

**ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES**

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## ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

### **A** THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the director remuneration policy in effect for the current financial year. Where relevant information can be incorporated by reference to the remuneration policy approved by the shareholders at the general shareholders' meeting, provided that the incorporation is clear, specific and concrete.

The specific provisions established for the current financial year must be described in terms of both remuneration of directors in their capacity as such and remuneration for the performance of executive duties that the board has performed in accordance with the terms of contracts signed with the executive directors and with the remuneration policy approved at the general meeting.

In any case, at least the following aspects must be reported on:

- Description of the company's procedures and decision-making bodies involved in the determination and approval of the remuneration policy and its conditions.
- Statement and, if applicable, explanation of whether comparable companies have been taken into account to establish the company's remuneration policy.
- Information on whether any external advisor has participated and, if applicable, the identity thereof.

The Company's Annual General Shareholders' Meeting held in 2018 approved the Director Remuneration Policy for financial years 2018, 2019 and 2020, unless the shareholders resolve to amend or replace it during said period.

The principles and grounds of the Remuneration Policy revolve around remuneration based on market practices, capable of attracting, retaining and motivating the necessary talent in accordance with the features of its industry and of the countries in which the Company operates, in order to satisfy the needs of the business and shareholders' expectations.

Additionally, independent directors shall receive the remuneration necessary to reward the dedication, qualification and responsibility that the position requires, though it should not be so high as to compromise their independence.

The director remuneration established in the Remuneration Policy is reasonably proportionate to the importance of the Company, its financial situation and the market standards of comparable companies. It is also aimed at promoting the long-term profitability and sustainability of the Company and it incorporates the necessary caution to prevent the excessive assumption of risks or the rewarding of unfavourable results.

The position of director of the Company is remunerated and the remuneration of directors in their capacity as such is composed of a fixed annual amount. The maximum amount of the annual remuneration for the directors as a whole in their capacity as such is to be approved by the General Shareholders' Meeting. If not, it will be the same as for the preceding year. The Board will determine the remuneration of each director, taking into account the duties and responsibilities allocated to each director, membership of Board Committees and any other objective circumstances that are deemed relevant.

Proprietary and executive directors will not receive any remuneration for their membership of the Board or of any of its Committees.

The maximum total amount of directors' annual remuneration in their capacity as such is EUR 1,500,000. The remuneration for each director agreed for 2019 is stated in sub-section three of this section A.1.

Directors will also be reimbursed for duly justified expenses relating to travel and accommodation to attend meetings of the Board and its Committees.

The Company has also contracted civil liability insurance for its directors on market conditions.

With regard to the remuneration of directors for their performance of executive duties, the only director performing said duties on the date of this report is the Managing Director, Mr Fernando Basabe Armijo. His remuneration consists of: (i) fixed remuneration of EUR 750,000 (adjustable according to the Consumer Price Index) in cash; (ii) other benefits at a maximum cost equal to 10% of his fixed remuneration and a pension scheme contribution for an amount equal to the difference between the aforementioned 10% and the sum cost of the benefits effectively received; (iii) variable annual remuneration payable in cash and in rights over Applus shares; and (iv) a long-term incentive plan in shares. Items (ii) to (iv) are described in the following sub-sections.

However, a new Remuneration Policy is expected to be submitted to the shareholders at the Annual General Shareholders' Meeting on the terms described in section A.2 below, which would be effective for financial years 2019, 2020 and 2021.

In relation to the procedure for determining and approving the Remuneration Policy, the current Policy was proposed to the General Shareholders' Meeting by the Board upon a proposal from the Appointments and Remuneration Committee (the "ARC"). The ARC prepared a reasoned report on the proposal that was made available to the shareholders at the business address and published continuously on the company website from the publication of the announcement of the call to the General Shareholders' Meeting until the holding thereof.

Along the same lines, the new Remuneration Policy that the Board will propose at the General Shareholders' Meeting 2019 has in turn been proposed by the ARC. The ARC has also prepared a reasoned report, which will be made available to the shareholders at the business address and published continuously on the company website from the publication of the announcement of the call to the General Shareholders' Meeting until it is held.

The ARC assists the Board in determining and applying the Remuneration Policy, in accordance with the powers allocated thereto in the Regulations of the Board of Directors. Article 40.4 of the Regulations provides that the ARC may seek external advisory services in order to best fulfil its duties. In May 2017 Applus engaged the remuneration consultancy firm Mercer Consulting to conduct an international and Spanish salary benchmark study examining the remuneration status of the Managing Director and of the non-executive directors of the Board. The ARC submitted its proposed amendments to the Managing Director's remuneration to the Board of Directors on the basis of this study. In accordance with the proposal in the CNMV's technical guide for these committees and with the intention of safeguarding its independence of judgment, the ARC does not engage Mercer Consulting to provide any other advisory service to this body.

- Relative importance of variable remuneration items in comparison to fixed items (remunerative mix) and which criteria and targets have been taken into account in the determination thereof and to ensure an appropriate balance between the fixed and variable remuneration components. In particular, state the actions taken by the company in relation to the remuneration system in order to reduce exposure to excessive risks and align it with the company's long-term objectives, values and interests, which will include (where applicable) a reference to measures established to ensure that the remuneration policy takes into account the company's long-term results, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the entity's risk profile and any measures established to avoid conflicts of interest.

Also state whether the company has established any accrual or consolidation period for certain variable remuneration items, in cash, shares or other financial instruments, a deferral period in the payment of sums or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed for the reduction of deferred remuneration or obliging the director to return remuneration received when said remuneration has been based on information whose inaccuracy has subsequently been clearly proven.

Variable remuneration items are only established for the remuneration of Applus' Managing Director for the performance of his executive duties.

The fixed components of his remuneration consist of fixed annual remuneration of EUR 750,000 (adjustable according to the Consumer Price Index), other benefits that are described below at a maximum cost equal to 10% of said fixed remuneration and a pension scheme contribution for the difference between the sum of benefits effectively received and the aforementioned 10%. The aggregate value of the fixed components of his remuneration therefore amounts to EUR 825,000 (adjustable according to the Consumer Price Index).

In turn, the variable remuneration components for the Managing Director consist of: (i) variable annual remuneration in a maximum amount of 150% of the base target established as 80% of fixed remuneration paid in cash (that is, a maximum amount

of EUR 900,000); and (ii) a long-term incentive plan in a maximum annual amount equivalent to 120% of his fixed remuneration (that is, a maximum annual amount of EUR 900,000). Said remuneration items are described in detail below.

As a result, the maximum variable remuneration items for the Managing Director could represent up to approximately 218% of his fixed items (EUR 825,000) if all the respective targets were achieved.

Applus has used the benchmark study prepared by Mercer Consulting and referred to in the foregoing section to determine this remunerative mix. Specifically, it has ensured that the Managing Director's salary is located at the mid-point of the remuneration of top executives of the companies considered in the aforementioned study. As a result of the aforementioned benchmark study, it was proposed to the shareholders at the General Shareholders' Meeting 2018 to introduce the following amendments to the Remuneration Policy, among others:

- (i) increase the fixed annual remuneration of the Managing Director from EUR 650,000 to EUR 750,000 (effective as from 1 January 2018);
- (ii) establish that the Company will annually contribute to the Managing Director's pension scheme an amount equal to the difference between the cost of benefits effectively received by the director during the year and 10% of his fixed annual remuneration (which is the maximum amount that all the benefits can reach according to the provisions of his contract); and
- (iii) amend the variable annual remuneration such that: (a) it is payable in cash (62.5%) and in rights over shares called *restricted stock units* ("RSUs") (37.5%) whose number will be determined based on the average listing value of the Applus shares during the thirty days prior to the date on which they are granted; (b) the RSUs are vested into shares of Applus over a three-year period as from when they are awarded, on a 30% basis for each of the first two years and on a 40% basis for the third year; (c) the variable annual remuneration base target increases from 50% to 80% of fixed remuneration; and (d) for each 1% increase on the targets, variable annual remuneration is increased by 2% (as opposed to 3% previously) up to a maximum of 150% of the base target (as opposed to 250% previously), while for each decrease of 1% on the targets, variable annual remuneration is reduced by 5% (as opposed to 10% previously).

In short, there has been a direct change to the relative importance of the variable items in comparison with the fixed items, the average listing value of Applus shares has been included in the equation for the variable annual remuneration system and a deferral period has been established for the receipt by the Managing Director of 37.5% of his variable annual remuneration. The ARC considers that following these amendments, the Managing Director's remunerative mix is aligned with market conditions for listed companies at the same time as taking into account his outstanding performance and sustained leadership.

Additionally, in order to reduce exposure to excessive risks and align the remuneration system with the Company's long-term objectives, values and interests, 65% of the amount of the Managing Director's variable annual remuneration is linked to achieving adjusted operating profit targets and 35% is linked to the group's adjusted operating cashflow, meaning that certain targets are set for each of these parameters and any increase or decrease with relation thereto is directly reflected in the variable remuneration amount, with a maximum limit of 150% of the base target and a minimum of 0% thereof.

Furthermore, the long-term incentive plan approved at the General Meeting for the Managing Director takes into account quantitative parameters (relative total shareholder return and adjusted earnings per share) calculated for a three-year period, which allows the Company's long-term results to be taken into account. Certain minimum thresholds have also been established below which the plan amounts do not accrue, in addition to maximum limits on the amount thereof, and it is provided that in the case of proven inaccuracies in the information taken into account for purposes of calculating amounts under this plan, the Company can claim reimbursement of the amount net of withholdings, taxes or rates corresponding to the amount of the incentive effectively received.

The features of the variable annual remuneration system and of the long-term incentive plan are described in more detail in subsection six of this section A.1.

Without prejudice to the foregoing, a new Remuneration Policy is expected to be submitted to the shareholders at the Annual General Shareholders' Meeting 2019, on the terms described in section A.2 below; among other things, it reflects the remuneration terms and conditions of the new executive director whose appointment will be proposed at the same General Meeting. The introduction of clawback clauses for the variable annual remuneration of Applus' two executive directors will also be proposed in accordance with recommendation 63 of the Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*).

As regards measures established to avoid conflicts of interest, the Regulations of Applus' Board of Directors impose an obligation on directors to notify the other directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related thereto may have with the Company's interest. Situations involving conflicts of interest for directors are notified in Applus'

report on its annual accounts. Moreover, the director subject to the conflict must refrain from attending or intervening in discussions affecting issues in which they have a personal interest and must abstain from voting on the corresponding decisions.

- Amount and nature of the fixed components to be accrued during the financial year by directors in their capacity as such.

The fixed remuneration to be received in financial year 2019 by the members of the Board of Directors in their capacity as such is expected to be as follows:

- Members of the Board of Directors other than the Chair: EUR 60,000.
- Chair of the Board of Directors: EUR 250,000.
- Members of any Board Committee other than the Chairs thereof: EUR 20,000 per Committee.
- Chair of any Board Committee: EUR 30,000 per Committee.

With the composition of the Board and the Committees as at the date of this report, the fixed remuneration to be received by the directors in their capacity as such in financial year 2019 would amount to EUR 740,000.

However, the appointment of two new independent directors to fill the vacancies left by Mr Claudi Santiago and Mr Scott Cobb and the incorporation of the Finance Director of Applus+ as a new executive director will be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. It is also possible that one of them will become a member of the ARC. If said appointments take place, the fixed remuneration to be received by the directors in their capacity as such in financial year 2019 will amount to EUR 860,000.

It is stated for the record that neither proprietary directors, of whom there are currently none and who there are no plans to appoint, nor the executive directors will receive any remuneration for their position on the Board of Directors or for membership of any of its Committees.

The Company will also pay the premiums for the civil liability insurance signed to cover its directors and senior officers, which are expected to amount to EUR 72,000 in financial year 2019.

Finally, the directors will be reimbursed for travel and accommodation expenses incurred due to attendance at meetings of the Board of Directors and its Committees, provided they are duly justified.

- Amount and nature of fixed components that will be accrued during the financial year for the performance of senior management duties by executive directors.

The fixed remuneration to be accrued in financial year 2019 for the performance of executive duties by the Managing Director is expected to be as follows:

- Fixed remuneration in cash: EUR 750,000.
- Other benefits at a maximum cost of EUR 36,957 (see description below). Of this amount, EUR 7,311 corresponds to a cash supplement for medical insurance and vehicle to bring these benefits into line with the agreement reached with the Managing Director at the time he was hired (see description of this item in section B.16).
- Pension scheme contribution: EUR 38,043 (see description below).

The appointment of the Finance Director of Applus as a new executive director is also expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, his fixed remuneration would be as follows:

- Fixed remuneration in cash: EUR 267,343.
- Other benefits up to a maximum cost of EUR 35,080 (see description below).
- Fixed remuneration in RSUs: EUR 58,333.

- Amount and nature of any component of remuneration in kind that will be accrued during the financial year, including but not limited to insurance premiums paid on behalf of the director.

Remuneration in kind is only paid in favour of the Managing Director. According to the provisions of the Remuneration Policy, the Managing Director will receive other benefits at a maximum cost equal to 10% of fixed annual remuneration in cash. The Company will also annually contribute to the Managing Director's pension scheme an amount equal to the difference between the aforementioned 10% of his fixed remuneration and the cost of the benefits effectively received by the director as remuneration in kind during said year.

In financial year 2019, the Managing Director is expected to receive benefits consisting of the use of a company vehicle (including petrol consumption), medical insurance for him and his family (including an annual check-up for him and for his spouse) and life insurance (with an indemnity of EUR 150,000 in the event of death or permanent disability and of EUR 300,000 in the event of accidental death), at a total cost of EUR 36,957, as in 2018.

The premiums that the Company will pay on behalf of the Managing Director during financial year 2019 are expected to amount to EUR 1,237, as in 2018, without prejudice to the civil liability insurance premium referred to in the above section. Said premiums are included in the amount of remuneration in kind stated in the above paragraph.

It is also expected that the Company will contribute an amount of EUR 38,043 to the Managing Director's pension scheme during financial year 2019, as in 2018.

However, the appointment of Applus' Finance Director as a new executive director is expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, his remuneration system would include a component of benefits with a maximum amount of EUR 35,080, which may include the following elements at the discretion of the director: pension scheme contribution, medical insurance, life insurance, company vehicle, payment of professional association membership fees, and/or critical illness insurance.

- Amount and nature of variable components, distinguishing between short- and long-term components. Financial and non-financial parameters, including among the latter the social, environmental and climate change-related parameters, selected to determine variable remuneration for the current financial year, and explanation of the extent to which said parameters are related to the performance of the director and of the entity and to its risk profile, and the methodology, required term and techniques established in order to determine at financial year-end the level of achievement of the parameters used in designing the variable remuneration.

State the range in monetary terms of the different variable components, based on the level of achievement of established targets and parameters, and whether there is any absolute maximum monetary amount.

In accordance with article 27.1 of the Regulations of the Board of Directors, the variable remuneration linked to the Company's performance is confined to executive directors. Pursuant to the provisions of the Remuneration Policy, the variable remuneration components for the Managing Director are as follows:

(i) Variable annual remuneration:

The Managing Director's variable annual remuneration consists of a variable annual amount payable in cash and via the delivery of rights over Applus shares called *restricted stock units* ("RSUs"), linked to the achievement of Group targets (65% linked to adjusted operating profit and 35% linked to adjusted operating cashflow).

The variable amount will be increased by 2% for each increase of 1% on the targets and reduced by 5% for each decrease of 1% on the targets. The variable base target has been established as 80% of fixed remuneration in cash and a maximum amount of 150% of the base target has been set. In other words, the target amount of variable annual remuneration amounts to EUR 600,000 and may be increased or reduced in the aforementioned proportions, with a maximum limit of EUR 900,000 and a minimum of EUR 0.

The Board of Directors determines the effective amount of the Managing Director's variable annual remuneration upon a proposal from the ARC, which is responsible for conducting a detailed evaluation of the level of compliance with the targets set for achievement thereof.

Of the variable remuneration to be received, 62.5% would be paid in cash and 37.5% via the delivery of RSUs. For the sake of clarity, for example, the foregoing criteria establish that if one year the amount of remuneration to be received matches the target variable remuneration (EUR 600,000), EUR 375,000 will be received in cash and EUR 225,000 in RSUs.

The average listing value of the Applus shares during the 30 days prior to the date of delivery of the RSUs will be taken into account in order to calculate the number of RSUs to be delivered to the Managing Director.

The RSUs will be delivered every year on the date that the Board of Directors approves Applus' annual results and the amount of the Managing Director's variable annual remuneration. Specifically, the first RSUs, corresponding to financial year 2018, have been delivered in February 2019. The Company has delivered to the Managing Director 22,158 RSUs,

which is the result of multiplying the target amount (EUR 600,000) by the level of performance of Applus in 2018 measured by the level of achievement of this remuneration system's parameters (98.4%) and by the percentage of variable annual remuneration payable via the delivery of RSUs (37.5%), and then dividing the result by the average listing value of the Applus shares during the 30 days prior to the date of delivery of the RSUs (EUR 9.992 per share).

Each RSU will be exchangeable for one Applus share within a three-year period as from the date on which it is awarded, on a 30% basis for each of the first two years and a 40% basis for the last year. The RSUs corresponding to 2018 will vest as shares in February 2020, 2021 and 2022. The RSUs may also vest in advance in certain circumstances.

(ii) Long-term incentive plan:

The long-term incentive plan (which started in 2016 under the previous Remuneration Policy) involves the annual receipt by the Managing Director of *performance stock units* ("PSUs"), which will be exchangeable for Company shares three years after the date on which they were awarded.

Under this plan, the Managing Director will annually receive PSUs in an amount in principle equivalent to 60% of his fixed remuneration, although depending on the level of achievement of the parameters indicated below said amount may ultimately fluctuate between a minimum of 0% and a maximum of 120% of his fixed remuneration.

The value of each PSU will be equivalent to the average listing value of the Company's shares during the 30 days prior to the date of award of the PSUs. Accordingly, in February 2019 the Company has granted to the Managing Director 45,006 PSUs, which is the result of dividing 60% of his fixed remuneration (EUR 450,000) by the referred average listing value of the Company's shares (EUR 9.992 per share).

The PSUs will be granted every year on the date that the Board of Directors approves Applus' annual results. The number of PSUs to be delivered may be adjusted throughout each financial year if the Managing Director's fixed remuneration is amended. However, the date of award of the additional PSUs will be deemed to be that corresponding to the date on which the Board of Directors approves the results for the relevant year.

The PSUs granted in each financial year will vest as shares within a three-year period as from the date of award thereof if the targets described below are achieved. The number of PSUs that will vest will have a value of between 0% and 120% of the fixed monetary remuneration of the Managing Director depending on the level of achievement of said targets during the three years prior to the vesting, meaning that said vesting corresponds to the professional performance of the Managing Director during each three-year period. As such, 80% of the PSUs delivered in 2016 (that is, 35,944 PSUs) have vested as shares in February 2019, although the Company has delivered to the Managing Director the shares net of taxes (that is, 20,668 shares).

The ARC is responsible for conducting a detailed evaluation of the level of achievement of the criteria and targets established for accrual under the incentive plan. Therefore, in order to conduct the mandatory evaluation in February 2019 of the incentive plan started in 2016, the ARC has asked the firm PwC to prepare an independent report evaluating the TSR target and it will use Applus' audited reports for the EPS evaluation.

The following quantitative targets will be taken into account for the vesting of the PSUs:

- (a) A target based on relative total shareholder return ("TSR") within a three-year period, where the Company's TSR will be compared against an unweighted index made up of a group of comparable companies within the inspection and certification industry. These companies are SGS S.a., Intertek Group PLC, Core Laboratories, Inc., ALS Limited, Bureau Veritas S.A., Eurofins Scientific S.E., Mistras Group, Inc., TEAM Industrial Services, Inc and Exova Group plc (the latter until it ceased to be listed on the stock exchange).

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

Within this 40%, 50% of the PSUs will vest as shares if the TSR result is equal to the index and 200% of the PSUs will vest as shares if the TSR result is 5% higher than the index on an annual cumulative basis. Between the index value and the TSR value creating entitlement to a 200% PSU-to-share vesting, vesting shall take place according to a linear interpolation between said two values. As a result, 100% of the PSUs will vest if the TSR result is 1.67% higher than the index on an annual cumulative basis.

If the TSR result is below the index, PSUs will not vest under this parameter.

- (b) A target relating to adjusted earnings per share ("EPS") reported by Applus, accumulated within a three-year period. Said target will be published ex-post at the end of each three-year period.

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

The Board of Directors will establish specific thresholds for this EPS target, at which 50%, 100% and 200% (within the 60% that this parameter represents) of the target PSUs will vest as shares. The maximum number of PSUs that can vest as shares is 200% of the target.

If the EPS result is below the threshold creating an entitlement to a 50% PSU-to-share vesting, PSUs will not vest under this parameter.

If proven inaccuracies are found in the information taken into account for purposes of delivering the PSUs, mechanisms will be established so that the Company can claim reimbursement of the amount net of withholdings, taxes or rates corresponding to said PSUs effectively received by the Managing Director.

The PSUs may also vest as shares in advance in certain circumstances.

The appointment of a new executive director is also expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, his remuneration system will include the following variable remuneration elements:

(i) Variable annual remuneration:

The variable annual remuneration of the new executive director will also consist of a variable annual amount linked to the achievement of targets.

The variable amount will be increased by 2% for each increase of 1% on the targets and reduced by 5% for each decrease of 1% on the targets. The variable base target has been established as 70.6% of fixed remuneration in cash and a maximum amount of 200% of the base target has been set. In other words, the target amount of variable annual remuneration amounts to EUR 188,753 and may be increased or reduced in the aforementioned proportions, with a maximum limit of EUR 377,506.

The other terms and conditions for the variable annual remuneration will be the same as those governing the Managing Director's variable annual remuneration.

(ii) Long-term incentive plan:

The new executive director will be entitled to participate in the above-described long-term incentive plan. He will annually receive PSUs in an amount in principle equivalent to EUR 58,333. The PSUs granted in each financial year will vest as shares within a three-year period as from the date on which they were awarded if the targets under the plan are achieved. However, the PSUs that will effectively vest as shares will have a value between a minimum of 0% and a maximum of 200% of the aforementioned amount, depending on the level of achievement of the targets.

The other terms of the incentive plan, including the terms for the award, consolidation and vesting of the PSUs, the targets with which the plan is linked, the methodology and the achievement measurement periods, shall be those applicable to the Managing Director.

- Main features of long-term savings schemes. Among other information, state the contingencies covered under the schemes, whether they are defined-contribution or defined-benefit, the annual contribution to be made to defined-contribution schemes, the benefit to which beneficiaries are entitled in the case of defined-benefit schemes, the conditions for vesting of economic rights in favour of directors, and the compatibility thereof with any class of payment or indemnity for early termination or cessation or arising from the termination of the contractual relationship on the terms established between the company and the director.

Also state whether the accrual or vesting of any of the long-term savings plans is linked to the achievement of certain targets or parameters related to the director's short- and long-term performance.

Pursuant to the provisions of the Remuneration Policy, the Company's Managing Director is entitled to receive an annual pension scheme contribution. The pension plan is structured as a defined-contribution scheme whose annual amount is the difference between 10% of the director's fixed annual remuneration in cash and the amount of benefits effectively received by the Managing Director during the financial year.

The Company is expected to make a contribution to the Managing Director's pension scheme in the amount of EUR 38,043 during financial year 2019.

The only limitation or restrictive condition relating to the executive director's enjoyment of the pension scheme is that it must take place after his retirement. The plan is compatible with the payments arising from the termination of the contractual relationship between the executive director and Applus.

However, the appointment of a new executive director is expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, his remuneration system would include components in kind for the maximum aggregate amount stated in sub-section five of this section A.1, which may at the director's own discretion include a pension scheme contribution.

- Any class of payment or indemnity for early termination or cessation or arising from the termination of the contractual relationship on the terms established between the company and the director, whether the cessation is at the will of the company or the director, as well as any class of agreement entered into, such as exclusivity, post-contractual non-compete, continuance in office or loyalty agreements, that entitle the director to any kind of payment.

Applus has assumed the following payments, indemnities and agreements vis-à-vis the Managing Director:

- (i) Exclusivity: The Managing Director has an exclusivity obligation vis-à-vis the Company on the terms described in the following sub-section, which is not specifically remunerated.
- (ii) Termination: The Managing Director is not entitled to any consideration as a result of the mere termination of his contract. However, if the executive director or the Company partially or fully breaches the notice obligation, the other party will be entitled to an indemnity equivalent to the executive director's fixed remuneration corresponding to the duration of the breach of the notice period.
- (iii) Post-contractual non-compete: The Managing Director is not to compete against the Company or any company of the Applus group within the two years following the date of termination of his contract. As consideration, the Managing Director will be entitled to receive upon said termination an amount equal to twice the fixed annual remuneration in cash received in the last year prior to termination of the contract, which will be paid during the 24 months following said termination in equal monthly instalments. This amount will be reduced by any sum that the Company is required to pay to the Managing Director as legal compensation (arising from the application of relevant legal provisions) for the termination of the contract, meaning that in no case will the total amount to be received by the Managing Director after the termination of the contract exceed twice the fixed annual remuneration received in the last year prior to the termination of the contract. Said reduction shall be divided on a pro rata basis in equal parts among the monthly instalments pending payment to the Managing Director.

If the Managing Director breaches this undertaking and competes with the Company or with any company of the group, he must return the sums paid by the Company as consideration for the agreement.

Moreover, the appointment of a new executive director is expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, the terms of his contract with the Company will be as follows:

- (i) Exclusivity: the new executive director will have an exclusivity obligation on the same terms as the Managing Director while he is performing executive duties; this will not be specifically remunerated.
- (ii) Termination: the contract may be terminated at any time at the will of the director or the Company, provided notice is given in writing and with a three-month notice period. If either party partially or fully breaches this notice period, the other will be entitled to receive an indemnity equivalent to the director's fixed remuneration corresponding to the duration of the breach of the notice period.

The director will also be entitled to compensation (net of taxes) equivalent to twice the total net monetary remuneration received in the year prior to the termination of his contract in the case of: (i) termination of the contract in any form at the decision of the Company, except in cases of dismissal on disciplinary grounds ruled fair by the employment tribunals in a final judgment; and (ii) termination of the contract at the decision of the director, whatever the form or grounds thereof, except in cases of resignation or voluntary severance without grounds.

- (iii) Post-contractual non-compete: the new director is not to compete against the Company or any company of the Applus Group during the year following the date of termination of his contract. As consideration, the director will be entitled to receive an amount equal to 50% of the fixed annual remuneration he is receiving at the date of termination of the contract, which will be paid in the 12 months following such termination through payment of monthly instalments in equal amounts. If the director breaches his undertaking, he must return the sums paid by the Company as consideration for the agreement and he must pay the Company compensation in an equivalent amount (that is, 50% of the fixed annual remuneration that he is receiving at the date of termination of the contract).

Other than as stated above, Applus has not assumed any other payments or indemnities for early termination or cessation or arising from termination of the contractual relationship with its directors, or any agreements such as exclusivity, post-contractual non-compete, continuance in office or loyalty agreements that entitle its directors to any kind of payment.

- State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among others, the term, limits on termination compensation amounts, continuance in office clauses, notice periods, and payment in lieu of the aforementioned notice periods, and any other clauses relating to hiring bonuses, as well as compensation or golden parachutes due to early termination of the contractual relationship between the company and the executive director. Include among other things any non-compete, exclusivity, continuance in office or loyalty, and post-contractual non-compete clauses or agreements, unless they have been explained in the preceding sub-section.

In addition to those relating to his remuneration, the terms and conditions of the Managing Director's contract to provide services to the Company are as follows:

- (i) Duration: The Managing Director's contract is for an indefinite term.
- (ii) Exclusivity: While he is performing executive duties, the Managing Director must not hold any direct or indirect interest in any other business or activity that could represent a conflict of interests in relation to his obligations and responsibilities in the Company or in relation to the activity thereof and of the Applus group.
- (iii) Termination: The Managing Director's contract may be terminated at any time at the will of the Managing Director or the Company, provided that it is notified in writing to the other party with six months' notice in both cases. If this notice period is breached, the breaching party must pay the other the indemnity described in the preceding sub-section.
- (iv) Post-contractual non-compete: See preceding sub-section.

The appointment of a new executive director is also expected to be proposed to the shareholders at the Annual General Shareholders' Meeting 2019. If approved, the terms of his contract with the Company will be as follows:

- (i) Duration: The director's contract will be for an indefinite term.
- (ii) Exclusivity: While he is performing executive duties, the director will have the same exclusivity obligation as the Managing Director.
- (iii) Termination: See preceding sub-section.
- (iv) Post-contractual non-compete: See preceding sub-section.
  - Explain the nature and estimated amount of any other supplementary remuneration that will be accrued by the directors during the current financial year as consideration for services provided other than those inherent to their position.

No directors have provided or are expected to provide services other than those inherent to their position during the current financial year, for which reason they have not accrued and are not expected to accrue any supplementary remuneration for said items.

- Other remuneration items such as any deriving from the company granting the director advances, loans, guarantees or other remuneration.

As at the date of this report, the Company has not granted its directors any other remuneration items such as any deriving from advances, loans, guarantees or other remuneration.

- Explain the nature and estimated amount of any other scheduled supplementary remuneration not included in the preceding sub-sections, whether paid by the entity or another entity of the group, that will be accrued by the directors during the current financial year.

No supplementary remuneration of this nature has accrued or is expected to accrue during the current financial year.

- A.2 Explain any significant changes in the remuneration policy applicable to the current financial year arising from:

- A new policy or an amendment to the policy previously approved by the shareholders at the General Meeting.
- Significant changes in the specific determinations established by the board for the current financial year for the current remuneration policy, in comparison with those applied in the preceding financial year.
- Proposals that the board of directors has resolved to present to the shareholders at the general shareholders' meeting to which it will submit this annual report and which are proposed to be applied to the current financial year.

As at the date of this report, there have been no changes to the Remuneration Policy applicable to the current financial year arising from a new policy or an amendment to the previously approved policy, or any significant changes in the specific determinations established by the Board of Directors for the current financial year in comparison with those applied in 2018. The ARC annually reviews the Remuneration Policy to ensure that it is aligned with the entity's situation and short-, medium- and long-term strategy and with market conditions and to assess whether it contributes to the creation of long-term value and to adequate risk control and management, amending it if necessary as has been the case in previous years. In preparation for this review, each January the Chair of the ARC conducts a formal dialogue process with the main investors and proxy advisors involving the review of the existing policy and a request for assessments and opinions with respect to the improvement thereof.

Without prejudice to the foregoing, the appointment of Applus' Finance Director as a new executive director is expected to be proposed to the shareholders at the next General Shareholders' Meeting. For these purposes, it has been resolved to submit to the shareholders at the General Meeting a proposed amendment to the Remuneration Policy on the following terms:

- (i) To reflect the remuneration of the new executive director, the fixed and variable components of which have been described in the preceding sub-sections, and the main terms and conditions of his contract, also described in the preceding sub-sections.
- (ii) To introduce clawback clauses for the variable annual remuneration of Applus' two executive directors, in accordance with recommendation 63 of the Good Governance Code of Listed Companies.

A.3 Provide a direct link to the document featuring the company's current remuneration policy, which must be made available on the company's website.

[http://www.applus.com/csstg/userfiles/file/applus\\_com\\_InvestorRelations/IR%20Corporate%20Governance%20Page/180705%20Applus+\\_Pol%C3%ADtica%20Remuneraci%C3%B3n%20Consejeros.pdf](http://www.applus.com/csstg/userfiles/file/applus_com_InvestorRelations/IR%20Corporate%20Governance%20Page/180705%20Applus+_Pol%C3%ADtica%20Remuneraci%C3%B3n%20Consejeros.pdf)

A.4 Taking into account the information provided in section B.4, explain how the shareholders' votes at the general meeting at which the annual remuneration report for the previous financial year was submitted for a consultative vote have been taken into account.

The consultative vote of the shareholders at the General Shareholders' Meeting 2018 in relation to the Annual Report on Director Remuneration for the previous financial year was very positive (89.267% of votes in favour, 9.876% against and 0.858% abstentions). In financial year 2018, the amendments to the Director Remuneration Policy described in section A.1 above were submitted for the approval of the shareholders at the General Shareholders' Meeting. The fundamental aim was to amend the remuneration system for the Managing Director, as well as some of his contractual terms, to align them with Spanish and international market standards for companies of similar importance and complexity to Applus. These amendments are expected to have addressed the concerns of those shareholders who did not cast favourable votes.

## **B OVERALL SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE LAST FINANCIAL YEAR**

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration set forth in section C of this report. This information will include the role of the remuneration committee, the decisions taken by the board of directors and, if applicable, the identity and role of external advisors whose services have been used in the process of applying the remuneration policy during the last financial year.

In accordance with the provisions of section 529 *septdecies* of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) and article 25.1 of the Regulations of Applus' Board of Directors, it is for the Board of Directors to determine the

distribution of the overall sum approved by the shareholders at the General Meeting among the directors, taking into consideration the duties and responsibilities allocated to each director, membership of Board Committees and the other circumstances that it deems relevant. The ARC is the body that assists the Board of Directors with the remuneration policy for directors and senior officers in accordance with the powers assigned thereto for such purpose in the Regulations of the Company's Board of Directors.

Pursuant to the foregoing, on 20 February 2018 the ARC submitted the previously described proposed amendment of the Remuneration Policy to the Board of Directors, which was subsequently approved by the shareholders at the General Shareholders' Meeting 2018. The ARC used the benchmark study it had engaged Mercer Consulting to conduct (see sub-section one of section A.1 above) for purposes of preparing this Policy.

In accordance with the terms of the Remuneration Policy, the Board of Directors applied the Remuneration Policy on the terms described in section C below upon a proposal from the ARC.

It was resolved not to alter the new Remuneration Policy in relation to the remuneration of the directors in their capacity as such. In line with this, the Board resolved to maintain the individual remuneration of directors in their capacity as such for financial year 2018 along the same lines as for the previous year with the exception of the remuneration for chairing the Board of Directors, which was increased from EUR 200,000 to EUR 250,000. The Board thus approved the following breakdown:

- Members of the Board of Directors other than the Chair: EUR 60,000.
- Chair of the Board of Directors: EUR 250,000.
- Members of any Board Committee other than the Chairs thereof: EUR 20,000 per Committee.
- Chair of any Board Committee: EUR 30,000 per Committee.

Neither proprietary nor executive directors will receive any remuneration for their membership of the Board of Directors or any of its Committees.

As regards the remuneration of the Managing Director for the performance of his executive duties, based on the aforementioned benchmark study it was resolved to introduce the amendments to the Remuneration Policy in comparison with 2017 that have been described in sub-section two of section A.1 above. His fixed remuneration in financial year 2018 is as described in the remuneration policy and his effective variable remuneration has been determined by the Board of Directors upon a proposal from the ARC, in accordance with the procedure described in section A.1 above.

**B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risk and aligning the system to the company's long-term objectives, values and interests, including a reference to the measures taken to ensure that the accrued remuneration has taken into account the company's long-term results and an appropriate balance has been achieved between the fixed and variable remuneration components, what measures have been taken in relation to those categories of staff whose professional activities have a material impact on the entity's risk profile, and what measures have been taken to avoid conflicts of interest, if any.**

During financial year 2018, Applus conducted a review of its director remuneration system with external advice from Mercer Consulting. This resulted in the approval by the shareholders at the General Shareholders' Meeting 2018 of a new Remuneration Policy, applicable for financial years 2018, 2019 and 2020, on the terms described in section A.1 above.

In particular, this new Policy was intended to align the Managing Director's remunerative mix with the market conditions for listed companies at the same time as taking into account his outstanding performance and sustained leadership. His fixed remuneration was hence modified in order to locate it at the mid-point of the remuneration of top executives of comparable companies. The form of calculating variable annual remuneration was also altered; its nature was partially amended to establish part-payment thereof in shares and a partial deferral of payment thereof was approved. These amendments are described in sub-section two of section A.1 above.

Moreover, to reduce exposure to excessive risks and align the remuneration system with the Company's long-term objectives, values and interests, the Managing Director's variable annual remuneration and long-term incentive plan are both linked to the achievement of targets, with accrual and payment deferral periods established as well as maximum limits on the amount thereof. These features have not changed between financial year 2018 and financial year 2019, and are described in detail in sub-section two of section A.1 above.

With respect to the measures established to avoid conflicts of interest, the aforementioned sub-section two describes the disclosure and abstention duties of directors in situations involving conflicts of interest, which were also applicable in the last financial year.

**B.3 Explain how remuneration accrued during the financial year complies with the provisions of the current remuneration policy.**

Also report on the relationship between remuneration obtained by directors and results or other short- and long-term performance measures for the entity, explaining where applicable how fluctuations in the company's performance may have influenced fluctuations in director remuneration, including accruals the payment of which is deferred, and how they contribute to the company's short- and long-term results.

The remuneration of directors in their capacity as such complies with the provisions of the current Remuneration Policy given that the maximum total approved by the shareholders at the General Meeting (EUR 1,500,000) has been respected and the individual remuneration of each director has been set based on the criteria established in the Policy (the duties and responsibilities allocated to each one, membership of Board Committees and other relevant objective circumstances). Nor has the Managing Director received any remuneration for his membership of the Board or its Committees, as provided in the Remuneration Policy, and all the directors have been reimbursed for duly justified expenses associated with travel and accommodation for purposes of attending meetings of the Board of Directors and its Committees. Finally, Applus has paid the premiums for the civil liability insurance it has contracted for its directors.

The Managing Director's remuneration for the performance of his executive duties has also been aligned with the provisions of the Director Remuneration Policy, meaning that he has received the fixed remuneration in cash established in said Policy (EUR 750,000), benefits at a total cost in the amount of approximately EUR 36,957 (of which EUR 7,311 corresponds to a cash supplement for medical insurance and vehicle to bring the currently received benefits into line with the agreement reached with the Managing Director at the time he was hired), a contribution to his pension scheme in the approximate amount of EUR 38,043 (which is the difference between 10% of his fixed remuneration in cash and the value of the benefits received), variable annual remuneration accrued in 2018 and payable in 2019 of EUR 590,400 (EUR 369,000 in cash and EUR 221,400 in RSUs), calculated in accordance with the provisions of the Remuneration Policy and described below, and 39,805 PSUs granted under the long-term incentive plan, which will vest as Applus shares, if applicable, in February 2021.

Fluctuations in the Company's performance have been directly reflected in the Managing Director's variable remuneration as stated below.

The amount of variable annual remuneration is calculated by increasing or reducing the target amount as described in sub-section six of section A.1 above. In other words, fluctuations in the parameters of the Group's adjusted operating profit and adjusted operating cashflow in comparison with the targets set for financial year 2018 have been directly reflected in the Managing Director's remuneration. Moreover, the Managing Director has received 37.5% of his variable annual remuneration for 2018 in the form of RSUs (that is, 22,158 RSUs). The number of RSUs was calculated based on the average listing value of the Company's shares during the 30 days prior to the date on which they were granted (EUR 9.992 per share).

Each RSU will be exchangeable for one Applus share within a three-year period (30% of the RSUs corresponding to 2018 will vest as shares in February 2020, another 30% will vest in February 2021 and the remaining 40% will vest in February 2022), which again links the effective value of the director's remuneration to Applus' short- and long-term performance.

The number of PSUs granted in 2018 (39,805) was also calculated based on the average listing value of the Company's shares during the 30 days prior to the date on which they were granted, which was EUR 11.305. The number of PSUs that will be exchangeable for shares will be determined based on the level of achievement over a cumulative three-year period of the TSR and EPS targets described in sub-section six of section A.1 above.

**B.4 Report on the result of the consultative vote of the shareholders at the general meeting on the annual report on remuneration for the previous financial year, stating the number of negative votes in respect of the report, if any:**

	<b>Number</b>	<b>% of total</b>
<b>Votes cast</b>	103,319,886	72.24%

	Number	% of votes cast
<b>Negative votes</b>	10,203,041	9.88%
<b>Votes in favour</b>	92,230,387	89.27%
<b>Abstentions</b>	886,458	0.86%

Comments

**B.5 Explain how the fixed components accrued during the financial year by the directors in their capacity as such have been determined, and how they have varied in comparison with the previous year**

The Board of Directors determined the fixed components of remuneration of directors in their capacity as such during the previous financial year, upon a proposal from the ARC, within the limits set by the shareholders at the General Shareholders' Meeting and based on the criteria established in the Remuneration Policy. These components have not varied in comparison with 2017 except for remuneration for chairing the Board of Directors, which increased from EUR 200,000 to EUR 250,000 as described in section B.1 above.

**B.6 Explain how the balances accrued by each executive director for the performance of management duties during the last financial year have been determined, and how they have varied in comparison with the previous year.**

The Managing Director's fixed remuneration in cash accrued during financial year 2018 corresponds with that approved by the shareholders at the General Shareholders' Meeting held in that financial year (that is, EUR 750,000) and represents an increase of EUR 100,000 in comparison with financial year 2017. The benefits have been maintained on very similar terms to the previous year, although the pension scheme contribution referred to in section B.3 above has been included in accordance with the provisions of the current Remuneration Policy.

**B.7 Explain the nature and main features of the variable components of the remuneration systems accrued during the last financial year.**

In particular:

- Identify each remuneration scheme that has determined the different items of variable remuneration accrued by each director during the last financial year, including information on their scope, date of approval, implementation date, accrual and validity periods, criteria that have been used to evaluate performance and how it has impacted on the setting of the accrued variable amount, as well as the measurement criteria used and the period required to be able to properly measure all the stipulated conditions and criteria.

In the case of schemes involving share options or other financial instruments, the general features of each plan are to include information on the conditions for acquiring unconditional ownership thereof (consolidation) and for being able to exercise said options or financial instruments, including the price and exercise period.

- Refer to each director and their classification (executive director, proprietary external director, independent external director or other external director), if they are beneficiaries of remuneration systems or schemes that incorporate variable remuneration.

- If applicable, report on the established payment accrual or deferral periods that have been applied and/or periods for withholding/non-disposal of shares or other financial instruments, if any.

**Explain the short-term variable components of the remuneration schemes**

There are only short-term variable remuneration components in favour of the Managing Director. These components consist of a variable annual remuneration scheme that was previously in force, but whose conditions were amended by the shareholders at the General Shareholders' Meeting 2018 as described in sub-section two of section A.1 above.

The terms and conditions of this variable remuneration scheme, including its scope, accrual and validity periods, criteria used to evaluate performance and reflection thereof in the setting of the accrued variable amount, criteria and measurement periods are described in sub-section six of section A.1 above. The sums accrued in financial year 2018 are stated in section B.3 above.

**Explain the long-term variable components of the remuneration schemes**

There are only long-term variable remuneration components in favour of the Managing Director. These components consist of a long-term incentive plan that was approved by the shareholders at the General Shareholders' Meeting 2016 and which has remained unchanged to date.

The terms and conditions of this incentive plan, including its scope, accrual and validity periods, criteria used to evaluate performance and the reflection thereof in the setting of the accrued variable amount, criteria and measurement periods are described in sub-section six of section A.1 above. The sums accrued in financial year 2018 are stated in section B.3 above.

- B.8 State whether certain variable components have been reduced or reclaimed (malus/clawback), when payment has been consolidated and deferred in the former case, or consolidated and paid in the latter case, based on information that has later been clearly proven to be inaccurate. Describe the amounts reduced or returned due to the application of malus/clawback clauses, why they have been enforced and the financial years to which they correspond.**

There was no reduction or reclaiming of any variable component in financial year 2018, as no inaccuracy was identified in the information used for purposes of calculation thereof.

- B.9 Explain the main features of the long-term savings schemes whose annual equivalent amount or cost is included in the tables in Section C, including retirement and any other survival benefit, either partially or wholly financed by the company and whether funded internally or externally, stating the type of scheme, whether it is defined-contribution or defined-benefit, the contingencies it covers, the conditions for consolidation of economic rights in favour of directors, and the compatibility thereof with any class of indemnity for early termination or cessation of the contractual relationship between the company and the director.**

Pursuant to the provisions of the Remuneration Policy, the Company's Managing Director is entitled to receive an annual pension scheme contribution. Its features are described in sub-section seven of section A.1 above. The amount of the contribution made to the scheme in 2018 is stated in section B.3 above.

- B.10 Explain, if applicable, the indemnities or any other class of payment arising from early cessation, whether at the will of the company or the director, or from the termination of the contract on the terms provided therein, accrued and/or received by the directors during the last financial year.**

No Applus director accrued or received any indemnities or payments of any class arising from the early cessation of termination of their contract in financial year 2018.

- B.11 State whether there have been significant amendments to the contracts of those performing senior management duties as executive directors and explain them, if applicable. Also explain the main terms and conditions of new contracts signed with executive directors during the financial year, unless already explained in section A.1.**

A proposal to amend the Director Remuneration Policy was submitted to the shareholders at the General Shareholders' Meeting in financial year 2018. The proposed and approved amendments consisted of changing the amount of the Managing Director's fixed remuneration, establishing an annual contribution to his pension scheme and changing his variable annual remuneration system on the terms set out in section A.1 above. The following amendments to the terms and conditions of the Managing Director's contract for the provision of services were also approved:

- (i) Removal of indemnity for contractual termination: It was previously established that if the Company terminated the contract, the Managing Director would be entitled to receive compensation equal to twice the sum of fixed annual remuneration plus the variable remuneration accrued in the year prior to the termination of the contract, with a minimum of EUR 1,640,000. This compensation was removed in 2018, meaning that the Managing Director will not be entitled to receive any sum in the event of termination of his contract, except for that established corresponding to the post-contractual non-compete agreement and for breach of the notice period by the Company.
- (ii) Amendment of post-contractual non-compete agreement: In 2018, it was resolved to extend the period for which competition after termination of the contract is prohibited from one to two years, with the content of this prohibition being specified in greater detail (described in section A.1 above) and ability to enforce compliance therewith being improved. It was also resolved to amend the sum payable under the non-compete agreement and set it as an amount equal to twice the fixed annual remuneration, which the Managing Director would be entitled to receive in 24 monthly instalments as from the date of termination of the contract, whichever party decides to terminate. If the Managing Director breaches the non-compete agreement, he will be obliged to return the sums that the Company has paid to him as consideration therefor.
- (iii) Notice period: The notice period required to terminate the contract at the will of the Company or the Managing Director was made identical in 2018, with six months' notice required in both cases (the period had previously been six months for the Managing Director and three months for the Company).

**B.12 Explain any supplementary remuneration accrued by the directors as consideration for services provided other than those inherent to their position.**

The directors did not provide services other than those inherent to their position in financial year 2018, meaning no supplementary remuneration accrued for this item.

**B.13 Explain any remuneration arising from the grant of advances, loans and guarantees, stating the interest rate, the essential features thereof and any amounts reimbursed, as well as the obligations assumed under the guarantee.**

No remuneration accrued for these items and no obligation was assumed of this kind in financial year 2018.

**B.14 Describe the remuneration in kind accrued by the directors during the financial year, briefly explaining the nature of the different salary components.**

The remuneration in kind for directors of the Company is only in favour of the Managing Director.

In financial year 2018, the Managing Director accrued benefits as remuneration in kind at an aggregate cost of EUR 36,957. Said benefits include the use of a company vehicle (including petrol consumption), of medical insurance for him and his family (including an annual check-up for him and his spouse), and life insurance (with an indemnity of EUR 150,000 in the event of death or permanent disability and of EUR 300,000 in the event of accidental death).

**B.15 Explain the remuneration accrued by the director under payments made by the listed company to a third-party entity in which the director provides services, when said payments are intended to remunerate the services thereof within the company.**

There were no payments of this kind in financial year 2018.

**B.16 Explain any other remuneration item not covered above, whatever the nature thereof or the entity of the group that pays it, particularly when it is classified as a related-party transaction or the making thereof detracts from a true and fair view of the total remuneration accrued by the director.**

The Managing Director accrued a cash supplement of EUR 7,311 corresponding to the medical insurance and vehicle supplement in financial year 2018, in order to bring the benefits received into line with the agreement reached with the Managing Director at the time he was hired. Said supplement is associated with the corresponding benefits, and would not be received if said benefits disappeared. Said cash amount of EUR 7,311 is also reflected in table C1 of this report and is included in the maximum cost of the benefits received by the Managing Director (approximately EUR 36,957).

**C****DETAILS OF INDIVIDUAL REMUNERATION CORRESPONDING TO EACH DIRECTOR**

<b>Name</b>	<b>Classification</b>	<b>Accrual period t</b>
<b>Christopher Cole</b>	Independent	From 01/01/2018 to 31/12/2018
<b>Fernando Basabe Armijo</b>	Executive	From 01/01/2018 to 31/12/2018
<b>Ernesto Gerardo Mata López</b>	Independent	From 01/01/2018 to 31/12/2018
<b>John Daniel Hofmeister</b>	Independent	From 01/01/2018 to 31/12/2018
<b>Richard Campbell Nelson</b>	Independent	From 01/01/2018 to 31/12/2018
<b>Nicolás Villén Jiménez</b>	Independent	From 01/01/2018 to 31/12/2018
<b>Cristina Henríquez de Luna Basagoiti</b>	Independent	From 01/01/2018 to 31/12/2018
<b>Claudi Santiago Ponsa</b>	Independent	From 01/01/2018 to 09/08/2018
<b>Scott Cobb</b>	Proprietary	From 01/01/2018 to 05/11/2018

C.1 Complete the following tables with respect to the individual remuneration of each director (including remuneration for the performance of executive duties) accrued during the financial year.

**a) Remuneration from the company covered by this report:**

**i) Remuneration accrued in cash (in thousands of €)**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	Total financial year t	Total financial year t-1
Christopher Cole	250		34						284	230
Fernando Basabe Armijo				750	369			7	1,126	983
Ernesto Gerardo Mata López	60		24						84	90
John Daniel Hofmeister	60		30						90	90
Richard Campbell Nelson	60		40						100	100
Nicolás Villén Jiménez	60		26						86	80
Cristina Henríquez de Luna Basagoiti	60		20						80	80
Claudi Santiago Ponsa	37		13						50	80
Scott Cobb	0		0						0	0

Comments
<p>Mr Christopher Cole was appointed a member of the ARC on 25 October 2018.  Mr Ernesto Mata became a member of the Audit Committee on 1 June 2018.  Mr Nicolás Villén was appointed Chair of the Audit Committee on 1 June 2018.  Mr Claudi Santiago left on 9 August 2018.</p>

ii) Table of movements in share-based remuneration schemes and net return on consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of financial year t		Financial instruments granted during financial year t		Financial instruments consolidated during financial year t				Instruments mature but not exercised	Financial instruments at end of financial year t	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent/consolidated no. of shares	Price of consolidated shares	Net Return on consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	Equivalent no. of shares
Fernando Basabe Armijo	Variable annual remuneration scheme	0	0	22,158	22,158	22,158	22,158	9.99	221	0	22,158	22,158
	Long-term incentive plan	81,380	81,380	39,805	39,805	0	0	0	0	0	121,185	121,185

**Comments**

It was resolved to partially deliver the variable annual remuneration scheme in RSUs in 2018. The RSUs were accrued in 2018 and delivered in February 2019. With respect to the long-term incentive plan, the PSUs granted in 2018 will vest as shares in 2021 if the targets set for the period are achieved. No PSUs have consolidated in 2018 because the consolidation period lasts three years and the first PSUs were granted in 2016.

iii) Long-term savings schemes

	<b>Remuneration for consolidation of savings scheme rights</b>
Fernando Basabe Armijo	38

Name	Contribution in financial year by company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		Financial year t		Financial year t-1	
	Financial year t	Financial year t-1	Financial year t	Financial year t-1	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
	Fernando Basabe Armijo	38	0	0	0	38	0	0

Comments
The remuneration for Mr Fernando Basabe by way of pension scheme contribution was approved in 2018.

iv) **Details of other items**

<b>Name</b>	<b>Item</b>	<b>Remuneration amount</b>
Fernando Basabe Armijo	Cost of benefits in kind: total cost of benefits (36.96) – cash amount associated therewith (7.3)	30

<b>Comments</b>

**b) Remuneration for company directors for membership on boards of other group companies:**

**i) Remuneration accrued in cash (in thousands of €)**

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	Total financial year t	Total financial year t-1
Christopher Cole	0	0	0	0	0	0	0	0	0	0
Fernando Basabe Armijo	0	0	0	0	0	0	0	0	0	0
Ernesto Gerardo Mata López	0	0	0	0	0	0	0	0	0	0
John Daniel Hofmeister	0	0	0	0	0	0	0	0	0	0
Richard Campbell Nelson	0	0	0	0	0	0	0	0	0	0
Nicolás Villén Jiménez	0	0	0	0	0	0	0	0	0	0
Cristina Henríquez de Luna Basagoiti	0	0	0	0	0	0	0	0	0	0
Claudi Santiago Ponsa	0	0	0	0	0	0	0	0	0	0
Scott Cobb	0	0	0	0	0	0	0	0	0	0

Comments

**ii) Table of movements in share-based remuneration schemes and net return on consolidated shares or financial instruments**

**iii) Long-term savings schemes**

**iv) Details of other items**

**c) Summary of remuneration (in thousands of €):**

The summary must include the amounts corresponding to all remuneration items included in this report that the director has accrued, in thousands of euros.

Name	Remuneration accrued in the Company					Remuneration accrued in group companies				
	Total cash remuneration	Net return on consolidated shares or financial instruments	Remuneration for savings schemes	Remuneration for other items	Company total financial year t	Total cash remuneration	Net return on consolidated shares or financial instruments	Remuneration for savings schemes	Remuneration for other items	Group total financial year t
Christopher Cole	284				284					0
Fernando Basabe Armijo	1,126	221	38	30	1,415					0
Ernesto Gerardo Mata López	84				84					0
John Daniel Hofmeister	90				90					0
Richard Campbell Nelson	100				100					0
Nicolás Villén Jiménez	86				86					0
Cristina Henríquez de Luna Basagoiti	80				80					0
Claudi Santiago Ponsa	50				50					0
Scott Cobb	0				0					0
<b>Total:</b>	<b>1,900</b>	<b>221</b>	<b>38</b>	<b>30</b>	<b>2,189</b>					<b>0</b>

Comments



**D OTHER INFORMATION OF INTEREST**

Provide a brief description of any significant aspects relating to director remuneration that it has not been possible to include in the other sections of this report but which require inclusion in order to provide more complete and reasoned information on the company's remuneration structure and practices in relation to its directors.

None.

This annual remuneration report was approved by the company's board of directors at its meeting held on 19 February 2019.

Indicate whether any directors voted against or abstained in relation to the approval of this Report.

Yes  No

Name or company name of any member of the board of directors who did not vote in favour of the approval of this report	Reasons (against, abstention, non-attendance)	Explanation of reasons