



**Report drafted by the Audit Committee of the Board of Directors of Applus Services, S.A. in relation to the proposed amendment of certain articles of the Regulation of the Board of Directors**

*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. Purpose of the report**

This Report is drafted by the Audit Committee of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in accordance with the provisions set forth in article 4.3 and 39.7.d. (iv) of the Regulation of the Board of Directors of Applus (hereinafter, the “**Regulation**”), to justify and explain the proposed amendments of certain articles of the aforementioned Regulation which shall be submitted to the Board of Directors for approval at its meeting convened on 5 May 2016.

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 518 and 528 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**”) 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 which is set to take place on 21 and 22 June 2016 on first and second call, respectively

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

The proposal subject to this report essentially serves three purposes:

- (i) To adjust the content of the Regulation of the Board to the amendments of the Spanish Companies Act set forth by 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.
- (ii) To complete, on the grounds of the powers of self-regulation of the board of directors set forth in article 245.2 of the Spanish Corporate Act, the operational regulation of the Board of Directors of the Company regarding the recording of the resolutions approved by the Board of Directors.
- (iii) To introduce technical improvements in the wording of certain provisions of the Regulation, basically aimed at updating certain legislative references and to correct detected typos in the cross references included in some of those provisions.

It is noted that the amendments to the Spanish Companies Act introduced by Law 22/2015 also affect certain provisions of the Company's by-laws, whose amendment will be subject of a specific report of the Board of Directors of Applus. Said report will also be made available to the shareholders in the corporate domicile and will be constantly published in the corporate website of the Company as from the publication date of the announcement of the calling until the holding of the General Shareholders' Meeting previously mentioned in paragraph I above.

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

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

- (i) Proposed amendment of section 2.h) of article 7 of the Regulation (Authorities of the Board of Directors. List of non-delegable matters)

The proposal has the purpose of correcting a typo in the cross reference set forth at the end of section 2.h) of Article 7 "CHAPTERVArticle 21". This cross reference has to be made to "Article 21".

- (ii) Proposed amendment of section 3.a) of article 7 of the Regulation (Authorities of the Board of Directors. List of non-delegable matters)

On 13 November 2015 a new Consolidated Text of the Securities Market Act came into force, approved by the Royal Legislative Decree 4/2015, of 23 October, which has replaced the preceding Law 24/1988, of 28 July, on the Securities Market.

The proposed amendment of section 3.a) of article 7 of the Regulation has the purpose of substituting the reference that this section makes to an article of said Law 24/1988, no longer in force, with a reference to the corresponding article in the current Consolidated Text of the Securities Market Act.

- (iii) Proposed amendment of section 11 of article 21 of the Regulation (Mandatory nature and exemptions to the duty of loyalty)

The proposal has the purpose of correcting the typos in the cross references included in section 11 of Article 21 ("CHAPTER II7.2" and "CHAPTER 117.5"). Said cross references must be respectively made to section 7.2 and 7.5 of the Regulations of the Board.

- (iv) Proposed amendment of section 3 of article 28 of the Regulation (Report on Directors' Annual Remuneration)

The proposal has the purpose of correcting the cross reference to “Article 30 of this Regulation” included in section 3 of article 28, which is incorrect, and substitute it for the correct cross reference, which has to be made to article 29 of the Regulation.

- (v) Proposal to include a new section 11 in article 35 of the Regulation (Meetings of the Board of Directors)

It is proposed to include a new section 11 at the end of article 35 of the Regulation of the Board to regulate the recording of the resolutions of the Board of Directors through minutes, which is consistent to the provisions set forth in article 28.3 of the By-laws.

The new proposed section essentially replicates the aforementioned article of the By-laws, but complements it by establishing the possibility that the minutes of the Board of Directors be drafted in English.

This proposal has the purpose of adapting the recording of the discussions and resolutions of the Board of Directors to the factual reality of the meetings of the Board of Directors, which are generally carried out in English, as this is the language commonly spoken by most of the directors. Thus, this seeks to guarantee that the minutes reflect, as closely as possible, the development of the Board of Directors' meetings.

- (vi) Proposal to modify section 1 of article 39 of the Regulations of the Board (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. Specifically, 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.

The proposal of the amendment of section 1 of article 39 of the Regulation 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.

- (vii) Proposal to modify section 7, letters a), b) and c), of article 39 of the Regulation (Audit Committee)

In addition to the amendments stated in section (vi) above Section 20 of the Final Provision number four of Law 22/2015 introduces some clarifications and additions to the

list of minimum functions to be undertaken by the audit committee included in article 529 *quaterdecies*.

The proposal of the amendment of section 7, letters a), b) and c), of article 39 of the Regulation 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.

- (viii) Proposal to modify section 7.d)(v), the last item of section 7.d)(ix) and section 8 of article 39 of the Regulation (Audit Committee)

The proposal seeks to correct the cross references (a) to “Article 25.3 of this Regulation” set forth in section 7.d)(v) of article 39, (b) to “Article 7.5 of this Regulation” set forth in the last item of section 7.d)(ix), and (c) to “Article 26 of this Regulation” set forth in section 8 of this same article 39, which are incorrect.

It is proposed to replace those cross references with the correct ones, which must be respectively made to articles 23.3, 7.2.h) and 24 of the Regulation.

- (ix) Proposal to modify sections 3.a)(xi) and 4 of article 40 of the Regulation (Appointments and Compensations Committee)

The proposal seeks to correct the cross references (a) to “article 29 this Regulation” laid out in section 3.a)(xi) of article 40, and (b) to “article 26 this Regulation” set forth in section 4 of the aforementioned article 40, which are incorrect.

It is proposed to replace those cross references with the correct ones, which must be respectively made to articles 18 and 19 of the Regulation, on the one hand, and to article 24 of the Regulation, on the other.

- (x) Proposal to modify section 7 of article 41 of the Regulation (Corporate Social Responsibility Committee)

The proposal seeks to correct the cross reference to “article 26 of this Regulation” set forth in section 7 of article 41, which is incorrect, substituting it for the correct cross reference, which has to be done to article 24 of the Regulation.

In Bellaterra, Cerdanyola del Vallès (Barcelona), on 4 May 2016.

## Annex

### Full text of the proposed amendments

CURRENT TEXT	PROPOSED TEXT
<p><u>Article 7°. - Authorities of the Board of Directors. List of non-delegable matters</u> [...]</p>	<p><u>Article 7°. - Authorities of the Board of Directors. List of non-delegable matters</u> [...]</p>
<p>7.2. In any event, the Board of Directors shall reserve for itself addressing the following issues, through the approval in each case of resolutions in accordance with the Spanish Companies Act or the By-laws, all the non-delegable matters by virtue of the Law and, in particular, the following matters: [...]</p>	<p>7.2. In any event, the Board of Directors shall reserve for itself addressing the following issues, through the approval in each case of resolutions in accordance with the Spanish Companies Act or the By-laws, all the non-delegable matters by virtue of the Law and, in particular, the following matters: [...]</p>
<p>h) 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 (“Related-Party Transactions”). The authorization by the Board of Director shall not be deemed necessary in the cases provided for in CHAPTERIV Article 21 below.</p>	<p>h) 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 (“Related-Party Transactions”). The authorization by the Board of Director shall not be deemed necessary in the cases provided for in <a href="#">CHAPTERIV</a> Article 21 below.</p>
<p>7.3. Notwithstanding the foregoing, the Board of Directors shall be informed, prior to its execution, about the following matters:</p> <p>a) the content of any announcements to the market which are considered relevant information pursuant to article 82 of Act 24/1998, of 28 July of the Securities Market and, in any case, when such information is made available to the public through an announcement; [...]</p>	<p>7.3. Notwithstanding the foregoing, the Board of Directors shall be informed, prior to its execution, about the following matters:</p> <p>a) the content of any announcements to the market which are considered relevant information pursuant to <del>article 82 of Act 24/1998, of 28 July of the Stock Exchange</del><a href="#">228 of the Consolidated Text of the Securities Market Act</a> and, in any case, when such information is made available to the public through an announcement; [...]</p>
<p><u>Article 21°. – Mandatory nature and exemptions</u></p>	<p><u>Article 21°. – Mandatory nature and exemptions</u></p>

<p><u>to the duty of loyalty</u> [...]</p>	<p><u>to the duty of loyalty</u> [...]</p>
<p>21.11. In accordance with CHAPTER II Article 7.2 above, the acknowledgement and approval, following a report from the Audit Committee, of the Related-Party Transactions are among the non-delegable competencies of the Board of Directors. However, in accordance with CHAPTER II Article 7.5, when, for reasons of urgency, duly justified, the Related-Party Transactions may be authorized, where appropriate, by delegated persons or bodies and shall be ratified at the first meeting of the Board of Directors that is held after the adoption of the resolution.</p>	<p>21.11. In accordance with <del>CHAPTER II</del> Article 7.2 above, the acknowledgement and approval, following a report from the Audit Committee, of the Related-Party Transactions are among the non-delegable competencies of the Board of Directors. However, in accordance with <del>CHAPTER II</del> Article 7.5, when, for reasons of urgency, duly justified, the Related-Party Transactions may be authorized, where appropriate, by delegated persons or bodies and shall be ratified at the first meeting of the Board of Directors that is held after the adoption of the resolution.</p>
<p><u>Article 28°. – Annual Directors’ Remuneration Report</u> [...]</p>	<p><u>Article 28°. – Annual Directors’ Remuneration Report</u> [...]</p>
<p>28.3. The Annual Remuneration Report shall include clear, comprehensive and easy to understand information on the Company's Remuneration Policy approved by the Board of Directors for the current year. The report shall address all the issues referred to in article 30 of this Regulation, except for those points which may concern disclosure of sensitive business information. The Annual Remuneration Report shall highlight the most significant changes in those policies in respect of the policy applied during the financial year previous to the year when the General Shareholders Meeting is held. It shall also include a global summary of how the remuneration policy was applied during the financial period, and the details of the individual remunerations paid to each of the Directors.</p>	<p>28.3. The Annual Remuneration Report shall include clear, comprehensive and easy to understand information on the Company's Remuneration Policy approved by the Board of Directors for the current year. The report shall address all the issues referred to in <del>article 29</del><del>article 30</del> of this Regulation, except for those points which may concern disclosure of sensitive business information. The Annual Remuneration Report shall highlight the most significant changes in those policies in respect of the policy applied during the financial year previous to the year when the General Shareholders Meeting is held. It shall also include a global summary of how the remuneration policy was applied during the financial period, and the details of the individual remunerations paid to each of the Directors.</p>
<p><u>Article 35°. – Meetings of the Board of Directors</u> [...]</p>	<p><u>Article 35°. – Meetings of the Board of Directors</u> [...]</p>

	<p><u>35.11 The resolutions of the Board of Directors shall be recorded in the minutes, which must be approved by the board at the end of the meeting or in the next one. The minutes may be written in English and must be signed by the Secretary of the Board of Directors or of the session, with the approval of the person acting as President in said session. The minutes shall be included in the Book of Minutes.</u></p>
<p><u>Article 39°.- Audit Committee</u></p> <p>39.1 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, at the proposal of the Appointments and Compensations Committee. 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, and one (1) of them shall be appointed on the basis of its knowledge and experience in matters of accounting or auditing, or in both these areas.</p> <p>[...]</p>	<p><u>Article 39°.- Audit Committee</u></p> <p>39.1 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, at the proposal of the Appointments and Compensations Committee. 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, and one (1) of them shall be appointed on the basis of its 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>39.7. Without prejudice to the other competences that are attributed to the Audit Committee, the Audit Committee is responsible for, at least:</p>	<p>39.7 Without prejudice to the other competences that are attributed to the Audit Committee, the Audit Committee is responsible for, at least:</p>
<p>a) To reporting the General Shareholders Meeting on the issues raised in relation to those matters within the competence of the Audit Committee.</p>	<p>a) To reporting the General Shareholders Meeting on the issues raised in relation to those matters within the competence of the Audit Committee, <u>and in particular on the outcome of the audit explaining how the audit has contributed to the integrity of financial reporting and the role the Committee has played throughout this process</u></p>
<p>b) In relation to the information and internal control systems:</p>	<p>b) In relation to the information and internal control systems:</p>



<p>(i) To Monitor the effectiveness of the internal control of the Company, the internal audit, and the risk management systems, including the 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.</p>	<p>(i) To Monitor the effectiveness of the internal control of the Company, the internal audit, and the risk management systems, <del>including the tax risks</del>, as well as to discuss with the auditor any significant weaknesses in the internal control system detected during the course of the audit, <u>all of which without breaching their independence. For this purpose, the Audit Committee may submit recommendations or proposals that will be considered by the Board of Directors within a specific timeframe.</u></p>
<p>(ii) To monitor the preparation and presentation of the mandatory financial information. [...]</p>	<p>(ii) To monitor the preparation and presentation of the mandatory financial information <u>and present recommendations or proposals to the Board of Directors, with the purpose of safeguarding its integrity.</u> [...]</p>
<p>c) In respect of the external auditor:</p>	<p>c) In respect of the external auditor:</p>
<p>(i) To make recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor and the conditions of its engagement. [...]</p>	<p>(i) To make recommendations to the Board of Directors for the selection, appointment, re-appointment and removal of the external auditor and the conditions of its engagement, <u>being held fully responsible for the selection process, in accordance with the provisions set forth in articles 16, section 2, 3 and 5, and 17.5 of Regulation (EU) N° 537/2014, of 16 April.</u> [...]</p>
<p>(iii) To monitor the independence of the external auditor, to which end, the Company shall: [...]</p>	<p>(iii) To monitor the independence of the external auditor, to which end, the Company shall: [...]</p>
<ul style="list-style-type: none"> <li>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, other than the legal audit, provided by the auditors</li> </ul>	<ul style="list-style-type: none"> <li>The Audit Committee shall issue a report annually, in which it shall express its opinion on <u>whether</u> the auditors' independence <u>is compromised</u>. This report shall <del>refer</del> <u>contain</u> in any case <u>a reasoned assessment of each and every one of the</u></li> </ul>

<p>to the Company or to any entity associated with the company, whether directly or indirectly.</p>	<p>provision of additional services, other than the legal audit, provided by the auditors to the Company or to any entity associated with the company, whether directly or indirectly.</p>
<ul style="list-style-type: none"> <li>To this end, the Audit Committee shall receive, on a yearly basis, 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, as well as the fees received from such entities.</li> </ul> <p>[...]</p>	<ul style="list-style-type: none"> <li>To this end, the Audit Committee shall receive, on a yearly basis, 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 <del>any</del> <u>detailed and individualized</u> information on additional services of any kind that they have provided to the Company or any of its associated entities, whether directly or indirectly, as well as the fees received from such entities.</li> </ul> <p>[...]</p>
<p>(v) To establish the appropriate relationships with the external auditor to receive information on any issues that could jeopardize their independence, to be considered by the Audit Committee, and any other information related to the process of conducting the auditing of the accounts, as well as other communications provided for in the legislation on auditing of the accounts and in the auditing standards..</p>	<p>(v) To establish the appropriate relationships with the external auditor to receive information on any issues that could <u>be a threat to jeopardize</u> their independence, to be considered by the Audit Committee, and any other information related to the process of conducting the auditing of the accounts <u>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 the 3rd section of chapter IV of Title I of Law 22/2015, of 20 July, on auditing, regarding the independence regime,</u> as well as other communications provided for in the legislation on auditing of the accounts and in the auditing standards.</p>
<p>d) In relation with other duties, it corresponds to the Audit Committee:</p> <p>[...]</p>	<p>d) In relation with other duties, it corresponds to the Audit Committee:</p> <p>[...]</p>

<p>(v) To decide what is appropriate in relation with rights to information of the Directors who attend the Audit Committee, in accordance with the provisions of Article 25.3 of these Regulations.</p> <p>[...]</p>	<p>(v) To decide what is appropriate in relation with rights to information of the Directors who attend the Audit Committee, in accordance with the provisions of Article 25.3 of these Regulations.</p> <p>[...] en el artículo 25.3 de este Reglamento.</p>
<p>(ix) To report to the Board of Directors, prior to its adoption of the corresponding decisions, on the following subjects:</p> <p>[...]</p>	<p>(ix) To report to the Board of Directors, prior to its adoption of the corresponding decisions, on the following subjects:</p> <p>[...]</p>
<ul style="list-style-type: none"> <li>The preparation of a report on all those transactions that have the condition of Related-Party Transactions, as provided for under CHAPTER II article 7.5 of these Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>The preparation of a report on all those transactions that have the condition of Related-Party Transactions, as provided for under article <a href="#">CHAPTER H7.57.2.h</a> of these Regulations.</li> </ul>
<p>39.8 In order for the Audit Committee to best fulfil its duties, it will be able to seek out advisory services from external professionals, for the purpose of which the provisions set forth in article 26 of these Regulations shall apply.</p> <p>[...]</p>	<p>39.8 In order for the Audit Committee to best fulfil its duties, it will be able to seek out advisory services from external professionals, for the purpose of which the provisions set forth in article <del>26</del><a href="#">24</a> of these Regulations shall apply.</p> <p>[...]</p>
<p><u>Article 40°. – Appointments and Compensations Committee</u></p> <p>[...]</p>	<p><u>Article 40°. – Appointments and Compensations Committee</u></p> <p>[...]</p>
<p>40.3 Without prejudice to any other duties that are assigned to it, the Appointments and Compensations Committee shall have at least the following duties:</p> <p>a) In relation to appointments:</p> <p>[...]</p>	<p>40.3 Without prejudice to any other duties that are assigned to it, the Appointments and Compensations Committee shall have at least the following duties:</p> <p>a) In relation to appointments:</p> <p>[...]</p>
<p>(xi) To develop and implement a record of situations concerning Directors and senior executives from the Company, and to receive and maintain in that record the personal information provided by the Directors, as established under article 29 of these Regulations.</p> <p>[...]</p>	<p>(xi) To develop and implement a record of situations concerning Directors and senior executives from the Company, and to receive and maintain in that record the personal information provided by the Directors, as established under articles <del>29</del><a href="#">18 and 19</a> of these Regulations.</p> <p>[...]</p>

<p>40.4. In order for the Appointments and Compensations Committee to best fulfil its duties, it may seek advisory services from external professionals, for the purpose of which the provisions set forth in article 26 of these Regulations shall apply.</p> <p>[...]</p>	<p>40.4. <u>In order for the Appointments and Compensations Committee to best fulfil its duties, it may seek advisory services from external professionals, for the purpose of which the provisions set forth in article <del>26</del><u>24</u> of these Regulations shall apply.</u></p> <p>[...]</p>
<p><u>Article 41°. Corporate Social Responsibility Committee</u></p> <p>[...]</p>	<p><u>Article 41°. Corporate Social Responsibility Committee</u></p> <p>[...]</p>
<p>41.7. In order for the Audit Committee to best fulfil its duties, it will be able to seek out advisory services from external professionals, for the purpose of which the provisions set forth in article 26 of these Regulations shall apply.</p> <p>[...]</p>	<p>41.7. In order for the Audit Committee to best fulfil its duties, it will be able to seek out advisory services from external professionals, for the purpose of which the provisions set forth in article <del>26</del><u>24</u> of these Regulations shall apply.</p> <p>[...]</p>