



Annual Report on the functioning of the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. during year 2017.

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

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 2017.

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 2017, in conformance with article 36 of the Regulations.

II. Performance of the Committee during year 2017

1. Meetings

During year 2017, the Committee held 3 meetings and further passed a set of resolutions in writing (with no meeting being held). All the members attended each session and supported the written procedure.

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

2. Actions carried out during year 2017

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) Determination of the 2017 salaries of the Senior Managers.
- (iii) Approval of the payouts corresponding to the 2014-2016 Multiannual Cash Incentive, as well as the awards under both the 2014 Restricted Stock Units-award system and the new 2016 Senior Management long term incentive (“**LTI**”) plan.

- (iv) Determination of the target regarding adjusted earnings per share (“EPS”) and the EPS target stretch for the period 2017-2019 under the Chief Executive Officer and the Senior Management LTI plans.
- (v) Approval of the 2017 Restricted Stock Units awards for non-senior managers in relation to their LTI plan.
- (vi) Determination of the remuneration of the CEO for year 2017 and approval of the payment of the annual bonus corresponding to year 2016.

Finally, the Committee initiated in 2017 a process of revision of the CEO remuneration scheme, involving a benchmark study by an external consultant. This process has led to a proposal to change the CEO’s fixed and variable remunerations and some other terms of his employment contract. The proposal will be discussed in today’s Committee meeting and then raised to the Board of Directors and the General Shareholders Meeting for final approval.

In this context, the remuneration of senior managers and independent directors has also been revisited and eventually considered to be aligned with market standard.

B. Reports on remuneration

As provided for in article 28 of the Regulations, the Committee, at its meeting of 21 February 2017, reviewed and pre-approved the Annual Report on Remunerations of Directors. Such Report was submitted to the Board of Directors for its approval and subsequently submitted to advisory vote at the General Shareholders’ Meeting held on 21 June 2017.

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.

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. 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. In this regard, a global talent development programme for selected managers in the whole Applus’ Group has been designed and is expected to be launched in 2018.

E. Engagement with key investors / proxy advisors

During January 2017, the Chairman of the Committee led the execution of an engagement process among the key investors and proxy advisors, having received positive feedback of the preparation and celebration of the last General Shareholders Meeting as well as of Board of Directors independence.

F. Employee Engagement Survey

A survey has been conducted in 2017 to measure, among other matters, the level of "engagement" with Applus of the Group's employees. The result of the survey (completed by more than 40% of the addressees) are being carefully analyzed and discussed on a top-down basis in all the Company's divisions and action plans will be designed accordingly in order to preserve and, where applicable, improve the employees' satisfaction.

G. Proposals for appointments

As a result of the resignation of the former vice-secretary non-Director of the Board of Directors, Mr. Jose María de Paz Arias, dated 30 June 2017 the Committee passed the abovementioned voting in writing and without a session on 15 July 2017 to propose the appointment of Mr. Jordi Casas Thió as new vice-secretary non-Director of the Board as well as of the 3 committees of the Board of Directors. Mr. Jordi Casas Thió was finally appointed for such position by the Board of Directors on 21 July 2017.

In Madrid, on 20 February 2018.