



**Annual report prepared by the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. on its functioning during year 2022**

## **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 2022.

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 year 2022, 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 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 June 2022, the Committee was composed by Mr. Christopher Cole (Chairman), Ms. María José Esteruelas Aguirre, Ms. Marie-Françoise Damesin and Mr. Brendan Connolly, all of whom in the position of independent directors.

During the meeting of the Committee held on 5 July 2022, Mr. Christopher Cole resigned as member of the Committee, and Ms. Marie-Françoise Damesin was appointed as new Committee's Chairperson to fill Mr. Cole's position with effects from 21 July 2022.

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

#### **IV. Meetings**

During year 2022, the Committee held eight meetings, corresponding to the four regular quarterly meetings and to four extraordinary meetings (26 January, 23 February, 4 May, 13 June, 5 July, 21 July, 25 October and 12 December), and further passed resolutions by written procedure in lieu of a meeting on 25 May, 13 October and 14 November. Seven of said eight meetings were attended by all of the Committee's members with positions in force on those dates, either present or duly represented, and all resolutions adopted by written procedure in lieu of a meeting were supported by all of the members of the Committee.

Additionally, Mr. Christopher Cole (Chairman of the Board of Directors), Mr. Fernando Basabe (former CEO), Mr. Joan Amigó (current CEO) and Mr. José Delfín Pérez (Human Resources SVP) also attended to most of such meetings, by express invitation of the Chairman and/or Chairwoman of the Committee.

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

#### **V. Actions carried out during year 2022**

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 2022 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 2022 bonus targets.
- (ii) Approval of the new incentive plan linked to the 2022-2024 Strategic Plan for the CEO and the Senior Managers.
- (iii) Approval of the evaluation of the 2021 cash bonus for the CEO, the CFO and the other Senior Managers.
- (iv) Approval of the evaluation of the 2019-2021 performance stock units ("PSU") incentive under the recurrent long-term incentive ("LTI") plans, and determination of the EPS, ROCE and ESG targets of the 2022-2024 LTI for the PSU incentive for the CEO and the other Senior Managers, and of the incentive for the EVP of IDIADA.
- (v) Increase of the Senior Managers' PSUs award under the recurrent LTI.
- (vi) Determination of the remunerations of the former CEO and of the new CEO of the Company, as well as of the Senior Managers for year 2022 and of the CFO who joined in January 2023, in its various components of monetary remuneration, benefits, RSUs and PSUs.
- (vii) Approval of the 2022 restricted stock units ("RSUs") awards for Non-Senior Managers.
- (viii) Approval of the increase of the non-compete obligations and of their associated compensation for the majority of Senior Managers and extension of the notice period.
- (ix) Approval of the contractual termination conditions of the former CEO.

- (x) Approval of the termination conditions of the relationship with the EVP of the Laboratories Division and of the appointment of his successor as well as of his terms and conditions.

The Committee also approved to increase by 10% the current remuneration of the non-executive directors as far as Board participation and chairmanship is concerned.

In addition, the Committee discussed on the convenience of selecting an external compensation consultant to give a permanent support to the Committee in compensation matters, and after conducting a tender process among several firms, the Committee agreed to select Korn Ferry as remuneration consultant of the Appointments and Compensation Committee of the Company.

#### B. Remuneration Policy

A preliminary proposal of the new Directors' Remuneration Policy for years 2022 to 2024 was submitted to the Committee during its meetings of 13 December 2021, and also presented to investors during the engagement process carried out in January 2022.

The final proposal for the new Directors' Remuneration Policy, which incorporates several suggestions made by investors, was approved by the Committee at its meeting held on 23 February 2022, subsequently submitted to the Board of Directors, and finally approved by the General Shareholders' Meeting of the Company held on 28 June 2022.

The new Directors' Remuneration Policy was 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 prepared the 2021 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 June 2022.

D. Proposals for re-election of directors

The Committee, at its meeting held on 25 May 2022, agreed to propose to the Board of Directors the re-elections of Mr. Christopher Cole (as independent director of the Company, as well as member of the ESG Committee) and of Mr. Ernesto Gerardo Mata (as other external director of the Company, as well as member of the Audit Committee), by issuing the corresponding justifying report, which included an analysis of the needs of the Board of Directors.

Such re-elections were also the subject of the corresponding explanatory report of the Board of Directors, which was approved at its meeting of 25 May 2022. Said report was made available to the Company's shareholders at the General Shareholders' Meeting held on 28 June 2022, which approved the aforementioned re-elections of Mr. Christopher Cole and Mr. Ernesto Gerardo Mata.

E. CEO and CFO recruitment process

Upon the communication by Mr. Fernando Basabe of his intention to resign from his position of CEO of the Company, the Committee, during its meeting held on 4 May 2022, approved the proposed exit terms and conditions of Mr. Fernando Basabe, which were finally approved by the Board of Directors on 5 May 2022. The process of recruitment of the new CEO was then launched, relying on a well-known headhunting company, and resulted in the proposal to appoint Mr. Joan Amigó i Casas (at that time CFO of Applus) as new CEO.

The Committee, during its meeting held on 13 June 2022, approved the proposed compensation package to be offered to Mr. Joan Amigó i Casas. Subsequently, on 14 June 2022, the Board of Directors approved the appointment of Mr. Joan Amigó i Casas as

new CEO of Applus with the compensation package proposed by the Committee, effective as from 28 June 2022.

On 13 October 2022, the Committee agreed to propose to the Board of Directors the appointment of Mr. Julián José de Unamuno Moreno as new CFO of Applus in replacement of Mr. Joan Amigó. The Board of Directors of the Company supported such proposal and, during its meeting held on 16 October 2022, the Board appointed Mr. Julián José de Unamuno Moreno as new CFO of Applus, with effects as from 1 January 2023.

F. Evaluation of the performance of the Senior Managers

The Committee, during its last meeting of the year, reviewed the performance of the heads of the four Group divisions (Energy & Industry, Automotive, IDIADA and Laboratories), as well as of their succession plans.

It is expected that the Committee continues with the evaluation of the remaining Senior Managers during this year.

G. Appointment of a new Operational Excellence SVP

The Committee, during its meeting of 5 July 2022, agreed to propose to the Board of Directors the creation of the Operational Excellence unit and the appointment of its SVP, whose basic functions will be to take care of IT and procurement central departments, with the aim to achieve more efficiency and reduce costs in the organisation.

Such proposal was submitted to the Board of Directors of the Company which, at its meeting held on 6 July 2022, approved the appointment.

H. Engagement with key investors / proxy advisors

During the month of January 2022, the Chairman of the Committee led the traditional annual roadshow of meetings and contacts with the Company's key investors and proxy

advisors, which mainly focused on three topics (ESG, Board composition issues and the new Directors' Remuneration Policy) and had a very satisfactory outcome.

Notwithstanding the above, the Committee held in December agreed not to conduct next year the annual roadshow (which in any case is not a common practice among Spanish listed companies), but to send instead an update on ESG matters to investors and proxy advisors thereafter and offer them the opportunity to discuss them.

## **VI. Evaluation of the Committee**

Last year, the evaluation of the functioning of the Committee was performed by an external consultant (Spencer Stuart) in accordance with the recommendation by the Spanish Good Governance Code of Listed Companies to carry out an external evaluation at least every three years. However, the Committee has resolved that the evaluation for year 2022 will be made internally as in previous years.

At the time of issuance of this report such evaluation had not been completed yet. However, it is expected that the outcome of the evaluation will be satisfactory and will not suggest the need to introduce any significant changes in the organization and the procedures of the Committee.

In Madrid, on 22 February 2023