



**Annual report prepared by the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. on its functioning during year 2021**

## **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 the provisions of article 39.11 of the Regulations of Applus' Board of Directors (hereinafter, the “**Board Regulations**”) and article 19.3 of the Committee's Regulations, in order to inform about the work performed by the Committee during year 2021.

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 2021, in accordance with the provisions of article 36 of the Board Regulations.

## **II. Regulation of the Committee**

The Committee is regulated by the provisions of article 529 quidecies and concordant articles of the Spanish Companies Act (*Ley de Sociedades de Capital*). The basic rules of organisation and functioning are contained in article 39 of the Board Regulations and are developed in the Appointments and Compensation Committee Regulations, approved by the Board of Directors at its meeting of 15 December 2020.

In addition, the Committee follows the recommendations contained in the Good Governance Code of Listed Companies and in Technical Guide 1/2019, on appointments and compensation committees, approved by the National Securities Market Commission on 20 February 2019.

## **III. Composition of the Committee**

From January to May 2021, the Committee was composed by Mr. John Hofmeister (Chairman), Mr. Richard Nelson and Ms. María José Esteruelas Aguirre, all of whom in the position of independent directors.

On 29 June 2021, following the resignation of the director Mr. John Hofmeister, the Board of Directors appointed Mr. Christopher Cole as a temporary member of the Committee to fill the vacancy of Mr. John Hofmeister. Likewise, on 22 July 2021, the Committee appointed Mr. Christopher Cole as Chairman of the Committee, being the Committee thereafter composed by Mr. Christopher Cole (Chairman), Mr. Richard Nelson and Ms. María José Esteruelas Aguirre.

On 17 November 2021, following the resignation of the director Mr. Richard Nelson, the Board of Directors appointed by the cooptation procedure two new independent directors, Mr. Brendan Connolly and Ms. Marie-Françoise Damesin, which were also appointed as members of the Committee.

Consequently, the Committee is currently composed by the following four members, all of whom are independent directors: Mr. Christopher Cole (Chairman), Ms. María José Esteruelas Aguirre, Ms. Marie-Françoise Damesin and Mr. Brendan Connolly.

#### **IV. Meetings**

During year 2021, the Committee held seven meetings, corresponding to the four regular quarterly meetings and to three extraordinary meetings: 17 February, 21 April, 5 May, 22 July, 21 October, 17 November and 13 December. All of the Committee's members, with a position in force on those dates, attended each of said meetings. Mr. Christopher Cole (Chairman of the Board of Directors) also attended the meetings prior to his appointment as member of the Committee.

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

#### **V. Actions carried out during year 2021**

The Committee, in the performance of the functions attributed to it under article 529 quidecies of the Spanish Companies Act, article 32 of the Company's bylaws and article

39 of the Board Regulations, has mainly focused its meetings during year 2021 on the following actions:

A. Directors' remunerations

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, as well as to the Chief Executive Officer ("**CEO**") and the Chief Financial Officer ("**CFO**"):

- (i) Approval of the bonus payouts for the CEO, the CFO and the other Senior Managers.
- (ii) Determination of 2021 salaries of the CEO, the CFO and the other Senior Managers.
- (iii) Approval of the awards under the 2020 restricted stock units ("**RSUs**") award system and the long-term incentive ("**LTI**") plan for the CEO, the CFO and the other Senior Managers.
- (iv) Determination of the target regarding adjusted earnings per share ("**EPS**") and the EPS target stretch for the period 2021-2023 under the LTI plans for the CEO, the CFO and the other Senior Managers.
- (v) Approval of the 2021 RSUs awards for non-senior managers under their LTI plan.

B. Remuneration Policy

During the second half of the year, the Committee focused on the development of a new Directors' Remuneration Policy for the years 2022 to 2024, for whose effects it counted on the assessment of the external consultant Mercer.

The Committee approved at its meeting of 13 December 2021 a preliminary proposal of such Remuneration Policy, which was shared with investors during the traditional round of contacts held at the beginning of the current year 2022. The final proposal for the new Remuneration Policy, which incorporates several of the suggestions made by investors, was approved by the Committee at its meeting held today, 23 February 2022, for its

submission to the Board of Directors and subsequent submission to the General Shareholders' Meeting of 2022. This Remuneration Policy will be the subject of a specific report by this Committee, in accordance with the provisions of article 529 novodecies of the Spanish Companies Act.

C. Report on remuneration

As provided for in article 28 of the Board Regulations, the Committee, at its meeting of 17 February 2021, prepared the Directors' Compensation Annual Report, which was submitted to the Board of Directors of the Company for its approval and subsequently submitted to advisory vote at the Company's General Shareholders' Meeting held on 28 May 2021.

D. Proposals for re-election and appointment of directors

- (i) The Committee, at its meeting of 17 February 2021, agreed to propose to the Board of Directors the re-election of Ms. María Cristina Henríquez de Luna Basagoiti as independent director of the Company, by issuing the corresponding justifying report, which included an analysis of the needs of the Board of Directors.

Such re-election was also the subject of the corresponding explanatory report of the Board of Directors, which was approved at its meeting of 18 February 2021. Said reports were made available to shareholders at the Company's General Shareholders' Meeting held on 28 May 2021, which approved the re-election of Ms. María Cristina Henríquez de Luna Basagoiti as independent director

- (ii) Likewise, the Committee, at its meeting of 17 November 2021, agreed to propose to the Board of Directors the appointment of Mr. Brendan Connolly and Ms. Marie-Françoise Damesin as independent directors of the Company, by issuing the corresponding justifying report, which included an analysis of the needs of the Board of Directors.

The Board of Directors approved the appointment of both directors by the co-optation procedure at its meeting of the same 17 November 2021, during which the corresponding explanatory report on these appointments was also approved. Said reports will be made available to the shareholders at the General Shareholders' Meeting of 2022, which shall resolve on the ratification of both appointments.

E. Engagement with key investors / proxy advisors

During the month of January 2021, the Chairman of the Committee led the traditional round of meetings and contacts with the Company's main investors and proxy advisors, which had a very satisfactory outcome. In particular, investors received very favourably the information regarding the planned ESG target fixation in the remuneration of the Company's directors.

**VI. Evaluation of the Committee**

The functioning of the Committee during the financial year 2021 has been evaluated by the external consultant Spencer Stuart as part of the overall evaluation of the Board of Directors carried out by the consultant. The outcome of this evaluation was satisfactory and did not suggest the need to introduce significant changes to the organisation and procedures of the Committee (without prejudice of the identification of certain areas of possible improvement).

In Madrid, on 23 February 2022