



**Annual Report on the functioning of the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A for year 2015 and Action Plan for year 2016.**

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

## **I. Introduction**

This Report is drafted by the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in compliance with articles 40.6 and 40.11 of the Regulations of the Board of Directors of Applus (hereinafter, the “**Regulations**”), in order to inform about the work performed by the Appointments and Compensation Committee during year 2015 and elaborating an Action Plan for year 2016.

This Report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating, on the basis of the same, the work performed by the Appointments and Compensation Committee during the year 2015, in conformance with article 36 of the Regulations.

## **II. Performance of the Appointments and Compensation Committee during year 2015**

### **1. Meetings**

During year 2015, the Appointments and Compensation Committee held 4 meetings, with all members attending each session either in person or duly represented.

Consequently, the Appointments and Compensation Committee has met with the frequency required to perform its functions.

### **2. Actions carried out during year 2015**

The Appointments and Compensation Committee, in the performance of the functions attributed to it under article 529 quincecies of the Spanish Companies Act, article 32 of the Company’s bylaws, and article 40 of the Regulations, has focused the objectives of its meetings on the following actions:

#### **A. Evaluation of the Board of Directors**

The Appointments and Compensation Committee has complied during the year 2015 with its function of evaluating the skills, knowledge, experience, and performance of the Board of Directors. To that end, it has coordinated an annual evaluation process of each of the members of the Board of Directors, as well as its President, Mr. Christopher Cole, and its Chief Executive Officer, Mr. Fernando Basabe Armijo.

In this sense, it is expressly stated that a questionnaire has been made available to the Directors which enables the Chairman of the Board of Directors and the President of the Committee to know the opinion of the Directors on the functioning of these bodies, and, where appropriate, identify possible areas of improvement in order to efficiently and effectively carry out the meetings of the Board of Directors and the Appointments and Compensation Committee.

B. Submission to the Board of Directors of certain proposed appointments

As a result of the resignation of Mr. Josep María Panicello Primé as director of the Company, the Appointments and Compensation Committee submitted to the Board of Directors on 26 October 2015 the proposal to appoint Mr. Nicolás Villén Jiménez as Independent Director. Mr. Nicolás Villén Jiménez was finally appointed by cooptation for a period of 4 years as of 27 October 2015. It is expected that this appointment will be ratified at the next Annual Shareholders' Meeting.

Likewise, as a result of the resignations presented on 14 December 2015 by Mr. José Luis Blanco Ruiz and Mr. Manuel Deó Martín, as Secretary and Vice Secretary, respectively, to the Board of Directors, the Audit Committee, and the Appointments and Compensation Committee of the Company, the Committee proposed to the Board to designate Mr. Vicente Conde Viñuelas as Secretary and Mr. José María de Paz as Vice Secretary, who were both ultimately appointed by the Board of Directors on 28 January 2016.

C. Proposals for the appointment of certain management positions.

The Appointments and Compensation Committee supervised the identification process, selection, and evaluation of skills and aptitudes of the candidates to cover the management positions within the Company. The Appointments and Compensation Committee approved all the appointments of managers who report to the Chief Executive Officer during 2015.

D. Remuneration Policy

The Appointments and Compensation Committee, in the exercise of its functions to review and control the remuneration policies of the Company, has submitted to the Board of Directors for its subsequent ratification the following proposals:

- (i) Payment of the bonus for management who report to the Chief Executive Officer corresponding to year 2014.
- (ii) Remuneration of managers who report to the Chief Executive Officer.
- (iii) Contract conditions of managers who report to the Chief Executive Officer.
- (iv) Conditions for termination of the only manager who reports to the Chief Executive Officer who left the group in 2015.
- (v) Approval of the 2015 long term incentive plan, including amount and conditions, for managers who report to the Chief Executive Officer.
- (vi) Determination of the remuneration of the Chief Executive Officer for year 2015 and approval of the payment of the annual bonus corresponding to year 2014.

- (vii) Approval of the 2015 future long term incentive plan, including amount and conditions, for managers who do not report to the Chief Executive Officer.
- (viii) Policy and criteria for 2015 annual bonus applicable to Chief Executive Officer and to managers who report to him.

E. Report on remuneration

To ensure compliance with article 541 of the Spanish Companies Act and article 29 of the Regulations, the Appointments and Compensation Committee drafted, at its meeting held on 24 February 2015, the Annual Report on Remunerations of Directors. Such Report was submitted to the Board of Directors for its approval and subsequently submitted to advisory vote at the following General Shareholders' Meeting.

Likewise, and in accordance with article 529 septdecies of the Spanish Companies Act, the Appointments and Compensation Committee, prior approval of the Remuneration Policy, issued, in its meeting held on 5 May 2015, a Report on the Remuneration Policy, which was, consequently, submitted to the Board of Directors.

F. The Appointments and Compensation Committee's Policies

The Appointments and Compensation Committee has carried out a policy of verifying the nature of the position and functions of each Director and reviewed each of them to ensure that they meet with the requirements to be qualified as executive, independent or proprietary.

Likewise, the Appointments and Compensation Committee has been monitoring parity and equality indicators within the Company, informing the Board of Directors on gender diversity issues, and staying informed so that, in case of new vacancies, the selection procedures are not implicitly biased against the selection of female directors. Additionally, it has steered the Company to deliberately look for, and include among potential candidate, females in compliance with the profile the Company is seeking for.

### **III. Action Plan for year 2016**

The Appointments and Compensation Committee proposes to carry out the following Action Plan for 2016:

- (i) Meetings. The Appointments and Compensation Committee will hold meetings in February, May, July, and October, before the meetings of the Board of Directors which are scheduled to take place in these months.
- (ii) Matters to be discussed. In the meetings to be held throughout 2016, the Appointments and Compensation Committee proposes to discuss, amongst others, the following matters:

- (a) Approval of the Long Term Incentive (“LTI”) for the Chief Executive Officer and all documents associated to its implementation.
- (b) Evaluation of the performance of the President and the Chief Executive Officer.
- (c) Preparation of the Annual Report on Remuneration and any other reports as required by law.
- (d) Development of a policy for the selection of Directors.
- (f) Review of the evaluation process of the Board of Directors.
- (g) Approval of the remunerations for 2016 for the Chief Executive Officer and the managers who report to him, including payment of 2015 annual bonus.
- (h) Review of long-term incentive plan for managers who report to the Chief Executive Officer.
- (i) Approval of 2016 long term incentive plan for managers of the group, including amount and conditions.
- (j) Policy and criteria for 2016 annual bonus for Chief Executive Officer and managers who report to him.
- (k) Other aspects in human resources management, including succession plans and talent management.