	539,276	80,234	66,491	79,008	(15,673)	(1,039)
Rest of Europe	3,336	369,695	45,762	19,085	50,826	(5,706)	(7,179)
Latin America	5,166	190,437	2,152	22,064	28,823	(10,382)	(7,845)
US and Canada	2,340	334,600	4,534	10,946	53,875	(5,459)	(7,522)
Asia Pacific	1,758	175,693	13,816	12,485	7,838	(1,737)	(3,814)
Middle East and Africa	2,622	170,275	3,253	22,817	6,365	(2,388)	(2,977)
Total	23,051	1,779,976	149,752	153,889	226,734	(41,346)	(30,376)

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

REGION	THOUSANDS OF EUROS IN 2018						
	Number of employees	Revenues - Unrelated Party	Revenues - Related Party	Profit before Tax (individual) (*)	Tangible Assets other than Cash and Cash Equivalents	Corporate Income Tax Paid (on a cash basis)	Corporate Income Tax Accrued
Spain	7,533	504,200	76,383	62,170	76,341	(6,745)	(1,270)
Rest of Europe	3,303	368,758	46,617	(4,628)	39,963	(6,580)	(6,214)
Latin America	5,337	168,025	2,357	24,137	30,817	(5,651)	(9,839)
US and Canada	2,281	326,671	2,306	1,064	62,095	(76)	(1,150)
Asia Pacific	1,563	144,488	16,706	7,355	6,045	(1,759)	(1,786)
Middle East and Africa	2,835	165,601	3,985	18,277	5,313	(3,142)	(3,091)
Total	22,852	1,677,743	148,355	108,374	220,574	(23,952)	(23,350)

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

Methodology for calculating the energy and emissions indicators

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

ENERGY CONSUMPTION AND GHG EMISSIONS FOR SCOPES 1 AND 2

The Group uses the ASM platform to obtain energy and GHG emissions data from all the facilities from which we operate.

The consumption period under consideration runs from the 1st November 2019 until 31st October 2020. The scope for countries is the same as that of the financial perimeter.

Electricity

The energy consumption of electricity and heating in kilowatt hours (kWh) is converted into gigajoules (GJ). The carbon dioxide (CO₂) emissions of the electricity are the product of the energy consumption in kWh and each country's emission factors.

The **sources** for the **conversion factors** are:

- **GJ value:** Massachusetts Institute of Technology (MIT) (2013), Units & Conversions.
- **TCO₂ value:** International Energy Agency (IEA). Emission factors: Database documentation (2019 edition). CO₂ emission factors for electricity and heat generation for world countries (in CO₂ per kWh, 1990 to 2017).

Gaseous Fuel and Liquid Fuel

The gaseous fuel may be reported in cubic metres (m³), cubic feet (ft³), kilowatt hours (kWh) or in kilograms (kg), although the standard unit is cubic metres. The liquid fuel liquid may be reported in litres (L), gallons (gal) or monetary units, and the reference unit for calculations is in litre(s).

In both cases, the m³ of gaseous fuel and the litres of liquid fuel are converted to energy units in gigajoules (GJ), using the product of the volume (m³ or L), the density (kg/m³ or kg/L) and the lower calorific power (GJ/kg).

To ascertain the GHG emissions of CO₂, CH₄ and N₂O, we use the product of the energy units and the emission factors for each gas. And finally, to calculate the carbon-dioxide equivalent emissions (CO₂eq), we use the GWP (Global Warming Potential) index.

The sources for the **conversion factors** are:

- **Fuel price:** Global Petrol Prices, (2020) <<https://www.globalpetrolprices.com/>>; Energy Efficiency & Renewable Energy from the U.S. Department of Energy <<https://afdc.energy.gov/>>; Numbeo (2020) <<https://www.numbeo.com/>>.
- **Density:** Engineering ToolBox (2020) <<https://www.engineeringtoolbox.com/>>; CNMC, the National Commission of Markets and Competition; The National Energy Commission and the table of equivalences of SEDIGAS and GASNAM, Massachusetts Institute of Technology (2013).
- **Lower calorific power:** Intergovernmental Panel on Climate Change. IPCC Guidelines for National Greenhouse Gas Inventories 2006 (Ch.1, Vol. 2).
- **Emission factors:** Intergovernmental Panel on Climate Change. IPCC Guidelines for National Greenhouse Gas Inventories 2006 (Ch.2, Vol. 2).

The scope of countries included in this calculation are the following: Andorra, Angola, Argentina, Australia, Bahrain, Bolivia, Brazil, Canada, Chile, China, Colombia, Costa Rica, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Ghana, India, Indonesia, Ireland, Italy, Kuwait, Malaysia, Mexico, Mongolia, Netherlands, Nicaragua, Nigeria, Norway, Oman, Panama, Papua New Guinea, Peru, Poland, Portugal, Qatar, Russia, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Turkey, United Arab Emirates, United Kingdom, Uruguay and USA.

GHG EMISSIONS FOR SCOPE 3

Fuel and energy-related activities (not included in Scopes 1 or 2)

The emissions not included in Scopes 1 or 2 relating to fuel and energy come from the emissions due to losses from the transport and distribution of the electricity, and those due to the value chain of the fuels and electricity.

To calculate the **emission factor of the losses in the transmission and distribution of electricity**, we use the gross-production indicators for each country and the electricity transmission and distribution losses from Electricity Information (2020), published by the International Energy Agency (IEA). For the countries in which these indicators are not available, we use the indicators for their region.

To calculate the **emission factor associated with the electricity value chain** by country, we use the following electricity-generation sources and their percentage of electricity generation on the total electric energy produced in each country: nuclear, hydroelectric, geothermal, solar, wind turbine, coal, oil, natural gas, biofuels, energy from waste and others (offshore wind farms, wave and tidal power, etc.), according to the *Electricity Information (2020)* report published by the IEA. For the countries in which these indicators are not available, we use the indicators for their region.

For the aforementioned sources, we use the Well-to-Tank emission factors from the *WELL-TO-TANK report* Appendix 2 - Version 4a published by the European Commission to obtain the related CO₂ emissions per kWh. As in some cases, the types of fuel used by the IEA do not coincide with those used by the European Commission; we select the data following these criteria:

Oil: According to the International Energy Agency, within the Oil category there are the fossil fuels (Diesel oil, Petrol, Petroleum coke, etc.). In *WELL-TO-TANK* Appendix 2, we find the CO₂ emissions of petrol and diesel oil on using them to generate electricity. We used the Diesel oil value as it is more restrictive.

Other: According to the methodology of the International Energy Agency, the Other category encompasses processes that do not need fuel to produce energy; therefore, their emissions associated with the value chain are zero.

The **electricity-emissions factor** is obtained using the electric-emissions factor for each of the countries included in the population, according to data from the IEA. For the countries in which the electricity-emissions factor is not available, we used the factor for their region.

For the **factor associated with the combustion of fuels**, we use the Well-to-Tank factors contained in the *WELL-TO-TANK report* Appendix 2 (Version 4a) published by the European Commission. And for Biodiesel, we used the value of the *POME process: Meal as AF, no CH₄ rec., no-heat credit, glycerine-to-biogas* to produce biodiesel as palm oil is the most used vegetable oil worldwide for producing biodiesel, and it is the most restrictive of the oils included in the related Appendix 2. As there is no factor associated with propane, and it is mainly extracted from natural gas, we used the natural-gas factor. Finally, for LPG we used the most restrictive one, the process *LNG, road, vap.*

The **factors associated with commuting**: on the whole, to calculate both direct and indirect emissions, the reporting uses DEFRA's "Conversion-Factors-2020-Full-set-for-advanced-users" guide. In the case of vehicles for which consumption is assumed to be 100% electric (i.e. electric cars, motorcycles and scooters, and underground rail networks), the reporting calculates conversion factors for distance/energy consumption from other sources because DEFRA does not publish this information.

The countries included in the calculation of fuel and energy-related activities (not included in Scopes 1 or 2) are the same as those used to calculate Scope 1 and 2.

Business travel by plane, train and taxi

The travel agencies through which we book travel provide us with CO₂ emissions data per passenger, which are calculated based on the kilometres travelled, the occupancy of the aircraft (weight) and the type of aircraft, which are based on the rules set out by the UK's Department for Environment, Food and Rural Affairs (DEFRA).

The scope of the countries included in the calculation is: Angola, Australia, Chile, Colombia, Mexico, Netherlands, Spain, United Kingdom and USA.

With regards to the emissions generated during travel by taxi, Applus+ calculates the emissions of the journeys of our employees by using a **taxi-management application**. The emissions generated when travelling by taxi, requested through the application, are calculated based on the distance travelled and the fleet-emissions ratio, which is measured with the percentage of hybrid and electric cars operated in their fleet.

The scope of the countries included in the calculation is: Spain.

Employee commuting

The commuting emissions are related to the mode of transport used by our employees. The car, train, and bicycle, among others, are the vehicles taken into account to know our employees' commute to the workplace.

In 2019, the Group launched a **global questionnaire** to ascertain these mobility habits. The results allowed us to understand the different modes of transport used at each location where we operate.

The emissions of each employee were calculated based on the mode of transport, the distance travelled and the number of days travelling per year, applying emission factors.

Most of the **factors** used were published by DEFRA in the *Conversion Factors 2020 Full set for advanced users* document, both for calculating the direct emissions and for the indirect ones. In the case of vehicles of which the consumption is assumed to be 100% electric (electric car and motorbike, electric scooter and the underground railway), we used distance/energy consumption conversion factors from other sources since DEFRA does not provide this information.

Due to the global crisis caused by the pandemic, to calculate our employees commuting we made an estimation by using the figures from 2019 and the number of total employees, excluding those who worked from home and therefore did not commute in 2020.

The scope of the countries included in the calculation is: Australia, Canada, Chile, Colombia, Germany, Ireland, Netherlands, Panama, Spain and USA.

Reference tables: GRI and Global Compact

GRI 102-55

GENERAL CONTENTS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
101	Foundation	Approach to sustainability reporting	
102-1	Name of the organisation	Applus Services, S.A.	Organisation's profile and operational context
102-2	Activities, brands, products and services	A+ at a glance Business excellence. Services and clients	
102-3	Location of headquarters	Applus Services, S.A. head offices: <ul style="list-style-type: none"> Parque Empresarial Las Mercedes Campezo, 1, Edif. 3, 4ª planta 28022 Madrid Campus UAB – Ronda de la Font del Carme, s/n 08193 Bellaterra – Barcelona 	
102-4	Location of operations	A+ at a glance	
102-5	Ownership	Shareholder information	
102-6	Markets served	A+ at a glance	
102-7	Scale of the organisation	A+ at a glance	
102-8	Information on employees and other workers	Non-financial information. Our people	Principle 6
102-9	Supply chain	Business excellence. Our suppliers	Principle 1 Principle 7 Principle 10
102-10	Significant changes to the organisation and its supply chain	Applus+ has not made significant organisational changes, nor regarding its supply chain, during 2020	
102-11	Precautionary principle or approach	Non-financial information. Caring for the environment	Principle 7
102-12	External initiatives	Business ethics and Compliance Sustainability approach Business excellence Non-financial information. Our people. Caring for the environment	Sustainability context
102-13	Membership of associations	Business excellence. Strategic alliances	
102-14	Statement from senior decision-maker	Letter from the Chairman and the CEO	Statement by the Chief Executive
102-15	Key impacts, risks and opportunities	Financial information. Business and climate change risks	
102-16	Values, principles, standards and norms of behaviour	Sustainability approach Corporate governance approach Business ethics and Compliance	Principle 10 Decision-making processes
102-17	Mechanisms for advice and concerns about ethics	Business ethics and Compliance	Principle 10
102-18	Governance structure	Board of directors	Decision-making processes
102-40	List of stakeholder groups	Commitment to our stakeholders	

GENERAL CONTENTS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
102-41	Collective bargaining agreements	Non-financial information. Our people	Principle 3
102-42	Identifying and selecting stakeholders	Commitment to our stakeholders	Stakeholder engagement
102-43	Approach to stakeholder engagement	Commitment to our stakeholders	
102-44	Key topics and concerns raised	Commitment to our stakeholders	Commitments, strategies or policies, and management systems to integrate the principles
102-45	Entities included in the consolidated financial statements	Annual Financial accounts	
102-46	Defining report content and topic Boundaries	Approach to sustainability reporting Commitment to our stakeholders	
102-47	List of material topics	Commitment to our stakeholders	
102-48	Restatements of information	No restatements of information	
102-49	Changes in reporting	Commitment to our stakeholders	
102-50	Reporting period	January 1 st to December 31 st 2020	
102-51	Date of most recent report	February 2020	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report	teresa.sanfeliu@applus.com	
102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI standards' Core option	
102-55	GRI content index	Cross-references table: GRI and Global Compact	
102-56	External assurance	Report's verification statement	
103-1	Explanation of the material topic and its boundary	Commitment to our stakeholders	
103-2	The management approach and components	At a glance Sustainability approach Commitment to our stakeholders Business excellence Financial and non-financial information	Completeness Practical actions description and measurement of outcomes
103-3	Evaluation of the management approach		

ECONOMIC TOPICS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
201-1	Direct economic value generated and distributed	Annex. Financial contribution	
201-2	Financial implications and other risks and opportunities due to climate change	Financial information. Business and climate change risks	Principle 7
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Annex. Data related to human resources	Principle 6
203-2	Significant indirect economic impacts	Impact assessment Business excellence. Innovation Non-financial information. Building a better society	
204-1	Proportion of spending on local suppliers	Business excellence. Our suppliers	
205-2	Communication and training about anti-corruption policies and procedures	Business ethics and Compliance	Principle 10
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Business ethics and Compliance	Principle 10
207-1	Approach to tax	Sustainability approach. Sustainability framework Annex. Financial contribution	
207-2	Tax governance, control, and risk management	Sustainability approach. Sustainability framework Financial information. Business risks Annex. Financial contribution	
207-3	Stakeholder engagement and management of concerns related to tax	Sustainability approach. Sustainability framework Financial information. Business risks Annex. Financial contribution	
207-4	Country-by-country reporting	Annex. Financial contribution	

ENVIRONMENTAL TOPICS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
301	Materials	Due to the nature of our activity, all environmental impacts derived from activities inherent to manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from our management framework.	
302-1	Energy consumption within the organisation	Non-financial information. Caring for the environment Annex. Methodology for calculating energy and emissions indicators	Principle 7 Principle 8 Principle 9
302-3	Energy intensity	Non-financial information. Caring for the environment Annex. Methodology for calculating energy and emissions indicators	
303-1	Interactions with water as a shared resource	Non-financial information. Caring for the environment	Principle 7 Principle 8 Principle 9
303-2	Management of water discharge-related impacts		
303-3	Water withdrawal		
304	Biodiversity	The activities of Applus+ do not generate direct impacts on biodiversity; on the contrary, most of our services help our clients to minimise the impacts of their activities (see section Our environmental contribution by TIC services).	Principle 8 Principle 9
305-1	Direct (Scope 1) GHG emissions	Non-financial information. Caring for the environment Annex. Methodology for calculating energy and emissions indicators	Principle 7
305-2	Energy indirect (Scope 2) GHG emissions		
305-3	Other indirect (Scope 3) GHG emissions		
305-4	GHG emissions intensity		
306-1	Water discharge by quality and destination	Non-financial information. Caring for the environment	Principle 7
307-1	Non-compliance environmental laws with and regulations	Applus has not identified relevant/material issues of non-compliance with environmental laws and/or regulations.	Principle 8
308-1	New suppliers that were screened using environmental criteria	Business excellence. Our suppliers Non-financial information. Caring for the environment	Principle 8

SOCIAL TOPICS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
401-2	Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation.	Non-financial information. Our people Annex. Data related to human resources	Principle 6
402-1	Minimum notice periods regarding operational changes	Non-financial information. Our people	Principle 3
403-1	Occupational health and safety management system	Non-financial information. Our people	Principle 1
403-2	Hazard identification, risk assessment, and incident investigation		
403-3	Occupational health services		
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety		
403-6	Promotion of worker health		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
404-1	Average hours of training per year per employee	Annex. Data related to human resources	Principle 6
405-1	Diversity of governance bodies and employees	Board of Directors Non-financial information. Our people Annex. Data related to Human Resources	Principle 6
406-1	Incidents of discrimination and corrective actions taken	No incidents have been identified	Principle 6
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations and suppliers, in which the right to freedom of association and collective bargaining may be at risk, have been identified.	Principle 3
408 409	Child Labour Forced or Compulsory Labour	These topics are not considered potential Human Rights issues for the Group because its activities require high levels of education and specialisation. Notwithstanding, we have established the necessary internal policies and controls to avoid these type of bad practices (see section Respect for Human Rights in Non-financial information. Our people).	Principle 4 Principle 5
410	Security Practices	This topic does not apply to Applus+ because the Group does not outsource this type of service	

SOCIAL TOPICS			
GRI Indicator	DEFINITION	Financial and non-financial information Report 2020	UN Global Compact
		when developing its projects and services.	
411-1	Incidents of violations involving rights of indigenous peoples	Non-financial information. Our people	Principle 1 Principle 2
412-2	Employee training on human rights policies or procedures	Business ethics and Compliance	Principle 1 Principle 2
413-1	Operations with local community engagement, impact assessments and development programs	Non-financial information. Building a better society	Principle 1
414-1	New suppliers that were screened using social criteria	Business excellence. Our suppliers	Principle 1 Principle 7 Principle 10
415-1	Political contributions	The Applus+ Group explicitly forbids monetary contributions to parties and/or political representatives.	Principle 10
416 417	Customer Health and Safety Marketing and Labelling	Due to the nature of the Group's activities, all issues derived from activities inherent to the manufacturing processes (use of raw materials or products, packaging, freight forwarding, etc.) are excluded from its management framework.	
418-1	Substantiated complaints concerning breaches of customer	Business excellence. Quality and excellence	
419-1	Non-compliance with laws and regulations in the social and economic area	The Group has not been subject to any material payment nor imposition of significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area.	Principle 10

Reference tables: Spanish Act 11/2018

SPANISH LAW CONTENTS		GRI STANDARD	Financial and non-financial information Report 2020
BUSINESS MODEL	Description of the group's business model	GRI 102-2 Activities, brands, products, and services	A+ at a glance Sustainability approach Business excellence Commitment to our stakeholders
		GRI 102-4 Location of operations	
		GRI 102-6 Markets served	
		GRI 102-7 Scale of the organisation	
INFORMATION ON ENVIRONMENTAL MATTERS	Policies	GRI 103-2 The management approach and its components	Sustainability approach Non-financial information. Caring for the environment
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 102-15 Key impacts, risks, and opportunities	Financial information. Climate change risks
	General	GRI 307-1 Non-compliance with environmental laws and regulations	Non-financial information. Caring for the environment. Due to the Group's activities, it does not have any liabilities, expenses, assets, provisions, or contingencies of an environmental nature that could be significant in relation to the Group's equity, financial position and results.
		GRI 102-11 Precautionary Principle or approach	
	Contamination	GRI 103-2 The management approach and its components	Non-financial information. Caring for the environment
	Circular economy and waste prevention and management	GRI 103-2 The management approach and its components	Non-financial information. Caring for the environment
	Sustainable use of resources	GRI 103-2 The management approach and its components	Non-financial information. Caring for the environment
		GRI 102-2 Activities, brands, products, and services	
		GRI 302-1 Energy consumption within the organization	
		GRI 302-3 Energy intensity	
		GRI 303-1 Interactions with water as a shared resource	
		GRI 303-2 Management of water discharge-related impacts	
Climate change	GRI-303-3 Water withdrawal	Non-financial information. Caring for the environment	
	GRI 305-1 Direct (Scope 1) GHG emissions		
	GRI 305-2 Energy indirect (Scope 2) GHG emissions		
	GRI 305-3 Other indirect (Scope 3) GHG emissions		

SPANISH LAW CONTENTS		GRI STANDARD	Financial and non-financial information Report 2020
INFORMATION ON SOCIAL AND PERSONNEL MATTERS		GRI 305-4 GHG emissions intensity	
		GRI 103-2 The management approach and its components	
	Protection of biodiversity	GRI 103-2 The management approach and its components	Non-financial information. Caring for the environment. The activities of Applus+ do not generate direct impacts on biodiversity; on the contrary, most of our services help our clients to minimise the impacts of their activities (see section Our environmental contribution by TIC services).
	Policies	GRI 103-2 The management approach and its components	Sustainability approach Corporate governance approach Business ethics and Compliance Non-financial information. Our people
		GRI 103-3 Evaluation of the management approach	
	Risk principles	GRI 103-3 Evaluation of the management approach	Financial information. Business and climate change risks
	Employment	GRI 102-7 Scale of the organization	A+ at a glance Non-financial information. Our people Annex. Data related to Human Resources
		GRI 102-8 Information on employees and other workers	
		GRI 405-1 Diversity of governance bodies and employees	
		GRI 102-8 Information on employees and other workers	
		GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	Work organisation	GRI 102-8 Information on employees and other workers	Non-financial information. Our people Annex. Data related to Human Resources
GRI 103-2 The management approach and its components			
Health & Safety	GRI 103-2 The management approach and its components	Non-financial information. Our people	
	GRI 403-1 Occupational health and safety management system		
	GRI 403-2 Hazard identification, risk assessment, and incident investigation		
	GRI 403-3 Occupational health services		

SPANISH LAW CONTENTS		GRI STANDARD	Financial and non-financial information Report 2020
		GRI 403-4 Worker participation, consultation, and communication on occupational health and safety	
		GRI 403-5 Worker training on occupational health and safety	
		GRI 403-6 Promotion of worker health	
		GRI 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	Company relations	GRI 102-43 Approach to stakeholder engagement	Commitment to our stakeholders Non-financial information. Our people
		GRI 402-1 Minimum notice periods regarding operational changes	
		GRI 102-41 Collective bargaining agreements	
	Training	GRI 103-2 The management approach and its components	Non-financial information. Our people Annex. Data related to Human Resources
		GRI 404-1 Average hours of training per year per employee	
	Accessibility	GRI 103-2 The management approach and its components	Non-financial information. Our people
Equality	GRI 103-2 The management approach and its components	Non-financial information. Our people Annex. Data related to Human Resources	
	GRI 103-2 The management approach and its components		
	GRI 406-1 Incidents of discrimination and corrective actions taken		
Policies	GRI 103-2 The management approach and its components	Business ethics and Compliance Non-financial information. Our people	
	GRI 412-2 Employee training on human rights policies or procedures		
Risk principles	GRI 103-3 Evaluation of the management approach	Financial information. Business and climate change risks	
Human Rights	GRI 103-2 The management approach and its components	Business ethics and Compliance Non-financial information. Our people	
	GRI 411-1 Incidents of violations involving rights of indigenous peoples		
	GRI 419-1 Non-compliance with laws and regulations in the social and economic area		
	GRI 103-2 The management approach and its components		

SPANISH LAW CONTENTS		GRI STANDARD	Financial and non-financial information Report 2020
INFORMATION RELATED TO COMBATING BRIBERY AND CORRUPTION	Policies	GRI 103-2 The management approach and its components	Business ethics and Compliance
		GRI 103-3 Evaluation of the management approach	
		GRI 205-2 Communication and training about anti-corruption policies and procedures	
	Risk principles	GRI 103-3 Evaluation of the management approach	Financial information. Business and climate change risks
	Bribery and corruption	GRI 103-2 The management approach and its components	Financial information. Business and climate change risks Business ethics and Compliance
		GRI 203-2 Significant indirect economic impacts	
GRI 415-1 Political contributions			
INFORMATION ON THE COMPANY	Policies	GRI 103-2 The management and its components	Business ethics and Compliance Sustainability approach Business excellence. Our suppliers
		GRI 102-9 Supply chain	
	Risk principles	GRI 103-3 Evaluation of the management approach	Financial information. Business and climate change risks
	The company's commitment to sustainable development	GRI 203-2 Significant indirect economic impacts	Financial information Commitment to our stakeholders Business excellence. Our suppliers Non-financial information. Building a better society. Caring for the environment Impact assessment
		GRI 204-1 Proportion of spending on local suppliers	
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	
		GRI 203-2 Significant indirect economic impacts	
		GRI 102-43 Approach to stakeholder engagement	
		GRI 102-13 Membership of associations	
	Subcontracting and suppliers	GRI 103-2 The management approach and its components	Business ethics and Compliance Business excellence. Our suppliers
		GRI 102-9 Supply chain	
		GRI 308-1 New suppliers that were screened using environmental criteria	
	Clients	GRI 103-2 The management approach and its components	Business excellence
GRI 418-1 Substantiated complaints concerning breaches of customer			
Tax information	GRI 103-3 Evaluation of the management approach GRI 207-1 Approach to tax GRI-207-2 Tax governance, control, and risk management	Sustainability approach Financial information Annex. Financial contribution	

SPANISH LAW CONTENTS		GRI STANDARD	Financial and non-financial information Report 2020
		GRI 207-3 Stakeholder engagement and management of concerns related to tax GRI 207-4 Country-by-country reporting	

Applus Services, S.A. and Subsidiaries

Auditor's report on the system of
Internal Control over Financial
Reporting (ICFR) of the Applus Group
for 2020

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

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

AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF THE APPLUS GROUP FOR 2020

To the Directors of Applus Services, S.A.:

As requested by the Board of Directors of Applus Services, S.A. and Subsidiaries ("the Applus Group") and in accordance with our proposal-letter of December 3, 2020, we have applied certain procedures to the information relating to the ICFR system included in section F of the Annual Corporate Governance Report ("ACGR") of the Applus Group for 2020, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Directors are responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Applus Group in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Applus Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Applus Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Applus Group's annual financial reporting for 2020 described in the information relating to the ICFR system. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Applus Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 5/2013, of 12 June 2013, and subsequent modifications, the most recent being CNMV Circular no. 1/2020, of 6 October 2020 ("the CNMV Circulars").
2. Questioning of personnel responsible for the drawing up of the information detailed in point 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning at the Applus Group.
3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR system descriptive information. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Applus Group's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Applus Group to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements established by article 540 of the consolidated text of the corporate enterprises act Corporate Enterprises Act, and by the aforementioned CNMV Circulars, for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Ana Torrens

February 19, 2021

Applus Services, S.A. and Subsidiaries

Annual Corporate Governance Report

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

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

ISSUER IDENTIFICATION

YEAR- END DATE

31/12/2020

Tax Identification No. [C.I.F.]: A-64622970

Company Name:

APPLUS SERVICES, S.A.

Registered Office:

CALLE CAMPEZO 1, EDIFICIO 3, 28022 MADRID

**ANNUAL CORPORATE GOVERNANCE REPORT
FOR LISTED COMPANIES**

A CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (Euros)	Number of shares	Number of voting rights
27/09/2017	14,301,843.00	143,018,430	143,018,430

Please state whether there are different classes of shares with different associated rights:

Yes No

Class	Number of shares	Par value	Number of votes	Associated rights

A.2. Please provide details of the company's significant direct and indirect shareholders at year-end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
RIVER AND MERCANTILE ASSET MANAGEMENT LLP		5.05			5.05
NORGES BANK	4.53		0.46		4.99
SOUTHEASTERN ASSET MANAGEMENT, INC		3.33			3.33
THREADNEEDLE ASSET MANAGEMENT LIMITED		3.09			3.09
INVESCO LTD		3.06			3.06
FIDELITY INTERNATIONAL LIMITED		2.19			2.19
MELQART OPPORTUNITIES MASTER FUND LIMITED			0.07		0.07

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
RIVER AND MERCANTILE PLC	RIVER AND MERCANTILE ASSET MANAGEMENT LLP	5.05	-	5.05
INVESCO LTD	INVESCO OPPENHEIMER INTERNATIONAL SMALL-MID COMPANY FUND	3.03	-	3.03
INVESCO LTD	INVESCO CAPITAL MANAGEMENT LLC	0.02	-	0.02
INVESCO LTD	INVESCO ADVISERS INC	0.007	-	0.007
FIL INTERNATIONAL LIMITED	FIL INVESTMENTS INTERNATIONAL	1.81	-	1.81
FIL INTERNATIONAL LIMITED	FIL LIMITED	0.37	-	0.37

State the most significant shareholder structure changes during the year:

Name of the shareholder	Date of the transaction	Description
INVESCO LTD	29/05/2020	It has increased above 3% in the capital stock
SOUTHEASTERN ASSET MANAGEMENT, INC	29/07/2020	It has increased above 3% in the capital stock
FIDELITY INTERNATIONAL LIMITED	29/07/2020	It has increased above 2% in the capital stock
DWS INVESTMENT GMBH	25/11/2020	It has increased above 3% in the capital stock
THREADNEEDLE ASSET MANAGEMENT LIMITED	10/12/2020	It has increased above 3% in the capital stock
HARRIS ASSOCIATES LP	22/12/2020	It has decreased below 3% in the capital stock

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
BASABE ARMIJO, FERNANDO	0.01	-	0.1	-	0.11	-	-
CAMPBELL	0.05	-	-	-	0.05	-	-

NELSON, RICHARD							
JOAN AMIGO CASAS	0.02		0.3		0.05		
COLE, CHRISTOPHER	0.01	-	-	-	0.01	-	-
HOFMEISTER, JOHN DANIEL	0.01	-	-	-	0.01	-	-
VILLEN JIMENEZ, NICOLAS	0.01	-	-	-	0.01	-	-
M ^a CRISTINA HENRIQUEZ DE LUNA	0.00	-	-	-	0.00	-	-

Total percentage of voting rights held by the Board of Directors	0.24
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Remarks
Maria Cristina Henriquez de Luna holds 650 shares.

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
N/A	N/A	N/A	N/A	N/A	N/A

A.4 If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related Party	Nature of relationship	Brief description
N/A		

A.5 If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related Party	Nature of relationship	Brief description
N/A		

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors. Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
N/A			

A.7 State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the *Ley de Sociedades de Capital* ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

Yes No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A			

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes No

Parties to the concerted action	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
N/A			

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

N/A

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

Yes No

Name of individual or company
N/A

A.9 Complete the following table with details of the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share
317,809	N/A	0.22

(*) through:

Name of direct shareholder	Number of direct shares
N/A	N/A
Total:	N/A

Explain any significant changes during the year:

Explain significant changes
N/A

A.10 Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The General Shareholders Meeting of 29 May 2020 agreed to "authorise the Company's Board of Directors, with power to sub-delegate, so it may proceed with a derivative acquisition of its own shares, in accordance with article 146 of the Spanish Companies Act in the terms established below:

1. The acquisitions may be made either directly by the Company or indirectly through any of its subsidiaries, in the same terms as described herein;
2. The acquisition may be made as a sale and purchase, swap or goods received in lieu of payment, or any other transaction legally permitted, once or several times;
3. The number of shares acquired, when added to those already held by the Company, shall not exceed ten per cent (10%) of the capital stock;
4. The price or consideration will range between the face value of the shares and one hundred and ten per cent (110%) of their listed price;
5. The authorisation will remain valid for a maximum term of 5 years as of today.

It is hereby expressly noted that any shares acquired as a result of this authorisation may be used either for disposal or redemption, or towards the direct delivery of these shares to the employees or Directors of the Company or any of the group companies, or as a consequence of the exercise of any option rights or the application of any remuneration systems.

To revoke, to the extent of the unused amount, the authorization granted by the General shareholders Meeting in 18 June 2015"

A.11 Estimated floating capital:

	%
Estimated floating capital	77.76

A.12 State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorization or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

Yes No

Description of restrictions
N/A

A.13 State if the shareholders have resolved at a meeting to adopt measures to neutralize a take-over bid pursuant to the provisions of Act 6/2007.

Yes No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

Explain the measures approved and the terms under which such limitations would cease
N/A

A.14 State if the company has issued shares that are not traded on a regulated EU market.

Yes No

If so, please list each type of share and the rights and obligations conferred on each.

List each type of share
N/A

B GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

Yes No

	% quorum different from that contained in Article 193 LSC for general matters	% quorum different from that contained in Article 194 LSC for special resolutions
Quorum required at 1st call	N/A	N/A
Quorum required at 2nd call	N/A	N/A

Description of differences
N/A

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the Spanish Companies Act (LSC) and, if so, explain:

Yes No

Describe how it is different from that contained in the LSC.

	Qualified majority different from that established in Article 201.2 LSC for Article 194.1 LSC matters	Other matters requiring a qualified majority
% established by the company for adoption of resolutions	N/A	N/A

Description of differences
N/A

B.3 State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

<p>In accordance with Spanish Companies Act, in order for a General Meeting to be validly convened, for an amendment of the By-laws, article 16.8 (b) of the Regulations will apply, whereby it will be necessary for the attendance of shareholders, present or represented at first call that hold at least fifty per cent (50%) of the subscribed voting capital stock. At second call, it will suffice for twenty-five per cent (25%) of the capital stock to attend.</p> <p>In order for the General Shareholders Meeting to adopt resolutions that entail an amendment of the By-laws, article 21.1 (b) of the Regulations will apply, whereby an absolute majority will be required if more than fifty per cent (50%) of the voting capital stock subscribed is present. However, it will require the favourable vote of at least two thirds (2/3) of the voting capital stock in attendance when in the second call more than twenty-five per cent (25%) of the voting capital stock is present and in case it does not reach the fifty per cent (50%).</p>

B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

Date of General Meeting	Attendance data				Total
	% physically present	% present by proxy	% distance voting		
			Electronic voting	Other	
29/05/2020	0.16	70.38	0	0.79	71.33
30/05/2019	0.29	6.91	0	1.44	68.64
31/05/2018	0.25	71.89	0	0.109	72.25
Of which floating:	0.02	70.38	0	0.75	71.14

Remarks

The Company considers very positively and appreciates the regular communication with its shareholders and the support received by them in the 2020 AGM, especially considering the circumstances under COVID-19, since, with a high number of floating capital, the quorum was 71.33 of the share capital (71.24% for shares with voting rights).

B.5 State whether any point on the agenda of the General Shareholders’ Meetings during the year has not been approved by the shareholders for any reason.

Yes No

Points on agenda not approved	% votes against (*)
N/A	N/A

() If the non-approval of the point is for a reason other than the votes against, this will be explained in the text part and “N/A” will be placed in the “% votes against” column.*

B.6 State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders’ Meetings, or on distance voting:

Yes No

Number of shares required to attend General Meetings	N/A
Number of shares required for distance voting	N/A

B.7 State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders’ Meeting.

Yes No

Explain the decisions that must be subject to the General Shareholders’ Meeting, other than those established by law
N/A

B.8 State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders’ Meetings that must be made available to shareholders through the company website.

The corporate website is available at www.applus.com. At the top, under “Investor Relations”, full information is provided on corporate governance and General Meetings. Specifically, through the following links- <http://www.applus.com/es/InvestorRelations/Corporate-governance> and <http://www.applus.com/es/InvestorRelations/Shareholders-meetings> - direct access is provided to information on corporate governance and General Meetings, respectively.

C COMPANY ADMINISTRATIVE STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	12
Minimum number of directors	9
Number of directors set by the general meeting	10

Remarks
The number of directors was established by the Shareholders' meeting on 30 May 2019.

C.1.2 Please complete the following table on directors:

Name of director	Natural person representative	Director category	Position on the Bboard	Date first appointed to Board	Last re-election date	Method of selection to Board	Birth date
CHRISTOPHER COLE	N/A	INDEPENDENT	CHAIRMAN	07/05/2014	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION	30/08/1946
RICHARD CAMPBELL NELSON	N/A	INDEPENDENT	MEMBER	01/10/2009	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION	11/02/1943
JOHN DANIEL HOFMEISTER	N/A	INDEPENDENT	MEMBER	1/07/2013	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION	18/01/1948
ERNESTO MATA LÓPEZ	N/A	OTHER EXTERNALS	MEMBER	29/11/2007	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION	06/03/1941
NICOLÁS VILLÉN JIMÉNEZ	N/A	INDEPENDENT	MEMBER	27/10/2015	29/05/2020	GENERAL SHAREHOLDERS MEETING RESOLUTION	19/11/1949
MARIA CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	N/A	INDEPENDENT	MEMBER	21/07/2016	21/07/2016	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") – RATIFIED BY AGM	15/09/1966
MARIA JOSÉ ESTERUELAS AGUIRRE	N/A	INDEPENDENT	MEMBER	20/02/2019	20/02/2019	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") – RATIFIED BY AGM	21/03/1972
ESSIMARI KAIRISTO	N/A	INDEPENDENT	MEMBER	09/04/2019	09/04/2019	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") – RATIFIED BY AGM	28/05/1966
FERNANDO BASABE ARMÍJO	N/A	EXECUTIVE	MEMBER	01/02/2011	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION	11/08/1959
JOAN AMIGÓ CASAS	N/A	EXECUTIVE	MEMBER	30/05/2019	30/05/2019	GENERAL SHAREHOLDERS MEETING RESOLUTION	21/07/1966

Total number of directors	10
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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Date of last appointment	Date director left	Specialized committees of which he/she was a member	Indicate whether the director left before the end of the term
N/A	N/A	N/A	N/A	N/A	N/A

C.1.3 Complete the following tables regarding the members of the Board and their Categories:

EXECUTIVE DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
FERNANDO BASABE ARMIJO	CEO	Mr Basabe holds a degree in Law from the Universidad Complutense de Madrid and an MBA from IESE (Barcelona). Before joining Applus+, Mr Basabe spent 15 years at SGS S.A. in different senior management positions, ultimately becoming the Chief Operating Officer for Western Europe. He started his career at Manufacturers Hanover Trust Co. (JP Morgan & Co), where he held different positions within the corporate banking division. He was initially appointed as Executive Director of Applus on 1 February 2011.
JOAN AMIGO CASAS	CFO	Joan holds a degree in Economics from the Autonomous University of Barcelona as well as completing an IESE Business School's Executive Development Program, a Global Business Strategy Program at Wharton, University of Pennsylvania and an Advanced Management Program at ESADE Business School. Before joining Applus+, he held positions in PWC, where he started his career as external auditor, and Bimbo (Sara Lee), where he held various senior positions: Vice President and Chief Financial Officer, Financial Shared Services Director, Controller and Internal Audit Director and Vice President for Financial Planning and Control at Sara Lee Bakery's Europe Division. He joined Applus+ in December 2007 as Chief Financial Officer and was appointed Executive Director of Applus+ on 30 th May 2019.

Total number of executive directors	2
Percentage of Board	20

PROPRIETARY DIRECTORS

Name or company name of director	Post in organizational chart of the company	Profile
N/A	N/A	N/A

Total number of executive directors	N/A
Percentage of Board	N/A

INDEPENDENT DIRECTORS

Director's name	Profile
CHRISTOPHER COLE	<p>Mr. Cole holds a Degree in Environmental Engineering from Borough Polytechnic (University of South Bank) is an associate engineer in the United Kingdom and in 1999 he completed an Executive Management Course at INSEAD in France. Mr. Cole founded WSP Group Plc, a professional services engineering company that was listed on the London Stock Exchange in 1987 and held the post of Chief Executive Officer of the company until it merged with Genivar, Inc. in 2012. Following the merger, he was appointed non-executive Chairman of the enlarged group WSP Global Inc., whose shares are listed on the Toronto Stock Exchange, a role he currently retains. He is also non-executive Chairman of Tracsis Plc</p> <p>Mr Cole has many years of experience in managing large international and diversified groups in both Executive and Non-Executive capacities and brings this wealth of experience to bear in his role as Chairman of the company. In particular, he was Non-Executive Chairman position at Ashtead for 12 years where the Company progressed to a FTSE 100 leading performer until 2019 when he left.</p>
JOHN DANIEL HOFMEISTER	<p>Mr. Hofmeister holds a Bachelor's and Master's Degree in Political Science from Kansas State University. In May 2010 he was awarded an honorary doctorate from the University of Houston and in 2014 was awarded with a doctorate in letters by Kansas State University. Mr. Hofmeister was the President of Shell Oil Company in the US from 2005 to 2008 and prior to that he was the Group Director of Human Resources at Royal Dutch Shell in the Netherlands. Mr. Hofmeister founded and heads the not for profit membership association, Citizens for Affordable Energy and is a key member of the US Energy Security Council, a bipartisan not for profit group in Washington, DC. Mr. Hofmeister has previously held executive positions at General Electric, Nortel Networks and AlliedSignal (now Honeywell International). Currently, Mr. Hofmeister also serves as a non-executive Director of Loneer Ltd in Australia.</p> <p>Mr Hofmeister's deep knowledge of the global energy markets is of significant importance to the Board as this is a relevant sector of the overall Group revenues. Furthermore, his experience of operating on other Boards in both an executive and non-executive roles especially whilst acting as Group Director of Human Resources at Royal Dutch Shell means he is well acquainted with this aspect of Corporate Governance.</p>
RICHARD CAMPBELL NELSON	<p>Mr. Nelson is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Master of Science Degree in Economics at the London Business School. Mr. Nelson was a Director of Transcontinental Services Inc. from 1972 and CEO from 1982 to the date of its acquisition by Inchcape Plc in 1985. He was nominated to the same position in Inchcape Plc which combined Transcontinental Services Inc. with its consumer goods testing and minerals testing businesses to become Inchcape Testing Services NA, Inc. In 1996, Inchcape Testing Services NA, Inc. was acquired by a private equity firm and became Intertek Group Limited of which Mr. Nelson was the executive Chairman until 2002, when the company floated on the London Stock Exchange. At this time, Mr. Nelson became the CEO of Intertek Group plc until he retired in 2006. Mr. Nelson was also President of the International Federation of Inspection Agencies.</p> <p>Mr. Nelson has spent over thirty years in the testing, inspection and certification industry and in this time has gathered a significant level of experience giving him good knowledge of the industry and the investment market that follow it.</p>
NICOLÁS VILLÉN	Mr. Villén holds an industrial engineer degree from Universidad

<p>JIMÉNEZ</p>	<p>Politécnica de Madrid, a Master in Electrical Engineer by the University of Florida (Fulbright Scholar) and an MBA from the Columbia University. Mr. Villén was CEO of Ferrovial Aeropuertos (2009-2012) and CFO of Ferrovial (1993-2009). Before that, he worked as Midland Montagu Ventures' CEO, Smith Kline & French's CEO and International Vice-President, amongst other responsibilities in Abbott Laboratories and Corning Glass Works. Currently, he externally advises IFM Investors (an Australian infrastructure fund) and he is a board member of FCC Aqualia and ACR Grupo.</p> <p>Mr. Villen was appointed considering his high level experience in a variety of roles in world class Spanish and international companies including a strong financial background which lends support to the Audit Committee, of which he is currently the Chairman.</p>
<p>MARIA CRISTINA HENRÍQUEZ DE LUNA BASAGOITI</p>	<p>Ms. Henríquez de Luna holds a degree in Business Administration and Economics from ICADE in Madrid.</p> <p>Ms. Henriquez de Luna is the President and Managing Director Spain and Head of Iberia and Israel Cluster at GlaxoSmithKline where she has benefited from an extensive career in international markets in both commercial and finance roles. Previous to this, she was at Procter & Gamble in Spain, Switzerland, Mexico and Peru in a variety of senior finance positions including 12 years of direct Latin American management. Ms Henriquez de Luna is independent director at Melia Hotels International.</p> <p>Ms. Henriquez de Luna's experience of operating in international markets in both commercial and finance roles in a highly regulated industry make her well suited to support the Board and the Audit Committee where she is a member.</p>
<p>MARIA JOSÉ ESTERUELAS AGUIRRE</p>	<p>Ms. Esteruelas holds a degree in Industrial Electrical Engineering from ICAI (Madrid). She has a Master's degree in Operations from the Instituto de Empresa (Madrid) and a General Management Executive Programme from the IESE (Madrid).</p> <p>Ms. Esteruelas currently serves as Director of Energy at Ferrovial Construcción, company she joined February 2021. Most of her career has been at Abengoa which she joined in 1997, performing a variety of senior positions , as member of the Executive Committee and General Director for America, in charge of all the subsidiaries in the continent. Previously, she was Director of the Energy division, LATAM director and Concession and Operations directors.</p> <p>From July 2014 to December 2017 she was member of the Atlantica Yield Board of Directors appointed by Abengoa.</p> <p>Ms. Esteruelas' experience in various positions in international markets, particularly in the energy sector, make her well suited to support the Board and the Appointments and Compensation Committee, where she is a member.</p>
<p>ESSIMARI KAIRISTO</p>	<p>Ms. Essimari Kairisto has a diploma in Business Administration from the University of Fachhochschule Bielefeld (Germany).</p> <p>Ms. Kairisto was the Chief Financial Officer and a Board Director for Hochtief Solutions AG until 2016 after which she has taken on independent consulting roles. These include since 2015, Supervisory Board Member of Freudenberg, the privately owned German technology company and since 2018, Non-Executive Director and member of the Audit and Risk Committee of Fortum Oyj, the clean energy generation and distribution company that is listed on the Helsinki stock exchange. Additionally, Ms Kairisto is a member of the Supervisory Board of TenneT, the Dutch state owned leading European electricity transmission system operator (TSO) with its main activities in the</p>

	<p>Netherlands and Germany.</p> <p>Prior to her move to Hochtief Solutions in 2013, Ms Kairisto had several high profile roles in finance and general management including at Sasol, RWE and Schlumberger.</p> <p>Ms Kairisto was appointed considering her high level experience in a variety of roles in European companies, including listed and in the energy sector, in addition to her strong financial knowledge which lends support to the Audit Committee, of which she is currently a member.</p>
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Number of independent directors	7
Percentage of the Board	70

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board
N/A	N/A	N/A

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:

Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
ERNESTO GERARDO MATA LÓPEZ	Mr. Mata was initially appointed as director on 29/11/2007 holding the position in the board for more than 12 years.	APPLUS SERVICES, S.A.	Mr. Mata López holds a Degree in Economics and MA from the University of Geneva and an MBA from IESE (Barcelona). He was a member of the board, deputy to the President, and CFO at Unión Fenosa, S.A. (now Gas Natural SDG, S.A.), President at Unión Fenosa Soluziona, S.A., member of the board of directors at Compañía Española de Petróleos, S.A. and Abertis Infraestructuras, S.A., where he was the Chairman of the Audit Committee. He was the President of the advisory board at Knight Frank, member of the board of Aguas Anginas and senior advisor in Marlin Patterson Global Advisers LLC.

Total number of other external directors	1
Percentage of the Board	10

Remarks
In accordance to article 529 duodecies 4 i) of the Royal Legislative Decree 1/2010, of July 2nd, which approves the which approves the consolidated text of the Capital Companies Law - on directors' categories, Mr. Ernesto Mata López ceased to be qualified as independent director given that he has been a director of the Company for more than 12 consecutive years

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
ERNESTO MATA LÓPEZ	29/11/2020	INDEPENDENT	EXTERNAL

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	3	3	1	1	42.86	37.5	11.1	11.1
Other external	0	0	0	0	0	0	0	0
Total	3	3	1	1	30	30	10	10

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

Yes No Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also, state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved
The Board of directors has recently amended its Regulations including more detail on diversity matters to consider in selection processes, and currently, article 14.3 establishes that: <i>"The Board of Directors shall ensure that the appointment procedures of its members favour diversity with respect to aspect such as age, gender, disability or training and professional experience and have no implied bias that might entail any discrimination and, in particular, that they facilitate the selection of female Directors in a number allowing to reach a</i>

balanced presence of women and men”.

Likewise, it has modified its Directors Selection Policy (available at www.applus.com) in accordance with the new guidelines of the Good Governance Code of June 2020.

Currently, the policy establishes as follows: *“The objective of this Policy is to explain the principles that will govern the selection of candidates to the position of directors of the Company. The selection procedures shall be aimed at achieving an adequate balance on the Board of Directors as a whole and, in particular, at promoting the goal of having at least 40% of total board places occupied by women directors by the end of 2022 year and thereafter. The Applus+ Board of Directors shall ensure in any case that the selection procedures favours diversity in gender, age disabilities, experience, professional education or experience and that they do not suffer from implicit bias that might imply any discrimination and, in particular, that might make it more difficult for the selection of female candidates, promoting an increase of women’s presence on the Board in view of best corporate governance practices and in line with the specific analysis of the Company’s needs performed by the Board of Directors. In particular, the Board will ensure that the Company adopts measures that encourage the company to have a significant number of female senior managers to contribute to gender diversity overall.”*

These principles are aligned with the practices that the company has been following in the directors’ selection processes.

In year 2019, the Board of Directors included in the policy the express mention to the objective that the less represented gender would at least hold 30% of the positions in the board. In consequence, and on the basis of the needs identified by the Board of Directors, a female director was appointed in 2016 and two on 2019, reaching the objective established a year earlier. In the selection process initiated following the two vacancies arisen in 2018, female directors’ profiles were prioritized in order to achieve the representation objective.

In any case, the Appointments and Compensation Committee and the Board of directors promote and guarantee diversity amongst its members in a wider sense (including factors such as gender, age, experience, skills, geography) in order to continue leading the strategy of the Company, and meeting stakeholders’ expectations. Finally, also to point out that the current composition of the board and its diversity is a matter positively considered both by board members during annual evaluations (who point out the contribution to the debate and decision making), as well as by institutional investors and proxy advisors within the framework of the meetings about corporate governance that the company holds with them. In respect of the vacancies that might originate in the future, the Company will act with same equality, safeguarding that nothing hinders or

prevents to increase the representation of female directors in the Board.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women. Indicate if the measures include to promote a significant number of female top management:

Explanation of means
<p>As indicated in the previous section, in its new wording, the Directors' Selection Policy establishes that: <i>"In particular, the Board will ensure that the Company adopts measures that encourage the company to have a significant number of female senior managers to contribute to gender diversity overall."</i> This new wording reflects the Company's practices and the Company had applied a number of policies applicable to the entire group:</p> <ul style="list-style-type: none"> - Code of Ethics: it establishes a framework that goes beyond regulatory compliance. It Establishes general principles to guide the integrity and professionalism in the decision making process. - ESG Policy: This policy refers to the framework and development of the Corporate Social Responsibility Policy within the Applus Group. Política - Equality and Diversity Policy, which establishes as main principle to ensure the staff grows and maintains gender, age and capacities diversity, as Applus+ values difference. Likewise, it establishes that the company shall develop and implement adequate training programs for the achievement of these principles and will review and update the policy to adjust it to any changes that the group might face, ensuring its compliance. - Non-discrimination global policy: This policy establishes Applus undertaking in promoting the equality within the company and the aim to eliminate any kind of discrimination, as well we the commitment to promote good relationship within staff. - Permanent monitoring by CNR of HR strategy and actions to achieve these goals, as well as follow up on related indicators (salary gap, % of positions held by each gender, etc.), at least annually.

In the event that there are few or no female directors or top management in spite of any measures adopted, please explain the reasons that justify such a situation

Explanation of means
<p>The Company develops its business in geographies and technical industries (such as construction, Automotive, Energy, aerospace so, despite the efforts to promote gender diversity in every level of the organization, it is more complicated than in other industries to progress at a quick pace in these issues.</p>

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the policy aimed at promoting an adequate composition of the board of directors.

It is the Appointments and Compensation Committee's view that the Applus+ directors' selection policy adopted the practices followed by the company in the subject and is consistent with the good corporate governance, which is a key plank of the ESG policy. Likewise, it considers that the compliance with the selection policy has contributed to de adequate and diverse composition of the Board of directors.

In this sense, the directors' selection processes that took place have contributed to improve the diversity of the Board's composition in a broad sense: gender, skills and experience. The company had the assistance of an external firm for the selection process, following a previous definition by the Board of the skills required.

Likewise, as indicated in C.1.5 above, the company's most recent selection processes resulted in three females joining the board of directors, which represents 30% of the Board of directors and the early compliance with the goal established in the policy at the time.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
N/A	N/A

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

Yes No

Name of shareholder	Explanation
N/A	N/A

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director	Brief description
N/A	N/A

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Individual or company name of the director	Company name of the group member	Post	Does it have executive functions?
FERNANDO BASABE ARMIJO	APPLUS TECHNOLOGIES, INC.	Chairman of the Board	No

FERNANDO BASABE ARMIJO	LIBERTYTOWN USA FINCO, INC	Chairman of the Board	No
FERNANDO BASABE ARMIJO	LIBERTYTOWN USA 1, INC.	Chairman of the Board	No
FERNANDO BASABE ARMIJO	IDIADA AUTOMOTIVE TECHNOLOGY, S.A.	Director's representative	No
FERNANDO BASABE ARMIJO	LGAI TECHNOLOGICAL CENTER, S.A.	Director's representative	No
FERNANDO BASABE ARMIJO	APPLUS SERVICIOS TECNOLÓGICOS, S.L.U.	Sole director's representative	Yes
FERNANDO BASABE ARMIJO	INVERSIONES FINISTERRE, SL	Chairman's representative	Yes
FERNANDO BASABE ARMIJO	SUPERVISIÓN Y CONTROL, S.A.U	Sole director's representative	Yes
FERNANDO BASABE ARMIJO	RITEVE SYC, S.A	Board's Chairman	Yes
FERNANDO BASABE ARMIJO	INVERSIONES Y CERTIFICACIONES INTEGRALES, S.A	Board's Chairman	Yes
FERNANDO BASABE ARMIJO	INSPECCIONES Y AVALUOS, SYC, S.A	Board's Chairman	Yes
FERNANDO BASABE ARMIJO	APPLUS ITEUVE GALICIA, S.L.U.	Sole director's representative	Yes
DON FERNANDO BASABE ARMIJO	CRPLUS SERVICES, SOCIEDAD ANÓNIMA	Presidente de la Junta Directiva	Yes
JOAN AMIGÓ CASAS	LIBERTYTOWN USA FINCO, INC	Director	Yes
JOAN AMIGÓ CASAS	LIBERTYTOWN USA 1, INC.	Director	Yes
JOAN AMIGÓ CASAS	RINGAL INVEST, S.L.U	Sole director's representative	Yes
JOAN AMIGÓ CASAS	INVERSIONES FINISTERRE, S.L.	Director's representative	No
JOAN AMIGÓ CASAS	LGAI TECHNOLOGICAL CENTER, S.A.	Director's representative	No
JOAN AMIGÓ CASAS	IDIADA AUTOMOTIVE TECHNOLOGY, S.A.	Director's representative	No

C.1.1.1 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:.

Name of director	Name of listed Company	Position
CHRISTOPHER COLE	WSP GLOBAL, INC	NON EXECUTIVE CHAIRMAN
CHRISTOPHER COLE	TRACISIS, PLC	NON EXECUTIVE CHAIRMAN
JOHN DANIEL HOFMEISTER	IONEER LTD	INDEPENDENT DIRECTOR
ESSIMARI KAIRISTO	FORTUM OYJ	INDEPENDENT DIRECTOR
MARIA CRISTINA HENRIQUEZ DE LUNA	HOTELS MELIA INTERNATIONAL	INDEPENDENT DIRECTOR

Notes

The Chairman of the board has been reducing his positions in other companies, in line with best Corporate governance practices, as well we specific expectations of institutional investors and proxy advisors.

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

Yes No

Explanation of the rules and identification of the document where this is regulated
N/A

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	2,286
Amount of vested pension interests for current members (thousand euros)	205
Amount of vested pension interests for former members (thousand euros)	0

Remarks
The fix compensation of the executive directors includes a part in RSUs (Restricted Stock Units).The variable compensation of the executive directors includes a portion in cash, and the remainder in RSUs exchangeable in shares in a period of three years from the day of grant in an amount of 30% for the first two years and 40% the third one. Further detail is available at the company's annual accounts.
The plans in force at the end of the exercise for the RSUs granted in 2018, 2019 and 2020 can be consulted in the Annual Report on Directors Remuneration.
Long Term Incentive: in accordance with the remunerations policy in force, the executive directors will receive annually PSU (Performance Stock Units) convertible in shares of the Company in the term of three years since the date of grant. Details on current PSUs plans can be consulted in the Directors' Remuneration Policy.
Without prejudice of the remuneration determined for the board of directors in accordance with the Directors' Remuneration Policy approved by the AGM on 30 May 2019, the board unanimously approved in an extraordinary session the decrease of their salaries in 30% during a period of time due to the uncertainty generated by the COVID-19. Said decision was published as other relevant information on 8 April 2020.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
PEREZ FERNANDEZ, JOSE DELFIN	Human Resources, Marketing & Communications
LOPEZ SERRANO, JAVIER	Corporate Development
ARGILES MALONDA, EVA	Legal
FARRAN PORTE, JOSEP MARIA	Idiada Division

RETES AGUADO, AITOR	Automotive Division
BRUFAU REDONDO, JORDI	Laboratories Division
FERNANDEZ ARMAS, RAMON	Energy & Industry Division
SAN JUAN SARDE, PABLO	Energy & Industry División (Latin America)
MAYOR BALVIS, JULIAN	Energy & Industry Division (Mediterranean)
DAVES, BRIAN	Energy & Industry Division (Middle East & Africa)
CARR, JOHN	División Energy & Industry (Oil & Gas, USA)
HEALTH, DONALD	Energy & Industry Division (Aerospace, North America)
GRANT, JAMES	Energy & Industry Division (Canada)
WATERS, CAMERON	Energy & Industry Division (Asia Pacific)
DIRK VAN DER PUT	Energy & Industry Division (Northern Europe)
DIAZ ORPINELL, ANNA	Compliance
SANFELIU RIBOT, M.TERESA	Internal Quality, H&S and Innovation (HSQE)
SWIFT, ASTON GEORGE WILLIAM	Investor Relations
RIBAS AGUILERA, ALEIX	Internal Audit

Number of women in senior management	3
% of total of senior management members	15.79

Total senior management remuneration (thousand euros)	5,394
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Remarks
<p>It is considered senior management for these purposes the members of the management who are part of Group Management, i.e., the Executive Committee that includes the Regional Directors of the Energy & Industry division of the Group. For the purposes of the information regarding compensation, it also includes the internal auditor, in line with the definition contained in the current accounting rules and in particular with the Report of the Special Work Group on Good Governance of Public Companies, published by CNMV on 16 May 2006.</p> <p>The fix compensation of some managers includes a part in RSUs (<i>Restricted Stock Units</i>), convertibles in shares in the third anniversary of the date of grant as detailed in the annual accounts of the company.</p> <p>The variable compensation of the management include a portion in cash, and the remainder in RSUs convertibles in shares in a period of three years as of the date of grant, 30% the first two years and 40% the third, as detailed in the annual accounts of the company.</p> <p>Pluri-annual compensation and Long Term Incentive in PSUs: in accordance with the remunerations policy in force, some members of the management of the group receive annually PSUs (<i>Performance Stock Units</i>), convertibles in shares of the company in a period of three years from the day of grant.</p>

C.1.15 State whether the Board rules were amended during the year:

Yes No

Description of amendment
<p>ESG Committee and board of directors, in their meetings on July 2020, reviewed the new version of the Good Governance Code issued by CNMV in June 2020. As a consequence of the review, the board agreed to review the Director's regulations to adjust it. The new draft was submitted to the October 2020 board meeting and finally approved in its December 2020 meeting. The review included improvement or clarification of certain references.</p> <p>Therefore, changes came from three different reasons: (i) review to adjust to the new good governance code; (ii) improve writing of certain clauses and (iii) deletion of references to the Executive Committee.</p>

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Selection: Appointments and Compensation Committee is responsible for (i) evaluating the skills, expertise and experience necessary in the Board of Directors to define, consequently, the functions and abilities needed in candidates who are to fill each vacancy, and to evaluate the time and dedication necessary to perform their duties; and of (ii) to safeguard that, when filling new vacancies, the selection procedure does not suffer from implicit biases that might hinder the selection of female Directors; and so that the company deliberately searches for, and includes amongst potential candidates, women who meet the professional profile sought (article 39.3 vi and x del of the Regulations of the Board of Directors).

Appointment: The members of the Board of Directors shall be appointed by the General Shareholders' Meeting, notwithstanding the possibility of co-opting members as established in the Spanish Companies Act (article 23 of the company By-laws,). It is not necessary to be a shareholder to be elected member of the Board, except in the case of co-option. Individual or legal entities covered by any of the prohibitions established by current legislation for reasons of incapacity or incompatibility shall be disqualified from Board membership.

Proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and appointment decisions adopted by the Board of Directors pursuant to its interim appointment authority shall be made subject to the prior report by the Appointments and Compensation Committee (in the case of executive and proprietary Directors), and subject to a proposal from the Appointments and Compensation Committee, in the case of independent Directors (articles 14 and 39.3 of the Regulations of the Board of Directors).

In all the directors' selection processes, CNR has relied on recognized external recruitment firm, being all candidates always selected on the bases of the candidates presented by it.

Term of office (article 23.3 of the company By-laws and 15 of the Board of Directors Regulations). Tenure of office shall be four (4) years as from the date of acceptance, being able to be re-elected one or more times for periods of equal duration.

Re-appointment (article 16 of the Regulations of the Board of Directors). Before the reappointment of Directors is proposed to the General Shareholders' Meeting, the Appointments and Compensation Committee shall issue a report evaluating the work and dedication of the Directors proposed during the previous term in office.

Self-evaluation (article 36 of the Regulations of the Board of Directors): *"The Board of Directors shall dedicate the first meeting of the year to an assessment of its operation during the previous financial year, evaluating the quality of its work, assessing the effectiveness of its regulations, and if appropriate, correcting those aspects that were found not to be functional. Furthermore, the Board of Directors shall assess the performance of its duties through the Chairman of the Board of Directors and the senior executive of the company, based on the report issued by the Appointments and Compensation Committee, as well as the operation of the Board of Directors Committees, based on their reports".* The evaluation process is currently based in a questionnaire addressed to each of the directors as well as in telephone interviews or specific face to face meetings with the Chairman of the Board. The results of the same are reported to the Board in the first session of the next exercise. The Board of Directors has decided to continue with the internal self-evaluation, but every year it considers the possibility to be assisted by an external in the future, not done yet considering the recent changes in the composition as well the good existing dynamics. In any case, with the aim of continuously improving, the Chairman of the Board requested the Legal Management of the Group the review of the questionnaire in view of current standards and therefore, the Board has updated and extended the scope of the questionnaire

(including, for example, more queries in respect of ESG and non-financial issues), as well as its format (using an online questionnaire through the board portal). In the 2020 exercise, questions have been added about management during the COVID-19 crisis.

Removal (article 17 of the Regulations of the Board of Directors). Directors shall be removed from their post once the term for which they were appointed has lapsed or when so is decided by the General Shareholders' Meeting pursuant to the powers conferred upon them by law and in the by-laws, with no need for said decision to be included in the agenda of the General Shareholders' Meeting. The Board of Directors shall not propose the removal of any independent Director before the end of the statutory term for which they have been appointed, except where the Board of Directors considers that sufficient grounds for such action exist, based on a report by the Appointments and Remuneration Committee. In particular, sufficient grounds will be deemed to exist when the Director has failed to fulfil the duties of its position or is affected by one or more of the circumstances that would have prevented its appointment as an independent Director, in accordance with applicable legal provisions

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organization and to procedures applicable to its activities:

Description of changes
The 2019 year evaluation did not drive to significant changes in the Board's organization nor procedures, save for a greater focus on certain risk & opportunities areas (such as cybersecurity and ESG). The evaluation endorsed a cohesive, supportive and well-functioning Board. The 2020 year evaluation reflected an excellent response to the Covid-19 crisis, whilst commenting on the need for a refreshment of the evaluation process and the Board will analyze and decide how to achieve it

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
<p>The evaluation process was coordinated by the Chairman of the Board and consisted of a questionnaire for each Director, sent early January 2021 and individual interviews with each director during February 2021. The process is based on a tailor-made online questionnaire, through the Board portal. The questionnaire was updated in 2019 and this year included Covid management items. After the compilation of the results, a document with main conclusions of the process, as well as some notes and suggestions for improvement was sent to all directors by the Chairman. This was an agenda item at the first Board and Appointments and Compensation's meetings of the year, in February 2021, and the improvement measures shall continue to be discussed in future meetings as appropriate.</p> <p>In general, the conclusions of the evaluation process were positive in terms of schedule and effectiveness and particularly in terms of quality of information –in format and time-, decision making –debate and consensus-, dedication of Board members and its Committees as well as overall functioning. In particular, from this evaluation the appreciation of the higher diversity of the Board (in wide sense: experience, geographical, age, gender), as well as the variety of perspectives that this diversity provides to analysis and debates was noted. Likewise, their accessibility, and in particular chairman and CEO's, has been evaluated, as well as the good dynamics achieved by all of them.</p> <p>As a result of the evaluation performed, the Board concluded it will continue to maximize its knowledge on the company's business, hold meetings which include business visits, strengthen the regular review of risk and opportunities related with technology, cybersecurity and digitalization, as well as in ESG and climate change, in particular. Additionally, the Board will consider a refreshment of the evaluation process itself including the possibility for a third party involvement.</p>

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

N/A

C.1.19 State the situations in which directors are required to resign.

According to article 17.3 of the Regulations of the Board of Directors, "Directors must tender their resignation to the Board of Directors and, where considered appropriate by the Board, formalize the appropriate resignation in the following circumstances:

(a) When they cease in the positions, posts, or functions related with their appointment as executive Directors;

(b) In the case of proprietary Directors, when the shareholder whose interests they represent transfers all of their shares, or that they do it in the corresponding number in case said shareholder reduces its holding in the Company;

(c) When they are affected by any of the incompatibility or prohibition provisions legally established;

(d) If they are severely reprimanded by the Board of Directors on the basis of a report by the Appointments and Remuneration Committee as a result of having breached their duties as Directors; or

(e) When their continuance on the Board of Directors may jeopardize the interests of the company".

Article 17.4 establishes that "when a Director is removed from its office before the end of the term of office following its resignation or through resolution of the general meeting, the Director shall explain sufficiently the reasons for doing so, or in the case of non-executive Director, his/her opinion of the reasons for the general meeting resolution, in a letter addressed to all the members of the Board of Directors. This should all be reported in the Annual Corporate Governance Report, and if it is relevant for investors, the Company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the Director."

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

Yes No

If so, please describe any differences.

Description of differences
N/A

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

Yes No

Description of requirements

N/A

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

Yes No

	Age limit
Chairman	N/A
CEO	N/A
Directors	N/A

Notes
During the latest selection processes managed by the company, the diversity in terms of age (in addition to gender and others) was a relevant aspect considered, having the average age of the board of directors reduced.

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

Yes No

Additional requirements and/or maximum number of term limits	N/A
---------------------------------------------------------------------	-----

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

<p>Article 27.2 of the company By-laws provides that Directors shall personally attend the meetings. In case they cannot attend, the Director may only be represented at meetings of the Board of Directors by another director. Non-executive Directors can only be represented by other non-executive Directors. In any case, representation shall be granted by a letter addressed to the Chairman or by other means detailed in the Regulations for the Board of Directors.</p> <p>Article 18 of the Regulations of the Board of Directors provides the obligations that Directors must fulfil when in office. Specifically, article 18.2 (a) establishes that Directors shall attend meetings of bodies of which they are part and actively participate in deliberations, so that they can effectively contribute to the decision-making process. Furthermore, said article also provides that if any Director cannot be present at sessions to which they have been called to attend, they must instruct the director who they have appointed as representative.</p> <p>According to article 35.7 of the Board of Directors Regulations, the Chairman shall decide, in the event of any doubt, on the validity of the delegations conferred by Directors who are not present at the meeting. Said representations shall only be granted by letter or any other written method which, in the Chairman's opinion, ensures that the representation is valid.</p>

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	11
Number of Board meetings without the chairman	0

Remarks
Due to the mobility limitations of 2020, there as only one meeting with physical presence. The remaining 11 meetings were via videoconference. Additionally, a board meeting was held in writing.

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	N/A
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Please specify the number of meetings held by each committee of the Board during the year:

C.1.26

Number of meetings held by the Audit Committee	4
Number of Meetings held by the Appointments and Remuneration Committee	4
Number of meetings held by the Corporate Social Responsibility Committee	4

State the number of meetings held by the Board of Directors during the year in which all of its directors were present. For the purposes of this section, proxies given with specific instructions should be considered as attendance

Number of meetings when all directors attended	11
% of attendance over total votes during the year	100
Number of meetings in situ or representations made with specific instructions of all directors	11
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100

Observaciones
As mentioned in section C.1.25, due to mobility limitations during 2020, there was only meeting with physical presence, where all directors were present, and the remainder 10 meetings were held via videoconference, where all directors were present. Additionally, all directors issued their votes in the session held in writing.

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

Yes No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
N/A	N/A

C.1.28 Explain any measures established by the Board of Directors so that the annual accounts that the board submits to the General Shareholders' Meeting are prepared in accordance with applicable accounting regulations.

Article 10.1 of the Regulations of the Board of Directors establishes that: *"The Board of Directors shall prepare the annual accounts and the management report (both individual and consolidated) so that they provide a true and fair view of the equity, financial position, and results of the Company, as provided for in the Spanish Companies Act, subject to the prior report of the Audit Committee"*.

In accordance with article 38 of the Regulations of the Board of Directors, the Audit Committee is in charge of, amongst others, monitoring and evaluating the preparation and the integrity of the mandatory financial information, reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

Likewise, the Policy for the communication of economic-financial, non-financial and corporate information and communication and contact with shareholders, institutional investors and proxy advisors establishes that *"The management and supervision of the information communicated at the highest level to shareholders, institutional investors and the markets in general belongs to the Board of Directors, protecting and enabling the exercise of their rights and interests within the protection of the corporate interest and in accordance with the applicable laws and the good governance. In line with applicable rules and with the Regulations of the Board of Directors, the approval of the information that, being a listed company, Applus+ must publish occasionally or periodically, and any information made available to the markets, sits within the Board of Directors. The Board has approved a procedure for the publication of information on the CNMV's page in development of the Company's Internal Regulation of Conduct in the securities markets."*

C.1.29 Is the secretary of the Board also a director?

Yes No

If the secretary is not a director, please complete the following table:

Name of the secretary	Representative
VICENTE CONDE VIIÑUELAS	N/A

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 38.7(c) (iii) of the Regulations of the Board of Directors provides that the Audit Committee, will *"monitor the independence of the external auditor, to which end, the company shall:*

- *Notify any change of auditor to the CNMV as a relevant fact, accompanied by a statement of any disagreements arising with the outgoing auditor and, should this be the case, their content.*
- *Ensure that the company and the auditor comply with current regulations on the provision of non-audit services, the limits on the auditor's business concentration, the regulations referring to the requirement to rotate the auditor issuing the audit report, and in general, any other*

provisions established in order to ensure the independence of the auditors.

- The Audit Committee shall issue a report annually, in which it shall express its opinion on the auditors' independence. This report shall refer in any case to the provision of additional services provided by the auditors to the company or to any entity associated with the company, whether directly or indirectly.
- To this end, the Audit Committee shall receive the auditors' written confirmation of their independence in respect of the company, and any of its associated entities, whether directly or indirectly, as well as any information on additional services of any kind that they have provided to the company or any of its associated entities, whether directly or indirectly.
- In the event that the external auditor withdraws, the circumstances motivating this withdrawal shall be examined."

It is important to point out that since the Company went public (May 2014), the partner responsible for the audit firm has changed in 2 occasions, as well as part of the supporting team. Likewise, the Audit Committee ensures the minimization of the other fees that the audit firm might receive. Likewise, the Company issues before every AGM the report on the auditors' independency.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

If there were any Yes No disagreements with the outgoing auditor, please provide an explanation:

Yes No

Explanation of disagreements
N/A

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

Yes No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	0	147	147
Amount invoiced for non-audit services/Amount for audit work (in %)	0	7.06	7.06

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

Yes No

Explanation of reasons
N/A

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	14	14

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (by %)	100	100

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

Yes No

Explanation of procedure
<p>Article 30.3 of the Regulations of the Board of Directors provides that “As the Chairman of the Board of Directors is responsible for the effective operation and functioning of the Board of Directors, it shall be required to ensure that the Directors are provided with sufficient information beforehand; (...)”. In practice, this means that the information required for a particular session is available at least at the moment of its call and, sometimes, according with the complexity of the matter, with enough anticipation. Likewise, the Board of Directors has set up an intranet so, amongst others, the information is available by electronic means and confidentiality is safeguarded, as well to enhance the previous accessibility of the information.</p> <p>In addition, article 23 of the Regulations of the Board of Directors provides that each director is entitled to ask for additional information, and the article regulates these requests.</p>

C.1.36 Indicate whether the company has established rules obliging directors to inform the Board of any circumstances, whether or not related to their actions in the company itself, that might harm the company’s standing and reputation, tendering their resignation where appropriate. If so, provide details:

Yes No

Explain the rules
<p>Article 17.3 of the Regulations of the Board of Directors provides that “Directors must tend their resignation to the Board of Directors and, where considered appropriate by the Board, formalize the appropriate resignation in the following circumstances:</p> <p>(c) When they are affected by any of the incompatibility or prohibitions provisions legally established;</p> <p>(d) If they are severely reprimanded by the Board of Directors on the basis of a report by the Appointments and Remuneration Committee as a result of having breached their duties as Directors; or</p> <p>(e) When their continued presence on the Board of Directors may jeopardize the interests of the Company.</p>

In accordance with Article 17.4: “When a Director is removed from its office before the end of the term of office following its resignation or through resolution of the general meeting, the Director shall explain sufficiently the reasons for doing so, or in the case of non-executive Director, his/her opinion of the reasons for the general meeting resolution, in a letter addressed to all the members of the Board of Directors. This should all be reported in the Annual Corporate Governance Report, and if it is relevant for investors, the Company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the Director.”

C.1.37 Indicate whether, apart from such special circumstances as may have arisen and been duly minuted, the Board of Directors has been notified or has otherwise become aware of any situation affecting a director, whether or not related to his or her actions in the company itself, that might harm the company’s standing and reputation:

Yes No

Indicate whether the Board of Directors has examined the case. If so, explain whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director’s resignation or proposing his or her dismissal.

N/A

Indicate also whether the Board decision was backed up by a report from the Appointments and Compensation Committee.

N/A

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

The financing agreements “Multicurrency Facilities Agreement” and “Note Purchase Agreement” signed by the company on 7 June 2018 and 4 July 2018 include early maturity clauses in the event of a change in control, in standard terms for contracts of this kind. Likewise, there are other agreements entered into by subsidiaries of the company which might contain change of control clauses, such as concession or similar contracts.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	9
Type of beneficiary	Members of the management committee
Description of agreement	The company has entered into severance payment arrangements (“blindajes”) nine (9) members of the senior management team who are part of the management committee. The amounts payable to senior management pursuant to the severance payment arrangements may be determined by reference to one of the three following parameters, as applicable: (i) a compensation equal to twice the gross annual compensation received by the relevant senior manager in the year immediately preceding termination of employment; (ii) a compensation (net of tax) equal to twice the net annual monetary compensation received by the relevant senior manager in the year immediately preceding termination of employment after withholding taxes; (iii) a compensation (net of tax) equal to the greater

	<p>of (a) twice the net annual monetary compensation received by the relevant senior manager in the year immediately preceding termination of employment and (b) compensation resulting from calculating 45 days of salary per year of service, with a maximum amount of 42 monthly payments; (iv) a compensation equal to the greater of following amounts: (a) the aggregate of two years of the fixed salary paid at the moment of termination plus twice the annual bonus received 12 months before the contract termination; (b) the legal compensation which might correspond for the contract termination; (v) a compensation equal to the aggregate of the following amounts: the aggregate of two years of the fixed salary paid at the moment of termination plus twice the annual bonus received 12 months before the contract termination (vi) a compensation equal to the greater of following amounts (a) twice the gross monetary compensation received in the last twelve months and (b) the compensation that results from calculation 33 days of salary per year of services with a maximum 24 monthly payments; (vii) a compensation equal to the fix remuneration received in the year immediately preceding termination of employment plus the amount of the last yearly bonus received in cash.</p> <p>Pursuant to the arrangements entered into by the group, certain senior managers they are entitled to severance payments in case described in preceding paragraph in the following cases: (i) their employment is terminated by the company, except in case of fair disciplinary dismissal ("<i>despido disciplinario procedente</i>") declared by a final judgment and (ii) in some of the cases in the event they decide to early terminate their employment with the group (whatever form and cause), except in case of resignation ("<i>dimisión</i>") and (iii) some directors, in case of transfer of their work location outside the region where they currently render their services.</p> <p>In addition to these 9 managers, there are others in the company, who do not report directly to the CEO and have severance payment arrangements ("<i>blindaje</i>").</p>
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Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General Shareholders' Meeting
Body authorizing the severance clauses	YES	NO

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?		X

C.2 Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT COMMITTEE

Name	Post	Category
NICOLAS VILLÉN	PRESIDENT	INDEPENDENT
ERNESTO GERARDO MATA LÓPEZ	MEMBER	EXTERNAL
MARIA CRISTINA HENRÍQUEZ DE LUNA	MEMBER	INDEPENDENT
ESSIMARI KAIRISTO	MEMBER	INDEPENDENT

% of proprietary directors	0
% of independent directors	75
% of external directors	25

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The members of the Audit Committee are appointed by the Board of Directors. The Audit Committee consists of three to five members of the Board of Directors, based on their knowledge and experience in accounting, auditing and risk management matters.

Audit Committee's functions are listed in article 38 of the Regulations of the Board of Directors and mainly consist of:

- a) To report the General Shareholders Meeting on the issues raised in relation to those matters within the competence of the Audit Committee, and in particular on the outcome of the audit.
- b) In relation to the information and internal control systems:
 - (i) To monitor the effectiveness of the internal control of the Company, the internal audit, and the risk management systems, as well as to discuss with the external auditor any significant weaknesses in the internal control system detected during the course of the audit, all of which without breaching their independence..
 - (ii) To monitor and to evaluate the preparation and the integrity of the mandatory financial information, reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.
 - (iii) To monitor the independence and efficacy of the internal audit function; propose the selection, appointment, re-appointment and removal of the head of the internal audit; propose the department's budget; to approve the priorities and annual work plan of the internal audit unit; receive regular information on its activities; and verify that the senior management are acting on the findings and recommendations of their reports.
 - (iv) To analyse financial and accounting irregularities with potentially serious implications that may have been reported.
 - (v) To monitor and to evaluate the control and management systems of the financial and non-financial risks the Company and the Applus+ Group are exposed to.
 - (vi) To monitor in general that the policies and systems related to internal control are applied effectively.
- c) In respect of the external auditor:
 - (i) To make recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor and the conditions of its engagement.
 - (ii) To gather regularly information from the external auditor on the audit programme, its implementation and the results of its implementation, as well as verify that the senior management are acting on its recommendations.
 - (iii) To monitor the independence of the external auditor
 - (iv) To establish the appropriate relationships with the external auditor to

receive information on any issues that could be a threat to their independence.

- d) In relation with other duties, it corresponds to the Audit Committee:
- (i) To report during the AGM on the matters raised therein by shareholders which fall under its scope of responsibility.
 - (ii) To monitor the process of preparing the annual accounts and management reports, individual and consolidated, for their formulation by the Board.
 - (iii) To report to the Board of Directors, for its formulation, on the correctness and reliability of the annual statements and management reports, individual and consolidated, and the periodic financial information disseminated to the markets.
 - (iv) To monitor compliance with internal codes of conduct and, in particular, with these Regulations under the terms provided herein.
 - (ix) To report to the Board of Directors, prior to its adoption of the corresponding decisions, on the following subjects:
 - The financial information that the Company must periodically make public.
 - The creation or acquisition of holdings in special purpose entities or those established in countries or territories which are considered tax havens, as well as any other transactions or operations of an analogous nature.
 - The preparation of a report on all those transactions that have the condition of Related-Party Transactions.

The main actions of the Audit Committee during 2020 were:

- Definition, approval and monitoring of the Internal Audit annual plan;
- Monitoring and supervision of the actions performed in connection with the risk map management, as well as understanding and analysing the development of the main risks;
- Monitoring and supervision of the ICFR model;
- Approval and follow up of action plans defined on the bases of internal audits performed;
- Quarterly monitoring of group results as well as periodic supervision of the most significant accounting estimates;
- Review of the scope and results (half and yearly) of the audit works performed by external audit;
- Review and approval of the audit fees and as well as of other fees for compatible services, as well as approval of the scope of the work of auditor
- Approval of the auditors' independence report

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	NICOLÁS VILLÉN MARIA CRISTINA HENRÍQUEZ DE LUNA ERNESTO GERARDO MATA LÓPEZ ESSIMARI KAIRISTO
Date of appointment of the chairperson	29/05/2020

Remarks
All four members of the Audit Committee (as described in their profiles in section C.1.3 above) are experts in the subject and have been appointed considering their knowledge and experience in accounting and audit.

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
JOHN DANIEL HOFMEISTER	PRESIDENT	INDEPENDENT

RICHARD CAMPBELL NELSON	MEMBER	INDEPENDENT
MARIA JOSÉ ESTERUELAS AGUIRRE	MEMBER	INDEPENDENT

% of proprietary directors	0
% of independent directors	100
% of external directors	0

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Appointments and Compensation Committee consists of at least three and a maximum of five Directors, appointed by the Board of Directors for a period not exceeding their term as Directors and without prejudice to being re-elected, insofar as they are also Directors. The Board of Directors designate the members of the Committee, based on the knowledge, skills and experience of the Directors and the tasks entrusted to the Committee.

Appointments and Compensation Committee's functions are:

- To formulate the proposals for appointment, re-appointment and removal of Independent Directors, and to report on the proposals for appointment, re-appointment and removal of the rest of Directors.
- To establish an objective of representation for the under-represented gender on the Board of Directors and to prepare guidelines on how to achieve said objective.
- To verify the character of each Director and check that he/she meets the requirements for qualification as Executive, Independent, Nominee or Other External Director.
- To evaluate the skills, expertise and experience necessary in the Board of Directors, to define, consequently, the functions and abilities needed in candidates who are to fill each vacancy, and to evaluate the time and dedication necessary in order for them to perform their duties.
- To examine and organize, in such a way as is understood to be suitable, the succession of the Chairman and the chief executive and, where necessary, to make proposals to the Board of Directors, so that such succession occurs in an orderly and well-planned manner.
- To report annually on the duties performed by the Chairman of the Board of Directors and by the chief executive of the Company.
- To report on the appointments and resignations of the Secretary and Deputy Secretary of the Board of Directors and of the senior executives whom the chief executive proposes to the Board of Directors.
- To report to the Board of Directors on the diversity issues, and safeguard that, when filling new vacancies, the Board shall respect the provisions set forth in Article 14.3 of these Regulations.
- To develop and implement a record of situations concerning Directors and senior executives from the Company, and to receive and maintain in that record the personal information provided by the Directors, as established under articles 18 and 19 of these Regulations.
- To receive the information supplied by Directors.
- To propose to the Board of Directors the remuneration policy for Directors and managing directors or others who perform their top management duties and directly depend on the Board of Directors, supervisory committees or chief executive officers.
- To propose to the Board of Directors the individual remuneration of Executive Directors and other conditions of their contracts.
- To propose to the Board of Directors the basic conditions of contracts for senior executives.
- To oversee compliance with the remuneration policy set by the Company.
- Periodically review the remuneration policy for Directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other

- Directors and senior officers in the Company.
- Ensure that conflicts of interest do not undermine the independence of the external professionals referred to the following Article 40.4.
- Verify the information on Director and senior officers' pay contained in corporate documents, including the annual Directors' remuneration report

Main 2020 actions of the Appointments and Compensation Committee were:

- Approval of the bonus payouts for the managers reporting to the CEO;
- Determination of the 2021 salaries of the Senior Managers.
- Approval of the awards under restricted stock units (RSU) and performance stock units (PSUs) systems.
- Determination of the target regarding adjusted earnings per share (EPS) and the EPS target stretch for the period under the Chief Executive Officer and the Senior Management LTI plans.
- Approval of the payment of the CEO's annual bonus corresponding to year 2020.
- Analysis of future remuneration policy for directors, evaluation best practices, market tendencies, stakeholders, proxy advisors and institutional investors' expectations.
- Proposal and reports related to re-election of Nicolás Villén as independent director.
- Approval of a new Directors Remuneration Policy in order to include the remuneration of the new executive director.
- Approval of the Annual Report on Remunerations of Directors.
- Support in evaluation process for the Board, its Chairman and Chief Executive Officer.
- Follow-up of the succession planning of the Chief Executive Officer and the Senior Managers reporting to him, the launch of strategic HR initiatives, performance evaluation, risk indicators, talent development initiatives, and the performance evaluation and the personal development plan of the Senior Managers.
- Assistance in preparing and attending meetings held with investors and proxy advisors in matters of its competence.
- Follow-up of the actions designed in order to preserve and improve the employees' satisfaction
- Analysis of the implications of the COVID-19 pandemic in the non-executive, executive and senior management remuneration.
- Follow up of the pandemic consequences in the staff management of the group.
- Approval of temporary remuneration reduction during 2020 for non-executive and executive directors and for senior management.

ESG COMMITTEE

Name	Post	Category
CHRISTOPHER COLE	PRESIDENT	INDEPENDENT
RICHARD CAMPBELL NELSON	MEMBER	INDEPENDENT
FERNANDO BASABE ARMIJO	MEMBER	EXECUTIVE

% of executive directors	33.33
% of proprietary directors	0
% of independent directors	66.67
% of external directors	0

Observaciones
The majority of directors in ESG Committee are independents, including its Chairman, but the Company considers it is adequate to include an Executive Director amongst its members to promote implementation of Corporate Social Responsibility Policy within the group. In all meetings regarding corporate governance, this has always been well considered by shareholders and proxy advisors.

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organization and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The ESG Committee comprises a minimum of three and a maximum of five Directors appointed by the Board of Directors, for a period not exceeding that of their term as Directors and without prejudice to their ability to be re-appointed insofar as they were re-appointed as Directors. The Board of Directors will appoint the members of the ESG Committee based on the expertise, skills and experience of the Directors and its commitments.

ESG Committee's functions are:

- To promote the Company's policy in terms of ESG and of the Applus+ Group supervising and ensuring the adoption and effective implementation of good practices in the field of environmental social governance responsibility, good governance, ethics and transparency and procuring that expectations of the various stakeholders.
- To submit to the Board of Directors the initiatives and proposals it deems appropriate and inform on the proposals submitted for the consideration thereof, ensuring that the business strategy of the Company is aligned with the values of the Company's policy in terms of ESG approved by the Board of Directors.
- In particular, to design, define and approve initiative and according development plans for the achievement of the goals previously set up according to the Company's policy in terms of ESG and to such other policies or codes that, within the scope of its functions, it may promote.
- Likewise, to define the necessary organization and coordination for the implementation of such initiatives and strategies for the Company's policy in terms of ESG including, if necessary, the possibility to appoint ad-hoc committees to monitor specific areas.
- To assess, review and monitor the development and implementation of initiatives and plans of the Company in implementing the Company's policy in terms of ESG, by monitoring their compliance with the indicators defined.
- To monitor and to evaluate the preparation and the integrity of the annual report on corporate governance, the annual report on ESG matters and any other mandatory non-financial information, coordinating whenever necessary the process for reporting such information in accordance with applicable regulations and international reference standards.
- To establish and to monitor a mechanism whereby employees and other persons related to the Company, such as Directors, shareholders, suppliers, contractors or subcontractors can report irregularities of potential significance, including financial, non-financial and accounting irregularities, or those of any other nature, related to the Company which are evidenced within the Company or the Applus+ Group.
- To oversee compliance with the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as the communication and relations strategy with shareholders and investors, proxy advisors and other stakeholders, including small and medium-sized shareholders.
- To periodically evaluate the effectiveness of the Company's corporate governance system and of the Company's policy in terms of ESG, in order to confirm that it is fulfilling its mission to promote the corporate interest and to take into account, where appropriate, the legitimate interests of the remaining stakeholders.
- To monitor that the Company's environmental and social practices are in accordance with the established strategy and policy.
- To oversee the acting of the Company in respect of training, reporting and investigations.

During 2020, the ESG Committee worked on three main areas:

- Sustainability: (i) Drafting and approval of the CSR report and Non-financial Information report for its submission to Board and AGM; (ii) Applus continued to be adhered to the UN Global Compact, committing with the initiative and its 10 principles, as well as to the UN ODS; (iii) monitoring of the 2016-2020 plan; (iv) management and follow up of COVID-19; (v) Review of ratings to which Applus+ is adhered (MSCI ESG Research, FTSE4Good Ibox, CDP and its reporting requisites; (vi) control and monitoring of accident rate of Applus+; and definition of objectives of the group in ESG matters for exercise 2021 for approval by the Board;
- Business ethics: (i) monitoring and improvement of the Compliance Management System, with review of policies and procedures to promote the CORE Compliance model as minimum for all group companies, issuance of new policies and procedures including the definition of the Core; (ii) reinforce and strengthen compliance culture with online training sessions; (iii) review of third parties and agents under anti-corruption policy; (iv) management of whistleblowing channel; (v) development of the compliance management system through a new yearly "management declaration"; (vi) TIC audit with positive results.
- Corporate Governance: (i) preparation and development of governance roadshow, gathering valuable feedback from institutional investors and proxy advisors; (ii) check & balance at its first meeting of the year of Applus+ corporate governance model compared with Spanish Code recommendations and investors and proxy advisors expectations; (iii) hybrid AGM, contact with proxy advisors and investors previous to AGM to explain new matters in the agenda as well as follow up after the AGM to discuss increase in negative votes in some of the matters; (iv) analysis of Good governance Code improvements and action plan proposal, amendments to Board Regulations, ESG Policy, Directors' Selection Policy, Policy for the communication of economic-financial, non-financial and corporate information and communication and contact with shareholders, institutional investors and proxy advisors and new Committee's regulations.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit committee	2	50	1	33.33	1	33.33	0	0.00
Appointments and remuneration committee	1	33.33	0	0.00	0	0.00	0	0.00
ESG Committee	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also, state whether any annual reports on the activities of each committee have been voluntarily prepared.

The Rules for Board Committees are included in the Regulations of the Board of Directors, which establish their competences, composition, procedures, etc; these are available for consultation both on the CNMV website and the www.applus.com corporate website, and may be directly accessed through the following link: <http://www.applus.com/es/InvestorRelations/Corporate-governance>

The three committees issue an annual report on their activities, which is submitted to the Board in the first yearly meeting.

Likewise, during 2020, the Board of Directors approved a regulation for each of the three committees, all of them available at <https://www.applus.com/global/en/investor-relations/corporate-governance>.

D RELATED PARTY AND INTRAGROUP TRANSACTIONS

- D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.**

Further to article 7.2 h) of the Regulations of the Board of Directors and article 529 ter of the Spanish Companies Act, transactions carried out by the company or companies of the Applus Group with its directors, significant shareholders, and shareholders represented on the Board of Directors of the company or any Applus group company, or with persons associated with them, must be approved by the Board of Directors on the basis of a prior report by the Audit Committee.

- D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:.**

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
N/A	N/A	N/A	N/A	N/A

- D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:**

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
N/A	N/A	N/A	N/A	N/A

- D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.**

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
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N/A	N/A	N/A
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D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousand euros)
N/A	N/A	N/A

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Article 19 of the Regulations of the Board of Directors specifically regulates conflicts of interest:

“The Directors shall perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty obliges the Director:

- a) ...
- b) ...
- c) *To refrain from participating in the discussion and voting on resolutions or decisions in which they or a person related to them has a, direct or indirect, conflict of interest. The agreements or decisions relating to them in their condition of Directors, including their appointment or revocation for the positions on the Board or others analogous in nature, shall be excluded from the above obligation of refrain from participating and voting.*
- d) *To perform their duties under the principle of personal responsibility with freedom of judgement or good judgement and independence with regard to the instructions and links to third parties.*
- e) *To adopt the necessary measures to avoid finding themselves in situations in which their interests, on their own account or that of a third party, may conflict with the corporate interest and their duties to the Company.*
- f) *In particular, the duty to avoid the conflicts of interest referred to in the previous paragraph obliges the Director to refrain from:*
 - (i) *Carrying out transactions with the Company, except in the event of ordinary transactions, carried out under standard conditions for the clients and non-material, defined as those transactions whose information is not necessary to present a fair view of the Company’s equity, the financial situation and the results of the entity.*
 - (ii) *Using the name of the Company or using their status as Director to unduly influence private operations being conducted.*
 - (iii) *Making use of the corporate assets, including the confidential information of the Company, for private purposes.*
 - (iv) *Taking advantage of the business opportunities of the Company.*
 - (v) *Obtaining advantages or remuneration from third parties other than the Company and the Applus+ Group associated to the performance of their duties, except in the case of the corporate hospitality.*
 - (vi) *Carrying out activities on their own account or on behalf of a third party which entail effective competition, whether actual or potential, with the*

Company or that, otherwise, would create a permanent conflict of interests with regard to the interests of the Company.

- g) The foregoing provisions shall also apply in the event that the beneficiary of the acts or activities prohibited is a person related to a Director.*
- h) In any case, the Directors shall inform the other Directors and the Board of Directors of any conflict, direct or indirect, that they or persons related to them may have with the interests of the Company.*
- i) The conflict of interest of the Directors shall be disclosed in the Notes of the financial statements”*

Likewise, article 7.2 (h) of the Regulations of the Board of Directors establishes that the following is a matter reserved for the Board of Directors: *“the approval, subject to a prior report from the Audit Committee, of the transactions carried out by the Company or companies of the Applus+ Group with its Directors, shareholders, whether on their own or together with others, considered as significant, including the shareholders represented on the Board of Directors of the Company or of other companies that are part of the Applus+ Group, or with persons related thereto”*. This shall not apply for transactions which fulfil the following conditions: (a) they are carried out under the terms of contracts whose conditions are standardized and applied to a large number of clients; (b) they are implemented at prices or rates generally set by the person supplying the good or service in question; and (c) the value of these transactions does not exceed 1% of the annual turnover of the Company.

Finally, section 4.11 of the Code of Ethics and the Global Conflict of Interests Policy regulate the situations of conflict of interest of Applus+ employees, as well as the mechanisms to follow in case of conflict.

D.7. Indicate whether the company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and whether it has, directly or through any of its subsidiaries, business relationships with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them

Yes No

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

Yes No

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest



RISK MANAGEMENT AND CONTROL SYSTEMS

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Board of Directors is ultimately responsible for the existence and maintenance of an internal control and risk management system that is adequate and effective, tax risks included, and with regards to the definition of the risk appetite. This supervision function has been entrusted to the Audit Committee.

The Group has developed a policy and a procedure of Risk Management, and both have been approved by the Board of Directors.

As a result of the implementation of said procedure the Group's Risk Map is reviewed and updated on a yearly basis.

The risk management model implemented by the Group consists of the following three stages:

Stage 1: identification and assessment of risks based on the impact and the likelihood of occurrence.

Stage 2: monitoring of risks based on Key Risks Indicators (KRI), determination of the tolerance levels and definition of action plans when considered necessary.

Stage 3: periodical reporting to the Audit Committee and the Board of Directors about the risks evolution through their KRIs.

It is the senior management who proposes the Risk Map to the Audit Committee. The Risk Map details all risks identified and assessed, including strategic, operational, financial, tax, legal, compliance and also risks to sustainability including those related to climate change.

This risk map has incorporated those factors deemed critical, considering all of the Group's lines of activity, geographical areas where it operates and its business divisions, as well as any risk factors deemed critical in relation to support functions (such as finances, human resources, legal and tax).

In addition, the company has a criminal risk map and a Criminal Risk Management and Crime Prevention Handbook in accordance with article 31 bis of the Criminal Code and other applicable laws. Under ESG Committee instigation, it has reviewed and strengthened the existing Corporate Compliance Program, by designing and implementing in the group the new Applus+ Criminal Risk Management and Crime Prevention System (hereinafter, the System), which is described in the referred handbook. The group has implemented the System by deploying the necessary internal control and surveillance measures to ensure compliance with criminal laws and to avoid the occurrence of offenses of which, in accordance with Spanish Criminal Code, any group company might be held responsible or, in case these cannot be avoided, at least to significantly reduce the risk of they taking place. Prevention is one of the main objectives of the System, the other one being to make possible the quick detection and reaction before any potential criminal offense in the group. The Company shall continue to deploy the implementation of the System in line with the annual plan that the ESG Committee approves.

E.2 Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

Pursuant to Article 7.2 (vii) of the Regulations of the Board of Directors, the Group's Board of Directors is in charge of all risk control and management policy, tax risks included, and will periodically follow up on any internal reporting and control systems, by optimising the cost/benefit ratio, in order to:

- Reach any medium-term strategic objectives
- Safeguard shareholder value
- Give assurance the Group's results and reputation
- Uphold the interests of the Group's shareholders and stakeholders
- Ensure compliance in those countries where it operates including tax regulations

The Audit Committee, pursuant to Article 39.7 (a) (ii), is in charge of periodically reviewing any internal control and risk management systems in order to ensure that any main risks are identified, managed and adequately understood, including discussions with the auditors on any significant weaknesses in the internal control system detected during the audit. To do this, the Committee is backed up by the supervision tasks completed by the Group's Internal Audit Management. Supervision of any risk control systems includes approval of the risk model and periodic supervision, at different intervals depending on their importance.

The Group's Chief Executive Officer is in charge of handling these risks, as well as the heads of each corporate functional area and the Executive Vice President of each business Division, in accordance with their scope of activity, according to acceptable risk levels for the company.

The Internal Audit Management and the Group's Internal Control Responsible are in charge of supervising compliance with risk tolerance, the effectiveness of control systems and following up on the implementation of necessary actions, which are subsequently monitored by the corporate functions affected.

E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The Applus+ Group risk map covers any risks that may have a significant impact on its results, to the best of its understanding. The risks contemplated in this map may be classified as follows:

1. strategic risks including risks to sustainability as well as those related to climate change
2. inherent to business activities (operational)
3. financial risks including tax
4. legal risks and compliance

The main risks managed by the Group are:

- Adequate supervision of the Group's business based on long-term agreements with a finite life-span (such as concessions in the technical vehicle inspection business in Spain, Europe and America) or IDIADA, providing services to the world's leading vehicle manufacturers.
- Certain levels of dependence on the evolution of some of the sectors in which the Group operates (automotive and oil and gas sectors)
- Adequate follow-up on the formal and service quality terms in any

services provided based on granted accreditations. In this regard, the Group has taken out insurance policies in order to cover any third party damage related to potential negligence when providing the services offered by the Group in all sectors where it is present.

- Risks related to the economic, social and political situation of the countries where the Group operates, as well as the main macroeconomic indicators that could have a short and medium-term impact on Applus+ Group's results, particularly considering its geographic spread.
- Retention of key staff for the Group and talent management.
- Potential criminal sanctions or significant business losses resulting from possible penalties that could be derived from non-compliance with the crime prevention handbook implemented by the Group.
- Risks related to cyber security

In financial terms, the Group manages and monitors the main risks that could affect Applus Group's results:

- Liquidity risk and leverage level of the Group.
- Risk of overestimation of certain significant assets (such as goodwill, intangible assets generated as a result of inorganic growth, as well as tax assets).
- Working Capital management.

E.4 State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

The levels of tolerance are defined through the established value limit set by the KRI associated with each risk.

Tolerance levels are defined according to the following parameters:

- Maintenance of quality standards
- Volume of business affected and potential impact on business sustainability
- Impact on reputation and on business continuity
- Compliance with applicable law (tax laws included)
- Probability of materialising

For those risks deemed critical, given the impact upon materialisation on the achievement of the Group's objectives, specific tolerance levels are defined, indicating action guidelines, timeframe to achieve, people in charge, follow-up indicators; the frequency and content is also established of any information to be provided to governing bodies for follow-up and decision-making.

E.5 State which risks, including tax compliance risks, have materialized during the year.

The Group's operations and, consequently its financial statements, have been affected by COVID-19 and the global expansion to a large number of countries where Applus+ operates.

The pandemic's impact, as well as other factors affecting the market where the Group operates, caused a drop in demand for services and interruptions to the business due to temporary shut-downs of activity. Consequently, indications of impairment were identified on the non-current assets associated with certain businesses that constitute separate cash-generating units, including goodwill. Therefore, the directors re-estimated the recoverable amount of those assets at the end of the first half of 2020. The interim condensed consolidated statement of profit or loss includes the recognition of the impairment that arose as a result

of that analysis.

In this sense, with more information about the evolution of the pandemic's impact, the Group has repeated at year-end the impairment tests for all cash generating units in relation to goodwill and intangible assets, concluding that in 2020 there was no need to record additional impairments, apart from the abovementioned.

Apart from the impacts detailed above, the Group has been able to successfully manage the challenges associated to the side-effects of this exceptional situation. The systems have allowed continuing operations remotely through telecommuting, and the increasing cybersecurity threats have been solved without any remarkable incidents. Likewise, the Group has put all available means to protect employees' health, mitigating the spread of the virus in the working environment.

In relation to tax issues, in 2020 several tax inspections have been carried out in different geographical areas where the Group operates without significant sanctions. With regards to the open inspections, no material impacts are foreseen that are higher than the risk appetite established in the Group's Risk Map.

Finally, the Group has not been involved in any new litigation that could have a relevant impact on its results, and currently open litigation actions have not led to events which could modify previous fiscal year's accounting accruals. The Directors do not expect any material liabilities to arise as a result of a potential inspection.

E.6 Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The Applus Group has an updated risk map contemplating any material risks which could affect the achievement of its strategic objectives.

To do this, the Group has implemented measures to mitigate these risks, in order to reduce the likelihood of occurrence and its potential impact. The management of the risk map is a responsibility carried out periodically by the group's top management, as part of their responsibilities. From the aforementioned ongoing management, action plans are detected to be implemented, defining who is responsible for, and execution deadlines are set, with the purpose of starting up the necessary measures to reduce the impact of such risks, should they materialise.

These measures are generally executed by the Group's Management; the Audit Committee and, ultimately, the Board of Directors are the two bodies in charge of approving and supervising the measures carried out.

In tax compliance risks which entail a high technical difficulty related to regulations interpretation, the Group resorts to external advisors in order to obtain a third party opinion on any potential risks if a certain transaction is carried out, mitigating them before they appear. Additionally, the Group will use any instruments available in tax laws (prior evaluation agreements, binding consultations, etc.), in those cases where i) this is deemed appropriate in order to reduce any disagreement derived from application of the tax rule, and ii) this is reasonable based on the instruments available, the issue in question and

foreseeable timeframes.

Furthermore, the Group has taken out insurance policies to cover any damage that may be caused to third parties as a result of negligence when providing its services, including its subsidiaries, in those sectors where it operates.

The Group has internal control and risk management systems and tools that allow for constant monitoring and tracking of any action plans and incidents identified in the reporting and review of financial information.

F INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Applus+ Group's Internal Control over Financial Reporting (hereinafter, "ICFR") is part of its general internal control system and makes up a group of processes carried out by the Board of Directors, the Audit Committee, the Management and the Group's staff, in order to ensure reasonable safety regarding the reliability of any financial information disclosed to the markets.

The Board of Directors of the Applus+ Group is the Group's senior decision-making body, entrusting all regular management to the executive bodies and management team and, consequently, concentrating on its supervision function. The Board of Directors is ultimately responsible for the existence and maintenance of an adequate and effective ICFR, and has delegated this task to the Audit Committee. ICFR supervision is implemented through activities of this kind, carried out by the Internal Audit function.

The Group's internal control model for financial reporting has three distinct areas of control: (i) self-evaluation of the persons in charge of all processes and critical controls, (ii) review of the financial evaluation process by the Financial Managements in each Division and by the Corporate Financial Management in the consolidation process, and (iii) evaluation of the efficiency and efficacy of controls and risk identification by the Internal Audit Management.

The Group's Corporate Financial Management, through the Risk & Internal Control Department, carries out the following tasks in relation to the ICFR:

- To review and approve any accounting Policies and Manuals incorporated into the Group's Financial Management Intranet.
- To establish and disseminate the necessary procedures to

- ensure adequate internal control of financial reporting.
- To establish and maintain internal controls on financial information, to ensure its reliability, and to guarantee that all reports, transactions or other relevant events are communicated in due form and time.
- To establish and maintain internal tax controls, in order to ensure the timely filing of accurate and complete tax statements.

During 2020 as in previous years an Internal Control Model over Financial Reporting has been implemented, in order to guarantee its reliability.

F.1.2. State whether the following are present, especially if they relate to the creation of financial information:

- **Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.**

The Board of Directors of Applus+, through its Chief Executive Officer, entrusts the Corporate Financial Management with designing and reviewing the organisational structure involved in financial reporting. The Management outlines the structure and how responsibilities are distributed, as well as their design procedure, review, update and dissemination; this procedure is documented in flowcharts (organisational structure) and the process model and associated regulations, as part of the Applus+ Group's policy catalogue.

Furthermore, lines of authority and responsibility have been defined in all relevant processes by formalising the Model for Delegation of Authority and Responsibility, which includes any critical decisions of the Group that may eventually affect financial reporting.

As regards the financial reporting preparation process, instructions are issued by the Corporate Financial Management establishing specific guidelines and responsibilities for each closing of the accounts (procedures explaining the main tasks, both in the corporation and in each subsidiary company), to include the IFRS Internal Manual.

- **Code of conduct, body that approves it, degree of dissemination and instruction, principles and values included (indicating whether the recording of transactions and the preparation of financial information are specifically mentioned), body in charge of reviewing breaches and of proposing corrective actions and penalties.**

The Applus+ Group has a Code of Ethics and Anti-Corruption Policy in place, approved by the Board of Directors, which specifically refer to the registration of transactions and financial reporting, as well as compliance with the law and the Group's accounting policies, amongst others. Likewise, there are specific internal policies for the accounting and finance functions. Furthermore, all employees have been specifically trained and are obliged to explicitly accept both rules each year.

The main values and principles gathered in the Code of Ethics are integrity, transparency, responsibility, impartiality and independence. Furthermore, the Code of Ethics includes a commitment to strictly fulfil the obligation to provide reliable financial information, prepared under applicable regulations, and the responsibility of the company's

employees and executives to ensure that this is so, both by adequately carrying out their tasks and by informing the governance bodies of any circumstance that could affect this commitment.

The body in charge of analysing any potential non-compliance, proposing corrective action, is the Corporate Social Responsibility (CSR) Committee of the Applus+ Group, along with the Group's Compliance Management and in particular, it corresponds to the Audit Committee, in accordance with article 39.7 b) iv of the Regulations of the Board of Directors to "*To analyse financial and accounting irregularities –with potentially serious implications– that may have been reported by employees through the mechanism provided in section 41.6.viii*".

- **Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organization, reporting, as the case may be, if this is of a confidential nature.**

The CSR is responsible (article 41.6 viii of the Regulations of the Board of Directors) to "*establish and to monitor a mechanism whereby employees can report, confidentially, and if necessary, anonymously, any irregularities they detect in the Company with potentially serious implications*" which is central in the Applus+ Compliance system. The Applus+ Group has put in place, and encourages the use of, an internal whistleblowing channel allowing the reporting of potential infringements of the Code of Ethics and other irregular activities.

All communications are confidential and compliance with data protection laws is also ensured. There is a unique whistleblowing channel for the entire Group and is available on the corporate website.

- **Training and periodic refresher programs for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.**

As regards the training and periodic refreshment courses in matters that may affect the reporting and publication of financial information, Applus+ believes that development and continuous training of its employees and executives is essential. Furthermore, it is the Group's plan to arrange specific training sessions on issues related to the ICFR for the staff involved in drawing up the Group's financial statements. To do this, constant communications with external auditors and other independent third professionals will guarantee this continuous training, amongst other issues.

Any training needs detected and provided at corporate level are extended to all other financial managers in the Group's subsidiaries, through face-to-face training or through online training held each year; training will be a key point of the agenda, including individualised sessions if deemed appropriate.

Additionally, there has been specific training provided on the relevant policies to ensure the knowledge of their content by all responsible employees who are part of the financial information preparation and review.

F.2 Assessment of financial information risks

Report on at least the following:

F.2.1. The main characteristics of the risk identification process, including error and fraud risk, as regards:

- **Whether the process exists and is documented.**

The Applus+ Group has an Internal Control over the Financial Reporting (ICFR) Policy in place that establishes the basic principles and general action framework to manage the internal control over the financial information reported, which contains:

- The criteria established to define which companies within the Group are relevant for the purposes of the Group's SCIIF Model
- Methodology to identify new risks and to periodically evaluate existing ones, establishing common and homogenous parameters for the entire Group.
- Maintenance of an internal control system to monitor, assess and improve the control measures applied to existing risks.

In 2019 the ICFR model was expanded to companies which, both comply with the materiality level and also to those companies which do not, to include the implementation of the criminal risk management and crime prevention for those areas with crimes applicable globally and not only in Spain.

- **Whether the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.**

The methodology used to manage risks is COSO (Committee of Sponsoring Organizations for the Treadway Commission). The criteria used to identify the most relevant processes include quantitative criteria (materiality) and qualitative criteria (business risk, visibility to third parties and reputational risks). Any risks identified are prioritised by professional opinion based on a series of variables (process level of automation, whether the process is known and/or it is necessary to use judgments and estimates). In addition, risks of fraud are implicitly identified insofar as they may generate material errors in financial information.

As a result of applying its Internal Control over the Financial Reporting (ICFR) Policy, the Group has developed risk matrixes and controls for its relevant business processes, specifically for each subsidiary of significant relevance in the consolidated Group. Each risk identified in the process to draw up consolidated financial statements is associated to the processes and different financial lines deemed significant (either by contribution to the consolidated financial statements or due to other more qualitative factors) and to the Group's companies under the ICFR scope.

Each risk identified in those frameworks has assigned all objectives and assertions of the financial information: existence and occurrence; completeness; assessment; presentation, breakdown and comparability, and rights and obligations). Once the applicable ICFR scope in the Applus+ Group is defined, based on identified risk frameworks, control activities have been designed to cover such risks.

Any risks identified as relevant are reviewed at least once a year, during the certification and evaluation process conducted by the managers on the effectiveness of the company's internal control.

The object of this review is to update any risks to changing circumstances where the Group operates, particularly if there are changes in the organisation, IT systems, regulations, products or the market scenario.

The model scope is defined in the Internal Control over the Financial Reporting (ICFR) policy, based on the materiality level of revenues and fixed assets applied in each legal entity. Currently the model is developed for subsidiary companies which in aggregate represent more than 80% of the Group Sales.

- **The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities.**

As regards the process of identifying the scope of consolidation, the Group considers that the financial closing and consolidation process is one of the relevant processes that may affect financial reporting. This is why Applus+ has considered all the risks inherent to said processes, ensuring adequate configuration and execution, as well as an accurate identification of the scope of consolidation. As part of this process, the Consolidation Department, which reports to the Corporate Financial Management, periodically reviews any changes in the Group's structure along with the Legal Department.

- **Whether the process takes into account, the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.**
- The process to identify a risk of errors in financial reporting takes into account the effects of other types of risk, which are evaluated and managed by various corporate units.
- **The governing body within the company that supervises the process.**

The process to identify any risk of error in financial reporting is completed and documented by the Risk & Internal Control Management. Internal Audit Management reviews the process, as part of the supervisory role ultimately carried out by the Audit Committee.

F.3 Control activities

Report on whether the company has at least the following, describing their main characteristics:

- F.3.1. Review and authorization procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.**

The Corporate Consolidation Management, which reports to the Corporate Financial Management, is in charge of executing procedures to review and authorise financial information and the ICFR description for disclosure to the stock exchange. Furthermore, the task of reporting financial data on a monthly, quarterly, six-monthly and annual basis begins with a view and certification by the financial manager of each subsidiary. Tax information is drawn up by the Tax Management, which

reports to the Corporate Financial Management.

Any ICFR documentation, evidence of its execution and supervision, as well as significant events and action plans, are managed through the Group's internal control and risk management system (Applus GRC). This tool provides the following advantages in ICFR terms:

- Centralisation of all documentation and ICFR model management of the Group, in a homogenous manner.
- Integration of internal control over financial information in all business and corporate processes, allowing each organisational unit responsible to periodically evaluate its controls, providing the necessary evidence and executing the ICFR internal certification process each year.
- Use of automatic workflows to manage control activities and to launch action plans.
- Provision of a back-up tool for the ICFR supervision and testing process by the Internal Audit Department and external auditors.
- Procurement and support for the information required for ICFR reporting.
- Integrated internal control over the preparation and presentations of tax returns in those countries where it operates, using automatic workflows to manage tax control activities.
- Integrate the design of internal control and implementation of all controls related to compliance and more specifically corruption.

As regards activities and controls directly related to transactions that may have a material effect on financial statements, Applus+ has implemented a control description to mitigate the risk of any material error in information reported to the markets. Furthermore, in each subsidiary, the following information is available for each control activity belonging to significant processes:

- Description of the process and sub process.
- Description of financial reporting risks associated to various processes, sub processes and control objectives.
- Definition of control activities designed to mitigate any identified risks.
- Description of the managers of all processes, risks and control activities.
- Classification of control activities implemented or pending implementation (action plans).
- Level of automation of control activities (manual or automatic).
- Classification of each control activity by nature (preventive or detective).
- Definition of control execution frequency.
- Definition of evaluation frequency by the Risk & Internal Control Department.
- Definition of any evidence required.

Each financial closing process carried out in the subsidiaries is treated as a single process; the same applies to all financial closing activities carried out at corporate level with the consolidation process and the preparation of annual accounts.

As regards any relevant judgements and estimates, Applus+ indicates in its individual and consolidated annual accounts which areas of uncertainty are estimated that could have a relevant impact on the financial information. These mainly refer to:

- The recoverability of deferred tax assets entered into the

accounts.

- An estimate, at each date, of the effects of any tax certificates challenged and the outcome of any tax inspections underway, for the financial years audited.

A specific review of any relevant judgements, estimates, valuations, provisions and forecasts, as well as key calculation hypotheses, with a material impact on consolidated financial statements, is carried out through a continuous supervision by the Group's Corporate Financial Management.

F.3.2. Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

Some of the controls implemented to mitigate or manage risks of error in financial reporting are related to the most relevant computer applications, such as controls on authorised user access or the integrity of information transferred amongst applications and an adequate management of the Company's digital certificate for the filing of tax statements.

The Applus+ Group uses SAP-BPC as a common data system to adequately register and control its operations; consequently, its adequate operation is essential and of particular interest to the Group. The reporting tool is the same for all legal entities of the Group without exceptions.

There are two control levels in the process to identify the risk of material errors in financial reporting:

- In each subsidiary, there are controls to ensure that all information reported through SAP-BPC is consistent with local reporting systems, if different.
- At corporate level there are automatic and manual controls, conducted on the main application, in order to generate SAP-BPC financial information and guarantee that the consolidation process is adequately completed.

For those systems and applications identified (used at corporate level to draw up consolidated financial information), the Corporate Systems Management has established a series of policies aimed at ensuring their adequate operation. In particular, there are documented policies on the following:

- Classification of information.
- System access management.
- Data leak prevention.
- Identification and maintenance of critical applications.
- Back-up copies.
- Restrictions on the use of Internet and e-mail.
- Data encryption.
- Third party agreements.
- Protection of equipment.
- Legal compliance.
- Communication of incidents.
- Licences and infrastructure use.

In terms of operative continuity, the Group has improved its already high level of availability in its central data systems, hosted in a main datacentre in Madrid, with a Disaster Recovery or DR solution. This DR is hosted in the Microsoft cloud (Azure Cloud) and is connected to the central database through a dedicated high speed cable. In the unlikely event of force majeure (fire, flood, earthquake, etc.) leaving the main datacentre inoperative, in a matter of hours the DR could restore the most critical business applications.

Additionally, a series of supplementary key controls are carried out by consolidation team members to strengthen the reliability of data systems used in financial reporting.

The Group has an improvement and monitoring plan in its data systems as regards the segregation of duties; it also incorporates into the Audit Plan the supervision of said internal control systems related to the segregation of functions in financial information systems.

F.3.3. Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

Each year, the Applus+ Group checks which activities executed by third parties are relevant for the financial reporting process.

Over 2020, some Applus+ Group companies have continued to outsource certain activities related to economic, staff and back office management. As a result, certain control and risk management devices have been established with each supplier to guarantee the integrity and accuracy of any financial information reported, such as:

- A specific person in charge in the Corporate Financial Management.
- Quantifiable indicators to evaluate the quality and integrity of the service received.
- The Accounting Department has defined monthly review tasks for the financial statements of subsidiaries operating in Spain.
- An assurance report is obtained regarding service organizations that with a potential impact on the Group's internal control system over financial reporting

Furthermore, in the rest of the Group, outsourced activities are very circumstantial or highly centralised in very specific processes or sub processes, such as the issue of payrolls. These facts are considered a risk in the ICFR model of these companies, for which there is an efficient and effective associated control.

Additionally, when the Applus+ Group considers it necessary to get independent experts involved, upon recruiting these services, it demands in their selection criteria the absence of any doubt on their competence, qualifications, reputation and impartiality.

F.4 Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1. A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organization, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Corporate Financial Management, through the Risk & Internal Control area, is in charge of defining, updating and disseminating the accounting policies of the Applus+ Group for reporting consolidated financial data under IFRS-EU regulations (consequently including the information to be reported by each subsidiary). The Applus+ Group has an accounting policy manual (IFRS Internal Manual) for the issue of financial statements

under IFRS-EU, which is drawn up by the Corporate Financial Management, is periodically updated (at least once a year) and is published on the Intranet of the Corporate Financial Management, which all staff may access, involved in the drafting and review of financial information.

The functions of the Corporate Financial Management, through the Consolidation Department, include replying to any accounting consultations that may be raised by the various business units or other corporate managements of the Applus+ Group. Furthermore, at meetings held by corporate, division and subsidiary financial managers, training is arranged on the interpretation and application of any new issues.

Additionally, the Group's external auditor, both in relation to consolidated statements and the most representative subsidiaries in consolidated terms, demands that the financial data reported by these subsidiaries follow the principles enshrined in the Group's Accounting Manual, i.e. IFRS-EU, both in the annual audit and the limited six-monthly audit.

F.4.2. Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Applus+ Group has various integrated platforms, both for the accounting registrations of transactions and for financial reporting. The issue of regulated financial data, as well as individual financial statements, is centralised in the Finance Management, in order to guarantee homogeneity. In addition, the integrity and reliability of these data systems is validated through the general controls indicated in section F.3.2.

Each month, reporting are received from each company through the SAP-BPC reporting and consolidation tool, gathering all the necessary information to prepare the Group's consolidated financial data (abridged intermediate financial statements and consolidated annual accounts). This reporting guarantees data homogeneity with the following characteristics:

- Homogenous and consistent for all countries and business activities.
- Based on the Applus+ Group's instructions and accounting manual, of which there is just one for all of the Group's companies.
- Incorporation of all applicable legal, tax, commercial and regulatory requirements.
- SAP-BPC incorporates automatic validation controls between the reported financial statements and any additional details requested.

F.5 Supervision of system performance

Describe at least the following:

F.5.1. The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Group's Audit Committee has carried out the following activities during the 2020 financial year in relation to ICFR:

- Supervision of the level of implementation of the ICFR model of the

- Applus+ Group and of any risk matrixes and ICFR controls.
- Supervision of the outcome of any ICFR reviews completed by the Internal Audit Department and external auditor.
- Review of any ICFR information included in the Annual Corporate Governance Report.

The Audit Committee uses the Internal Audit function to supervise adequate operation of the internal control system, including the ICFR, and ensures its impartiality. This function completes independent and periodic reviews on the design and operation of the internal control system, locating any weaknesses and making recommendations for improvement through the issue of various reports, forwarded to the Corporate Financial Management and Audit Committee, as part of the meetings that are periodically held. These reports are submitted to the Audit Committee, along with any action plans adopted by the managers and Corporate Financial Management for mitigation.

Any potential internal control weaknesses identified in reviews conducted by the Internal Audit function are catalogued by criticality as high, medium or low, based on the impact they may have if they materialise. These weaknesses are managed through the Applus+ GRC application, a manager is assigned and a timeframe to carry out an action plan, and their resolution is checked by the Internal Audit function.

As a result of the ICFR evaluation activities carried out by the Internal Audit function in 2020, submitted to the Audit Committee, no material weaknesses have been identified that could have a relevant impact on the financial information of the Applus+ Group in the 2020 financial year; the necessary corrective actions have been established to handle any future weaknesses.

Furthermore, the external auditor, as indicated in section F.7.1, issues an annual report on the procedures agreed regarding the ICFR description made by Applus+, which has not pointed out any issues worthy of mention.

F.5.2. If there is a procedure by which the account auditor (in accordance with the contents of the *Normas Técnicas de Auditoría (NTA)* - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The procedure to discuss any improvements and relevant internal control weaknesses identified is generally based on periodic meetings held by the Audit Committee with the following parties:

- Group's Chief Financial Officer, as the senior manager in charge of financial reporting, explains how the main financial metrics have performed in the period under discussion, including any transactions and the most relevant impacts arising during the period, and communication of the main estimates made.
- The Group's Internal Audit Manager, as the person in charge of supervising the internal control model, ICFR included, reports on the state of any possible weaknesses identified and on the outcome of his reviews.
- The external auditor shares the auditing or limited review schedule to be carried out during the ongoing year, in relation to the annual accounts, and reports any internal control weaknesses or any other issue that it considers should be notified to the Audit Committee.

The Applus+ Group, both from the Corporate Finance Department and Audit Committee, represented by the Internal Audit function, encourages

total collaboration and coordination with the Group's external auditors. As a result, it has direct contact with the Management, holding periodic meetings both to obtain the necessary information for its work and to report any control weaknesses identified further to its audit.

The action plans related to weaknesses detected in 2020 have been instrumented as recommendations, following the prioritisation circuit, allocation of a manager and supervision described in section F.5.1.

F.6 Other relevant information

There is no other relevant information worth noting with respect to the Internal Control System for Financial Reporting.

With the aim of reinforcing the Group's Internal Control and in line with the efforts related to the Crime Prevention model implementation, in 2019 a new project to identify fraud using advanced data analysis techniques combined with artificial intelligence was started, which is already implemented in Spain and will be deployed to other relevant geographies in the coming years. This project allows detection of anomalous transactions that may be potentially fraudulent, and reveals improvement opportunities in the processes and controls to prevent them in the future.

This is a continuous improvement opportunity for ICFR, as lessons learned from anomalies detected will be included in the control model.

F.7 External auditor's report

Report from:

F.7.1. If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The Applus+ Group has submitted its ICFR information, disclosed to the markets in 2020, to an external audit. Consequently, the scope of the auditing procedures has been completed according to Circular E14/2013, of 19 July, of the Spanish Institute of Chartered Accountants (*Instituto de Censores Jurados de Cuentas de España*), which publishes the Action Guide and standard auditor's report regarding information related to the internal control system over financial reporting (ICFR) of listed companies in Spain.

G DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

- 1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.**

Complies X Explain

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries.

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies Partially Explain Not Applicable X

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies X Complies Partially Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors, that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders.

And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies X Complies Partially Explain

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies X Complies Partially Explain

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions

d) Report on the corporate social responsibility policy.

Complies X Complies Partially Explain

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies X Complies Partially Explain

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies x Complies Partially Explain

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies X Complies Partially Explain

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

- a) Immediately distributes the additions and new proposals.
- b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
- c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
- d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies Complies Partially Explain Not Applicable X

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies Complies Partially Explain Not Applicable X

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximization of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and in the environment.

Complies X Complies Partially Explain

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies X Explain

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

- a) Is concrete and verifiable;
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and
- c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies X Complies Partially Explain

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less 30% prior to that date.

Complies X Complies Partially Explain

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

- a) In large-cap companies where very few shareholdings are legally considered significant.
- b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies X Explain

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalization or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who

together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies X Explain

18. That companies publish and update the following information regarding directors on the company website:

- a) Professional profile and biography.
- b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of its nature.
- c) Category of director, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.
- d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
- e) Company shares and options they own.

Complies X Complies Partially Explain

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honored, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honored.

Complies Complies Partially Explain Not Applicable X

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies Complies Partially Explain Not applicable X

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies X Explain

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific

circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.

Complies X Complies Partially Explain

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies X Complies Partially Explanation Not Applicable

24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.

And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.

Complies Complies Partially Explain Not Applicable X

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies Complies Partially X Explain

While the company does not establish specific rules on the number of Board of Directors of which its directors can be part, the Appointments and Compensation Committee ensures that the non-executive directors have the appropriate time for the fulfilment of their functions. The result of the evaluation described above in section C.1.17 of this report confirmed the appreciation of the members of the Board on such dedication, and particularly the Chairman who, mindful of this recommendation, has left one of the positions he held.

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies Complies Partially X Explain

The Board of Directors meet with sufficient frequency to perform their functions efficiently, especially considering the international condition of its members. In particular, during 2020, and due to COVID-19 crisis, it met 11 times.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with

instructions.

Complies X Complies Partially Explain

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party..

Complies X Complies Partially Explain Not Applicable

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies X Complies Partially Explain

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies X Explain Not Applicable

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall be duly recorded in the minutes.

Complies X Complies Partially Explain

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies X Complies Partially Explain

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organize and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies X Complies Partially Explain

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies Complies Partially Explain Not Applicable X

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies X Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:
- a) The quality and efficiency of the Board of Directors' work.
 - b) The workings and composition of its committees.
 - c) Diversity of membership and competence of the Board of Directors.
 - d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.
 - e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies Complies Partially x Explain

The company complies with the totality of this recommendation, with the exception of the assistance by external advisor, which the board has for the time being not introduced, in view of the improvements developed in the evaluation procedure and the results of the same.

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies Complies Partially Explain Not Applicable X

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Complies Partially Explain Not Applicable X

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies X Complies Partially Explain

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies X Complies Partially Explain

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies X

Complies Partially

Explain

Not Applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following::

1. With regard to information systems and internal control::

- a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational , technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.
- b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company (including reputational); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.
- d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

- a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.
- b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.
- c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.
- d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.
- e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies X

Complies Partially

Explain

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies X

Complies Partially

Explain

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies X Complies Partially Explain Not Applicable

45. That the risk management and control policy identify, as a minimum:

- a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.
- b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.
- c) Fixing of the level of risk the company considers acceptable.
- d) Means identified in order to minimize identified risks in the event they transpire.
- e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies X Complies Partially Explain

46. That under the direct supervision of the audit committee or, if applicable, of a specialized committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

- a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
- b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
- c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies X Complies Partially Explain

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate -- are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies X Complies Partially Explain

48. That high market capitalization companies have formed separate appointments and remuneration committees.

Complies Explain Not Applicable X

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies X Complies Partially Explain

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

- a) Propose basic conditions of employment for senior management.
- b) Verify compliance with company remuneration policy.
- c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
- d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
- e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies X Complies Partially Explain

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies X Complies Partially Explain

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

- a) That they are comprised exclusively of non-executive directors, with a majority of them independent.
- b) That their chairmen be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and the minutes be made available to all directors.

Complies Complies Partially X Explain

The Audit and Appointments and Compensation Committees are exclusively composed by independent or non-executive directors (currently the Audit Committee includes a director under the category of external). In respect of ESG Committee, while majority of its members are independent Directors, including its Chairman, the Company considered it is convenient to include the CEO in the committee in order to encourage the implementation of the ESG Policy within the group.

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies Complies Partially X Explain

The Board of Directors created the CSR Committee – currently, ESG Committee- in December 2015 with the objective to promote an intense and committed management of those areas, which has been a success. While majority of its members are independent Directors, including its Chairman, the Company considered it is convenient to include an executive Director in the committee in order to encourage the implementation of the ESG Policy within the group, as it has been confirmed in practice. This decision was discussed with main institutional investors and proxy advisors during the annual engagement campaign, being well received each time.

54. The minimum functions referred to in the foregoing recommendation are the following:

- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.
- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies X Complies Partially Explain

55. That environmental and social sustainability policies identify and include at least the following:

- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct
- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies X Complies Partially Explain

56. That directors remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies X Explain

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies X Complies Partially Explain

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

- a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
- b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long-term value, such as compliance with rules and internal operating procedures and risk management and control policies.
- c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies X Complies Partially Explain Not Applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies X Complies Partially Explain Not Applicable

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies x Complies Partially Explain Not Applicable

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies X	Complies Partially	Explain	Not Applicable
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- 62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.**

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The forgoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies	Complies Partially X	Explain	Not Applicable
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In the existing systems, the deadline between delivery of the right and the moment of the shares delivery can be between one and three years; said proposals, including the latest LTIP of the executive Directors were approved by the 2019 AGM with 97% of support.

- 63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.**

Complies X	Complies Partially	Explain	Not Applicable
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- 64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.**

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies	Complies Partially X	Explain	Not Applicable
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Regarding CEO, the foregoing is fully complied while in case of the CFO, it is complied with except for what is explained in sections 4.3 (iii) – Termination and (iv) Post contractual non-compete clause of the Directors’ Remuneration Policy. Likewise, it is also clarified in respect the CFO, that the level of compliance would vary considering the impact in the remunerations systems linked to share value.



FURTHER INFORMATION OF INTEREST

- 1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.**

With respect to the notes on Recommendations 25, 26, 36, 52, 53, 62 y 64 (which the Company complies partially), to point out that ESG Committee, within the framework of its duties, performs an annual analysis on the situation of the Company in the field of good corporate governance, which is afterwards ratified by the Board, which includes consideration of the measures that Company adopts to ensure the compliance with the objectives of the principles on which the recommendations are based.

Likewise, as mentioned in section C.1.3, the Company is proactive in corporate governance matters and dialogue with its stakeholders. It values and dedicates yearly efforts to the engagement campaign with proxy advisors and main shareholders, including the participation of the Chairman of the Appointments and Compensation Committee. The ongoing dialogue proves to be fruitful considering the high quorum at the 2020 AGM (71%, 3 points over 2019). Also, company contacted proxy advisors and institutional investors prior the AGM to explain the new matters include in the agenda and post AGM to discuss on abstain or less supportive votes on certain matters of the agenda, and in particular on the consultation vote on Annual Remunerations Report. The Company has listened and taken note of any discussions on the matter, which will be considered in future analysis.

- 2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.**

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

In respect of G.63 and for clarification purposes, the remuneration policy approved by the AGM on 30 May 2019 establishes that "*Pursuant to article 27.1 of the Board of Directors' Regulation, remuneration comprising the delivery of shares of the Company or of its group companies, share options or other share-indexed instruments, variable payments indexed to the Company's performance or membership of pension schemes will be confined to executive directors. Deductions should be made to remuneration linked to Company earnings in line with any qualifications stated in the external auditors' report that reduce such earnings*". Likewise, it establishes that "*If accredited inaccuracies in the data taken into account for the purpose of awarding the PSUs are observed, mechanisms will be implemented so that the Company may claim the refund of the amount corresponding to the relevant PSUs, net of any withholding, taxes or fees, effectively received by each executive director*". As per applicable law, this would also be the case to the amounts perceived as annual bonus in cash.

- 3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010**

Applus Services, S.A is adhered to the UN Global Compact and is Advanced Level since 2018, following the 10 principles.

Applus+ participates in the Carbon Disclosure Project (CDP) since 2017, obtaining a B in 2020. Likewise, Applus+ has been recognised with "AA" by agency MSCI ESG Research in 2019

Applus+ adopted the United Nations Sustainable Development goals (SDGs) as a framework to align its corporate social responsibility goals. At least nine of the UN's 17 SDG goals are directly relevant to Applus+ businesses.

Applus+ was included in FTSE4GoodIBEX in 2019.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 18 February 2020.

State whether any directors voted against or abstained from voting on this report.

Yes No

Name of director who has not voted for the approval of this report	Reasons (against, abstention, non- attendance)	Explain the reasons

Remarks

Applus Services, S.A. and Subsidiaries

Independent Limited Assurance Report

Alternative Performance Metrics

Applus' financial disclosures contain magnitudes and metrics drafted in accordance with International Financial Reporting Standards (IFRS) and others based on the Group's disclosure model referred to as Alternative Performance Metrics

- **EBITDA**, measure of earnings before interest, taxes, depreciation and amortisation
- **Operating Profit**, measure of earnings before interest and taxes
- **Adjusted** measures are stated before other results
- **Other results** are those impacts corrected from the relevant measures to provide a better understanding of the underlying results of the Group, for example: amortisation of acquisition intangibles, restructuring and transaction & integration costs
- **PPA** correspond to the Purchase Price Allocation referred to acquisitions, allocated to intangible assets and amortised
- **Capex**, realized investments in property, plant & equipment or intangible assets
- **Operating Cash Flow**, operating cash generated after capex investment and working capital variation
- **Free Cash Flow**, operating cash generated after capex investment, working capital variation and tax & interest payments
- **Net Debt**, current and non current financial debt, other institutional debt less cash. As per bank covenant definition, calculated at annual average exchange rates
- **Leverage**, calculated as Net Debt/LTM Ebitda as per bank covenant definition
- **EPS**, Earnings per share
- **NDT**, Non destructive testing
- **P.A.**, per annum
- **FX**, Foreign exchange
- **LTM**, Last twelve months

Research and Development activities

Innovation is one of the pillars of the CSR policy of the Applus Group. In the Corporate Social Responsibility Report (which is part of this consolidated management report can be consulted in the subsequent annexes of this report. They are also available in Applus Group webpage and in the "Comisión Nacional del Mercado de Valores" (CNMV)'s webpage) all the issues related to Research and Development activities are described in detail.

Treasury share transactions

At 31 December 2020, the Group held a total of 317,809 treasury shares at an average cost of EUR 8.38 per share. The value of these treasury shares totalled EUR 2,664 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2020 (see Note 3.x).

At 31 December 2019, the Group held a total of 343,849 treasury shares at an average cost of EUR 11.93 per share. The value of these treasury shares totalled EUR 4,102 thousand, which is recognised under "Treasury Shares" in the accompanying consolidated statement of financial position as at 31 December 2019 (see Note 3.x).

Events after the reporting period

No events have occurred since 31 December 2018 other than those described in the notes to the accompanying consolidated financial statements.

Use of financial instruments

The Group uses financial derivatives to eliminate or significantly reduce certain interest rate and foreign currency risks relating to its assets. During 2020 the Group has not acquired any financial derivative instruments.

Disclosures on the payment periods to suppliers

The Group companies with tax residence in Spain adapted their payment periods in line with Additional Provision Three "Disclosure Obligation" of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December). Detailed below are the disclosures required by the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 to be included in notes to the financial statements in relation to average payment periods to suppliers in commercial transactions.

	2020	2019
	Days	
Average payment period to suppliers	64	60
Ratio of transactions settled	66	61
Ratio of transactions not yet settled	52	52
	Thousands of Euros	
Total payments made	143,740	170,835
Total payments outstanding	20,547	19,320

The data shown in the table above relates exclusively to the Spanish companies. The data referred to payments to suppliers relate, pursuant to the ICAC Resolution, to commercial transactions relating to goods supplied and services provided since the entry into force of Law 31/2014, of 3 December 2014.

Suppliers, solely for the purpose of disclosing the information provided for in this resolution, are considered to be trade creditors for the supply of goods and services and are included under "Current Liabilities - Trade and Other Payables" in the accompanying consolidated statement of financial position.

"Average payment period to suppliers" is understood to be the period between the supply of the goods or the provision of the services on the supplier's account and the effective payment of the transaction.

The maximum payment period applicable to the Spanish consolidated companies under Law 3/2004, of 29 December 2004, on combating late payment in commercial transactions, is 30 days. This period may be extended by an agreement between the parties, but under no circumstances should be superior to 60 natural days (same legal period in 2019).

However, most of the payments outstanding by the Spanish consolidated companies at year end has been paid during the first two months of the year 2021.

Non-Financial Information

In compliance with article 49 of the Commercial Code, the status of the consolidated non-financial information is presented in the Corporate Social Responsibility Report, which is attached to this Management Report. This report has been prepared in accordance with the Global Reporting Initiative standards in its Core version (GRI). This consolidated non-financial information report forms an integral part of the Management Report and is subject to the same approval, deposit and publication criteria as the Management Report.

Annual Corporate Governance Report

The Annual Corporate Governance report, as well as the Annual Corporate Social Responsibility report, which are part of this Management report, can be consulted in the subsequent annexes of this report. They are also available in Applus Group webpage and in the "Comisión Nacional del Mercado de Valores" (CNMV)'s webpage.

www.applus.com

www.cnmv.es

Name	Servicios SEFF S.A. Chile	LEM Laboratorios y Asistencia Técnica Limitada Chile	TIC Investments Chile SpA	Applus Brasil Investimentos, Ltda
Registered office	Calle Potrerillos N°4141, Puerto del Inca, ciudad de Calama (Chile)	Avenida Huaytiquina N°1601, ciudad de Calama (Chile)	Avenida Huaytiquina N°1601, ciudad de Calama (Chile)	Rua Dom José de Barros, nº 177, 6º andar, conjunto 601, sala 602, Vila Buarque, CEP 01038-100, Sao Paulo (Brazil)
Line of business	Personnel Transport	Development of projects, consultancies and technical quality control consultants for construction, referring to the quality of materials and industrial elements used for construction and its condition of application of building works.	Holding company	Holding company
Active / Inactive	Active	Active	Active	Active
Ownership interest held by Group companies:				
Direct	-	-	-	-
Indirect	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Name	Velosi LLC	Velosi Bahrain WLL	Velosi LLC	Velosi Quality Management International LLC	Applus Kazakhstan LLC	Velosi (B) Sdn Bhd	Velosi Certification Services LLC	Velosi Philippines Inc
Registered office	Kurilskaya Str., 38, 693000 Yuzhno-Sakhalinsk, Sakhalin Region, (Russia).	Flat 11, Building 1033, Road 3721, Block 337, Menama / UMM Alhassam (Bahrain).	Block no 227 Stella Building, Post Box 231 Hamriya. Way no 2748 (Oman).	Unit 201, 2nd floor, Emaar Business Park 4, Sheikh Zayed Road, The Greens, PO Box 337201, Dubai (United Arab Emirates).	Building #31A, Akzhal lane, Atyrau, Atyrau Oblast, 060002 (Kazakhstan).	Lot 5211, Spg. 357, Jln Maulana, KA 2931 Kuala Belait, Negara Brunei Darussalam (Brunei).	17, Chimkent Street, Mirobod District, 100029 Tashkent (Uzbekistan).	1004, 10F, Pagibig WT Tower, Cebu Business Park, Ayala, Cebu City (Philippines).
Line of business	Holding Company	Provision of quality control and standardization services, industrial inspection services and general services	Provision of certification, engineering and inspection services	Provision of certification, engineering and inspection, onshore and/or offshore services	Provision of services in the area of industrial safety	Provision of quality control and engineering services for the oil and gas industries	Provision of inspection, certification, monitoring and other types of business activity	Provision of inspection, quality control, certification and business process outsourcing
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	50%	49%	80%	30%	80%	100%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Equity method	Full consolidation	Full consolidation

Name	Dijla & Furat Quality Assurance, LLC.	Applus Korea Co, Ltd.	Oman Inspection and Certification Services	Applus Japan KK	Applus Senegal SURL	Applus Steel Test (Pty) Ltd	Applus Velosi (Ghana) Ltd	Velosi Angola Prestação de Serviços Ltda
Registered office	Ramadan Area, District 623-S, No.1, Baghdad (Iraq).	194 Myeongbonggeonam-ro, Onsan-eup, Ulsan-gun, Ulsan (Republic of Korea).	P.O. Box 15, South Alkhuawir, Bawshar, Muscat Governorate (Oman)	Yamauchi Building 3F 3-24-8 Nishi Shimbashi, Minato-ku, Tokyo (Japan).	Almadies, route de Ngor, immeuble SIA, 14er étage, Dakar (Senegal)	28 Senator Rood Road, 1939 Vereeniging (Republic of South Africa).	2nd Floor, Design House, Ring Road East, Accra (Ghana).	Rua Marien Ngouabi 37, 5º apartamento 53, Maianga, Luanda (Angola).
Line of business	Provision of quality control and training services	Provision of training and consulting for services related to technical engineering, hiring-out of manpower and materials and leasing of properties.	Provision of non-destructive testing services (NDT), environmental and safety services (HSE), quality control and engineering services.	Provision of quality and inspection services, man power, NDT tests and industrial consulting	Provide quality assurance and quality control services to the oil and gas industry in Senegal and in the CDEAO	Pipe and steel thickener testing	Provision of inspection, quality control and certification services	Provision of quality assurance and control, inspection, supply of technical manpower, certification and regulatory inspection, NDE specialized services and engineering
Active / Inactive	Active	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	50%	100%	100%	75%	49%	44%
Method used to account the investment	Full consolidation	Full consolidation	Full consolidation	Integración global	Integración global	Full consolidation	Full consolidation	Full consolidation

Name	Applus India Private Limited	Applus Mozambique Limitada	K2 Do Brasil Services Ltda	Applus Velosi America LLC	Applus Velosi Canada Ltd	Applus K2 America, LLC	Velosi Australia Pty Ltd
Registered office	#402, Vijaysri Nivas, Prakash Nagar, Begumpet, Hyderabad – 500 016. Telenagana (India)	Paulo Samuel Kankhomba Avenue, number 3,371, Maputo City (Mozambique).	Avenida Nossa Senhora da Gloria, 2.643, Cavaleiros, Macae - RJ, CEP27920-360, Macae (Brazil).	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	2600 Manulife Place 10180 - 101st Street, Edmonton, AB T5J 3Y2 (Canada)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Unit 9, 783 Kingsford Smith Drive, Eagle Farm, Queensland 4009 (Australia)
Line of business	Provision of labor supply services for the oil and gas industries	Provision of consulting and technical assistance services in the oil and gas industry, man power services, NDT specialized tests, controls and quality inspections and provision of asset integrity services	Provision of updating, repair, modification and control of onshore and offshore oil facilities, inspection and development of design services, manufacture of components and machinery structures and supply of qualified labor	Provision of labor supply services for the oil and gas industries	Provision of labor supply services for the oil and gas industries	Providing solutions for owners and operators of drilling rigs and FPSO in America, including inspection services, repair and maintenance, structural design and analysis and training services	Holding company
Active / Inactive	Active	Active	Active	Active	Active	Active	Active
Ownership interest held by Group companies:							
Direct	-	-	-	-	-	-	-
Indirect	100%	49%	100%	100%	100%	100%	100%
Method used to account the investment	Full consolidation	Integración global	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation

Note: the % of ownership of the Group companies reported corresponds to the legal interest.

Appendix II - Out of the scope of consolidation

Name	Velosi Turkmenistan	Velosi Services L.L.C. (Russia)	Velosi Cameroun Sarl	Applus Velosi Kenya Limited	Velosi Do Brasil Ltda	Idiada Homologation Technical Service, S.L.U.	Applus Centro de Capacitación, S.A.	Applus RTD UK Holding, Ltd
Registered office	Ashgabat City, Kopetdag District, Turkmenbashi, Avenue, No. 54 (Turkmenistan).	Kommunistichesky prospect, 32, suit 610, Yuzhno-Sakhalinsk, Sakhalin Region (Russia).	Douala, PO Box 15805, Akwa (Cameroon)	3rd floor, Kiganjo House, Rose Avenue Off Denis Pritt Road L.R No 1/1870, Nairobi P.O.Box 50719 - 00200, Nairobi (Kenya).	Praia Do Flamengo 312, 9 Andar Parte Flamengo, Rio De Janeiro (Brazil).	L'Albornar s/n 43710 Santa Oliva - Tarragona (Spain).	Agustinas N°640, Piso 9, Santiago de Chile (Chile)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)
Line of business	No line of business	No line of business	No line of business	Services of provision of quality control, technical engineering of labor and consulting, Non Destructive Testing and certification, electrical inspection, engineering and project management and supervision of construction services	No line of business	Engineering, testing and certification	Provision of training services	Holding company
Active / Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	100%	98%	80%	95%	100%

Name	Applus RTD Lic.	Applus Aerospace UK, Limited	Technical Inspection Services, Ltd	Velosi Asia Kish (Iran)	VAIL Consultancy Services DMCC	Velosi Engineering Projects Pte Ltd	Velosi Energy Consultants Sdn Bhd	Velosi CBL (M) Sdn Bhd
Registered office	KhStaropetrovsky proezd, 7-A, bld. 19 Moscú 125130 (Russia)	Unit 2, Blocks C and D, West Mains Industrial Estate, Grangemouth, FK3 8YE, Scotland (UK)	Unit 21, Hither Green Industrial Estate, Clevedon, North Somerset, BS21 6XU (UK)	No. 7, Second Floor, Block B28, Pars Commercial Complex, South-West of the Port Area (Iran).	DMCC Business Centre - Level No 1 - Jewellery & Gemplex 3 Dubai (United Arab Emirates).	521, Bukit Batok Street 23, Unit 5E , 659544 Singapore (Singapore)	No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).	C/o AGL Management Associates Sdn Bhd, No. 152-3-18A, Kompleks Maluri, Jalan Jejaka, Taman Maluri, 55100 Kuala Lumpur (Malaysia).
Line of business	Purchase of equipment and refills, installation, reparation and maintainance of the equipment, engineering services and devolment of scientific investigation	Non-destructive services from the aerospace business.	Certification by non-destructive testing services	No line of business	No line of business	Provision of third-party inspection services	Provision of consultancy services for all engineering activities and the supply of local and foreign experts for the generation of oil and gas energy, marine, energy conservation, mining and all other industries, together with the engineering and maintenance of refining vessels, oil platforms, platforms, petrochemical plants and the supply of qualified labor	Provision of equipment inspection services
Active / Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive	Inactive
Ownership interest held by Group companies:								
Direct	-	-	-	-	-	-	-	-
Indirect	100%	100%	100%	97%	80%	100%	100%	100%

Name	Velosi Ukraine LLC	Precision for Engineering Services, Project Management, Vocational Training and Importation of Man Power, LLC.	Midstream Technical Inspection Services, LLC	QA Management Services Pty Ltd	Velosi Jorson Sdn Bhd (Brunei)
Registered office	5A Piperska Street, 03087 Kyiv (Ukraine).	Al-Shamasiyah District Section No. 316 Street 15 house 37 1, Basra (Iraq)	3 Sugar Creek Center Blvd. Suite 600 Sugar Land, TX 77478 (USA).	Unit 9, 783 Kingsford Smith Drive, Eagle Farm, Queensland 4009 (Australia)	LOT 5211, Simpang 357, Jalan Maulana, Kuala Belait KA2931, Brunei Darussalam (Brunei).
Line of business	Provision of auxiliary services in the oil and natural gas industries	Buy, lease, ownership of personal property, intellectual property and the sale of said goods	Supply of certifications for pipelines belonging to the oil and gas sector	Provision of quality assurance services, such as worldwide inspection and ISO 9000 Quality Management Consultancy, training courses, quality control software packages and specialized labor services	Provision of non-destructive testing services (NDT), technological development, transformation and technical consulting.
Active / Inactive	Inactive	Inactive	Inactive	Inactive	Active
Ownership interest held by Group companies:					
Direct	-	-	-	-	-
Indirect	100%	100%	100%	100%	15%

This declaration is a translation for informative purposes only of the original document issued in Spanish, which has been signed for approval by every Board member. In the event of discrepancy, the Spanish-language version prevails.

The Board of Directors of Applus Services, S.A., in compliance with the current mercantile legislation, have authorised for issue on February 18, 2021 the Consolidated Financial Statements and Consolidated Director's Report, which include the non-financial information statement and the Annual Corporate Governance Report for 2020, in accordance with the formatting and markup established Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). The aforementioned Financial Statements and Director's Report are integrated in the digital file with the 91CBA415706D4CFD3B1B33A86F6574088BA43FB639115DFEFDD4A0131D800D7A hash code included in the ZIP file with number 213800M9XCA6NR98E873-2020-12-31 (2)

The members of the Board of Directors declare signed, through this Diligence, the aforementioned Consolidated Financial Statements and Consolidated Director's Report for 2020. They have been authorised for issue unanimously, awaiting on the auditors' verification and subsequent approval by the Parent's Annual General Meeting.

D. Christopher Cole
Chairman

D. Ernesto Gerardo Mata López
Director

D. John Daniel Hofmeister
Director

D. Fernando Basabe Armijo
Director

D. Richard Campbell Nelson
Director

D. Nicolás Villén Jiménez
Director

D^a. Maria Cristina Henríquez de Luna Basagoiti
Director

D^a. Maria José Esteruelas
Director

D^a. Essimari Kairisto
Director

D. Joan Amigó i Casas
Director

Madrid, February 18, 2021