



REELECTION OF THE CHAIRMAN

ADDITIONAL INFORMATION

JUNE 2022

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INTRODUCTION

The current document includes an in-depth internal and external analysis of the profile, board service, performance, and governance environment of Applus and its current Independent Non-executive Chairman and 2022 board nominee Christopher Cole, whose reelection is recommended by the Board and the Appointments and Compensations Committee.

The document has been produced by the Governance team of Applus (General Counsel and Investor Relations) with the assistance of Morrow Sodali.

PROFILE OF CHAIRMAN COLE

BACK-GROUND, PROFESSIONAL EXPERIENCE AND CURRENT PUBLIC BOARD COMMITMENTS

Born in Surrey (United Kingdom) on 30/08/1946, Christopher Cole holds a degree in Environmental Engineering from London South Bank University and is a UK qualified Chartered Engineer.

He was a founder of WSP Group Plc, becoming Managing Director in 1987. Under his leadership, WSP was the first engineering consultant firm to become a fully-listed public company in 1990, growing organically and through acquisitions from a single-discipline U.K. consultant firm of 200 people to a 9,000-strong multi-disciplinary global player with two-thirds of its business outside the U.K. prior to the historic 2012 merger to become WSP Global Inc. Currently, Mr. Cole remains as the Independent Non-Executive Chairman of WSP Global Inc. He is also Independent Non-Executive Chairman of Tracsis Plc.

At Applus+, he was appointed as Non-Executive Independent Chairman on 7th May 2014, along with the Company's listing, and thereafter re-elected by the AGM on May 31st 2018.

The below table indicates all current board commitments of Mr. Cole in publicly traded companies as a non-executive director:

ISSUER	LISTED	MARKET CAP	SECTOR	BOARD TENURE	BOARD SIZE	BOARD ROLE	DIRECTOR CATEGORY	ATTENDANCE LEVELS	COMMITTEE ROLES
APPLUS	Madrid Stock Exchange (Spain)	EUR 1.002 billion	Industrial	Since 2014	10	Chair	Independent	2021: 13/13 2020: 11/11 2019: 6/6	<ul style="list-style-type: none">Interim chair of A&CChair of ESG
TRACISIS	London Stock Exchange (UK)	GBP 285 million	Technology	Since 2014	6	Chair	Independent	2021: 10/10 2020: 10/10 2019: 10/10	<ul style="list-style-type: none">Chair of the Nominations Committee
WSP GLOBAL	Toronto Stock Exchange (Canada)	CAD 15 billion	Industrial	Since 2012	8	Chair	Independent	2021: 8/8 2020: 17/17 2019: 8/8	<ul style="list-style-type: none">Member of the Governance, Ethics and Compensation

TOP AREAS OF EXPERTISE

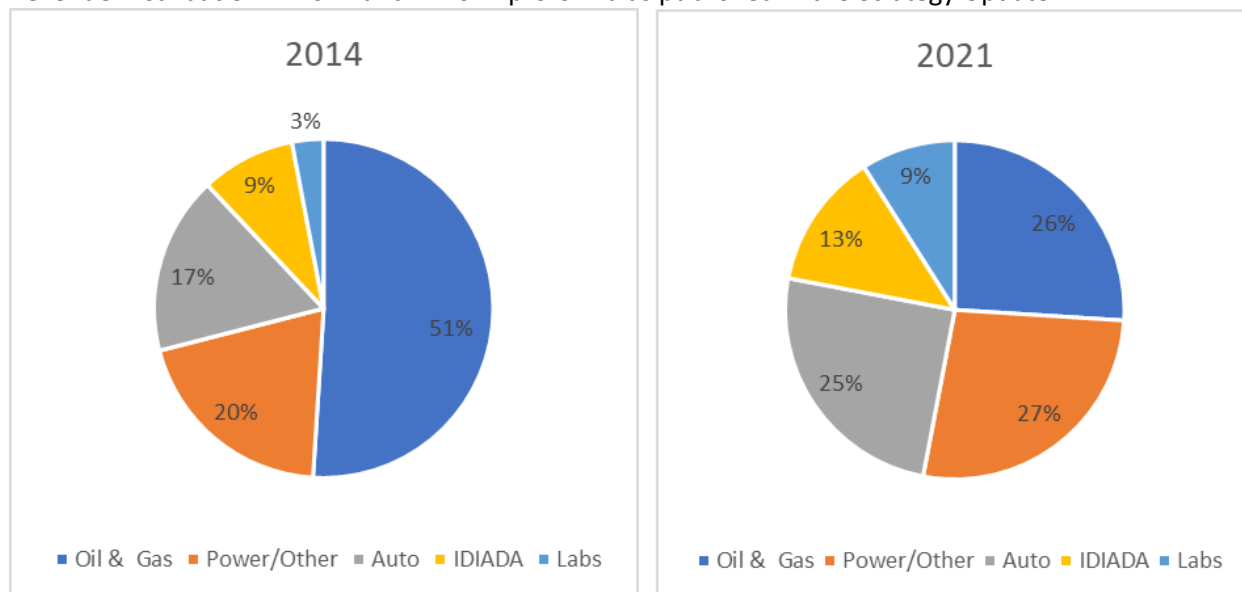
Skills	
CEO Experience and Entrepreneurship	✓
Professional Services in Engineering and Construction, Consulting	✓
Business and Acquisition Experience in a Global Organisation	✓
Private-Public Collaborations	✓
Public Company Board and Governance Experience	✓
Investor Relations	✓

ACHIEVEMENTS DURING CHAIRMAN COLE'S SERVICE AT APPLUS

FINANCIAL AND BUSINESS ACHIEVEMENTS

During his chairmanship and in the fulfillment of his oversight duties over the executive function, Applus has operated in a challenging business environment due to half the revenue of the Group (post IPO in 2014) being exposed to Oil & Gas, which has created adverse market sentiment. Despite this, the Group has managed the business well, navigating through these headwinds and diversifying the business into more sustainable growth markets at higher margins whilst maintaining a disciplined balance sheet and comfortable levels of liquidity.

Revenue Distribution in 2014 and in 2021 proforma as published in the Strategy Update:



The financial performance of the Group, summarised in the table below in the form of annual earnings per share, has been resilient despite the headwinds posed by the high exposure to Oil & Gas and is forecast, by the equity analysts, to deliver a record level of earnings per share in 2022. During his tenure, the Group has maintained the discipline of paying an annual dividend, except in 2020 during the coronavirus pandemic.

EPS and Dividends from 2014 to 2021 and 2022 Analyst consensus forecast

	2014	2015	2016	2017	2018	2019	2020	2021	2022E
EPS	67	75	64	62	68	76	33	65	77
DPS	13	13	13	13	15	0	15	15	
Payout ratio	19%	17%	20%	21%	22%	0%	45%	23%	

NB the dividend originally proposed on the 2019 results was 22 cents per share, but in 2020 during the covid pandemic this was subsequently withdrawn.

Applus, under the close supervision of Chris Cole, has communicated to the market two three-year strategy plans, with the last one being published on 30 November 2021 for the period 2022-2024 with the explicit aim of unlocking the value in the Group through accelerating the portfolio evolution, accelerating growth aligned to megatrends, continued focus on ESG and enhancing returns to shareholders.

2022-2024 Plan - Unlocking Value



ESG ACHIEVEMENTS

Under Christopher Cole's leadership, Applus+ was one of the first companies in Spain to appoint an ESG Committee in 2014 (named "Corporate Social Responsibility" at the time). The aim was to enable a specialised Committee to focus on the Sustainability agenda of the Company. This Committee was charged with the promotion and implementation of the Company's policy in terms of ESG and in particular the management of corporate governance matters, environmental and social responsibility, ethics and transparency as well as to advise the Board of Directors within its field of competence.

The ESG Committee and the Applus+ CSR (now ESG) Policy has been instrumental in achieving the current maturity level demonstrated by its proven commitment to diversity and particularly gender diversity within the Board, its continuous engagement on corporate governance matters with both proxy advisors and main investors, the increasing requirements on Non-Financial reporting and the new ESG goals set-up in the current Strategic Plan.

Overall, Applus+ has been at the forefront of ESG practices over many years:

- First Corporate Social Responsibility Report published 2015 following the Global Reporting Initiative (GRI)
- UN Global Compact: Member since 2017 and Advanced Level from 2018 and follow the 10 Principles
- UN Sustainable Development Goals (**SDG**). Adopted since 2017 as a framework for ESG goals
- First year of targets set internally for Environmental, Social and Governance metrics to be achieved by end of 2021 and from 2022-2024 ESG targets are part of the Remuneration policy for executives (both directors and management)

- Clear ESG focus: ESG Policy deployed, successful spread of targets through the Group, successful external ratings processes, M&A portfolio oriented

During Mr. Cole’s chairmanship and in the fulfillment of his oversight duties over the executive function, Applus attained the following ESG milestones:

- Continuous improvement of governance framework and increased adherence to CNMV Good Governance Code of Listed companies (currently up to 90% rate of applicable recommendations) Applus corporate governance environment includes several policies and internal regulations, hence creating a well-organised and well-regulated governance framework. The list of procedures can be found on the corporate webpage [here](#).
- Highly independent board composition (70%) and good complement of skills, experience, nationalities (4 in total, Spanish, British, French and Finnish), gender (60% male directors, 40% female directors) and board tenure (current directors’ board services range from 0 to 14 years of length).
- Gender diversity goal of 60/40 achieved a year ahead of schedule (previously also the 70/30 balance was achieved one year ahead of recommended timeline)
- Moderated Compensation of the Board: total annual board fees unchanged since 2019.
- Engagement through yearly governance campaigns, resulting in a constructive dialogue both with proxy advisors and investors and high level of quora at AGM
- Increased transparency on directors’ shareholdings website disclosure (all directors own shares in A+)

This has indeed been reflected by the successful ratings achieved:



- MSCI ESG Rating (AA) – Top Quintile of peers
- CDP (B) – Above average and in the “Management” category
- Sustainalytics – 15.6 Low Risk
- S&P Global (54/100) – 11th best in sector
- Gaia (71/100) – Within Top Quintile
- FTSE4Good IBEX – Included in 2019

DEDICATION AND PERFORMANCE

EVALUATION OF THE APPOINTMENTS AND COMPENSATIONS COMMITTEE

The Appointments and Compensations Committee has analysed through the years all independent director’s dedication and also Christopher Cole’s external board commitments, which show that:

- **100% attendance rate to all commitments, including both board and committees’ meetings:** For the period 2019-2021, Board and committees’ attendance levels are at 100% for the three companies where he holds a seat. His high level of engagement includes a number of other scheduled meetings, preparatory or otherwise, and individual conversations with directors, management, investors and advisors, that are not reflected in the formal statistics.
- **Independent and external status:** All board commitments are served from an external role and independent status, always allocating sufficient time to fulfill his duties as a Chairman.
- **Stable involvements:** All board duties are stable commitments -the most recent is at Applus, which dates from 2014. In consequence, Chairman Cole’s other directorships are unproblematic. Given the maturity level of these board commitments and his experience, Chairman Cole is in the position to offer an optimal

insight into board leadership and oversight duties, business knowledge, and corporate know-how. It should be noted that in recent years, Mr. Cole has progressively left other boards where he held positions.

Following Mr. Hofmeister’s sad loss, Mr. Cole accepted to chair the Appointments and Compensations Committee of Applus+ on an interim basis. The Committee was already well progressed its preparatory work of a new Remuneration Policy, and it had to lead the selection and induction of two new non-executive directors one of which is expected to become the new Chair of the Appointments and Compensations Committee. Moreover, the succession planning for a new CEO has been recently activated, therefore Christopher Cole’s experience and leadership has been instrumental to the Committee, whilst remaining an interim role until the 2022 AGM.

The Company acknowledges a certain number of board positions (which vary from one another) may be a matter of concern for some investors and proxy advisors. It was positively noted that since 2018, Mr. Cole progressively stepped down from his positions in Ashtead Group plc (where he was the Non-Executive Chairman for 12 years where the Company progressed to a FTSE 100 leading performer), Redcentric plc and Safe Harbour Holdings plc. More recently, under the external evaluation exercise referred to above, his absolute commitment and leadership have been clearly highlighted as an asset to Applus.

EXTERNAL EVALUATION OF THE CHAIRMANSHIP

In January 2022, the external independent advisor Spencer Stuart performed a Board Evaluation with a unanimous conclusion on Mr. Cole’s performance over the fact that he has performed highly in the exercise of his role as Chairman, especially considering the transition from private equity to public ownership and more recently under Covid19. He has also led the refreshment of the Board increasing its diversity in a broad sense and has successfully managed the organisation of meetings: encouraging debate, promoting diversity of opinions, while moderating discussions to arrive at mutually agreed upon decisions, as reflected in the recent external survey. He has deep knowledge and experience of international markets, both as a lead executive and as Chairman of public companies, together with a constructive relationship with senior management, advisors and large investors.

OTHER RELEVANT ASPECTS

MARKET PLAYERS’ VIEWS ON CHAIRMAN COLE’S MANDATES

This is the public information on the views of the market players when deciding on the latest relections of Chairman Cole at outside boards:

ISSUER	LISTED	BOARD ROLE	AGM	ITEM	ISS	GLASS LEWIS	VOTES FOR
TRAC SIS	London Stock Exchange (UK)	Independent Chair	2020	Item 6 Elect Christopher Cole	FOR	FOR	97.50%
WSP GLOBAL	Toronto Stock Exchange (Canada)	Independent Chair	2022	Item 2 Elect Christopher Cole	FOR	FOR	96.78%

This data proves the overall support of the main market players for the recent re-election of Chairman Cole at his respective outside public board commitments.

TRANSITIONAL PERIOD OF THE NEW CEO

As announced by the company in a regulatory filing on May 10th 2022, CEO Fernando Basabe will retire and will not stand-up for re-election as a director, after having been Applus' CEO for 11 years, which implies the cessation of his executive duties and board seat at the upcoming AGM 2022.

The remaining board members whose mandates expire will be proposed for reelection at AGM 2022. Also, the directors whose first appointment shall be ratified will be proposed for election at AGM 2022.

In this context, the re-election of Chairman Cole is deemed essential for the following reasons:

- keep ensuring an adequate board leadership in a governance body where 50% of the members have 3 or less years of board tenure,
- remain as one of the main references for Applus shareholders and investors,
- assist in the appointment of the new CEO and support him or her at the beginning of their mandate, and
- a complete a smooth change of leadership (at board and executive levels)

CONCLUSION & RECOMMENDATION

Mr. Cole has performed highly in the exercise of his role as Chairman, especially considering the transition from private equity to public ownership and more recently under Covid19. He has led the refreshment of the Board increasing its diversity in a broad sense and has successfully managed the organisation of meetings: encouraging debate, promoting diversity of opinions, while moderating discussions to arrive at mutually agreed upon decisions, as reflected in the recent external survey. He has deep knowledge and experience of international markets, both as a lead executive and as Chairman of public companies, together with a constructive relationship with senior management and large investors.

Therefore, the re-election of nominee Christopher Cole as Director and Chairman of the Board of Applus is recommended based on:

- His valuable skill set, experience, and know-how
- The financial and non-financial enhancements and changes that Applus achieved during his chairmanship since 2014
- The dedication and attendance levels at Applus and his two additional outside public board commitments (100% during the period 2019-2021 for all three boards)
- His independence non-executive status as Board Chair
- The positive outcome of the 2022 external board evaluation on his performance
- The opinion of the Appointments and Compensations Committee
- The sound corporate governance framework of Applus, in line with international best practices in terms of board composition, diversity, regulations and procedures, and compensation practices
- The transitional period following the appointment of a new CEO
- The market consensus and support on his role in similar circumstances at his outside public boards

APPENDIX. THE GOVERNANCE OF APPLUS

COMPOSITION OF APPLUS BOARD AND COMMITTEES

The composition of the Board and the Committees is in line with international best practices:

	DIRECTORS	ROLE	TYPE	COMMITTEES			SHARES	TENURE
				AUD	A&R	ESG		
1	Christopher Cole	Chairman	Ind		C	C	22,415	8
2	Fernando Basabe	CEO	Executive				138,415	11
3	Joan Amigó i Casas	CFO	Executive				73,741	3
4	María José Esteruelas Aguirre	Director	Ind		M	M	4,567	3
5	María Cristina Henríquez de Luna Basagoiti	Director	Ind	M F			2,950	5
6	Marie Françoise Damesin	Director	Ind		M		2,000	0
7	<u>Essimari Kairisto</u>	Director	Ind	M F			2,000	3
8	Ernesto Gerardo Mata López	Director	Other	M F			2,860	14
9	Brendan Connolly	Director	Ind		M	M	800	0
10	<u>Nicolás Villén Jiménez</u>	Director	Ind	C F			35,000	6
TOTAL		10	10	4	4	3		

* F = Financial Expert

