



**Report issued by the Appointments and Compensation Committee of Applus Services,
S.A. with regard to the proposed new Directors' Remuneration Policy**

1. Introduction and purpose of the report

The Appointments and Remuneration Committee of the Board of Directors of Applus Services, S.A. (“**Applus**” or the “**Company**”) prepared this report at its meeting held on 19 February 2019, to provide a rationale and explanation for the proposed new Remuneration Policy for the Directors of the Company that is submitted to the Board of Directors, the full text of which is set forth in the Annex, in accordance with the provisions of section 529 novodecies of the Spanish Companies Act (*Ley de Sociedades de Capital*) and of article 40.3.b) of the Regulations of Applus’ Board of Directors.

It is expressly stated for the record that the proposed new Director Remuneration Policy must be submitted for the approval of the shareholders at the Company’s next General Shareholders’ Meeting. For these purposes and in accordance with the provisions of sections 518 and 529 novodecies of the Spanish Companies Act, article 8 of the Regulations of Applus’ General Shareholders’ Meeting and article 25 of the Regulations of Applus’ Board of Directors, this report must be made available to the shareholders at the business address and published continuously on the Company’s website from the date of publication of the announcement of call to meeting until the holding of the aforementioned General Shareholders’ Meeting.

2. General rationale for the proposal

The proposed new Director Remuneration Policy introduces a series of amendments in comparison with the previous policy, which are intended to adapt the scope of the Policy to the new composition of the Company’s Board of Directors, which will be proposed to the shareholders at Applus’ next General Shareholders’ Meeting. It is specifically proposed to raise the maximum number of directors to twelve and to appoint a new executive director. As a result, the purpose of the new Remuneration Policy is to reflect the remunerative and contractual framework for the new executive director. It is also proposed to introduce a clawback clause in relation to the variable annual remuneration of executive directors, in order to comply with recommendation 63 of the Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*).

Except for certain technical improvements and minor corrections, the other terms of the proposed Remuneration Policy are the same as in the existing Remuneration Policy, which was approved by the shareholders at the Company’s General Shareholders’ Meeting in 2018. In particular, it is stated for the record that the remunerative and contractual framework of Applus’ CEO remains unchanged.

3. Explanation of the main amendments in the new Remuneration Policy

3.1. Remuneration of the new executive director

It is proposed to the shareholders at the General Shareholders’ Meeting to appoint Applus’ Finance Director Mr. Joan Amigó i Casas (the “**CFO**”) as an executive director. If his appointment is approved, his remuneration must be recorded in the Company’s Remuneration

Policy in accordance with the provisions of section 529 novodecies of the Spanish Companies Act. The remuneration and main contractual terms and conditions that are proposed for this director are described below.

3.1.1. Fixed remuneration

The CFO's fixed remuneration (effective as from 1 January 2019) will amount to EUR 267,343.

The Company's CFO will also receive other benefits at a maximum cost equal to EUR 35,080, which may among other items include a pension scheme contribution at the discretion of the director.

The Company's CFO will also annually receive rights over Applus shares called restricted stock units ("RSUs") in compliance with the arrangements previously agreed in his employment contract with the Company. The annual number of RSUs to be delivered to him will be the result of dividing EUR 58,333 between the average listing value of the Applus shares during the thirty days before the date on which the RSUs are granted. The RSUs will be delivered every year immediately following the date on which the Board of Directors approves Applus' annual results. Each RSU shall be exchangeable for one Applus share on the third anniversary of the date on which it was awarded.

3.1.2. Variable annual remuneration

The CFO will be entitled to receive variable annual remuneration linked to the achievement of targets relating to the Group's adjusted operating profit (with a relative weight of 65%) and adjusted operating cashflow (with a relative weight of 35%) (that is, the same targets as those to which the CEO's variable annual remuneration is linked).

The variable amount will be increased by 2% for each 1% increase on the targets, with a maximum of 200% of the variable base target established as 70.6% of fixed remuneration in cash (that is, EUR 188,753). 50% of the variable remuneration to be received will be paid in cash and 50% through the delivery of RSUs. By way of example for purposes of clarification, on the basis of the foregoing criteria, if one year the amount of the remuneration to be received matches the variable target remuneration (EUR 188,753), EUR 94,376 will be received in cash and EUR 94,376 in RSUs. On the other hand, variable remuneration will be reduced by 5% for each decrease of 1% on the targets.

The other variable annual remuneration conditions will be identical to those for the CEO's variable annual remuneration. In particular:

- (i) The average listing price of the Applus shares in the thirty days prior to the date on which the RSUs are granted will be taken into account to calculate the number of RSUs to be delivered.

- (ii) The RSUs will be delivered every year on the date that the Board of Directors approves Applus' annual results and the amount of the director's variable annual remuneration.
- (iii) 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 the first two years and on a 40% basis for the last year. The RSUs might also vest in advance in certain circumstances.

3.1.3. Long-term incentive plan

The CFO will be entitled to participate in the long-term incentive plan payable in performance stock units ("PSUs"), which started in 2016 and of which the CEO is also a beneficiary.

The CFO will annually receive PSUs in an amount in principle equivalent to EUR 58,333. The PSUs awarded in each financial year will vest as shares within a three-year period as from the date on which they are 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, are those applicable to the CEO and described in section 4.2(ii) of the current Remuneration Policy.

3.1.4. Main terms and conditions of the CFO contract

The essential terms and conditions of the CFO's contract will be as follows:

- (i) Duration: indefinite.
- (ii) Exclusivity: while he is performing executive duties, the CFO must not have any direct or indirect interest in any other business or activity that could imply a conflict of interest in relation to his obligations and responsibilities within the Company or in relation to the activity of the Company or of the Applus Group.
- (iii) Termination: the contract may be terminated at any time at the will of the director or the Company, provided that notice is given in writing with a notice period of three months. In the event of partial or total breach of this period by either of the parties, the other party will be entitled to receive an indemnity equivalent to the CFO's fixed remuneration corresponding to the duration of the breach of the notice period.

The CFO –in compliance with the arrangements previously agreed in his employment contract with the Company– is also 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 competent employment courts in a final judgment; and (ii) termination of the contract at the decision of the CFO, whatever the form or grounds thereof, except in cases of resignation or voluntary severance without grounds.

- (iv) Post-contractual non-compete: the CFO 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. Competition is deemed to be directly or indirectly carrying out the following activities or actions, on his own behalf or on behalf of a third party: (a) producing, supply, distributing or marketing the same or similar products or services as the Applus group is supplying or plans to supply at the time of termination of his contract; (b) making offers, proposals, seeking or addressing or inducing to contract natural or legal persons in respect of which the CFO is aware that Applus, its subsidiaries or its affiliates have provided goods or professionals services at any time during the two years prior to the date of termination of the contract, or are negotiating with Applus or any other company of the Applus Group the performance of activities or services for said Group company at the aforementioned date of termination of the contract; or (c) in relation to persons who at the date of termination of the contract or during the six months prior thereto are contracted by Applus or any company of the Applus Group, making offers or proposals or inducing or requesting them to leave Applus or any company of the Applus Group, or contracting them or employing them through another person or procuring that they are contracted by another person who carries on businesses that are in competition with any of the businesses of the Applus Group.

As consideration and in compliance with the arrangements previously agreed in his employment contract with the Company, upon the termination of his contract (whether at the will of the executive director or the Company), the CFO 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 12 equal monthly installments following such termination. If the CFO breaches this undertaking, he shall return the sums paid by the Company as consideration for this non-compete agreement and he shall pay the Company a 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).

3.2. Introduction of claw back clause

In accordance with recommendation 63 of the Good Governance Code of Listed Companies, it is proposed to the shareholders at the General Meeting to introduce a clawback clause in relation to the variable annual remuneration of the executive directors, pursuant to which the Company will have the power to claim the return of the RSUs delivered to the executive

directors (or if they have already vested as shares, the vested shares) or an equivalent amount in cash, if they were awarded based on information that is later proven to be inaccurate.

4. Conclusion

In light of all the foregoing and in accordance with the provisions of section 529 novodecies of the Spanish Companies Act, Applus' Appointments and Remuneration Committee submits this proposal to the Company's Board of Directors so that it may in turn propose it for the approval of the shareholders at the General Meeting.

In Barcelona, on 19 February 2019

ANNEX

Full text of the proposal

REMUNERATION POLICY OF THE DIRECTORS OF APPLUS SERVICES, S.A.

(hereinafter "**Applus**" or the "**Company**")

1. Duration of the policy

The Remuneration Policy will be in force during the present financial year 2019 and the following two years (2020 and 2021) unless an agreement amending or replacing such policy is passed by the General Shareholders' Meeting during its applicable period, in accordance with article 529 novodecies of the Spanish Companies Act.

2. Principles and grounds

The principles and grounds of the directors' Remuneration Policy of Applus, in their capacity as board members and for the performance of executive duties, focus on a remuneration based on market practices, capable of attracting, retaining and motivating the necessary talent in accordance with the characteristics of its industry and of the countries in which the Company operates in order to satisfy its business needs and to meet shareholders' expectations.

Likewise, according to article 27.2 of the Board of Directors Regulation of the Company, independent directors shall be eligible for remuneration as a reward for the dedication, qualification and responsibility that the office demands, however, this remuneration should not reach a level which compromises their independence.

In any case, the directors' remuneration provided for in this Remuneration Policy will be reasonably proportionate to the importance of the Company, the economic situation and the market standards of comparable companies. Furthermore, the remuneration system is oriented towards the promotion, in the long-term, of the profitability and sustainability of the Company and it incorporates the necessary cautions to avoid an excessive assumption of risks and the reward of unfavourable results.

3. Remuneration for directors, in their condition as such

The office of director of the Company is remunerated. In general, such remuneration comprises a fixed annual amount, as follows:

- (i) The maximum amount of the annual remuneration for the Board of Directors as a whole, in their capacity as board members (as fixed amount), will be approved by the General Shareholders' Meeting. If such sum is not set by the General Shareholders' Meeting, the amount will be the same as that set for the preceding year.

- (ii) The Board of Directors will set the specific remuneration for each director, in his/her condition as board member (as fixed amount), taking into account the functions and responsibilities attributed to each director, if they sit in Board committees and any other objective circumstances that may be deemed relevant.

Notwithstanding the above, proprietary and executive directors shall not receive any remuneration for sitting on the Board of Directors or any other committee of the Board of Directors.

The maximum amount the Company can pay to the directors, as fixed annual amount, in their capacity as board members, for each financial year in which this Policy is in force, shall not exceed EUR 1,500,000. This amount aims to grant the Board of Directors with certain leeway should it be necessary to increase the number of Board members while this Policy is in force. In addition, directors will be reimbursed for travel, accommodation and any other expenses incurred due to attendance to Board of Directors and Committees meetings, as long as they are duly justified.

The Company has entered into a civil liability insurance policy for its directors on market conditions.

4. Directors' remuneration for the performance of executive duties

Pursuant to article 27.1 of the Board of Directors' Regulation, remuneration comprising the delivery of shares of the Company or of its group companies, share options or other share-indexed instruments, variable payments indexed to the Company's performance or membership of pension schemes will be confined to executive directors. Deductions should be made to remuneration linked to Company earnings in line with any qualifications stated in the external auditors' report that reduce such earnings.

As of this date, Mr. Fernando Basabe Armijo (the "CEO") and Mr Joan Amigó i Casas (the "CFO") are the only members of the Board of Directors performing executive functions in the Company.

4.1 Fixed remuneration

The fixed remuneration to be paid to the CEO (with effect from January 1, 2019) amounts to EUR 750,000. During the term of this Remuneration Policy, said amount may be increased with reference to the Consumer Price Index or any other index which may substitute it in the future.

Furthermore, the CEO of the Company shall receive other benefits as remuneration in kind, at a maximum cost equal to 10% of the fixed remuneration in cash. In addition, the Company will annually contribute to the CEO's pension scheme an amount equal to the difference between the referred 10% of the fixed remuneration and the cost of the actual benefits received by the CEO in said year.

The fixed remuneration of the CFO (with effect from January 1, 2019) amounts to EUR 267,343.

Furthermore, the CFO of the Company shall receive other benefits at a maximum cost equal to EUR 35,080, which may among other items include a pension scheme contribution at the discretion of the director.

The CFO of the Company shall also annually receive rights over Applus shares called *restricted stock units* (“**RSUs**”) in compliance with the arrangements previously agreed in his employment contract with the Company. The annual number of RSUs to be delivered thereto shall be the result of dividing EUR 58,333 between the average quote value of the Applus shares during the thirty days prior to the granting of the RSUs. The RSUs shall be delivered every years immediately following the date on which the Board of Directors approves the annual results of Applus. Each RSU shall be vested into one share of Applus on the third anniversary of the date on which it was awarded.

4.2 *Variable remuneration*

The variable remuneration for the executive directors comprises: (i) a variable annual amount both in cash and by means of the delivery of RSUs, linked to achieving targets; and (ii) a long term incentive plan, payable by means of the award of *performance stock units* (“**PSUs**”) and also linked to achieving targets.

- (i) The executive directors’ variable annual remuneration will be linked to achieving targets (65% based on the Group’s adjusted operating profit and 35% based on its adjusted operating cash flow).

The amount of this remuneration item will be calculated as follows:

- For the CEO, the variable amount will be increased by 2% for every increment of 1% achieved in excess of the targets, up to a maximum of 150% of the variable base target, which is established as 80% of the fixed remuneration paid in cash (that is, EUR 600,000). 62.5% of the variable remuneration to be received shall be paid in cash and the remaining 37.5% through the delivery of RSUs. For the sake of clarity, for instance, on the basis of the abovementioned criteria, if one year the amount of the remuneration to be received matches the variable base target (EUR 600,000), EUR 375,000 would be received in cash and EUR 225,000 in RSUs. On the other hand, the variable remuneration will be reduced by 5% for every decrease of 1% on the targets.
- For the CFO, the variable amount will be increased by 2% for each increment of 1% achieved in excess of the targets, up to a maximum of 200% of the variable base target, which is established as 70.6% of the fixed remuneration paid in cash (that is, EUR 188,753). 50% of the variable remuneration to be received shall be paid in cash and the remaining 50% through the delivery of RSUs. For the sake of clarity, for instance, on the basis of the abovementioned criteria, if one year the amount of the remuneration to be received matches the variable base target (EUR 188,753), EUR 94,376 would be received in cash and EUR 94,376 in RSUs. On the other hand, the variable remuneration will be reduced by 5% for every decrease of 1% on the targets.

The basis for the calculation of the RSUs to be delivered to each executive director

will be the average market value of Applus shares during the 30-day period prior to the date of delivery of the RSUs.

The RSUs will be delivered every year on the date of approval by the Board of Directors of Applus' annual results and the amount of each executive director's annual variable remuneration.

Each RSU shall be vested into one share of Applus within a three-year period as from the date they were awarded, on a 30% basis for the first two years and a 40% basis for the last year. The RSUs might also be vested in advance under certain circumstances.

The Company shall be entitled to claim the return of the RSUs delivered to the executive directors (or, if already exchanged for shares, the vested shares) or an equivalent cash amount if the information upon which basis they were granted is subsequently proven to be inaccurate.

- (ii) The long term incentive plan (which started in 2016 under the then applicable Remuneration Policy) involves the annual receipt of PSUs by the executive directors, each one exchangeable for one share of the Company in accordance with the vesting schedule referred to below.

Each executive director will receive the following number of PSUs:

- The CEO will annually receive PSUs equal to, in principle, 60% of his fixed remuneration,
- The CFO will annually receive PSUs equal to, in principle, EUR 58,333.

However, depending on the degree of achievement of the parameters set forth below, such amounts may finally fluctuate as set forth below.

The value of each PSU will be equivalent to the average quote value of a share in the Company during the thirty days prior to the granting of the PSUs.

The PSUs will be granted every year on the date of approval by the Board of Directors of Applus' annual results. The number of PSUs to be delivered to the CEO may be adjusted over the course of the year if his fixed remuneration is modified. Notwithstanding the latter, the day of delivery of the additional PSUs shall be considered as the date of approval of the corresponding annual results.

The PSUs awarded in each year shall be vested into shares within a three-year period as from the day they were awarded provided that certain parameters regarding total shareholder return and adjusted earnings per share reported by Applus, as set out below, are met. The number of PSUs that will be vested will have a value between 0% and 120% of the fixed remuneration of the CEO and between 0% and 200% of the aforementioned amount of EUR 58,333 in the case of the CFO, depending on the degree of compliance with such parameters during the three years prior to the vesting, so as to ensure that the vesting reflects the professional performance of the executive directors during each three-year period.

In particular, the vesting of PSUs will be based on the following quantitative parameters:

- a) A target based on relative total shareholder return (“TSR”) within a three-year period, where the Company’s TSR will be compared with an unweighted index composed of a group of peer companies within the testing, inspection and certification industry.

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

In particular, within this 40%, 50% of PSUs will be vested should the TSR performance be equal to the index and 200% of PSUs will be vested should the TSR performance be 5% greater on an annual cumulative basis than the index. Between the index and the TSR value that gives right to vest 200% of PSUs, there will be a straight line vesting between such two values. As a result, 100% of PSUs will be vested should the TSR performance be 1.67% greater than the index.

If the TSR performance is below the index, no PSUs will vest for this parameter.

- b) A target regarding adjusted earnings per share (“EPS”) accumulated within a three-year period.

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

The Board of Directors will set specific thresholds for this EPS target at which 50%, 100% and 200% (within the 60% this parameter represents) of target PSUs will be vested. The maximum number of PSUs that will be vested will be 200% of the target PSUs.

If the EPS performance is below the specific threshold that gives right to vest 50% PSUs, no PSUs will vest for this parameter.

If accredited inaccuracies in the data taken into account for the purpose of awarding the PSUs are observed, mechanisms will be implemented so that the Company may claim the refund of the amount corresponding to the relevant PSUs, net of any withholding, taxes or fees, effectively received by each executive director.

Likewise, the PSUs might vest early under certain circumstances.

4.3 Main terms and conditions of the executive directors’ contracts

The essential terms and conditions of the executive directors’ contracts are, apart from those relating to their remuneration, the following:

- (i) Duration: the executive directors’ contracts are of indefinite term.
- (ii) Exclusivity: while they perform executive duties, the executive directors may not hold any direct or indirect interest in any other business or activity which may represent a

conflict of interests in relation to the Company's obligations and liabilities or in relation to its activity and that of the Applus Group.

- (iii) Termination: the executive directors' contracts may be terminated, at any moment, at the request of the corresponding executive director or the Company, provided that it is notified in writing to the other party. Six months' advance notice must be provided in the case of the CEO and three months' notice in the case of the CFO. If one of the executive directors or the Company fully or partially breaches the advance notice obligation, the other party would be entitled to an indemnity equal to the fixed remuneration of the relevant executive director relating to the duration of the breached advance notice period.

The CEO is not entitled to any compensation as a result of the termination of his contract, except for the provisions contained in the non-competition agreement.

The CFO –in compliance with the arrangements previously agreed in his employment contract with the Company– is 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 competent employment courts in a final judgment and (ii) termination of the contract at the decision of the CFO, whatever the form or grounds thereof, except in cases of resignation or voluntary severance without grounds.

- (iv) Post-contractual non-competition agreement: the executive directors shall not compete against the Company or any Applus Group company.

The non-competition commitment assumed by the CEO shall have a duration of two years following the termination of his contract. Competition shall be understood as the provision of any kind of services, on his own behalf or on behalf of a third party, whether it entails executive duties or mere advisory duties, or the direct or indirect promotion of the incorporation of companies and entities that will develop a competing business, as well as equity stake in these companies or entities. For these purposes, a competing business shall be deemed as any activity that, at the time of termination of the CEO's contract, is being developed by any company belonging to the Applus Group in a certain territory or it is scheduled to start being developed in a certain territory within the 12 months following the termination of the CEO's contract. Likewise, the CEO will not recruit or participate in the recruitment (for himself or for the entity which he represents or in which he performs his activities) of employees who, at the date of termination of his contract or in the preceding twelve months, form part or have formed part of the Applus Group's workforce.

As consideration, upon such termination (whether at the request of the CEO or the Company), the CEO shall be entitled to receive an amount equal to the double of the fixed annual remuneration received in cash in the last year prior to the termination of the contract, that will be paid for the 24-month period following such termination by means of 24 equal installments. The referred amount shall be reduced by the sum that, as the case may be, the Company would have to grant the CEO as legal compensation—which might result from the enforcement of the applicable law—for the

termination of the contract, so that the total amount to be received by the CEO once the contract has been terminated does not exceed, in any case, the double of the fixed remuneration that he received in the last year prior to the termination of the contract. Such reduction would be equally apportioned among the monthly payments pending to be paid.

Should the CEO breach this commitment and compete with the Company or any company within the Applus Group, he shall return the amounts paid by the Company as compensation for this non-compete agreement.

In turn, the post-contractual non-competition commitment assumed by the CFO shall have a duration of one year following the termination of his contract. Competition shall be understood as directly or indirectly carrying out the following activities or actions, on his own behalf or on behalf of a third party: (a) producing, supplying, distributing or marketing the same or similar products or services as the Applus group is supplying or plans to supply at the time of termination of the contract; (b) making offers, proposals, seeking or addressing or inducing to contract natural or legal persons in respect of which the CFO is aware that Applus, its subsidiaries or its affiliates have provided goods or professional services thereto at any time during the two years prior to the date of termination of the contract, or are negotiating with Applus or any other company of the Applus Group the performance of activities or services for said Group company at the aforementioned date of termination of the contract; or (c) in relation to persons who at the date of termination of the contract or during the six months prior thereto are contracted by Applus or any company of the Applus Group, making offers or proposals or inducing or requesting them to leave Applus or any company of the Applus Group, or contracting them or employing them through another person or procuring that they are contracted by another person who carries on businesses that are in competition with any of the businesses of the Applus Group.

As consideration and in compliance with the arrangements previously agreed in his employment contract with the Company, upon such termination (whether at the request of the CFO or the Company), the CFO shall be entitled to receive an amount equal to 50% of the fixed annual remuneration he is receiving at the date of termination of his contract, which shall be paid in 12 equal monthly installments following such termination. Should the CFO breach this commitment, he shall return the amounts paid by the Company as consideration for this non-compete agreement and he shall pay the Company a compensation in an equivalent amount (that is, 50% of the fixed annual remuneration he is receiving at the date of termination of his contract).