

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR- END DATE

31/12/2019

Tax Identification No. [C.I.F.]: A-64622970

**Company Name:**

APPLUS SERVICES, S.A.

**Registered Office:**

CALLE CAMPEZO 1, EDIFICIO 3, 28022 MADRID

## **Applus Services, S.A. and Subsidiaries**

Auditor's report on the system of Internal  
Control over Financial Reporting (ICFR) of the  
Applus Group for 2019

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

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## AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF THE APPLUS GROUP FOR 2019

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 20 February 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 2019, 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 2019 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, modified by the CNMV Circular no. 7/2015, of 22 December 2015 and CNMV Circular no. 2/2018, of 12 June 2018.
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

21 February 2020

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
THREADNEEDLE ASSET MANAGEMENT LIMITED		4.99			4.99
NORGES BANK	4.83		0,15		4.98
DWS INVESTMENT SA		3.48			3.48
FIL LIMITED		1.14			1.14

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	5.045	-	5.05
FIL INVESTMENTS INTERNATIONAL	FIL LIMITED	1.14		1.14

State the most significant shareholder structure changes during the year:

Name of the shareholder	Date of the transaction	Description
SOUTHEASTERN ASSET MANAGEMENT, INC	23/01/2019	It has decreased below 5% in the capital stock
SOUTHEASTERN ASSET MANAGEMENT, INC	12/03/2019	It has decreased below 3% in the capital stock
DWS INVESTMENT GMBH	08/10/2019	It has decreased below 3% in the capital stock
ELEVA CAPITAL SAS	25/11/2019	It has decreased below 5% in the capital stock
ELEVA UCITS FUND - ELEVA EUROPEAN SELECTION FUND	26/11/2019	It has decreased below 3% in the capital stock
ELEVA CAPITAL SAS	06/12/2019	It has decreased below 3% in the capital stock
DWS INVESTMENT GMBH	23/12/2019	It has increased over 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
CAMPBELL NELSON, RICHARD	0.05	-	-	-	0.05	-	-
JOAN AMIGO CASAS	0.02	-	-	-	0.02	-	-
BASABE ARMIJO, FERNANDO	0.01	-	-	-	0.01	-	-
COLE, CHRISTOPHER	0.01	-	-	-	0.01	-	-
HOFMEISTER, JOHN DANIEL	0.01	-	-	-	0.01	-	-
VILLEN JIMENEZ, NICOLAS	0.01	-	-	-	0.01	-	-
M <sup>a</sup> CRISTINA HENRIQUEZ DE LUNA	0.00	-	-	-	0.00	-	-

<b>Total percentage of voting rights held by the Board of Directors</b>	0.11
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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					

**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

Remarks

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
343,849	N/A	0.24

(\*) through:

Name of direct shareholder	Number of direct shares
N/A	N/A



Total:	N/A
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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 18 June 2015 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 25 March 2014"*

**A.11 Estimated floating capital:**

	%
Estimated floating capital	80.01

**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 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.**

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.

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%).

**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	
30/05/2019	0.29	66.91	0	1.44	68.64
31/05/2018	0.25	71.89	0	0.109	72.25
21/06/2017	0.52	66.44	0	1.16	68.12

Remarks
The Company considers the support received by shareholders very positively, in view of the high percentage of floating capital and the quorum at the 2019 AG, which was of 68.63% and recognizes the valuable and constructive dialogue it has with them.

**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](http://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

<b>Remarks</b>
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
CHRISTOPHER COLE	N/A	INDEPENDENT	CHAIRMAN	07/05/2014	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
RICHARD CAMPBELL NELSON	N/A	INDEPENDENT	MEMBER	01/10/2009	31/05/2018	GENERAL SHAREHOLDERS MEETING RESOLUTION
JOHN DANIEL HOFMEISTER	N/A	INDEPENDENT	MEMBER	1/07/2013	31/05/2018	GENERAL SHAREHOLDERS MEETING

ERNESTO MATA LÓPEZ	N/A	INDEPENDENT	MEMBER	29/11/2007	31/05/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
NICOLÁS VILLÉN JIMÉNEZ	N/A	INDEPENDENT	MEMBER	27/10/2015	27/10/2015	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") RATIFIED BY AGM -
MARIA CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	N/A	INDEPENDENT	MEMBER	21/07/2016	21/07/2016	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") RATIFIED BY AGM -
MARIA JOSÉ ESTERUELAS AGUIRRE	N/A	INDEPENDENT	MEMBER	20/02/2019	20/02/2019	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") RATIFIED BY AGM -
ESSIMARI KAIRISTO	N/A	INDEPENDENT	MEMBER	09/04/2019	09/04/2019	BOARD OF DIRECTORS APPOINTMENT ("Cooptación") RATIFIED BY AGM -
FERNANDO BASABE ARMIJO	N/A	EXECUTIVE	MEMBER	01/02/2011	31/05/2018	RESOLUTION GENERAL SHAREHOLDERS MEETING
JOAN AMIGÓ CASAS	N/A	EXECUTIVE	MEMBER	30/05/2019	30/05/2019	RESOLUTION GENERAL SHAREHOLDERS MEETING

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

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 <sup>th</sup> May 2019.
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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 identity or name:** MR. CHRISTOPHER COLE

**Profile:** 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 and independent director of Safe Harbour Holdings Plc.

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.

**Director's identity or name:** MR. ERNESTO GERARDO MATA LÓPEZ

**Profile:** 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, seputy to the President, and CFO at Unión Fenosa, S.A. (now Gas Natural SDG, S.A.), President at Unión Fenosa Soluzion, 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.

Currently, Mr. Mata López is Chairman of the advisory board of Quironsalud and senior adviser to the Chairman of KPMG Spain.

Mr. Mata López has developed extensive experience in the energy and capital markets sectors, as well as in different Audit Committees, gathered through the numerous positions he has held in highly reputable Spanish companies. This experience as well as the many relationships he has accumulated in the Spanish markets over the years is of great benefit to the company.

**Director's identity or name:** MR. JOHN DANIEL HOFMEISTER

**Profile:** 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.

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.

**Director's identity or name:** MR. RICHARD CAMPBELL NELSON

**Profile:** 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.

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.

**Director's identity or name:** MR. NICOLÁS VILLÉN JIMÉNEZ

**Profile:** Mr. Villén holds an industrial engineer degree from Universidad 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.

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.

**Director's identity or name:** MS. MARIA CRISTINA HENRÍQUEZ DE LUNA BASAGOITI

**Profile:** Ms. Henríquez de Luna holds a degree in Business Administration and Economics from ICADE in Madrid.

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.

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.

**Director's identity or name:** MS. MARIA JOSÉ ESTERUELAS AGUIRRE

**Profile:** 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.

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.

**Director's identity or name:** MS. ESSIMARI KAIRISTO

**Profile:** Ms Essimari 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 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 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, RWE and Schlumberger.

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.

<b>Number of independent directors</b>	8
<b>Percentage of the Board</b>	80%



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
N/A	N/A	N/A	N/A

Total number of other external directors	N/A
Percentage of the Board	N/A

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
N/A	N/A	N/A	N/A

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	1	1	0	37.5	16.67	14.29	14.29
Other external	0	0	0	0	0	0	0	0
<b>Total</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>30</b>	<b>14.29</b>	<b>11.11</b>	<b>11.11</b>

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
<p>The company published its Directors' selection policy (available at <a href="http://www.applus.com">www.applus.com</a>), which formalises the Company's practices, established at the Regulations of the Board of Directors:</p> <ul style="list-style-type: none"> <li>a) The selection process for new Board members is free of implicit biases that hinder the selection of women to cover any vacancies.</li> <li>b) The company makes a concerted effort to include women that have the necessary qualifications, amongst the candidates applying to join the Board of Directors.</li> </ul> <p>In 2019, the Board included in the policy the express reference to the objective that the less represented gender had a 30% of board positions. Accordingly and on the basis of the needs identified by the Board of Directors, a woman was appointed as director in 2016 and two were appointed in 2019. In the selection process initiated after the two vacancies occurred in 2018, the female candidates' profiles have been prioritized in order to reach the objective in female representation. In any case, the Appointments and Compensation Committee safeguards and promotes the diversity in its broad sense amongst the Board members, including gender, age, experience, skills, geographic, in order to continue to lead the Company's strategy and attending the stakeholders expectations.</p>

**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:**

Explanation of means
<p>The Appointments and Compensation Committee has been expressly assigned this task, included in article 40.3 (a)(x) of the Regulations of the Board of Directors <i>"To report to the Board of Directors on the issues of gender diversity, and 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 among potential candidates, women who meet the sought after professional profile"</i>.</p> <p>The last selection process for the position of independent Directors, which took place in 2019, was led by the Appointments and Compensation Committee with the support of a recognised firm. In the process, both male and female candidates were considered, looking for an international perspective and experience in finance and accounting areas, and with the will to increase skill diversity and experiences in the Board and to favour gender diversity. Said selection process ended with the appointment of two female directors in 2019.</p> <p>The company issued the Directors' selection policy and, in any case, the Appointments and Compensation Committee will, for all future selection processes, make a concerted effort to include women that have the necessary qualifications amongst the candidates, ensuring that processes are free of implicit biases that hinder the selection of women.</p>

In the event that there are few or no female directors in spite of any measures

adopted, please explain the reasons that justify such a situation

Explanation of means

**C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.**

It is the Appointments and Compensation Committee's view that the Applus+ directors' selection policy has 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 corporate social responsibility policy.

In this sense, the directors' selection processes that took place during 2018 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.

In 2019, the Directors' selection policy was amended to include the express mention to the abovementioned. In addition, the company has in practice performed two selection processes in 2016 and 2019 to cover two vacancies which, in fact, resulted in three females joining the board of directors, which represents 30% of the Board of directors and the compliance with the goal established in the policy. With respect to potential future vacancies, the company shall act with the same level of equality to ensure the fair representation of women on the Board.

**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
MR. JOAN AMIGÓ CASAS	LIBERTYTOWN USA FINCO, INC	Director	Yes
MR. JOAN AMIGÓ CASAS	LIBERTYTOWN USA 1, INC.	Director	Yes
MR. JOAN AMIGÓ CASAS	RINGAL INVEST, S.L.U	Sole director's representative	Yes
MR. JOAN AMIGÓ CASAS	INVERSIONES FINISTERRE, S.L.	Director's representative	No
MR. JOAN AMIGÓ CASAS	LGAI TECHNOLOGICAL CENTER, S.A.	Director's representative	No
MR. JOAN AMIGÓ CASAS	IDIADA AUTOMOTIVE TECHNOLOGY, S.A.	Director's representative	No

**C.1.11 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	TRACSIS, PLC	NON EXECUTIVE CHAIRMAN
CHRISTOPHER COLE	SAFE HARBOUR HOLDINGS PLC	INDEPENDENT DIRECTOR

JOHN DANIEL HOFMEISTER	IONEER LTD	INDEPENDENT DIRECTOR
ESSIMARI KAIRISTO	FORTUM OYJ	INDEPENDENT DIRECTOR
MARIA CRISTINA HENRIQUEZ DE LUNA	HOTELS MELIA INTERNATIONAL	INDEPENDENT DIRECTOR

**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

<b>Explanation of the rules and identification of the document where this is regulated</b>
N/A

**C.1.13 State total remuneration received by the Board of Directors:**

<b>Board remuneration in financial year (thousand euros)</b>	2,781
<b>Amount of vested pension interests for current members (thousand euros)</b>	151
<b>Amount of vested pension interests for former members (thousand euros)</b>	0

Remarks
The AGM held on 30 May 2019 approved the increase of the number of directors to 10, ratified the appointment of two independent directors and appointed a new executive director.
The fix compensation of the executive directors includes a part in RSUs (Restricted Stock Units) for a value of 58 thousands of euros annually.
The variable compensation of the executive directors includes a portion in cash, representing 60.55% 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.
The plans in force at the end of the exercise for the RSUs granted in 2017, 2018 and 2019 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.

**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
LLUCH ZANON, JORGE	Corporate Development
LOPEZ SERRANO, JAVIER	Corporate Development
ARGILES MALONDA, EVA	Legal
GRASAS ALSINA, CARLES	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)
BROADDUS, ROBERT	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

<b>Total senior management remuneration (thousand euros)</b>	6,747
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Remarks
<p>It is considered for this purposes the members of the management who are part of the Executive Committee 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>) for an amount of 305 thousands of euros, convertibles in shares in the third anniversary of the date of grant.</p> <p>The variable compensation of the management include a portion in cash, representing 58.04% 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.</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>The Board of Directors approved on 30 May 2019 an amendment to article 5 of the Board Regulations about the number of directors of the Board, which is now amended to a minimum of nine (9) and a maximum of twelve (12).</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 40.3 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 40.3 of the Regulations of the Board of Directors).

**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 were reported to the entire 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.

**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
Following self-evaluation in 2018, the Board has approved a new Risk Policy in February 2019, as well as the relevant internal procedures for its implementation, and has held two sessions aimed at the cybersecurity risk (October and December 2019).

**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 on December 2018 and individual interviews with each director during December 2019 and January 2020. The Legal management of the group has assisted the Chairman in the preparation of a new questionnaire, widening the scope to include other issues, especially non financial matters, changing the format to an online tool through the Board portal. After the compilation of the results, a document stating the main conclusions of the process, as well as some notes and suggestions for improvement on development and performance of the functions of the Board of Directors and its Committees was sent to all directors. This was an agenda item at the first Board and Appointments and Compensation's meetings of the year, in February 2020, 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, including the recent appointments.</p> <p>As a result of the evaluation performed in 2019, the Board has concluded it will continue to maximize its knowledge on the companies' 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.</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
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**C.1.19 State the situations in which directors are required to resign.**

According to article 17.2 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".

**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

**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
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**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.

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.

Article 18 of the Regulations of the Board of Directors provides the obligations that Directors must fulfill 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.

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.

**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	6
Number of Board meetings without the chairman	0

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:

<b>C.1.26</b>	Number of meetings held by the Executive Committee	N/A
	Number of meetings held by the Audit Committee	4
	Number of Meetings held by the Appointments and Remuneration Committee	3
	Number of meetings held by the Appointments Committee	N/A
	Number of meetings held by the Remuneration Committee	N/A
	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	6
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% of attendance over total votes during the year	100
Number of meetings in situ or representations made with specific instructions of all directors	6
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	100

Number of meetings where all directors attended	6
% of attendance over total votes during the year	100

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 to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

Article 13.3 of the Regulations of the Board of Directors establishes that: *"The Board of Directors shall attempt to formulate definitive financial information so that there is no scope for qualifications or reservations on the part of the auditor. However, when the Board of Directors is of the view that it must sustain its criteria, the Chairman of the Audit Committee (and the auditors) shall explain to the shareholders the content and scope of said reservations and qualifications"*.

In accordance with article 39 of the Regulations of the Board of Directors, the Audit Committee is in charge of, amongst others, ensuring the efficiency of the internal audit and reviewing the internal control and risk management systems, as well as discussing with external auditors any significant weak points in the internal control system.

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 39.7(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:**

Yes  No

**If there were any 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)	63	211	274
Amount invoiced for non-audit services/Amount for audit work (in %)	13.6	8.9	11.5

**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	13	13

	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 this requests.</p>

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company’s standing and reputation. If so, provide details:

Yes  No

Explain the rules
<p>Article 17.2 of the Regulations of the Board of Directors provides that:</p> <p>“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>

[...]

(c) When they are affected by any of the incompatibility or prohibitions 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 continued presence on the Board of Directors may jeopardize the interests of the Company.

When a Director is removed from its office before the end of the term of office following its resignation or for whatever other reason, the Director shall explain the reasons for doing so in a letter addressed to all the members of the Board of Directors. Even if said removal is communicated as a relevant fact, the reasons for said removal will be included in the Annual Corporate Governance Report."

**C.1.37** State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

Yes  No

State whether the Board of Directors has examined the case. If so, explain in detail the decision taken as to whether the director in question should continue in his or her post or, if applicable, describe any actions taken by the Board up to the date of this report, or which it intends to take.

Yes  No

Decision/Action taken	Explanation
N/A	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") eight (8) members of the senior management team who are part of the management committee. The amounts payable to

	<p>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 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>").</p> <p>In addition to these 8 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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State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorizing the severance clauses	YES	NO

	Yes	No
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Are these clauses notified to the General Shareholders' Meeting?		X
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## 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	INDEPENDENT
MARIA CRISTINA HENRÍQUEZ DE LUNA	MEMBER	INDEPENDENT
ESSIMARI KAIRISTO	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 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 29 of the Regulations of the Board of Directors and mainly consist of:

- Informing the General Shareholders meeting on the matters amongst it competence that shareholders may bring up.
- Supervising the preparation of annual accounts and management reports, both individual and consolidated, in order to be drawn up by the Board of Directors according to law.
- To monitor the effectiveness of the internal control of the company, the internal audit, and the risk management, including tax risks, as well as to discuss with the auditor any significant weaknesses in the internal control system detected during the course of the audit, without altering its independence.
- Informing, beforehand, the Board of Directors, in order to be drawn up according to law, about the accuracy and reliability of the annual accounts and management reports, both individual and consolidated, including any periodic financial data forwarded to the markets, the creation or acquisition of holdings in special vehicle 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, which, due to their complexity, might diminish the transparency of the Applus+ group.
- Issuing any reports and proposals requested by the Board of Directors or its Chairman, and others deemed pertinent for the adequate performance of its tasks.
- Supervising compliance with all internal codes of conduct and corporate governance rules, particularly the Regulations of the Board of Directors, in the terms provided therein.
- Ensuring that the company and auditor uphold current rules on the provision of non-audit services, limits on the auditor's workload, rules regarding the need for a turnover in the signatory auditor of the auditing



report and, in general, all other provisions established to guarantee the auditors' impartiality.

- The Audit Committee will issue a report each year, giving its opinion about the auditors' impartiality. This report, in any case, will refer to the provision of additional services by the auditors to the company or to any other entity directly or indirectly related thereto.

The main actions of the Audit Committee during 2019 were:

- Definition, approval and monitoring of the Internal Audit annual plan;
- Approval for submission to Board of the Risk Management policy and procedure;
- 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 as well as verification of its Independence.

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	31/05/2018

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. Mr. Nicolás Villén was appointed Chairman of the Audit Committee after Mr. Ernesto Mata for rotation purposes, as established in the Board of Directors' Regulations. Mr. Villén was already a member of the Audit Committee before its appointment.

#### APPOINTMENTS AND REMUNERATION COMMITTEES

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.

It 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 Appointments and Compensation Committee, based on the knowledge, skills and experience of the Directors and the tasks entrusted to the Appointments and Remuneration Committee.

Appointments and Compensation Committee's functions are:

- Reporting any proposed appointments and re-elections of Executive and Proprietary Directors, making proposals to appoint Independent Directors.
- Reporting any proposed removals of members of the Board of Directors.
- Verifying the nature of each Director, checking that requirements are met to be classified as executive, independent or proprietary.
- Evaluating the competences, knowledge and necessary experience on the Board of Directors, consequently defining the necessary candidate tasks and skills to cover each vacancy, evaluating the necessary time and dedication in order to adequately perform their task.
- Examining or arranging, as deemed adequate, the succession of the Chairman and top executive and, if necessary, making proposals to the Board of Directors in order for this succession to take place in an orderly and well planned manner.
- Annually reporting on performance of tasks by the Chairman of the Board of Directors and top executive of the company.
- Reporting any appointments and removals of the Secretary of the Board of Directors and senior executives proposed by the top executive to the Board of Directors.
- Providing information to the Board of Directors about any gender diversity matters, ensuring that when new vacancies arise, selection procedures have no implicit biases that hinder the selection of female Directors; ensuring that the company deliberately searches for, and includes amongst potential candidates, women who meet the professional profile sought.
- Preparing and keeping a record of situations involving Directors and senior executives of the company, receiving and safeguarding in this register any personal details provided by Directors, as provided in article 29 of the Regulations of the Board of Directors.
- Receiving any information provided by Directors.
- Proposing to the Board of Directors a remuneration policy for Directors and senior executives.
- Proposing to the Board of Directors the individual remuneration of executive Directors and other contractual conditions.
- Proposing to the Board of Directors the basic conditions of senior executive contracts.
- Ensuring that the remuneration policy established by the company is followed.

Main 2019 actions of the Appointments and Compensation Committee were:

- Approval of the bonus payouts for the managers reporting to the CEO;
- Determination of the 2019 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 2019-2021 under the Chief Executive Officer and the Senior Management LTI plans.
- Approval of the payment of the CEO's annual bonus corresponding to year 2018.
- 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.
- Evaluation of the Board, Appointment and Compensations Committee, Audit Committee, Corporate Social Responsibility Committee, Chairman of the Board and Chief Executive Officer.
- Proposal and reports regarding the appointment of 2 independent Directors and appointment of executive director.
- 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

#### CORPORATE SOCIAL RESPONSABILITY COMMITTEE

Name	Post	Category
DON CHRISTOPHER COLE	PRESIDENT	INDEPENDENT
DON RICHARD CAMPBELL NELSON	MEMBER	INDEPENDENT
DON FERNANDO BASABE ARMIJO	MEMBER	EXECUTIVE

<b>% of executive directors</b>	33.33
<b>% of proprietary directors</b>	0
<b>% of independent directors</b>	66.67
<b>% of external directors</b>	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 Corporate Social Responsibility 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 Corporate Social Responsibility Committee based on the expertise, skills and experience of the Directors and the commitments of the Corporate Social Responsibility Committee.

Corporate Social Responsibility Committee's functions are:

- To promote the Corporate Social Responsibility strategy of the company and of the Applus+ Group ensuring the adoption and effective implementation of good practices in the field of corporate social responsibility, good governance, ethics and transparency and procuring that expectations of the various stakeholders in the framework of value creation are taken into account.
- 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 Corporate Social Responsibility Policy 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 Corporate Social Responsibility Policy of the company and to such other policies or codes that, within the scope of its functions, it may promote.
- To define the necessary organization and coordination for the implementation of such initiatives and strategies for Corporate Social Responsibility including, if necessary, the possibility to appoint ad-hoc committees to monitor specific areas that, in its view, may require specialized dedication.
- To assess, review and monitor the development and implementation of initiatives and plans of the company in implementing the Corporate Social Responsibility Policy, by monitoring their compliance with the indicators defined.
- To report, prior to its approval by the Board of Directors, on the Annual Corporate Social Responsibility Report and to coordinate whenever necessary the process for reporting non-financial information in accordance with applicable regulations and international reference standards.

- To issue the reports and take such other actions on Corporate Social Responsibility matters as may be requested by the Board of Directors or by its Chairman.
- Periodic monitoring of data and health and safety indicators and its impulse for continue improvement.

During 2019, the CSR Committee worked on three main areas:

**Sustainability:** (i) Approval of CSR report and Non-financial Information report by the Committee prior to being ratified by the Board ad AGM; (ii) Applus continued to be adhered to the UN Global Compact, committing with the initiative and its 10 principles; (iii) monitoring of the 2016-2020 CSR plan;

**Business ethics:** (i) monitoring of the Compliance Management System, issuance of new policies and procedures including the definition of the Core; (ii) reinforce and strengthen compliance culture with 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".

**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 or proxy advisors expectations; (iii) review of process, format, content and enhancement of the Board evaluation.

**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
Corporate Social Responsibility 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](http://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.

**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)
N/A	N/A	N/A

- 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. Is there more than one company in the group listed in Spain?**

Yes  No

Identify the other companies that are listed in Spain and their relationship to the company:

Identity and relationship with other listed group companies
N/A

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group;

Yes  No

Describe the business relationship between the parent and subsidiary listed companies as well as between the subsidiary and other members of the group
N/A

Identify measures taken to resolve potential conflicts of interest between the listed subsidiary and the other group companies:

Measures taken to resolve potential conflicts of interest
N/A

**E. 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.

In 2019 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 some changes have arisen

in the Group's Risk Map.

The risk model implemented by the Group consists of the following three stages:

Stage 1: identification and quantification 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: design and definition of a reporting template to the Audit Committee and the Board of Directors.

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 CSR 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 CSR 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. strategical 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).

- Exchange rate risk resulting from the Group's international activity.
- Interest rate risk (which could increase the cost of its debt).

**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.**

Note that the results of the Applus Group have, reached the budget of the Group for the year ended December 31, 2019. Consequently, no significant risk including tax have materialized.

The Group has signed a contract to perform the vehicle inspection service (ITV) in Ireland for an additional ten years after taking part in a public bidding.

In this sense, the Group has carried out the impairment tests for all cash generating units in relation to goodwill and intangible assets, concluding that in 2019 there was no need to record additional impairments.

In relation to tax issues, in 2019 several tax inspections have been carried out in different geographical areas where the Group operates without significant sanctions.

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 supervising and approving 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 and using 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.

In addition, 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.

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.

**F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING 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 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 2019 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 Intranet.

- **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.

## **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 has been 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.

- **If 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 select the risks to be taken into account 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.

- **If 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 Internal Audit Management in conjunction with the Internal Control Supervisor. The entire process is ultimately supervised 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 Internal Audit 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.

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.

**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.**

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 2019, 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 person in charge in the Corporate Financial Management.
- Quantifiable indicators to evaluate the quality and integrity of the service received.
- The Corporate 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 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-BCP 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-BCP 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 2019 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 2019, 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 2019 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 2019 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, in 2019 a new project to identified fraud using advance data analysis technics combined with artificial intelligence was implemented. This project will permit detection of anomalous transactions that may be potentially fraudulent. Also this allows for both some improvement opportunities

in the processes and controls and for ICFR to be implemented in the future .

**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 Appplus+ Group has submitted its ICFR information, disclosed to the markets in 2019, 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. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

**Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.**

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. 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                      Explanation

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

- a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
- b) The mechanisms in place to resolve any conflicts of interest that may arise

Complies                      Complies Partially                      Explanation                      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                      Explanation

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including

information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies X      Complies Partially      Explanation

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      Explanation

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      Explanation

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies      Explanation X

Analysing the recommendation, the Company considers that, in compliance with its Policy on communication and contacts with shareholders, institutional investors and proxy advisors, it makes regular efforts with the organization of a corporate governance roadshow which allows it to maintain a fruitful dialogue with its institutional investors as well as the proxy advisors. This is supported by the high degree of participation in the AGM (68.64% in 2019) and the support (above 95% in all cases) (<http://www.applus.com/en/InvestorRelations/Shareholders-meetings>). Likewise, it considers the information and communication channels available for its shareholders as well as the characteristics and composition of its shareholding, mostly institutional. In view of all these issues, the Company does not consider that live broadcasting of its shareholders meetings would significantly increase its transparency or participation. In any case the Company's shall continue to direct its efforts to identify any appropriate measures in order to continue increasing transparency and to promote and facilitate communication when convening and celebrating each shareholders' meeting.

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies x      Complies Partially      Explanation

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      Explanation

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      Explanation      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      Explanation      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 the environment.

Complies X      Complies Partially      Explanation

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      Explanation

14. That the Board of Directors approves a selection policy for directors that:

- a) Is concrete and verifiable.
- b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
- c) Favors diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020

the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies X      Complies Partially      Explanation

The Board of Directors of the Company approved in 2016 the directors' selection policy, which promotes the diversity in a wide sense, and in particular, the gender diversity, which has been amended as of the date of approval of this report to include a specific reference to the abovementioned objective, which has been complied with during 2019 following the appointment of two female directors to replace the positions left open in 2018. The Appointments and Compensation Committee and the Board of Directors safeguard the diversity in the Board's composition, considering the experience, the geographical scope of the same, the age and gender, amongst multiple factors to ensure such balance.

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.

Complies X      Complies Partially      Explanation

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 companies with a high market capitalization in which interests that are legally considered significant are minimal.
- b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies X      Explanation

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      Explanation

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 type.
- c) Category of directorship, 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) The shares and options they own.

Complies X      Complies Partially      Explanation

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      Explanation      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      Explanation      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      Explanation

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 should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies X      Complies Partially      Explanation

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	Complies Partially	Explanation	Not Applicable X
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24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies	Complies Partially	Explanation	Not Applicable X
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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	Explanation
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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 Chariman 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	Explanation
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The Board of Directors meet with sufficient frequency to perform their functions efficiently, especially considering the international condition of its members. In particular, during 2019, it met 6 times, which is above the minimum requirements described in article 35.1 of the Board of Directors Regulations, which requires a quarterly frequency.

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	Explanation
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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	Explanation	Not Applicable
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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	Explanation
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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	Complies Partially	Not Applicable
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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      Explanation

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      Explanation

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      Explanation

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      Explanation      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      Explanation

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                      Explanation

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. Lás

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                      Explanation                      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                      Explanation                      Not Applicable X

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies X                      Complies Partially                      Explanation

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                      Explanation

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies                      Complies Partially                      Explanation                      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) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and 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; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

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) Insist that the company file a relevant fact with the CNMV when there is a 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      Explanation

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      Explanation

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      Explanation      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) Fixing of the level of risk the company considers acceptable.
- c) Means identified in order to minimize identified risks in the event they transpire.
- d) 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      Explanation

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      Explanation

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      Explanation

48. That high market capitalization companies have formed separate appointments and remuneration committees.

Complies      Complies Partially      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      Explanation

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      Explanation

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      Explanation

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                      Explanation                      Not Applicable

While the majority of the members of the Corporate Social Responsibility committee are independent Directors, including its Chairman, the company has considered it is convenient to include the executive Director in the committee in order to encourage the implementation of the CSR Policy within the group. All members of Audit and Appointments and Compensation Committees are independent directors.

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organization, which at least the following responsibilities shall be specifically assigned thereto:

- a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.
- c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.
- e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.
- f) Supervision and evaluation of the way relations with various stakeholders are handled.
- g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies X                      Complies Partially                      Explanation

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

- a) The objectives of the corporate social responsibility policy and the development of tools to support it.
- b) Corporate strategy related to sustainability, the natural environment and social issues.
- c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.
- d) Means or systems for monitoring the results of the application of specific practices

described in the immediately preceding paragraph, associated risks, and their management.

- e) Means of supervising non-financial risk, ethics, and business conduct.
- f) Communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices that impede the manipulation of data and protect integrity and honor.

Complies X      Complies Partially      Explanation

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognized methodologies.

Complies X      Complies Partially      Explanation

56. That director 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      Explanation

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      Explanation

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      Explanation      Not Applicable

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies X      Complies Partially      Explanation      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	Explanation	Not Applicable
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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	Explanation	Not Applicable
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62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies X	Complies Partially	Explanation X	Not Applicable
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The shares delivered to Directors (Chairman of the Board and executive Director) as well as options or rights over shares (only for executive Director) derive from extraordinary agreements and not from LTIP programs, which were entered to into before the shares in the company were listed and said agreements did not considered the conditions indicated. Additionally, the latest LTIP for the executive Directors was 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	Explanation	Not Applicable
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64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies x	Complies Partially	Explanation	Not Applicable
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**H. 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.
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.

With respect to the notes on Recommendation 7 (which the Company has opted to explain) and Recommendations 25, 26, 36, 52 and 62 (which the Company complies in part), it is noted that the Corporate Social Responsibility 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. This includes reflection on the measures that Company adopts and which alternatively 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 values and dedicates yearly efforts to the engagement campaign with proxy advisors and main shareholders.

For clarification purposes on G.63, the remuneration policy approved by the AGM on 30 May 2019 establishes that *"the Company will have the power to claim the*

return of the RSUs delivered to the executive 5 directors (or if they have already vested as shares, the vested shares) or an equivalent amount in cash, if they were awarded based on information that is later proven to be inaccurate”, that “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” and “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.

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.

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.

Applus+ participates in the Carbon Disclosure Project (CDP) since 2017, obtaining a B 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.

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This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on 21 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