



**Report drafted by the Board of Directors of Applus Services, S.A. on the proposed amendments of certain articles of the By-laws included under item Ten of the agenda of the Annual General Shareholders' Meeting convened for 21 and 22 June 2016 on first and second call, respectively**

*NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between this translation and the text of the original Spanish-language document, the text of the original Spanish-language document shall prevail.*

## **I. Introduction and purpose of the report**

This Report is drafted by the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in accordance with article 286 of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July (“*Real Decreto Legislativo 1/2010, de 2 de Julio, por el que se aprueba el texto refundido de la Ley de Sociedades de Capital*”) (hereinafter, the “**Spanish Companies Act**”), to justify and explain the proposed amendment of certain articles of the By-laws, which will be submitted for the approval of the General Shareholders’ Meeting of the Company convened for 21 and 22 June 2016 on first and second call, respectively.

The complete text of the proposed amendments is included in the Annex attached hereto. For the purposes of facilitating the identification and understanding of such amendments, the aforementioned Annex includes, for information purposes only, a comparative table of the articles whose amendment is proposed, which contains, on the left column, the transcription of the current wording of such articles and, on the right column, the transcription of the proposed new wordings identifying the changes included therein.

It is hereby acknowledged that, in accordance with the provisions of articles 287 and 518 of the Spanish Companies Act, and article 8 of the Regulation of the General Shareholders’ Meeting of Applus, this Report will be made available to the shareholders at the Company’s registered office and published uninterruptedly in the corporate website of the Company as from the date of the announcement of the calling until the holding of the General Shareholders’ Meeting.

## **II. General justification for the proposal**

The purpose of the proposal included in this Report is to adapt the contents of the By-laws of Applus to the amendments to the Spanish Companies Act introduced by the following laws, which were published after the General Shareholders’ Meeting dated 18 June 2015 was duly called and held:

- (i) Law 15/2015, of 2 July, on Voluntary Jurisdiction (“*Ley 15/2015, de 2 de julio, de Jurisdicción Voluntaria*”) (hereinafter, the “**Law 15/2015**”), published in the Official State Gazette (“*Boletín Oficial del Estado*”) on 3 July 2015, which entered into force (regarding the amendments to the Spanish Companies Act discussed herein) on 23 July 2015.
- (ii) Law 22/2015, of 20 July, on Account Auditing (“*Ley 22/2015, de 20 de julio, de Auditoría de Cuentas*”) (hereinafter, the “**Law 22/2015**”), published in the Official State Gazette (“*Boletín Oficial del Estado*”) on 21 July 2016, which shall enter into force (regarding the amendments to the Spanish Companies Act discussed herein) on 17 June 2016.

It is hereby noted that the amendments to the Spanish Companies Act introduced by Law 15/2015 and Law 22/2015 also affect certain articles of the Regulation of the General Shareholders’ Meeting and the Regulations of the Board of Directors, whose amendments are subject to two additional Reports issued by the Board of Directors and the Audit Committee of Applus, respectively. Such Reports Report will also be made available to the shareholders at the Company’s registered office and published uninterruptedly in the corporate website of the Company as from the date of the publication of the calling of the General Shareholders’ Meeting until the General Shareholders’ Meeting is held.

### **III. Detailed explanation on the proposed amendments**

A detailed explanation of each of the proposed amendments is included below:

(i) Proposed amendment of sections 1 and 3 of article 31 of the By-laws (Audit Committee)

Section 20 of the Final Provision number four of Law 22/2015 amends article 529 *quaterdecies* of the Spanish Companies Act, regarding audit committees in listed companies.

In particular, such amendment sets forth that the majority of the members of the audit committee must be independent directors (at present, the requirement is having, at least, two independent directors as members of the committee) and that all of them must have relevant technical knowledge in connection with the sector of activity in which the Company operates. Additionally, it also includes some clarifications and additions to the list of minimum functions to be undertaken by the audit committee included in article 529 *quaterdecies*.

The proposed amendment of sections 1 and 3 of article 31 of the By-laws, as included in the Annex attached to this Report, aims to adjust the wording of said sections to the current wording (as amended by Law 22/2015) of article 529 *quaterdecies* of the Spanish Companies Act.

(ii) Proposed amendment of section 1 of article 38 of the By-laws (Liquidation)

Section 5 of the Final Provision fourteen of Law 15/2015 amends article 389 of the Spanish Companies Act, which regulates the replacement of the liquidators as a consequence of an excessive duration of the liquidation process.

Such article 389 grants the right to any shareholder or person with a legitimate interest to request the removal of the liquidators when three years, as from the commencement of the liquidation procedure, have elapsed without them having submitted the final liquidation balance to the General Shareholders Meeting. The amendment introduced by Law 15/2015 to such article sets forth that the removal request shall be submitted to the Court Clerk ("*Secretario Judicial*") or the Commercial Registrar ("*Registrador Mercantil*") of the registered office instead of the Corporate Judge.

The proposed amendment of section 1 of article 38 of the By-laws, as included in the Annex attached to this Report, aims to adjust the wording of such section to the current wording (as amended by Law 15/2015) of article 389 of the Spanish Companies Act.

In Bellaterra, Cerdanyola del Vallès (Barcelona), on 5 May 2016.

*(Signatures of the members of the Board of Directors follow in the Spanish version)*

Annex

Full text of the proposed amendments

CURRENT TEXT	PROPOSED AMENDMENT
<p><u>Article 31.- Audit Committee</u></p> <p>31.1 The Company shall have an Audit Committee comprising a minimum of three (3) and a maximum of five (5) Directors, appointed by the Board of Directors. All the members of the Audit Committee should be non-executive Directors, and at least two (2) of the members of the Audit Committee shall be required to be Independent Directors, one (1) of which shall be appointed on the basis of his knowledge and experience in matters of accounting or auditing, or in both these areas.</p> <p>[*]</p>	<p><u>Article 31.- Audit Committee</u></p> <p><u>31.1</u> The Company shall have an Audit Committee comprising a minimum of three (3) and a maximum of five (5) Directors, appointed by the Board of Directors. All the members of the Audit Committee should be non-executive Directors, and <del>at least two (2)</del><u>the majority</u> of the members of the Audit Committee shall be required to be Independent Directors, one (1) of which shall be appointed on the basis of his knowledge and experience in matters of accounting or auditing, or in both these areas.</p> <p><u>As a whole, all of the members of the Audit Committee shall have relevant technical knowledge in connection with the sector of activity in which the Company operates.</u></p> <p>[*]</p>
<p>31.3 The authorities of the Audit Committee which are further detailed in the Regulations of the Board of Directors include the following, as a minimum:</p>	<p>31.3 The authorities of the Audit Committee which are further detailed in the Regulations of the Board of Directors include the following, as a minimum:</p>
<p>1. Reporting to the General Shareholders' Meeting about the issues raised within the scope of its functions.</p>	<p>1. Reporting to the General Shareholders' Meeting about the issues raised within the scope of its functions <u>and, in particular, on the outcome of the audit, explaining how the audit has contributed to the integrity of the financial reporting and the role the Committee has played throughout this process.</u></p>
<p>2. Monitoring the effectiveness of the Company's internal control systems, internal audit and risk management systems, including tax risks, as well as discussing with the external auditors any significant weaknesses in the internal control system detected during the audit.</p>	<p>2. Monitoring the effectiveness of the Company's internal control systems, internal audit and risk management systems, <del>including tax risks,</del> as well as discussing with the external auditors any significant weaknesses in the internal control system detected during the audit, <u>all of this without breaching its integrity. For this purpose, the Audit Committee may submit recommendations or proposals, that</u></p>

	<p><u>will be considered by the Board of Directors within a specific</u> timeframe.</p>
<p>3. Supervising the regulated financial information as it is drawn up and prepared.</p>	<p>3. Supervising the regulated financial information as it is drawn up and prepared <u>and present recommendations and proposals to the Board of Directors, with the purpose of safeguarding its integrity.</u></p>
<p>4. Proposing to the Board of Directors, for its submission to the General Shareholders' Meeting, the selection, appointment, re-election and replacement of the external auditor in accordance with the applicable regulations, and the terms of its contract, as well as regularly collecting information from them on the audit plan and the implementation thereof, and preserving the auditor's independence in the performance of his duties.</p>	<p>4. Proposing to the Board of Directors, for its submission to the General Shareholders' Meeting, the <u>proposals of</u> selection, appointment, re-election and replacement of the external auditor, <u>being held fully responsible for the selection process,</u> in accordance with the <u>provisions set out in articles 16, section 2, 3 and 5, and 17.5 of Regulation (EU) N° 537/2014, of 16 April applicable regulations,</u> and the terms of its contract, as well as regularly collecting information from them on the audit plan and the implementation thereof, and preserving the auditor's independence in the performance of his duties.</p>
<p>5. Establishing appropriate relationships with the external auditors to share information on any issues that may jeopardize their independence, so that said information may be considered by the Audit Committee and any others involved in the audit, and including any other communications detailed in the audit legislation and in the audit regulations. In any case, the external auditors must receive annual written confirmation of their independence from the Company and any other entities that are related either directly or indirectly, as well as information on additional services of any kind that are provided to and the fees collected from these entities by auditors or by any persons or entities related to them, in accordance with the currently applicable audit legislation.</p>	<p>5. Establishing appropriate relationships with the external auditors to share information on any issues that may <u>be a threat to jeopardize</u> their independence, so that said information may be considered by the Audit Committee and any others involved in the audit, <u>and when appropriate, the authorisation of services other than those prohibited under the terms set out in articles 5, section 4 and 6.2.b) of Regulation (EU) N° 537/2014, of 16 April, and as provided in Section 3 of Chapter IV of Title I of Law 22/2015, of 20 July, on Account Auditing, regarding the independence regime,</u> including any other communications detailed in the audit legislation and in the audit regulations. In any case, the external auditors must receive annual written confirmation of their independence from the Company and any other entities that are related either directly or indirectly, as well as <u>detailed and individualized</u> information on additional services of any kind that are provided to and the fees collected from these entities by <u>external</u> auditors or by any persons or entities related to them, in accordance with the <u>regulation on account auditing activities currently applicable legislation on auditing.</u></p>

<p>6. Issuing annually, prior to the issuance of the audit report, a report including an opinion on the independence of the auditors. This report shall, in any event, provide details on the provision of additional services as referred to in the previous section, both as a whole and individually considered, different from statutory auditing and related to the independence regime or to the regulations governing the auditing profession.</p>	<p>6. Issuing annually, prior to the issuance of the audit report, a report including an opinion on <u>whether</u> the independence of the auditors <u>is compromised</u>. This report shall, in any event, <u>provide—contain a reasoned assessment details</u> on the provision of <u>each and every</u> additional services as referred to in the previous <u>sectionnumber</u>, both as a whole and individually considered, different from statutory auditing and related to the independence regime or to the regulations governing the <u>activity of the auditing account</u> profession.</p>
<p>7. Reporting beforehand to the Board of Directors on all matters provided in the Law, the Bylaws and the Regulations of the Board of Directors and, in particular, regarding: (i) financial information to be regularly disclosed by the Company; (ii) the constitution or acquisition of shares of special-purpose entities or entities domiciled in countries or territories considered tax havens; and (iii) related parties transactions.</p>	<p>7. Reporting beforehand to the Board of Directors on all matters provided in the Law, the Bylaws and the Regulations of the Board of Directors and, in particular, regarding: (i) financial information to be regularly disclosed by the Company; (ii) the constitution or acquisition of shares of special-purpose entities or entities domiciled in countries or territories considered tax havens; and (iii) related parties transactions.</p>
<p><u>Article 38°.- Liquidation</u></p> <p>38.1 The members of the Board of Directors, at the time of the company dissolution, shall become liquidators unless, upon approval of the winding-up, the General Shareholders' Meeting designates others for the office. The liquidators shall hold office indefinitely. If three (3) years elapse from the beginning of the liquidation procedure without the final liquidation balance being submitted to the General Shareholders' Meeting, any shareholder or other person with a legitimate interest may apply to the Mercantile Courts for the liquidators to be removed in the manner provided by the Spanish Companies Act.</p>	<p><u>Article 38°.- Liquidation</u></p> <p>38.1 The members of the Board of Directors, at the time of the company dissolution, shall become liquidators unless, upon approval of the winding-up, the General Shareholders' Meeting designates others for the office. The liquidators shall hold office indefinitely. If three (3) years elapse from the beginning of the liquidation procedure without the final liquidation balance being submitted to the General Shareholders' Meeting, any shareholder or other person with a legitimate interest may apply to the <u>Mercantile Courts</u><u>Court Clerk or the Commercial Registrar</u> for the liquidators to be removed in the manner provided by the Spanish Companies Act.</p>