



Annual Report on the functioning of the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A during year 2016.

***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 2016.

This Report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating, on the basis of the same, the work performed by the Committee during the year 2016, in conformance with article 36 of the Regulations.

II. Performance of the Committee during year 2016

1. Meetings

During year 2016, the Committee held 4 meetings. All the members attended each session either in person or duly represented, except for the meeting held on 4 May 2016, in which one of the directors was absent due to his resignation as member of the Board, which came into effect on 9 May 2016.

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

2. Actions carried out during year 2016

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. Proposals for appointments

As a result of the exit of Azul Holding S.C.A. as shareholder of the Company, Mr. Pedro de Esteban Ferrer, Mr. Alex Wagenberg Bondarovschi and Mr. Mario Pardo Rojo, proprietary directors representing such shareholder, presented on 9 May 2016 their respective resignations as members of the Board of Directors of the Company. In order to fill these vacancies, the Committee submitted to the Board of Directors on 20 July 2016 the proposal to appoint Ms. María Cristina Henríquez de Luna Basagoiti and Mr. Claudi Santiago Ponsa as independent directors, as well as to appoint Mr. Scott Cobb as proprietary director. Ms. María Cristina Henríquez de Luna Basagoiti and Mr. Scott Cobb were appointed on 21 July 2016 members of the Board of Directors by the cooptation procedure (“*procedimiento de cooptación*”) for a period of 4 years. Likewise, Mr. Claudi Santiago Ponsa was appointed member of the Board of Directors on 22 September 2016 by the cooptation procedure for a period of 4 years. It is expected that such appointments will be ratified at the next Annual Shareholders’ Meeting.

Furthermore, the appointment of Mr. Nicolás Villén Jiménez as independent director by the Board of Directors on 27 October 2015 following the co-optation procedure was finally ratified at the Annual Shareholders' Meeting held on 22 June 2016.

Lastly, Mr. Vicente Conde Viñuelas and Mr. José María de Paz were appointed on 28 January 2016 Secretary and Vice Secretary, respectively, by the Board of Directors.

B. 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 proposals:

- (i) Determination of the remuneration of the Chief Executive Officer for year 2016 and approval of the payment of the annual bonus corresponding to year 2015.
- (ii) Design of the 2016 long term incentive plan, including amount and conditions, for the Chief Executive Officer ("CEO LTI"), as well as proposal to amend the Directors' Remuneration Policy accordingly.
- (iii) Policy and criteria for 2016 annual bonus applicable to Chief Executive Officer and Senior Management.
- (iv) Payment of the bonus for Senior Management corresponding to year 2015.
- (v) Remuneration of Senior Management.
- (vi) Contract conditions of Senior Management.
- (vii) Approval of the 2016 future long term incentive plan, including amount and conditions, for Senior Management ("Senior Management LTI").

C. Reports on remuneration

As provided for in article 28 of the Regulations, the Committee, at its meeting of 23 February 2016, 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 22 June 2016.

Likewise, and in accordance with article 529 novodecies of the Spanish Companies Act, the Committee, in its meeting of 4 May 2016, issued a Report on the amendment to the Directors' Remuneration Policy that was proposed to and approved by the above-mentioned General Shareholders' Meeting.

D. 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.

E. Policy on Selection of Directors

The Committee proposed to the Board of Directors a new Policy on Selection of Directors, which was finally approved on 26 October 2016. The Policy on Selection of Directors outlines the principles governing the selection of new members of the Board of Directors as well as the main conditions to be met by them, all in accordance with the best corporate governance standards.

Likewise, the Committee has been monitoring parity and equality indicators within the Company to ensure that the selection procedures are not implicitly biased against the appointment of female directors. In this regard, the Committee has deliberately include female candidates in the Board selection process referred to under Section A above, as a result of which Ms. María Cristina Henríquez de Luna Basagoiti was appointed independent director of the Company on 21 July 2016.

F. Engagement with key investors / proxy advisors

During January 2016, the Chairman of the Committee led the execution of an engagement process among the key investors and proxy advisors. As a result of such engagement process, the relationship between the Company and the investors has got much closer.

In Bellaterra, Cerdanyola del Vallès (Barcelona), on 21 February 2017.