



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 Regulations of the Board of Directors

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 Regulations of the Board of Directors of Applus (hereinafter, the “**Regulations**”), to justify and explain the proposed amendments of certain articles of the aforementioned Regulations which shall be submitted to the Board of Directors for approval at its meeting of December 2018.

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 wording 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 Regulations 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 next General Shareholders’ Meeting of the Company.

II. General justification for the proposal

The proposal subject to this report essentially serves three purposes:

- (i) To adjust the content of the Regulations in order to better differentiate the supervision powers of the Audit Committee and the Corporate Social Responsibility Committee (the “**CSR Committee**”).
- (ii) To adjust such Regulations to avoid any overlap, on the grounds of how such powers are actually conducted by said Committees.
- (iii) To better accommodate to Recommendation 53 (“**Reco 53**”) of the Spanish Good Corporate Governance Code (*Código de buen gobierno de las sociedades cotizadas*), which establishes the main duties that should be covered by the Board Committees in relation to the supervision of the corporate governance rules, the internal regulations for conduct and the corporate social responsibility policy.

III. Detailed explanation of the proposed amendments

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

(i) Proposed amendment of section 7.b)(iv) of article 39 of the Regulations (Audit Committee)

It is proposed to remove the former sub-paragraph (iv), which allocates to the Audit Committee the power to establish and monitor a mechanism whereby employees can report irregularities detected in the Company (i.e., the "whistleblowing channel"), and to relocate this power under article 41 of the Regulations, which deals with the functions of the CSR Committee, given that the whistleblowing channel is actually managed by the CSR Committee.

Without prejudice to the foregoing, it is also proposed to expressly confer on the Audit Committee the responsibility to analyse the financial and accounting irregularities of a relevant nature that may be reported by employees through the whistleblowing channel, to the extent that financial and accounting issues constitute the core of the Audit Committee duties.

(ii) Proposal to include a new section 7.b)(v) in article 39 of the Regulations (Audit Committee)

It is proposed to include a new sub-paragraph (v) to expressly provide that the Audit Committee is responsible for the evaluation of the risks to which the Company is exposed, both of a financial and a non-financial nature (as per Reco 53).

(iii) Proposed amendment of section 7.d)(viii) of article 39 of the Regulations (Audit Committee)

It is proposed to remove the wording of sub-paragraph (viii) establishing that the Audit Committee monitors the compliance with the rules of corporate governance, since this is a duty actually performed by the CSR Committee.

(iv) Proposal to include a new section 6.(viii) in article 41 of the Regulations (CSR Committee)

As explained under section (i) above, it is proposed to expressly confer the power to establish and monitor the whistleblowing channel on the CSR Committee, which is the Board Committee actually exercising such power.

- (v) Proposal to include a new section 6.(ix) in article 41 of the Regulations (CSR Committee)

The proposal has the purpose of expressly allocating to the CSR Committee the function included under letter b) of Reco 53: overseeing the communication and relations strategy with shareholders and investors.

- (vi) Proposal to include a new section 6.(x) in article 41 of the Regulations (CSR Committee)

The proposal has the purpose of expressly allocating to the CSR Committee the function included under letter c) of Reco 53: the periodical evaluation of the effectiveness of the Company's corporate governance system.

- (vii) Proposal to include a new section 6.(xi) in article 41 of the Regulations (CSR Committee)

The proposal has the purpose of expressly allocating to the CSR Committee the function included under letter f) of Reco 53: the monitoring and evaluation of the Company's interaction with its stakeholder groups.

- (viii) Proposal to include a new section 6.(xii) in article 41 of the Regulations (CSR Committee)

It is proposed to acknowledge that the CSR Committee is actually responsible to oversee the acting of the Company in respect of training, reporting and investigations.

In Madrid, on 25 October 2018.

Annex

Full text of the proposed amendments

CURRENT TEXT	PROPOSED TEXT
[...]	[...]
Article 39.- Audit Committee [...]	Article 39.- Audit Committee [...]
39.7 Without prejudice to the other competences that are attributed to the Audit Committee, the Audit Committee is responsible for, at least: [...]	39.7 Without prejudice to the other competences that are attributed to the Audit Committee, the Audit Committee is responsible for, at least: [...]
(b) In relation to the information and internal control systems: [...]	(b) In relation to the information and internal control systems: [...]
(iv) To establish and to monitor a mechanism whereby employees can report, confidentially, if necessary, anonymously, any irregularities they detect in the Company with potentially serious implications, in particular financial or accounting irregularities	(iv) To establish and to monitor a mechanism whereby employees can report, confidentially, if necessary, anonymously, any irregularities they detect in the Company with potentially serious implications, in particular financial or accounting irregularities. <u>To analyse financial and accounting irregularities -with potentially serious implications- that may have been reported by employees through the mechanism provided in section 41.6.viii.</u>
	(v) <u>To evaluate all aspects of the financial and non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.</u>

<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>(viii)To monitor compliance with internal codes of conduct and with the rules of corporate governance and, in particular, with these Regulations under the terms provided herein.</p> <p>[...]</p>	<p>(viii)To monitor compliance with internal codes of conduct and with the rules of corporate governance and, in particular, with these Regulations under the terms provided herein.</p> <p>[...]</p>
<p>Article 41.- Corporate Social Responsibility Committee</p> <p>[...]</p>	<p>Article 41.- Corporate Social Responsibility Committee</p> <p>[...]</p>
<p>41.6. Without prejudice to any other duties that are assigned to it, the Corporate Social Responsibility Committee shall have at least the following duties:</p> <p>[...]</p>	<p>41.6. Without prejudice to any other duties that are assigned to it, the Corporate Social Responsibility Committee shall have at least the following duties:</p> <p>[...]</p>
	<p><u>(viii)To establish and to monitor a mechanism whereby employees can report, confidentially, and if necessary, anonymously, any irregularities they detect in the Company with potentially serious implications.</u></p>
	<p><u>(ix) To oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.</u></p>
	<p><u>(x) To periodically evaluate the effectiveness of the Company's corporate governance system, in order to confirm that it is fulfilling its mission to promote the corporate interest and to take into account, where appropriate, the legitimate interests of the remaining stakeholders.</u></p>

	<u>(xi) To monitor and evaluate the Company's interaction with its stakeholder groups.</u>
	<u>(xii) To oversee the acting of the Company in respect of training, reporting and investigations.</u>