# REMUNERATION POLICY OF THE DIRECTORS OF APPLUS SERVICES, S.A.

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## 1. Duration of the policy

The Remuneration Policy will be in force during years 2016, 2017 and 2018 unless an agreement amending or replacing such policy is passed at the Annual General Meeting during its applicable period, in accordance with article 529 novodecies of the Spanish Corporate Companies Act.

## 2. Principles and grounds

The principles and grounds of the directors' Remuneration Policy of Applus, in their capacity as board members and for the performance of executive duties, are based on a remuneration centered on market practices, capable of attracting, retaining and motivating the necessary talent in accordance with the characteristics of its industry and of the countries in which the Company operates in order to satisfy its business needs and shareholders' expectations.

Likewise, according to article 27.2 of the Board of Directors Regulation of the Company, independent directors shall be eligible for remuneration as a reward for the dedication, qualification and responsibility that the office demands, however, this remuneration should not reach a level which compromises their independence.

In any case, the directors' remuneration provided for in this Remuneration Policy will be reasonably proportionate to the importance of the Company, the economic situation and the market standards of comparable companies. Furthermore, the remuneration system is oriented towards the promotion, in the long-term, of the profitability and sustainability of the Company and it incorporates the necessary cautions to avoid an excessive assumption of risks and the reward of unfavourable results.

## 3. Remuneration for directors, in their condition as such

The office of director of the Company is remunerated. In general, such remuneration comprises a fixed annual amount, as follows:

(i) The maximum amount of the annual remuneration for the Board of Directors as a whole, in their capacity as board members (as fixed amount), will be approved by the General Shareholders' Meeting. If such sum is not set by the General Shareholders' Meeting, the amount will be the same as that set for the preceding year, but may be increased by the Consumer Price Index or any other index which may substitute it in the future.

(ii) The Board of Directors will set the specific remuneration for each director, in his/her condition as board member (as fixed amount), taking into account the functions and responsibilities attributed to each director, if they sit in Board committees and any other objective circumstances that may be deemed relevant.

Notwithstanding the above, proprietary directors shall not receive any remuneration for sitting on the Board of Directors or any other committee of the Board of Directors.

The maximum amount the Company can pay to the Company directors, as fixed annual amount, in their capacity as board members, for each financial year 2016, 2017 and 2018, shall not exceed EUR 1,500,000. The increase in respect of the maximum amount set for the financial year 2014 is motivated by the need to grant the board of directors with certain leeway should it be necessary to increase the number of members of the board of directors or appoint new independent directors. Such amount will be increased, during the term of this Remuneration Policy, with reference to the Consumer Price Index or any other index which may substitute it in the future, unless the General Shareholders' Meeting approves a different amount for the following years.

In addition, directors will be reimbursed for travel, accommodation and any other expenses incurred due to attendance to Board of Directors and Committees meetings, as long as they are duly justified.

The Company has entered into a civil liability insurance policy for its directors on market conditions.

Notwithstanding the foregoing, directors are also entitled to receive wages, remuneration, indemnity payments, pensions, contributions to welfare benefit systems, life insurance or compensation of any kind, of a fixed or variable, annual or multiannual nature, set on a general or individual basis for those members of the Board of Directors who perform executive functions, whatever the nature of their relationship with the Company is.

## 4. Directors' remuneration for the performance of executive duties

As of this date, Mr. Fernando Basabe Armijo is the only member of the Board of Directors performing executive functions in the Company.

### 4.1 Fixed remuneration

The fixed remuneration to be paid to the executive director amounts to EUR 650,000. During the term of this Remuneration Policy, said amount may be increased with reference to the Consumer Price Index or any other index which may substitute it in the future.

Furthermore, the executive director of the Company shall receive other benefits as remuneration in kind, for a maximum amount equal to 10% of the fixed remuneration in cash, in accordance with the Directors' Remuneration Annual Report and the executive director contract.

### 4.2 Variable remuneration

Pursuant to article 27.1 of the Board of Directors' Regulation, remuneration comprising the delivery of shares of the Company or of its group companies, share options or other share-indexed instruments, variable payments indexed to the Company's performance or membership of pension schemes will be confined to executive directors. Deductions should be made to remuneration linked to Company earnings in line with any qualifications stated in the external auditors' report that reduce such earnings.

The variable remuneration for the executive director comprises (i) a variable annual amount in cash linked to achieving targets; and (ii) a long term incentive plan.

(i) The executive director's variable annual remuneration in cash will be linked to achieving targets (based on the Group's adjusted operating profit[1] and operating cash flow).

The variable amount will increase by 3% for each 1% achieved in excess of the targets, up to a maximum of 250% of the variable base target (EUR 325,000). If the targets are not achieved, the variable remuneration will decrease by 10% for every 1% by which the targets are missed.

(ii) Each year the long term incentive plan awards the executive director PSUs (*Performance Stock Units*) equal to, in principle, 60% of his fixed remuneration (even though, depending on the degree of achievement of the parameters set forth below such amount may finally fluctuate between a minimum of 0% and a maximum of 120% of his fixed remuneration), where the value of each PSU is equivalent to the average quote value of a share in the Company during the thirty days prior to the granting of the PSUs. Each PSU will be exchangeable for one Company share in accordance with the vesting schedule referred to below.

The PSUs will be granted every year immediately after the Company's annual results are announced. In 2016, as an exception, the first PSUs will be granted in July 2016.

The PSUs awarded in each year shall be vested into shares within a three-year period as from the day they were awarded provided that certain parameters regarding total shareholder return and adjusted earnings per share reported by Applus, as set out below, are met. The number of PSUs that will be vested will have a value between 0% and 120% of the fixed remuneration of the executive director depending on the degree of compliance with such parameters during the three years prior to the vesting, so as to ensure that the vesting reflects the professional performance of the executive director during each three-year period. Provided the conditions are met, the first PSUs granted will vest in February 2019.

In particular, the vesting of PSUs will be based on the following quantitative parameters:

a) A target based on relative total shareholder return ("**TSR**") within a three-year period, where the Company's TSR will be compared with an unweighted index composed of a group of peer companies within the testing, inspection and certification industry.

This parameter will represent 40% of the total PSUs granted each year.

In particular, within this 40%, 50% of PSUs will be vested should the TSR performance be equal to the index and 200% of PSUs will be vested should the TSR performance be 5% greater on an annual cumulative basis than the index. Between the index and the TSR value that gives right to vest 200% of PSUs, there will be a straight line vesting between such two values. As a result, 100% of PSUs will be vested should the TSR performance be 1.67% greater than the index.

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1 For this purposes, the "adjusted operating profit" will be equal to the result of subtracting the amount corresponding to the depreciation and amortization of intangible assets (excluding the goodwill depreciation) from the recurring EBITDA.

If the TSR performance is below the index, no PSUs will vest for this parameter.

b) A target regarding adjusted earnings per share ("**EPS**") accumulated within a three-year period.

This parameter will represent 60% of the total PSUs granted each year.

The Board of Directors will set specific thresholds for this EPS target at which 50%, 100% and 200% (within the 60% this parameter represents) of Target PSUs will be vested. The maximum number of PSUs that will be vested will be 200% of the Target PSUs.

If the EPS performance is below the specific threshold that gives right to vest 50% PSUs, no PSUs will vest for this parameter.

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 the executive director.

Likewise, the PSUs may vest early if some events occur.

The exceptional incentive referred to as the "Economic Incentive in RSUs" described in the Initial Public Offering (IPO) Prospectus of the Company, which was granted to the executive director in connection with the public offering of the Company and whose final date is 9 May 2017 will remain in force as per the terms included in such Incentive.

4.3 Main terms and conditions of the executive director's contract

The essential terms and conditions of the executive director's contract are, apart from those relating to his remuneration, the following:

(i) Duration: the executive director's contract is of indefinite term.

(ii) Exclusivity: while he performs executive duties, the executive director may not hold any direct or indirect interest in any other business or activity which may represent a conflict of interests in relation to the Company's obligations and liabilities or in relation to its activity and that of the Applus Group.

(iii) Termination: the executive director's contract stipulates that such contract may be terminated, at any moment, at the request of the executive director or the Company, provided that it is notified in writing to the other party. Six months' and three months' advance notice must be provided in the event that the executive director or the Company, respectively, terminates such contract. If the executive director or the Company fully or partially breaches the advance notice obligation, the other party would be entitled to an indemnity equal to the fixed remuneration of the executive director relating to the duration of the breached advance notice period.

The termination or discontinuation of the contract decided by the Company (whatever its form, except in the event of dismissal on disciplinary grounds declared fair by the courts in a final decision), will entitle the executive director to receive compensation for termination of the contract equal to double the amount of the fixed remuneration received plus the annual variable remuneration accrued in the last year following the termination of the contract with a minimum indemnity payment of EUR 1,640,000. This entitlement substitutes any legal compensation arising from the application of the related legislation.

(iv) Post-contractual non-competition agreement: in the twelve months following the termination date of the contract, the executive director will not compete against the Company or any Applus Group company, be it for his own account, for the account of others or on behalf of other people or entities, or by providing services, advising, representing companies, people or entities whose activities represent competition for the business performed by the Company or by any Applus Group company at the termination date of the contract, specifically including the prohibition to own direct or indirect holdings in such companies or entities. Likewise, the executive director will not recruit nor participate in the recruitment (for him or for the entity which he represents or in which he performs his activities) of employees who, at the date of termination of their contract or in the preceding twelve months, form part or have formed part of the Company's workforce or that of any Applus Group.

The fixed annual remuneration in cash received by the executive director during the term of the contract includes, as a component, the consideration adapted to the post-contractual non-competition commitments. Accordingly, 30% of the fixed annual remuneration in cash is paid in consideration for these commitments and as adequate compensation for them. For greater clarity, the executive director is not entitled to any consideration for post-contractual non-competition commitments once this contract is terminated. Should the executive director breach this commitment and compete with the Company and with any Applus Group company, he must return the amounts paid by the Company to compensate the agreement.

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