



Annual Report on the functioning of the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. during year 2018

I. Introduction

This Report is drafted by the Appointments and Compensation Committee (the “**Committee**”) of the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”) in compliance with article 40.11 of the Regulations of the Board of Directors of Applus (hereinafter, the “**Regulations**”), in order to inform about the work performed by the Committee during year 2018.

This Report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating the work performed by the Committee during the year 2018, in conformance with article 36 of the Regulations.

II. Performance of the Committee during year 2018

1. Meetings

During year 2018, the Committee held 3 meetings. All the members of the Committee attended -present or duly represented- to each of the 3 sessions, except for the meeting of 25 October 2018, to which one of its members (Mr. Claudi Santiago Pons) did not assist as he resigned as director on 9 August 2018.

The Committee considers that it has met with the frequency required to perform its functions.

2. Composition of the Committee

As a consequence of the aforementioned resignation, the Committee agreed at its meeting of 25 October 2018 to appoint Mr. Christopher Cole as a member of the Committee to fill such vacancy. The Board of Directors ratified said appointment at its meeting of 26 October 2018.

3. Actions carried out during year 2018

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

A. Remuneration Policy

The Committee, in the exercise of its functions to review and control the remuneration policies of the Company, has submitted to the Board of Directors for its subsequent ratification the following remuneration matters related to the senior and non-senior managers and the Chief Executive Officer (“**CEO**”):

- (i) Approval of the bonus payouts for Corporate Senior Managers and Executive Vice Presidents.

- (ii) Approval of the amendment of part of the conditions of the Senior Managers bonus system.
- (iii) Determination of the 2018 salaries of the Senior Managers.
- (iv) Approval of the awards under both 2015 Restricted Stock Units award system and the new 2016 Senior Management long term incentive ("**LTI**") plan.
- (v) Determination of the target regarding adjusted earnings per share ("**EPS**") and the EPS target stretch for the period 2018-2020 under the Chief Executive Officer and the Senior Management LTI plans.
- (vi) Approval of the 2018 Restricted Stock Units awards for non-senior managers in relation to their LTI plan.
- (vii) Approval of the increase in the remuneration of the CEO as a result of the revision of its remuneration scheme and of the amendments to the CEO's employment contract that include a new share delivery plan of the Company as part of the variable remuneration ("**RSUs**").
- (viii) Approval of the payment of the CEO's annual bonus corresponding to year 2017.
- (ix) Approval of a new Directors Remuneration Policy in order to include in the new policy the increase in the remuneration of the CEO and the amendments to his employment contract.

The new Directors Remuneration Policy was approved by the General Shareholders' Meeting at its meeting of 31 May 2018, as well as the new share delivery plan of the Company to the CEO as part of his variable remuneration ("**RSUs**").

B. Report on remuneration

As provided for in article 28 of the Regulations, the Committee, at its meeting of 20 February 2018, reviewed and prepare the Annual Report on Remunerations of Directors. Such Annual Report on Remunerations was submitted to the Board of Directors for its approval and subsequently submitted to advisory vote at the General Shareholders' Meeting held on 31 May 2018.

C. Board Evaluation Process

The Committee has cooperated with the Chairman of the Board of Directors in the annual Board Evaluation Process of the members of the Board of Directors and of the different Committees.

Additionally, the Committee has complied with the provisions established under article 40.3.a.(viii) of the Regulations, informing on the performances carried out by the

Chairman of the Board of Directors, Mr. Christopher Cole, and the Chief Executive Officer, Mr. Fernando Basabe Armijo.

D. Proposal for re-election of directors

In accordance with articles 14.1 and 16 of the Regulations, the Committee at its meeting of 20 February 2018, reviewed and prepared the mandatory report under which (i) the re-election of Mr. Christopher Cole, Mr. Ernesto Gerardo Mata López, Mr. John Daniel Hofmeister and Mr. Richard Campbell Nelson as Independent Directors of the Company was formally proposed, (ii) a favorable opinion was issued regarding the re-election of Mr. Fernando Basabe Armijo as Executive Director, and (iii) the needs of the Board of Directors were analysed concluding that the re-election of the aforementioned 5 directors met said needs.

The aforementioned 5 directors were re-elected by the General Shareholder's Meeting of the Company on 31 May 2018. A justifying report of the Board of Directors was issued on 21 February 2018 in this regard.

E. Succession planning and talent development

The Committee has devoted efforts to discuss the future succession of the CEO and the Company's senior managers, as well as their professional development. Likewise, the following 3 initiatives related to talent development have been launched:

- (i) A global management development program for selected managers throughout the Applus Group that started this year with the collaboration of the "Instituto de Empresa (IE)" and which for this first year has 30 managers.
- (ii) A personal development plan for "high potentials" who fill positions of regional managers, country managers or who directly report to a country manager, was launched on December 2018.
- (iii) An annual performance appraisal in most of the countries.

The Committee, together with the CEO and the Director of Human Resources, reviewed the performance evaluation and the personal development plan of the Senior Managers, as well as the succession plans for each of their positions at the meeting held on 25 October 2018.

F. Engagement with key investors / proxy advisors

During January 2018, the Chairman of the Committee led the execution of an engagement process among the key investors and proxy advisors, having received positive feedback regarding the Board of Directors independence.

G. Employee Engagement Survey

After the analysis of the survey conducted in 2017 to measure, among other matters, the level of "engagement" of the Group's employees with Applus, action plans have been designed in order to preserve and, where appropriate, improve the employees' satisfaction prior to the launching of the next survey scheduled for 2019. For this purpose, the following 2 actions in Spain shall be remarked: (i) obtaining the Top Employer accreditation and (ii) implementation from 2019 onwards of a flexible compensation system for all employees.

H. Selection process to fill vacancies

As a consequence of the resignation of the external directors Mr. Claudi Santiago (Independent Director) and Mr. Scott Cobb (Dominical Director), of 9 August 2018 and 5 November 2018, respectively, the Chairman of the Committee has led the selection process to identify and interview suitable candidates to fill these vacancies with independent directors, for which he has taken the advice of a well reputed executive search company in the selection process of candidates. In the selection process, preference has been given to female candidates for being the sex less represented in the Board of Directors.

In Barcelona, on 19 February 2019.