



**Report issued by the Appointments and Compensation Committee of Applus Services, S.A. with regard to the proposal to reelect Mr. Christopher Cole, Mr. Ernesto Gerardo Mata López, Mr. John Daniel Hofmeister and Mr. Richard Campbell Nelson as Independent Directors of the Company, and Mr. Fernando Basabe Armijo as Executive Director of the Company**

*NOTICE. This document is a translation of a duly approved Spanish-language document, and is provided for informational purposes only. In the event of any discrepancy between this translation and the text of the original Spanish-language document, the text of the original Spanish-language document shall prevail.*

## **I. Introduction and purpose of the report**

This report is issued and approved by the Appointments and Compensation Committee (the "AC Committee") of Applus Services, S.A. (hereinafter "Applus" or the "Company"), in accordance with the provisions of article 529 decies of the Spanish Companies Act and articles 14.1 and 16 of the Regulations of the Board of Directors of Applus, in connection with the proposed reelections of (i) Mr. Christopher Cole, Mr. Ernesto Gerardo Mata López, Mr. John Daniel Hofmeister and Mr. Richard Campbell Nelson as Independent Directors of the Company, and (ii) Mr. Fernando Basabe Armijo as Executive Director of the Company.

This report also includes an analysis of the Board needs to have the above mentioned Directors reelected as Board members, in accordance with the Recommendation number 14 of the Spanish Good Governance Code of Listed Companies.

It is expressly noted that the proposal to reelect Messrs. Cole, Mata, Hofmeister, Nelson and Basabe, should be submitted to the next General Shareholders' Meeting for its approval. To this effect, and as provided for in article 518 of 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 said General Shareholders' Meeting.

## **II. Analysis of the Board of Directors needs**

In accordance with the By-laws of the Company, the Board of Directors is composed of 9 Directors. The term of the 5 above mentioned Directors will come to an end at the time the 2018 General Shareholders' Meeting of Applus is held. Therefore, given that the Board of Directors will then have a lack of "quorum", it becomes necessary to cover such positions or amend the composition of the Board of Directors of the Company.

The AC Committee has carried out an analysis of the current composition of the Board of Directors and of its needs, assessing the requirements needed by the Directors as well as dedication required to adequately perform their duties. On the one hand the AC Committee has considered that the current composition of the Board of Directors has the size needed to achieve a participative and effective functioning. On the other hand, it is assessed that these 5 Directors have complied to date with their functions and provided balance to the Board of Directors. In this regard, the AC Committee has concluded that the reelection of the abovementioned 5 Directors adequately meets the Board needs and keeps the diversity, experience and balance of skills within the Board (as shown in the chart attached as **Annex I** hereto).

In particular, the AC Committee has deemed that all of them have prestigious professional reputation, competence and adequate experience and professional knowledge for the fulfilment of their position –with their valuable contributions to the Board– with sufficient availability for their dedication and commitment to the performance of their positions' duties.

It is worth noting that, in accordance to Applus+ Director Selection Policy, the AC Committee has taken into account that they are professionals with integrity and whose conduct and professional career are aligned with the principles set forth in the Applus+ Code of Ethics.

### **III. Profile of the Directors and assessment of their circumstances**

#### **(1) Mr. Christopher Cole**

##### **a) Profile**

Mr. Christopher Cole holds a Degree in Environmental Engineering from Borough Polytechnic (University of South Bank) is a chartered engineer in the United Kingdom and in 1999 he completed an Executive Management Course at INSEAD in France.

Mr. Cole founded WSP Group Plc, a professional services engineering company that was listed on the London Stock Exchange in 1987 and held the post of Chief Executive Officer of the company until it merged with Genivar, Inc. in 2012. Following the merger, he was appointed Non-Executive Chairman of the enlarged group WSP Global Inc., whose shares are listed on the Toronto Stock Exchange, a role he currently retains.

Mr. Cole has many years of experience in managing large international and diversified groups in both Executive and Non-Executive capacities and brings this wealth of experience to the Board of Directors in his role as Chairman.

##### **b) Assessment**

Mr. Cole has performed highly in the exercise of his role as Chairman of the Board of Directors, especially considering the transition from private equity ownership and control to fully public in the midst of a severe downturn in our largest market of oil and gas. He has demonstrated a strong leadership, with abilities for the organisation and moderation of meetings: allowing debate, promoting diversity of opinions, while moderating discussions to arrive at mutually-agreed upon decisions. Furthermore, Mr. Cole has a deep knowledge and experience of international markets, both as a lead executive and as Chairman of public companies, together with a constructive relationship with executive and senior management.

It is worth noting that the AC Committee has particularly addressed the fact that Mr. Cole is member of Board of Directors of 4 other companies, i.e Ashtead Group plc, Tracsis plc, WSP Global Inc and Redcentric plc. However, the AC Committee has concluded that these positions do not affect his functions and role in the Board of Directors, as reflected during the yearly self-evaluation processes and taking into consideration that: (i) he will leave his position in one of the Boards of the other companies (namely, Ashtead Group plc, which is the company with a higher market cap amongst the above referred) in September 2018, (ii) despite he holds non-executive positions in all of them, as chairman of the board, these positions do not undermine Mr. Cole's exhaustive dedication and commitment with the Board of Applus.

Mr. Cole has attended to all the Board of Directors and Corporate Social Responsibility Committee meetings of last year 2017, including two additional Board meetings over the six regular ones (up to 8 in 2017) and has actively been involved in the ongoing preparatory work and the evaluation process.

In view of Mr. Cole's outstanding experience, professional career, merits, performance of his position to date as well as the analysis of the Board of Directors' needs, the AC Committee has considered that his reelection as a member of the Board must be proposed. In addition, Mr. Cole meets the conditions of impartiality, objectivity, professional reputation, competence and experience required to continue as a member of Applus' Board of Directors, and the AC Committee has verified that he has sufficient time available to properly perform his duties as Director in Applus, notwithstanding his positions in the other above referred boards of directors.

Accordingly, the AC Committee formally proposes the reelection of Mr. Cole as member of the Company's Board of Directors.

**c) Category of Director**

Having verified that Mr. Cole meets the requirements set forth in article 529 duodecies of the Spanish Companies Act, the AC Committee considers that Mr. Cole may perform his duties without being conditioned by his relations with the Company, its significant shareholders or its management, and accordingly he may be qualified as Independent Director.

**(2) Mr. Ernesto Gerardo Mata López**

**a) Profile**

Mr. Ernesto Gerardo Mata López holds a Degree in Economics and MA from the University of Geneva and an MBA from IESE (Barcelona).

He was a member of the board, deputy to the Chairman, and CFO at Unión Fenosa, S.A. (now Gas Natural SDG, S.A.), Chairman at Unión Fenosa Soluziona, S.A., member of the board of directors at Compañía Española de Petróleos, S.A. and Abertis Infraestructuras, S.A., where he was the Chairman of the Audit Committee. He was the Chairman of the advisory board at Knight Frank, member of the board of Aguas Anginas and senior advisor in Marlin Patterson Global Advisers LLC.

Currently, Mr. Mata López is Chairman of the advisory board of Quironsalud and senior adviser to the Chairman of KPMG Spain.

Mr. Mata has developed extensive experience in the energy and capital markets sectors, as well as in different Audit Committees, gathered through the numerous positions he has held in highly reputable Spanish companies. This experience as well as the many relationships he has accumulated in the Spanish markets over the years is of great benefit to the Company.

**b) Assessment**

He is an experienced leader at executive and non-executive level with deep knowledge of the institutional side of listed companies and regulators in Spain. Experienced in the business and M&A and he has an exemplary record as Chairman of the Audit Committee.

Mr. Mata has attended to 87.5% of the Board of Directors meetings (i.e. 7 meetings out of 8, as in December he had to be represented due to health reasons) and to all the Audit Committee meetings of last year 2017 and its preparatory work or sessions.

In view of Mr. Mata's outstanding experience, professional career, merits, performance of his position to date as well as the analysis of the Board of Directors' needs, the AC Committee has considered that his reelection as a member of the Board must be proposed. In addition, Mr. Mata meets the conditions of impartiality, objectivity, professional reputation, competence and experience required to continue as a member of Applus' Board of Directors, and the AC Committee has verified that he has sufficient time available to properly perform his duties as Director in Applus.

Accordingly, the AC Committee formally proposes the reelection of Mr. Mata as member of the Company's Board of Directors.

**c) Category of director**

Having verified that Mr. Mata meets the requirements set forth in article 529 duodecies of the Spanish Companies Act, the AC Committee considers that Mr. Mata may perform his duties without being conditioned by his relations with the Company, its significant shareholders or its management, and accordingly he may be qualified as Independent Director. Nevertheless, it is pointed out that, according to the Spanish Companies Act, he will lose this category in November 2019, because by then he will have held his directorship position for a continuous period of 12 years. It should also be noted that, again in accordance with the Spanish Companies Act, Mr. Mata would not be chairing the Audit Committee upon his reelection.

**(3) Mr. John Daniel Hofmeister**

**a) Profile**

Mr. John Daniel Hofmeister holds a Bachelor's and Master's Degree in Political Science from Kansas State University. In May 2010 he was awarded an honorary doctorate from the University of Houston and in 2014 was awarded with an honorary doctorate in philosophy by Kansas State University.

Mr. Hofmeister was the Chairman of Shell Oil Company in the US from 2005 to 2008 and prior to that he was the Group Director of Human Resources at Royal Dutch Shell in the Netherlands. Mr. Hofmeister founded and heads the non-profit membership association, Citizens for Affordable Energy and is a key member of the US Energy Security Council, a bipartisan non-profit group in Washington, DC. Mr. Hofmeister has previously held executive positions at General Electric, Nortel Networks and AlliedSignal (now Honeywell International).

Currently, Mr. Hofmeister also serves as a Non-Executive Director of Hunting plc (London, UK) and Global Geoscience Limited (Australia).

Mr. Hofmeister's deep knowledge of the global energy markets is of significant importance to the Board as this is a material part of the overall Group revenues. Furthermore, his experience of operating on other Boards in both executive and non-executive roles especially whilst acting as Group Director of Human Resources at Royal Dutch Shell means he is well acquainted with this aspect of Corporate Governance.

**b) Assessment**

Mr. Hofmeister has participated in the inner workings of multiple industries for over 35 years and has also held executive leadership positions with an invaluable international expertise both in the energy sector and Human Resources. His contribution to the renewal of remunerations schemes (in line with international best

practices), to succession planning and his leadership and success in director selection have demonstrated the value he brings to the Company. Furthermore his experience and knowledge of the oil and gas markets and the global and US marketplace together with integration plans post M&A are essential at the board level.

Mr. Hofmeister has attended all Board of Directors and AC Committee meetings of last year 2017 plus their preparatory meetings or work. Additionally, Mr. Hofmeister has attended the Company's corporate governance roadshows held over the last three years. Mr. Hofmeister has also led and managed the selection processes that resulted in the appointment of three independent directors (namely Mr. Villén, Mrs. Henriquez de Luna and Mr. Santiago).

In view of Mr. Hofmeister's outstanding experience, professional career, merits, performance of his position to date as well as the analysis of the Board of Directors' needs, the AC Committee has considered that his reelection as a member of the Board must be proposed. In addition, Mr. Hofmeister meets the conditions of impartiality, objectivity, professional reputation, competence and experience required to continue as a member of Applus' Board of Directors, and the AC Committee has verified that he has sufficient time available to properly perform his duties as Director in Applus.

Accordingly, the AC Committee formally proposes the reelection of Mr. Hofmeister as member of the Company's Board of Directors.

**c) Category of Director**

Having verified that Mr. Hofmeister meets the requirements set forth in article 529 duodecies of the Spanish Companies Act, the AC Committee considers that Mr. Hofmeister may perform his duties without being conditioned by his relations with the Company, its significant shareholders or its management, and accordingly he may be qualified as Independent Director.

**(4) Mr. Richard Campbell Nelson**

**a) Profile**

Mr. Richard Campbell Nelson is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Master of Science Degree in Economics at the London Business School.

Mr. Nelson was a Director of Transcontinental Services Inc. from 1972 and CEO from 1982 to the date of its acquisition by Inchcape Plc in 1985. He was nominated to the same position in Inchcape Plc which combined Transcontinental Services Inc. with its consumer goods testing and minerals testing businesses to become Inchcape Testing Services NA, Inc. In 1996, Inchcape Testing Services NA, Inc. was acquired by a private equity firm and became Intertek Group Limited of which Mr. Nelson was

the Executive Chairman until 2002, when the company floated on the London Stock Exchange. At this time, Mr. Nelson became the CEO of Intertek Group plc until he retired in 2006.

Currently, Mr. Nelson is Chairman of the International Federation of Inspection Agencies.

Mr. Nelson has spent over thirty years in the testing, inspection and certification industry and in this time has gathered a significant level of experience giving him good knowledge of the industry and the investment market that follow it.

#### **b) Assessment**

Mr. Nelson has a lifetime of experience in the Testing, Inspection & Certification (TIC) industry having previously led a key competitor, with broad international experience in both growth and challenging markets. He continues to remain directly engaged in the industry through his leadership of the International Federation of Inspection Agents as Chairman bringing to the Board of Directors of the Company knowledge and developments of the wider TIC industry.

Mr. Nelson has attended all Board of Directors, Corporate Social Responsibility Committee and AC Committee meetings of last year 2017.

In view of Mr. Nelson's outstanding experience, professional career, merits, performance of his position to date as well as the analysis of the Board of Directors' needs, the AC Committee has considered that his reelection as a member of the Board must be proposed. In addition, Mr. Nelson meets the conditions of impartiality, objectivity, professional reputation, competence and experience required to continue as a member of Applus' Board of Directors, and the AC Committee has verified that he has sufficient time available to properly perform his duties as Director in Applus.

Accordingly, the AC Committee formally proposes the reelection of Mr. Nelson as member of the Company's Board of Directors.

#### **c) Category of Director**

Having verified that Mr. Nelson meets the requirements set forth in article 529 duodecies of the Spanish Companies Act, the AC Committee considers that Mr. Nelson may perform his duties without being conditioned by his relations with the Company, its significant shareholders or its management, and accordingly he may be qualified as Independent Director. Nevertheless, it is pointed out that, according to the Spanish Companies Act, he will lose this category in October 2021, because by then he will have held his directorship position for a continuous period of 12 years.



**(5) Mr. Fernando Basabe Armijo**

**a) Profile**

Mr. Fernando Basabe Armijo holds a degree in Law from the Universidad de Madrid and an MBA from IESE (Barcelona).

Before joining Applus+ Mr. Basabe was 15 years at SGS S.A. in different senior management positions ultimately becoming the Chief Operating Officer for Western Europe. He has been Chief Operating Officer at Western Europe division of SGS (Testing, Inspection & Certification company) and he started his career at Manufacturers Hanover Trust Co (JP Morgan & Co) where he held different positions within the corporate banking division.

**b) Assessment**

Mr. Basabe has led the business through challenging times with his vision, focus and drive ensuring the best performance possible was achieved with the strongest managers in the market. Under his leadership, the business has evolved and is well placed to grow strongly in the future. Mr. Basabe has been key for the Company's listing and in-depth transformation. As Executive Director, he regularly delivers timely and accurate reports to the Board of Directors of the Company, and acts as an excellent liaison for the delivery and execution of its decisions by management.

Mr. Basabe has attended all Board of Directors and Corporate Social Responsibility Committee meetings of last year 2017 and has actively participated in their preparatory work.

In view of Mr. Basabe's outstanding experience, professional career, merits, performance of his position to date as well as the analysis of the Board of Directors' needs, the AC Committee has considered that his reelection as a member of the Board must be proposed.

Accordingly, the AC Committee issues a favourable report on the proposed reelection of Mr. Basabe as member of the Company's Board of Directors.

**c) Category of Director**

Mr. Basabe performs management functions in the Company as Chief Executive Officer, so he must be qualified as Executive Director in accordance with the provisions of article 529 duodecies of the Spanish Companies Act.

In Madrid, on 20 February 2018

**Annex I**

NAME	NATIONALITY	EXECUTIVE INDUSTRY EXPERIENCE	FUNCTIONAL EXPERIENCE	PRIMARY GEOGRAPHIC EXPERIENCE	CATEGORY
Christopher Cole	UK	Engineering	CEO	Worldwide	Independent
John Hofmeister	USA	Energy, Industrial	President, HR Group Director	Worldwide	Independent
Ernesto Mata	Spain	Energy, Infrastructure, Consultancy, Finance	President, VP	Spain, Latam	Independent
Richard Nelson	UK	TIC	CEO	Worldwide	Independent
Fernando Basabe	Spain	Finance, TIC	CEO	Worldwide	Executive
Nicolás Villén	Spain	Infrastructure, Pharma	CEO, CFO	Worldwide	Independent
Cristina Henríquez de Luna	Spain	Consumer, Pharma	President & Managing Director, CFO	Europe, Latam, Israel	Independent
Scott Cobb	USA	Private Equity	Managing Partner	Europe, Worldwide	Proprietary
Claudi Santiago	Spain	Oil & Gas, Private Equity	SVP, President, CEO, COO	Worldwide	Independent