

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**ISSUER IDENTIFICATION**

**END OF THE FINANCIAL YEAR OF REFERENCE**

31/12/2015

**Tax Identification Code**

A-64622970

**REGISTERED NAME**

APPLUS SERVICES, S.A.

**REGISTERED ADDRESS**

CAMPUS UAB, RONDA DE LA FONT DEL CARME, S/N, 08193, BELLATERRA,  
BARCELONA

**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES**

**A. OWNERSHIP STRUCTURE**

**A.1. Complete the following table about the share capital of the company:**

Date of last change	Share capital (€)	Number of shares	Number of Voting rights
8/05/2014	13,001,675.50	130,016,755	130,016,755

**State whether there are different classes of shares with different rights attaching thereto:**

Yes  No

**A.2. Breakdown of direct and indirect holders of significant shareholdings in the company as of the end of the financial year, excluding directors:**

Individual or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Direct shareholder	Number of voting rights	
CEP III PARTICIPATIONS, S.à r.l. SICAR	0	AZUL HOLDING, S.C.A.	31,161,582	23.967
AMERIPRISE FINANCIAL, INC	0	THREADNEEDLE ASSET MANAGEMENT HOLDINGS LTD.	6,911,171	5.316
HARRIS ASSOCIATES L.P.	6,644,500		0	5.110
GIC PRIVATE LIMITED	5,198,733		0	3.999
FTIF-FRANKLIN EUROPEAN GROWTH FUND	3,958,702		0	3.045

**State the most significant changes in the shareholding structure that have occurred during the financial year:**

Individual or company name of the shareholder	Date of transaction	Description of transaction
Harris Associates Investment Trust	03/11/2015	It has increased over 5% in the capital stock
Carmignac Gestión, S.A.	13/10/2015	It has decreased below 3% in the capital stock

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Carmignac Gestión, S.A.	05/10/2015	It has decreased below 5% in the capital stock
Harris Associates Investment Trust	04/09/2015	It has increased over 3% in the capital stock
FTIF-Franklin European Growth Fund	29/04/2015	It has increased over 3% in the capital stock
CEP III Participations S.à r.l SICAR	14/04/2015	It has decreased below 25% in the capital stock
Carmignac Gestión, S.A.	14/04/2015	It has increased over 5% in the capital stock
GIC Private Limited	31/03/2015	It has decreased below 5% in the capital stock
Ameriprise Financial, Inc	27/01/2015	It has increased over 5% in the capital stock

**A.3. Complete the following tables about members of the board of directors of the company who have voting rights attaching to shares of the company:**

Individual or company name of the director	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Direct shareholder	Number of voting rights	
MR. FERNANDO BASABE ARMIJO	410,645		0	0.316
MR. RICHARD CAMPBELL NELSON	47,125		0	0.036
MR. CHRISTOPHER COLE	12,415		0	0.010
MR. JOHN DANIEL HOFMEISTER	10,000		0	0.008

<b>Total percentage of voting rights held by the board of directors:</b>	<b>0.362%</b>
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**Complete the following tables about members of the company's board of directors who hold rights over the company's shares: N/A**

**A.4 State, if applicable, the family, commercial, contractual, or corporate relationships between significant shareholders, to the extent known to the company, unless they are immaterial or result from the ordinary course of business:**

N/A

**A.5 State, if applicable, the commercial, contractual, or corporate relationships between significant shareholders and the company and/or its group, unless they are immaterial or result from the ordinary course of business:**

N/A

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- A.6 State whether any shareholders' agreements affecting the company pursuant to the provisions of sections 530 and 531 of the Companies Act (*Ley de Sociedades de Capital*) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:**

Yes  No

**State whether the company is aware of the existence of concerted actions among its shareholders. If so, briefly describe them:**

Yes  No

**Expressly state whether any of such agreements, arrangements or concerted actions have been modified or terminated during the financial year:**

N/A

- A.7 State whether there is any individual or legal entity that exercises or may exercise control over the company pursuant to article 5 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify it:**

Yes  No

- A.8 Complete the following tables about the company's treasury shares:**

As of year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
807,199	0	0.62

(\*)Through:

N/A

**Describe any significant changes, pursuant to the provisions of Royal Decree 1362/2007, which have occurred during the financial year:**

N/A

- A.9 Describe the terms and conditions and the duration of the mandate currently in force given by the shareholders to the board of directors in order to issue, repurchase or transfer the shares of the company:**

The General Shareholders Meeting of 18 June 2015 agreed to "authorise the Company's Board of Directors, with power to sub-delegate, so it may proceed with a derivative acquisition of its own shares, in accordance with article 146 of the Companies Act in the terms established below:

1. The acquisitions may be made either directly by the Company or indirectly through any of its subsidiaries, in the same terms as described herein;
2. The acquisition may be made as a sale and purchase, swap or goods received in lieu of payment, or any other transaction legally permitted, once or several times;
3. The number of shares acquired, when added to those already held by the Company, shall not exceed ten per cent (10%) of the capital stock;
4. The price or consideration will range between the face value of the shares and one hundred and ten per cent (110%) of their listed price;

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5. *The authorisation will remain valid for a maximum term of 5 years as of today.*

*It is hereby expressly noted that any shares acquired as a result of this authorisation may be used either for disposal or redemption, or towards the direct delivery of these shares to the employees or Directors of the Company or any of the group companies, or as a consequence of the exercise of any option rights or the application of any remuneration systems.*

*To revoke, to the extent of the unused amount, the authorization granted by the General shareholders Meeting in 25 March 2014”*

**A.9 bis Estimated floating stock capital**

	%
Estimated floating stock capital	57.581

- A.10 State whether there are any restrictions on the transfer of securities and/or any restriction on voting rights. In particular, disclose the existence of any restrictions that might hinder a takeover of the company through the acquisition of its shares in the market.**

Yes  No

- A.11 State whether the general shareholders' meeting have approved the adoption measures to neutralize a public takeover bid, pursuant to the provisions of Law 6/2007:**

Yes  No

**If applicable, describe the approved measures and the terms on which the restrictions will become ineffective:**

N/A

- A.12 State whether the company has issued securities that are not traded on a regulated market within the European Community.**

Yes  No

**If applicable, state the different share classes and, for each of them, the rights and obligations.**

N/A

**B. GENERAL SHAREHOLDERS' MEETING**

- B.1 State and, if applicable, explain whether there are differences with the minimum requirements set out in the Companies Act in connection with the quorum needed to hold a valid general shareholders' meeting.**

Yes  No

- B.2 State and, if applicable, explain any differences from the rules set out in the Companies Act for the adoption of corporate resolutions:**

Yes  No

Describe how they differ from the rules provided by the Companies Act.

N/A

- B.3 State the rules applicable to the amendment of the by-laws of the company. In particular, disclose the majorities provided for amending the by-laws, and any rules provided for the protection of the rights of the shareholders in the amendment of the by-laws.**

In accordance with Spanish Capital Companies Act, in order for a General Meeting to be validly convened, for an amendment of the By-laws, article 16.8 (b) of the Regulations will apply, whereby it will be necessary for the attendance of shareholders, present or represented at first call that hold at least fifty per cent (50%) of the subscribed voting capital stock. At second call, it will suffice for twenty-five per cent (25%) of the capital stock to attend.

In order for the General Shareholders Meeting to adopt resolutions that entail an amendment of the By-laws, article 21.1 (b) of the Regulations will apply, whereby an absolute majority will be required if more than fifty per cent (50%) of the voting capital stock subscribed is present. However, it will require the favourable vote of at least two thirds (2/3) of the voting capital stock in attendance when in the second call more than twenty-five per cent (25%) of the voting capital stock is present and in case it does not reach the fifty per cent (50%)

- B.4 State the data on attendance at the general shareholders' meetings held during the financial year referred to in this report and those of the prior financial year:**

Date of General Shareholders' Meeting	Attendance data				Total
	% of shareholders present in person	% of shareholders represented by proxy	% absentee voting		
			Electronic voting	Other	
4 March 2014	100	0	0	0	100
25 March 2014	100	0	0	0	100
4 April 2014	100	0	0	0	100
22 April 2014	100	0	0	0	100
7 May 2014	100	0	0	0	100
18 June 2015	0.722	66.868	0	0.612	68.203

NOTE: 2014 General Shareholders' meetings took place before the company's shares were listed on the Barcelona, Bilbao, Madrid and Valencia stock exchanges.

- B.5 State whether there are any By-law restrictions requiring a minimum number of shares to attend the general shareholders' meeting.**

Yes  No

- B.6 Deleted section.**

- B.7 State the address and method for accessing the company's website to access information regarding corporate governance and other information regarding general shareholders' meetings that must be made available to the shareholders through the company's website.**

The corporate website is available at [www.applus.com](http://www.applus.com). At the top, under "Investor

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Relations”, full information is provided on corporate governance and General Meetings. Specifically, through the following links- <http://www.applus.com/es/InvestorRelations/Corporate-governance> and <http://www.applus.com/es/InvestorRelations/Shareholders-meetings> - direct access is provided to information on corporate governance and General Meetings, respectively.

**C. STRUCTURE OF THE COMPANY'S MANAGEMENT**

**C.1 Board of directors**

**C.1.1 Maximum and minimum number of directors set forth in the By-laws:**

Maximum number of directors	9
Minimum number of directors	7

**C.1.2 Complete the following table identifying the members of the board:**

Individual or company name of the director	Representative	Category	Position on Board	Date of first appointment	Date of last appointment	Election procedure
MR. CHRISTOPHER COLE	N/A	INDEPENDENT	CHAIRMAN	07/05/2014	07/05/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. RICHARD CAMPBELL NELSON	N/A	INDEPENDENT	DIRECTOR	01/10/2009	04/03/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. JOHN DANIEL HOFMEISTER	N/A	INDEPENDENT	DIRECTOR	01/07/2013	04/03/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. ERNESTO MATA LÓPEZ	N/A	INDEPENDENT	DIRECTOR	29/11/2007	04/03/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. NICOLAS VILLÉN JIMÉNEZ	N/A	INDEPENDENT	DIRECTOR	27/10/2015	27/10/2015	BOARD OF DIRECTORS APPOINTMENT ("Cooptación")
MR. FERNANDO BASABE ARMIJO	N/A	EXECUTIVE	DIRECTOR	01/02/2011	04/03/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. PEDRO DE ESTEBAN FERRER	N/A	PROPRIETARY	DIRECTOR	27/09/2007	04/04/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. MARIO PARDO ROJO	N/A	PROPRIETARY	DIRECTOR	27/09/2007	04/04/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION
MR. ALEX WAGENBERG BONDAROVSKI	N/A	PROPRIETARY	DIRECTOR	27/09/2007	04/04/2014	GENERAL SHAREHOLDERS MEETING RESOLUTION

Total number of directors	9
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NOTE: Mr. Pedro de Esteban Ferrer, Mr. Alex Wagenberg Bondarovschi and Mr. Mario Pardo Rojo acted as individual representatives (“*representante persona física*”) of certain entities which were Directors since the date of their first appointment (29/09/2007) and until the date of their last appointment (04/04/2014). From that date onwards, they are acting as Directors on their own behalf.

**State the vacancies on the board of directors during the reporting period:**

Individual or company name of the director	Status of the director at time of vacancy	Date of vacancy
MR. JOSEP MARÍA PANICELLO PRIME	Proprietary	05/05/2015

**C.1.3 Complete the following table about the members of the board and each member's status:**

**EXECUTIVE DIRECTORS**

Individual or company name of director	Position within the company's structure
MR. FERNANDO BASABE ARMIJO	CHIEF EXECUTIVE OFFICER
<b>Total number of executive directors</b>	1
<b>Total % of the board</b>	11.11%

**EXTERNAL PROPRIETARY DIRECTORS**

Individual or company name of director	Individual or company name of the significant shareholder represented by the director or that has proposed the director's appointment
MR. PEDRO DE ESTEBAN FERRER	Azul Holding, S.C.A.
MR. ALEX WAGENBERG BONDAROVSKI	Azul Holding, S.C.A.
MR. MARIO PARDO ROJO	Azul Holding, S.C.A.
<b>Total number of proprietary directors</b>	3
<b>Total % of the board</b>	33.33%

**EXTERNAL INDEPENDENT DIRECTORS**

**Director's identity or name:** MR. CHRISTOPHER COLE

**Profile:** Mr. Cole holds a Degree in Environmental Engineering from Borough Polytechnic (University of South Bank) is an associate engineer in the United Kingdom and in 1999 he completed an Executive Management Course at INSEAD in France. Mr. Cole founded WSP Group Plc, a professional services engineering company that was listed on the London Stock Exchange in 1987 and held the post of Chief Executive Officer of the company until it merged with Genivar, Inc. in 2012. Following the merger, he was appointed



non-executive Chairman of the enlarged group WSP Global Inc., whose shares are listed on the Toronto Stock Exchange, a role he currently retains. He is also currently, non-executive Chairman of Ashtead Group Plc and Tracsis Plc.

Mr Cole has many years of experience in managing large international and diversified groups in both Executive and Non-Executive capacities and brings this wealth of experience to bear in his role as Chairman of the company.

**Director's identity or name:** MR. ERNESTO GERARDO MATA LÓPEZ

**Profile:** Mr. Mata López holds a Degree in Economics and MA from the University of Geneva and an MBA from IESE (Barcelona). He was a Director of Unión Fenosa, S.A. (now Gas Natural SDG, S.A.), Unión Fenosa Soluziona, S.A., Compañía Española de Petróleos, S.A. and Abertis Infraestructuras, S.A., where he was the Chairman of the Audit Committee. Currently, Mr. Mata López is a member of the advisory Board of Abertis Infraestructuras, S.A., Chairman of the Board of Pagaralia, S.L., Senior Advisor to Matlin Patterson Global Advisers LLC, member of the Board of Factor Energía, S.A., Toro Finance, S.L. and a member of the advisory Board of Herbert Smith Freehills LLP (Spain).

Mr. Mata López has developed extensive experience in the energy and capital markets sectors, as well as in different Audit Committees, gathered through the numerous positions he has held in highly reputable Spanish companies. This experience as well as the many relationships he has accumulated in the Spanish markets over the years is of great benefit to the company.

**Director's identity or name:** MR. JOHN DANIEL HOFMEISTER

**Profile:** Mr. Hofmeister holds a Bachelor's and Master's Degree in Political Science from Kansas State University. In May 2010 he was awarded an honorary doctorate from the University of Houston and in 2014 was awarded with a doctorate in letters by Kansas University. Mr. Hofmeister was the President of Shell Oil Company in the US from 2005 to 2008 and prior to that he was the Group Director of Human Resources at Royal Dutch Shell in the Netherlands. Mr. Hofmeister founded and heads the not for profit membership association, Citizens for Affordable Energy and is a key member of the US Energy Security Council, a bipartisan not for profit group in Washington, DC. Mr. Hofmeister has previously held executive positions at General Electric, Nortel Networks and AlliedSignal (now Honeywell International). Currently, Mr. Hofmeister also serves as a non-executive Director of Hunting plc (London, UK) and Erin Energy, Inc. (Houston, Texas).

Mr Hofmeister's deep knowledge of the global energy markets is of significant importance to the Board as this is a material part of the overall Group revenues. Furthermore, his experience of operating on other Boards in both an executive and non-executive roles especially whilst acting as Group Director of Human Resources at Royal Dutch Shell means he is well acquainted with this aspect of Corporate Governance.

**Director's identity or name:** MR. RICHARD CAMPBELL NELSON

**Profile:** Mr. Nelson is a fellow of the Institute of Chartered Accountants in England and Wales and holds a Master of Science Degree in Economics at the London Business School. Mr. Nelson was a Director of Transcontinental Services Inc. from 1972 and CEO from

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1982 to the date of its acquisition by Inchcape Plc in 1985. He was nominated to the same position in Inchcape Plc which combined Transcontinental Services Inc. with its consumer goods testing and minerals testing businesses to become Inchcape Testing Services NA, Inc. In 1996, Inchcape Testing Services NA, Inc. was acquired by a private equity firm and became Intertek Group Limited of which Mr. Nelson was the executive Chairman until 2002, when the company floated on the London Stock Exchange. At this time, Mr. Nelson became the CEO of Intertek Group plc until he retired in 2006. Currently, Mr. Nelson is President of the International Federation of Inspection Agencies.

Mr Nelson has spent over thirty years in the testing, inspection and certification industry and in this time has gathered a significant level of experience giving him good knowledge of the industry and the investment market that follow it.

**Director's identity or name:** D. NICOLÁS VILLÉN JIMÉNEZ

**Profile:** Mr. Villén holds an industrial engineer degree from Universidad Politécnica de Madrid, a Master in Electrical Engineer by the Florida University (Fulbright Scholar) and an MBA from the Columbia University. Mr. Villén was CEO of Ferrovial Aeropuertos (2009-2012) and CFO of Ferrovial (1993-2009). Before that, he worked as Midland Montagu Ventures' CEO, Smith Kline & French's CEO and International Vice-President, amongst other responsibilities in Abbot Laboratories and Corning Glass Works. Currently, he externally advises IFM Investors (an Australian infrastructure fund) and Airports of Regions (a Russian airport management group), as he is a Board Member of ACR Grupo and Banca March.

Mr Villen has recently joined the Applus Group as an independent Director and was hired because of his high level experience in a variety of roles in world class Spanish and international companies including a strong financial background which will especially lend support to the Audit Committee.

Total number of independent directors	5
Total % of the board	55.55%

**State whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last financial year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director or senior officer of an entity that maintains or has maintained such relationship.**

N/A

**If applicable, include a reasoned statement of the director regarding the reasons for which it is believed that such director can carry out the duties thereof as an independent director.**

N/A

**OTHER EXTERNAL DIRECTORS**

**Identify any other external directors and describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders.**

N/A

State the changes, if any, in the type of director during the period:

N/A

**C.1.4 Complete the following table with information regarding the number of female directors for the last 4 financial years, as well as the type of such female directors:**

	Number of female directors				% of total female directors each class			
	Year 2015	Year 2014	Year 2013	Year 2012	Year 2015	Year 2014	Year 2013	Year 2012
Executive	0	0	0	0	0	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Independent	0	0	0	0	0	0	0	0
Other external	0	0	0	0	0	0	0	0
Total:	0	0	0	0	0	0	0	0

**C.1.5 Describe any measures adopted to include on the board of directors a number of female directors that allows for a balanced presence of men and women.**

Description of measures
<p>Since the company went public in May 2014, there has only been one vacancy arise on the Board of Directors. The selection process to fill that vacancy was designed to include women amongst the candidates. Several female candidates were interviewed including one finalist. As outlined in previous section, as of today, there are no women on the company's Board of Directors. Nevertheless, the company confirms that:</p> <ul style="list-style-type: none"> <li>a) The selection process for new Board members is free of implicit biases that hinder the selection of women to cover any vacancies.</li> <li>b) The company will make a concerted effort to include women that have the necessary qualifications, amongst the candidates applying to join the Board of Directors.</li> </ul>

**C.1.6 Describe any measures approved by the remuneration committee to ensure that selection processes are free of implicit biases that hinder the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:**

Description of measures
<p>The Appointments and Remuneration Committee has been expressly assigned this task, included in article 40.3 (a)(x) of the Regulations of the Board of Directors <i>"To report to the Board of Directors on the issues of gender diversity, and safeguard that, when filling new vacancies, the selection procedure does not suffer from implicit biases that might hinder the selection of female Directors; and so that the Company deliberately searches for, and includes among potential candidates, women who meet the sought after professional profile"</i>.</p> <p>2015 selection process for the position of independent Director was</p>

led by the Appointments and Remuneration Committee with support from Russell Reynolds. In the process, both male and female candidates were considered, looking for an international perspective and experience in finance and accounting areas.

The company continues to work on the Board members selection policy and in the selection procedures which might be open in the future. The Appointments and Remuneration Committee will continue to safeguard that any women meeting the professional profile sought is included amongst the potential candidates, so there are no implicit biases which might hinder the selection of female Directors.

**If there are few or no female directors despite any measures adopted, describe the reasons for such result:**

Description of reasons
Since the company's shares were listed on the stock exchange markets of Barcelona, Bilbao, Madrid and Valencia last 9 May 2014, only one vacancy has arisen on the Board of Directors
In the 2015 selection process undertaken to cover such vacancy, the company deliberately looked for and included amongst the potential candidates women who met the professional profile sought. Therefore, both male and female candidates were considered and in the process the finalists were a male and a female candidate. Finally a male was appointed, as a result of the professional profile sought, as a member of the Audit Committee, and in particular considering the management roles he has developed in the infrastructure business as well as his strong finance knowledge. These circumstances made him in the opinion of the Appointments and Remuneration Committee, the perfect profile to become a Director and a member of the Audit Committee.

**C.1.6 bis Explain the appointment committee conclusions about the compliance with the board members appointment policy. In particular, about how such policy is promoting the objective that in 2020 a number of female board members which represent, at least, 30% of the total members of the board of directors.**

The company is currently preparing the Directors' selection policy and therefore is not in a position to provide any conclusions about these matters which, in any case, are very relevant for the company.

**C.1.7 Explain the form of representation on the board of shareholders with significant holdings.**

Currently, the following Proprietary External Directors are acting on behalf of Azul Holding, S.C.A., indirectly owned by CEP II Participations, S.à r.l. SICAR and CEP III Participations, S.à r.l. SICAR: Mr. Pedro de Esteban Ferrer, Mr. Alex Wagenberg Bondarovschi and Mr. Mario Pardo Rojo.

**C.1.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 3% of share capital.**

N/A

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State whether there has been no answer to formal petitions for presence on the board received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been answered:

Yes  No

**C.1.9 State whether any director has withdrawn from the position as such before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing, describe at least the reasons given thereby:**

Name of the director	Reason for withdrawal
Mr. Josep Maria Panicello Prime	Decrease in Azul Holding, S.C.A's participation in the company

**C.1.10 State any powers delegated to the chief executive officer(s):**

N/A

**C.1.11 Identify any members of the board who are directors or officers of companies within the listed company's group:**

Individual or company name of the director	Company name of the group member	Post	Does it have executive functions?
MR. FERNANDO BASABE ARMIJO	IDIADA AUTOMOTIVE TECHNOLOGY, S.A.	Director's representative	No
MR. FERNANDO BASABE ARMIJO	APPLUS SERVICIOS TECNOLÓGICOS, S.L.U.	Sole director's representative	Yes
MR. FERNANDO BASABE ARMIJO	LGAI TECHNOLOGICAL CENTER, S.A.	Director's representative	No
MR. FERNANDO BASABE ARMIJO	LIBERTYTOWN USA 1, INC.	Chairman of the Board	No
MR. FERNANDO BASABE ARMIJO	LIBERTYTOWN USA FINCO, INC	Chairman of the Board	No
MR. FERNANDO BASABE ARMIJO	APPLUS TECHNOLOGIES, INC.	Chairman of the Board	No
MR. FERNANDO BASABE ARMIJO	K1 KATSASTAJAT OY	Director	No
MR. FERNANDO BASABE ARMIJO	AZUL HOLDING 2 S.à r.l.	Director	No
MR. FERNANDO BASABE ARMIJO	VELOSI INTERNATIONAL HOLDING COMPANY B.S.C. CLOSED	Director	No

**C.1.12 Identify the directors of your company, if any, who are members of the board of directors of other companies listed on official stock exchanges other than those of your group that have been reported to your company:**

Individual or company name of the director	Name of listed company	Position
MR. CHRISTOPHER COLE	ASHTEAD GROUP, PLC.	NON-EXECUTIVE CHAIRMAN
MR. CHRISTOPHER COLE	WSP GLOBAL, INC	NON-EXECUTIVE CHARIMAN
MR. CHRISTOPHER COLE	TRACSYS, PLC	NON-EXECUTIVE CHAIRMAN
MR. JOHN DANIEL HOFMEISTER	HUNTING, PLC	NON-EXECUTIVE DIRECTOR
MR. JOHN DANIEL HOFMEISTER	ERIN ENERGY, INC	NON-EXECUTIVE DIRECTOR

**C.1.13 State and, if applicable, explain whether the company has established rules regarding the number of boards of which its directors may be members:**

Yes  No

**C.1.14 Deleted section**

**C.1.15 State the overall remuneration of the board of directors:**

Remuneration of the board of directors (thousands of euros)	5,959
Amount of total remuneration corresponding to pension rights accumulated by current directors (thousands of euros)	0
Amount of total remuneration corresponding to pension rights accumulated by former directors (thousands of euros)	0

NOTE: The above includes the gross remuneration associated with the 2015 RSU's vesting, in accordance with the incentive plans agreed and executed in May 2014 with the Executive Director and the Chairman of the Board of Directors.

**C.1.16 Identify the members of the company's senior management who are not executive directors and state the total remuneration accruing to them during the financial year:**

Individual or company name	Position(s)
MR. JORGE LLUCH ZANON	CORPORATE DEVELOPMENT & COMMUNICATIONS SENIOR VICE PRESIDENT

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MR. JOAN AMIGÓ I CASAS	CHIEF FINANCIAL OFFICER
MR. JOSÉ DELFÍN PÉREZ FERNÁNDEZ	HUMAN RESOURCES SENIOR VICE PRESIDENT
MS. EVA ARGILÉS MALONDA	GENERAL COUNSEL
MR. ALEIX RIBAS AGUILERA	INTERNAL AUDIT MANAGER
MR. AITOR RETES AGUADO	AUTOMOTIVE EXECUTIVE VICE PRESIDENT
MR. JORDI BRUFAU REDONDO	LABORATORIES EXECUTIVE VICE PRESIDENT
MR. RAMÓN FERÁNDEZ ARMAS	ENERGY & INDUSTRY SOUTHERN EUROPE, AFRICA, MIDDLE EAST, ASIA & PACIFIC. EXECUTIVE VICE-PRESIDENT
MR. PABLO SANJUAN SARDE	ENERGY & INDUSTRY LATIN AMERICA EXECUTIVE VICE PRESIDENT
MR. CARLES GRASAS ALSINA	IDIADA EXECUTIVE VICE PRESIDENT
MR. IAIN LIGHT	FORMER RTD EXECUTIVE VICE PRESIDENT
<b>Total senior management remuneration (in thousands of euros)</b>	8,460

NOTE: All managers which are (or during 2015 were) members of the Executive Committee and also the Internal Audit Manager have been included, as required by the accounting regulations in place and by the Report from the special work group on the Good Governance of Listed companies” published by CNMV on 16 may 2006. Consequently, Mr. Phillip Morrison and Mr. Sytze Voulon, Applus+ Energy & Industry North America Vice-President and Applus+ Energy & Industry Northern Europe Vice-President, respectively, are not included in the above as their role as such initiated on 1 January 2016. The amount of total remuneration above includes a compensation for removal of a Senior Manager for an amount of EUR 297k and the gross remuneration of EUR 5,073k associated with the 2015 RSUs vesting in accordance with Senior Management incentive plans which were agreed and executed in May 2014 with certain members of group’s management.

**C.1.17 State the identity of the members of the board, if any, who are also members of the board of directors of significant shareholders and/or in entities of their group:**

N/A

**Describe any significant relationships, other than the ones contemplated in the prior item, of the members of the board of directors linking them to significant shareholders and/or companies within their group:**

N/A

**C.1.18 State whether the regulations of the board have been amended during the financial year:**

Yes  No

Description of amendments
<p>During the financial year, two changes were made to the Regulations of the Board of Directors:</p> <ul style="list-style-type: none"><li>• The first, informed by the Audit Committee at its meeting of 5 May 2015 and unanimously approved by the Board of Directors at its meeting held on same date, amended various articles in order to (i) adapt them to the Act 31/2014, of 3<sup>rd</sup> December, for the improvement of corporate governance and (ii) to introduce some wording clarifications or technical improvements, in accordance with best corporate governance practices.</li><li>• The second was informed by the Audit Committee on 14 December 2015 and unanimously approved by the Board of Directors at its meeting held on same date. The purpose of said amendment was to add article 41, which regulates the composition and functioning of the Corporate Social Responsibility Committee.</li></ul> <p>Further to article 4.5 of the Regulations of the Board of Directors, the Board of Directors informed about first amendment in the General Shareholders meeting held on 18 June 2015 and will inform the shareholders of second amendment at the next general meeting.</p>

**C.1.19 State the procedures for the selection, appointment, re-election, evaluation, and removal of directors. List the competent bodies, the procedures to be followed, and the criteria applied in each of such procedures.**

**Selection:** Appointments and Remuneration Committee is responsible for (i) evaluating the skills, expertise and experience necessary in the Board of Directors to define, consequently, the functions and abilities needed in candidates who are to fill each vacancy, and to evaluate the time and dedication necessary in order for them to perform their duties; and of (ii) to safeguard that, when filling new vacancies, the selection procedure does not suffer from implicit biases that might hinder the selection of female Directors; and so that the company deliberately searches for, and includes amongst potential candidates, women who meet the professional profile sought (article 40.3 vi and x del of the Regulations of the Board of Directors).

**Appointment:** According to article 23 of the company By-laws, the members of the Board of Directors shall be appointed by the General Shareholders' Meeting, notwithstanding the possibility of co-opting members as established in the Spanish Companies Act. It is not necessary to be a shareholder to be elected member of the Board, except in the case of co-option. Individual or legal entities covered by any of the prohibitions established by current legislation for reasons of incapacity or incompatibility shall be disqualified from



Board membership.

According to article 14 of the Regulations of the Board of Directors, proposals for the appointment of Directors submitted by the Board of Directors to the consideration of the General Shareholders' Meeting and appointment decisions adopted by the Board of Directors pursuant to its interim appointment authority shall be made subject to the prior report by the Appointments and Remuneration Committee (in the case of executive and proprietary Directors), and subject to a proposal from the Appointments and Remuneration Committee, in the case of independent Directors (according to article 40.3 of the Regulations of the Board of Directors).

**Term of office** (article 23.3 of the company By-laws and 15 of the Board of Directors Regulations). Tenure of office shall be four (4) years as from the date of acceptance, being able to be re-elected one or more times for periods of equal duration.

Article 15.2 of the Regulations of the Board of Directors provides that Directors appointed by interim appointment shall remain in their posts until the date of the first General Shareholders' Meeting or until the next one, in case the appointment takes place after the meeting is convened and before it takes place.

**Re-appointment** (article 16 of the Regulations of the Board of Directors)

Before the reappointment of Directors is proposed to the General Shareholders' Meeting, the Appointments and Remuneration Committee shall issue a report evaluating the work and dedication of the Directors proposed during the previous term in office.

The foregoing will be likewise applicable to natural persons who are appointed as representative for an entity. The proposal of representative shall be submitted to a report from the Appointments and Remuneration Committee.

**Self-assessment** (article 36 of the Regulations of the Board of Directors)

The Board of Directors shall dedicate the first meeting of the year to an assessment of its operation during the previous financial year, evaluating the quality of its work, assessing the effectiveness of its regulations, and if appropriate, correcting those aspects that were found not to be functional. Furthermore, the Board of Directors shall assess the performance of its duties through the Chairman of the Board of Directors and the senior executive of the company, based on the report issued by the Appointments and Remuneration Committee, as well as the operation of the Board of Directors Committees, based on their reports.

**Removal** (article 17 of the Regulations of the Board of Directors)

Directors shall be removed from their post once the term for which they were appointed has lapsed or when so decided by the General Shareholders' Meeting pursuant to the powers conferred upon them by law and in the by-laws, with no need for said decision to be included in the agenda of the General Shareholders' Meeting. The Board of Directors shall not propose the removal of any independent Director before the end of the statutory term for which they have been appointed, except where the Board of Directors considers that sufficient grounds for such action exist, based on a report by the Appointments and Remuneration Committee. In particular, sufficient grounds will be deemed to exist when the Director has failed to fulfil the duties of its position or is affected by one or more of the circumstances that would have prevented its appointment as an

independent Director, in accordance with applicable legal provisions.

**C.1.20 Explain the extent to which the self-evaluation has given rise to significant changes in its internal organisation and regarding the procedures applicable to its activities:**

<b>Describe changes</b>
The shares of the company were listed on 9 May 2014. During 2015, the Board performed the first evaluation on its performance, as well as the Committees', Chairman's and first executive's, in the form described in next section.
This evaluation has contributed to establish and define the main issues in future evaluation processes, in line with best corporate governance practices (annual periodicity of the evaluation and support from external consultant every three years).

**C.1.20 bis Describe the evaluation process and the areas evaluated by the board of directors with the assistance, if applicable, of an external consultant, regarding diversity in its composition, competences, functioning and composition of its committees, performance of chairman of the board of directors and the first executive of the company and the performance and contribution of each board member.**

The evaluation process was coordinated by the Chairman of the Appointments and Remuneration Committee and consisted of a questionnaire for each Director, sent on February 2015. The answers were rapidly received and after its compilation, the Chairman of the Board sent all the Directors a document stating the main conclusions of the process, as well as some notes and suggestions for improvement on development and performance of the functions of the Board of Directors and its Committees.

In general, the conclusions of the evaluation process were positive in terms of schedules and effectiveness and particularly in terms of quality of information –in format and time-, decision making –debate and consensus-, dedication of Board members and its Committees as well as overall functioning.

Based on the results, it was agreed that the 2016 evaluation process –which will cover the first full year as a listed company- will include a questionnaire as well as individual interviews with the Chairman of the Board –or with the Chairman of the Appointments and Remuneration Committee, in case the latter is being evaluated- as well as introduction of an external evaluation every three years, following best practices in corporate governance.

**C.1.20.ter Detail, if applicable, the business relationships that the consultant or its group companies maintain with the Company and its group companies.**

N/A

**C.1.21 State the circumstances under which the resignation of directors is mandatory**

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According to article 17.2 of the Regulations of the Board of Directors, "Directors must tend their resignation to the Board of Directors and, where considered appropriate by the Board, formalize the appropriate resignation in the following circumstances:

- (a) When they cease in the positions, posts, or functions related with their appointment as executive Directors;
- (b) In the case of proprietary Directors, when the shareholder whose interests they represent transfers all of their shares, or that they do it in the corresponding number in case said shareholder reduces its holding in the Company;
- (c) When they are affected by any of the incompatibility or prohibition provisions legally established;
- (d) If they are severely reprimanded by the Board of Directors on the basis of a report by the Appointments and Remuneration Committee as a result of having breached their duties as Directors; or
- (e) When their continuance on the Board of Directors may jeopardize the interests of the company".

**C.1.22 Deleted section**

**C.1.23 Are qualified majorities, different from the statutory majorities, required to adopt any type of decision?**

Yes  No

**If so, describe the differences:**

N/A

**C.1.24 Explain whether there are specific requirements, other than the requirements relating to directors, to be appointed chairman of the board of directors.**

Yes  No

**C.1.25 State whether the chairman has a casting vote:**

Yes  No

**C.1.26 State whether the by-laws or the regulations of the board set forth any age limit for directors:**

Yes  No

**C.1.27 State whether the by-laws or the regulations of the board establish any limit on the term of office for independent directors that is different than the term provided by regulatory provisions:**

Yes  No

**C.1.28 State whether the by-laws or the regulations of the board establish any specific rules for proxy-voting at meetings of the board of directors, the manner of doing so, and particularly the maximum number of proxies that a director may hold, as well as whether there is any limitation regarding the director's class,**

**in addition to those established by applicable laws. If so, briefly describe such rules.**

Article 27.2 of the company By-laws provides that Directors shall attend personally the meetings. In case they cannot attend, the Director may only be represented at meetings of the Board of Directors by another director. Non-executive Directors can only be represented by other non-executive Directors. In any case, representation shall be granted by a letter addressed to the Chairman or by other means detailed in the Regulations for the Board of Directors.

Article 18 of the Regulations of the Board of Directors provides the obligations that Directors must fulfil when in office. Specifically, article 18.2 (a) establishes that Directors shall attend meetings of bodies of which they are part and actively participate in deliberations, so that they can effectively contribute to the decision-making process. Furthermore, said article also provides that if any Director cannot be present at sessions to which they have been called to attend, they must instruct the director who they have appointed as representative.

According to article 35.7 of the Board of Directors Regulations, the Chairman shall decide, in the event of any doubt, on the validity of the delegations conferred by Directors who are not present at the meeting. Said representations shall only be granted by letter or any other written method which, in the Chairman's opinion, ensures that the representation is valid.

**C.1.29 State the number of meetings that the board of directors has held during the financial year. In addition, specify the number of times the board has met, if any, at which the chairman did not attend. Proxies granted with specific instructions shall be counted as attendance.**

<b>Number of meetings of the board</b>	7
<b>Number of meetings of the board at which the chairman did not attend</b>	0

**In case the chairman is an executive director, please detail the number of meetings held where any executive director was present nor represented and chaired by the lead independent director.**

N/A

**State the number of meetings held by the different committees of the board of directors during the financial year:**

<b>Number of meetings of the executive committee</b>	3
<b>Number of meetings of the audit committee</b>	4
<b>Number of meetings of the appointments and remuneration committee</b>	4
<b>Number of meetings of the Corporate Social Responsibility committee</b>	1

**C.1.30 State the number of meetings that the board of directors has held during the financial year with the attendance of all of its members. Proxies granted with specific instructions shall be counted as attendance:**

<b>Attendance of all the directors</b>	6
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% in attendance of total votes during the financial year	85.71
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**C.1.31 State whether the annual individual accounts and the annual consolidated accounts that are submitted to the board for approval are previously certified:**

Yes  No

Identify, if applicable, the person/persons that has/have certified the annual individual and consolidated accounts of the company for preparation by the board:

N/A

**C.1.32 Explain the mechanisms, if any, adopted by the board of directors to avoid any qualifications in the audit report on the annual individual and consolidated accounts prepared by the board of directors and submitted to the shareholders at the general shareholders' meeting.**

Article 13.3 of the Regulations of the Board of Directors establishes that: *"The Board of Directors shall attempt to formulate definitive financial information so that there is no scope for qualifications or reservations on the part of the auditor. However, when the Board of Directors is of the view that it must sustain its criteria, the Chairman of the Audit Committee (and the auditors) shall explain to the shareholders the content and scope of said reservations and qualifications"*.

In accordance with article 39 of the Regulations of the Board of Directors, the Audit Committee is in charge of, amongst others, ensuring the efficiency of the internal audit and reviewing the internal control and risk management systems, as well as discussing with external auditors any significant weak points in the internal control system.

**C.1.33 Is the secretary of the board a director?**

Yes  No

In case the Secretary is not a member of the Board, please complete the following section:

Name of the Secretary	Representative
Mr. José Luis Blanco Ruiz	N/A

NOTE: Mr. José Luis Blanco Ruiz resigned as Secretary on 14 December 2015. Current Secretary of the company's Board of Directors is Mr. Vicente Conde Viñuelas.

**C.1.34 Deleted section**

**C.1.35 State the mechanisms, if any, established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.**

Article 39.7(c) (iii) of the Regulations of the Board of Directors provides that the Audit Committee, will *"monitor the independence of the external auditor, to which end, the company shall:*

– *Notify any change of auditor to the CNMV as a relevant fact,*

accompanied by a statement of any disagreements arising with the outgoing auditor and, should this be the case, their content.

- Ensure that the company and the auditor comply with current regulations on the provision of non-audit services, the limits on the auditor's business concentration, the regulations referring to the requirement to rotate the auditor issuing the audit report, and in general, any other provisions established in order to ensure the independence of the auditors.
- The Audit Committee shall issue a report annually, in which it shall express its opinion on the auditors' independence. This report shall refer in any case to the provision of additional services provided by the auditors to the company or to any entity associated with the company, whether directly or indirectly.
- To this end, the Audit Committee shall receive the auditors' written confirmation of their independence in respect of the company, and any of its associated entities, whether directly or indirectly, as well as any information on additional services of any kind that they have provided to the company or any of its associated entities, whether directly or indirectly.
- In the event that the external auditor withdraws, the circumstances motivating this withdrawal shall be examined."

**C.1.36 State whether the company has changed the external auditor during the financial year. If so, identify the incoming and the outgoing auditor:**

Yes  No

If there has been any disagreement with the outgoing auditor, provide a description thereof:

N/A

**C.1.37 State whether the audit firm performs other non-audit work for the company and/or its group. If so, state the amount of the fees paid for such work and the percentage they represent of the aggregate fees charged to the company and/or its group:**

Yes  No

	Company	Group	Total
Amount of other non-audit work (thousands of euros)	83	278	361
Amount of non-audit work / Aggregate amount billed by the audit firm (%)	36.2	14.15	16.5

**C.1.38 State whether the audit report on the annual accounts for the prior financial year has observations or qualifications. If so, state the reasons given by the chair of the audit committee to explain the content and scope of such observations or qualifications.**

Yes  No

**C.1.39 State the consecutive number of years for which the current audit firm has been auditing the annual accounts of the company**

and/or its group. In addition, state the percentage represented by such number of financial years audited by the current audit firm with respect to the total number of financial years in which the annual accounts have been audited:

	Company	Group
Number of continuous financial years	9	9
Number of years audited by the current audit firm/ Number of years in which the company has been audited (%)	100%	100%

**C.1.40 State whether there is any procedure for directors to hire external advisory services, and if so, describe it:**

Yes  No

Describe the procedure
<p>Article 24 of the Regulations of the Board of Directors expressly states that <i>“for the purpose of assisting the Directors in the performance of their duties, the external Directors may request the company to hire legal, accounting or financial advisers or any other experts, whose services shall be paid by the Company.</i></p> <p><i>Such engagement shall necessarily address specific problems of certain significance and complexity, arising in the context of the performance of their duties.</i></p> <p><i>The request for contracting advisers or external experts should be addressed to the Chairman of the Board of Directors and shall be authorized by the Board of Directors if, in its opinion:</i></p> <ul style="list-style-type: none"> <li><i>(a) it is necessary to ensure the effective performance of the duties entrusted to the independent Directors;</i></li> <li><i>(b) the cost of this assistance is reasonable, in view of the importance of the issue and given the assets and income of the Company; and</i></li> <li><i>(c) the technical assistance sought cannot be provided adequately by Company experts and specialists.</i></li> </ul> <p><i>In the event that the request for expert assistance were made by any of the Committees of the Board of Directors, it may not be refused, unless the majority of Directors considers that the circumstances established in paragraph 2 of this article do not apply.”</i></p>

**C.1.41 State whether there is any procedure for directors to obtain sufficiently in advance the information required to prepare for meetings of governing bodies and, if so, describe it:**

Yes  No

Describe the procedure
<p>Article 23 of the Regulations of the Board of Directors provides that <i>“the Directors may be informed of any aspect of the Company and companies of the Applus+ Group, whether Spanish or foreign. To this end, he/she may examine the documentation he/she deems appropriate, contact with the heads of the relevant departments, and visit the corresponding facilities.</i></p>

*In order to avoid disrupting the normal management of the Appplus+ Group, the exercise of the faculties of information shall be channelled through the Chairman, who shall address the Director's requests, providing him/her with the information directly or making him/her available the appropriate interlocutors at the relevant level of the organization.*

*In the event that the information request is declined, delayed, or not properly addressed, the Director requesting the information may reiterate his/her request to the Audit Committee which, having heard the Chairman, and the Director, shall decide accordingly.*

*The information requested may only be refused when, in the opinion of the Chairman and the Audit Committee, it is unnecessary or prejudicial to the corporate interests. Such refusal shall not be possible when the request is supported by the majority of the Directors."*

Article 30.3 of the Regulations of the Board of Directors provides that "As the Chairman of the Board of Directors is responsible for the effective operation and functioning of the Board of Directors, it shall be required to ensure that the Directors are provided with sufficient information beforehand; (...)"

**C.1.42 State whether the company has established any rules requiring directors to inform the company—and, if applicable, resign from their position—in cases in which the credit and reputation of the company may be damaged, and if so provide a detailed description:**

Yes  No

**Describe the rules**

Article 17.2 of the Regulations of the Board of Directors provides that:

*"Directors must tend their resignation to the Board of Directors and, where considered appropriate by the Board, formalize the appropriate resignation in the following circumstances:*

*[...]*

*(c) When they are affected by any of the incompatibility or prohibitions provisions legally established;*

*(d) If they are severely reprimanded by the Board of Directors on the basis of a report by the Appointments and Remuneration Committee as a result of having breached their duties as Directors; or*

*(e) When their continued presence on the Board of Directors may jeopardize the interests of the Company.*

*When a Director is removed from its office before the end of the term of office following its resignation or for whatever other reason, the Director shall explain the reasons for doing so in a letter addressed to all the members of the Board of Directors. Even if said removal is communicated as a relevant fact, the reasons for said removal will be included in the Annual Corporate Governance Report."*

**C.1.43 State whether any member of the board of directors has informed the company that such member has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of a bench trial has been issued**



against such member for the commission of any of the crimes contemplated in section 213 of the Companies Act:

Yes  No

State whether the board of directors has analysed the case. If so, provide a duly substantiated explanation of the decision adopted regarding whether or not the director should remain in office or, if applicable, describe the actions taken by the board of directors through the date of this report or that it plans to take.

N/A

**C.1.44 Describe the significant agreements entered into by the company that go into effect, are amended, or terminate in the event of a change in control at the company as a result of a takeover bid, and effects thereof.**

The Multicurrency Facilities Agreement signed by the company on 7 May 2014, with certain financial institutions, as amended and restated on 26 June 2015, includes early maturity clauses in the event of a change in control, in standard terms for contracts of this kind.

Further information on significant agreements entered into by the company in the last few years can be found in the prospectus dated 25 April 2014, published within the framework of the company's shares listing in the Barcelona, Bilbao, Madrid y Valencia stock exchanges. The prospectus can be found at the "Investor Relations / Financial Reports" section of the company's web page (<http://www.applus.com/en/InvestorRelations/Financial-reports>).

**C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its governing bodies, management or employees that provide for indemnities, guarantee or "golden parachute" clauses upon resignation or termination without cause, or if the labour relationship is terminated as a result of a takeover bid or other type of transaction.**

**Number of beneficiaries: 10**

**Type of beneficiary**

Chief Executive Officer and members of the management committee

**Description of agreement**

The company has entered into severance payment arrangements ("*blindajes*") with the Chief Executive officer and nine (9) members of the senior management team who are part of the management committee. The amounts payable to senior management pursuant to the severance payment arrangements may be determined by reference to one of the three following parameters, as applicable: (i) a compensation equal to twice the gross annual compensation received by the relevant senior manager in the year immediately preceding termination of employment; (ii) a compensation (net of tax) equal to twice the net annual monetary compensation received by the relevant senior manager in the year immediately preceding termination of employment after withholding taxes; (iii) a compensation (net of tax) equal to the greater of (x) twice the net annual monetary compensation received by the relevant senior manager in the

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year immediately preceding termination of employment, equivalent to the higher of the following amounts: (a) two years of the fixed salary paid at the moment of termination plus twice the amount of the annual bonus received 12 months before contract termination and (b) compensation resulting from calculating 45 days of salary per year of service, with a maximum amount of 42 monthly payments; (v) a compensation equal to the aggregate of the following amounts: two years of the fixed salary paid at the moment of termination plus annual bonus received 12 months before the contract termination; (vi) a compensation equal to the higher of the following amounts (a) twice the total gross monetary compensation received in the last 12 months and (b) compensation resulting from calculating 33 days per year of service with a maximum of 24 monthly instalments.

Pursuant to the arrangements entered into by the group, certain senior managers (including the CEO) are entitled to severance payments in case described in preceding paragraph in the following cases: (i) their employment is terminated by the company, except in case of fair disciplinary dismissal ("*despido disciplinario procedente*") declared by a final judgment and (ii) in some of the cases (not including the CEO) in the event they decide to early terminate their employment with the group (whatever form and cause), except in case of resignation ("*dimisión*").

In addition to these 10 managers, there are others in the company, who do not report directly to the CEO and have severance payment arrangements ("*blindaje*").

**State whether such agreements must be reported to and/or approved by the decision-making bodies of the company or its group:**

	Board of directors	General shareholders 'meeting
Decision-making body approving the provisions	YES	NO

	YES	NO
Is information about these provisions provided to the shareholders at the general shareholders' meeting?		X

NOTE: In 2016 General Shareholders Meeting, severance arrangements ("*blindajes*") of the CEO will be informed, as they were in 2015 General Shareholders meeting.

**C.2 Committees of the board of directors**

**C.2.1 Describe all of the committees of the board of directors, the members thereof, and the proportion of proprietary and independent directors of which they are comprised:**

**EXECUTIVE COMMITTEE**

Name	Position	Class
MR. CHRISTOPHER COLE	CHAIRMAN	INDEPENDENT
MR. FERNANDO BASABE ARMIJO	MEMBER	EXECUTIVE
MR. ALEX WAGENBERG BONDAROVSKI	MEMBER	PROPRIETARY
MR. PEDRO DE ESTEBAN	MEMBER	PROPRIETARY

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% executive directors	25.00%
% proprietary directors	50.00%
% independent directors	25.00%
% other external	0.00%

**Explain the functions of the committee; describe the procedures and organization rules and its functioning, as well as the main performance of the year.**

The Supervisory Committee consists of at least three members and no more than five, to be chosen amongst and by the Board of Directors, which may permanently delegate to it all the Board's powers, except for those which according to the law, the by-laws or the Regulations of the Board of Directors are its exclusive competencies. As an exception, the Supervisory Committee may take decisions in relation to the matters contained in article 7.2 sections (f) and (g) of the Regulations of the Board of Directors, when there are reasons of urgency, and with subsequent ratification by the full Board of Directors.

Supervisory Committee's minutes are shared with the entire Board and its Chairman, who is also Board's Chairman, informs the full Board about the content of the sessions which might be held. There are no relevant actions by the Committee during 2015.

**Detail if the executive committee composition reflects the participation in the board of directors of the different board members in accordance with their category.**

Si  No

<b>If the answer is no, explain composition of the executive committee</b>
The creation of the Supervisory Committee is immediately previous to the listing of the company's shares, when the company had a main shareholder, and was subject to the shares being listed. While Board' faculties which can be delegated have been formally delegated to the Supervisory Committee, it does not, in practice, exercise such faculties and otherwise works as an monitoring internal committee which decisions are always submitted to the approval of the entire Board. Consequently, the Company does not consider necessary to alter the composition of this Committee, which was created before the listing of the Company shares.

**AUDIT COMMITTEE**

Name	Position	Class
MR. ERNESTO GERARDO MATA LÓPEZ	CHAIRMAN	INDEPENDENT
MR. NICOLAS VILLÉN	MEMBER	INDEPENDENT
MR. MARIO PARDO ROJO	MEMBER	PROPRIETARY

% proprietary directors	33.33%
% independent directors	66.67%
% other external	0.00%

**Explain the functions of the committee; describe the procedures and organization rules and its functioning, as well as the main performance of the year.**

The members of the Audit Committee are appointed by the Board of Directors. The Audit Committee consists of three to five members of the Board of Directors, based on their knowledge and experience in accounting, auditing and risk management matters.

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The Audit Committee is in charge of:

- Informing the General Shareholders meeting on the matters amongst its competence that shareholders may bring up.
- Supervising the preparation of annual accounts and management reports, both individual and consolidated, in order to be drawn up by the Board of Directors according to law.
- To monitor the effectiveness of the internal control of the company, the internal audit, and the risk management, including tax risks, as well as to discuss with the auditor any significant weaknesses in the internal control system detected during the course of the audit, without altering its independence.
- Informing, beforehand, the Board of Directors, in order to be drawn up according to law, about the accuracy and reliability of the annual accounts and management reports, both individual and consolidated, including any periodic financial data forwarded to the markets, the creation or acquisition of holdings in special vehicle purpose entities or those established in countries or territories which are considered tax havens, as well as any other transactions or operations of an analogous nature, which, due to their complexity, might diminish the transparency of the Applus group.
- Issuing any reports and proposals requested by the Board of Directors or its Chairman, and others deemed pertinent for the adequate performance of its tasks.
- Supervising compliance with all internal codes of conduct and corporate governance rules, particularly the Regulations of the Board of Directors, in the terms provided therein.
- Ensuring that the company and auditor uphold current rules on the provision of non-audit services, limits on the auditor's workload, rules regarding the need for a turnover in the signatory auditor of the auditing report and, in general, all other provisions established to guarantee the auditors' impartiality.
- The Audit Committee will issue a report each year, giving its opinion about the auditors' impartiality. This report, in any case, will refer to the provision of additional services by the auditors to the company or to any other entity directly or indirectly related thereto.

The main actions of the Audit Committee during 2015 were:

- Monitoring and supervision of actions related to the risk management map;
- Review and supervision of the SCIIF internal model;
- Monitoring of the results of the group on a quarterly basis, as well as periodic supervision of the most relevant accounting estimates.
- Review and approval of external audit fees.
- Issuing reports for amendment of the Board of Directors Regulations

**Identify the member of the audit committee who has been appointed considering its knowledge and experience in accounting, auditor r both and detail the number of years that the chairman of the committee has been in office.**

Name of the experienced director	Mr. ERNESTO GERARDO MATA
Number of years of the chairman	2

**APPOINTMENTS AND REMUNERATION COMMITTEE**

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Name	Position	Class
MR. JOHN DANIEL HOFMEISTER	CHAIRMAN	INDEPENDENT
MR. RICHARD CAMPBELL NELSON	MEMBER	INDEPENDENT
MR. ALEX WAGENBERG BONDAROVSKI	MEMBER	PROPRIETARY

% proprietary directors	33.33%
% independent directors	66.67%
% other external	0.00%

**Explain the functions of the committee; describe the procedures and organization rules and its functioning, as well as the main performance of the year.**

It consists of at least three and a maximum of five Directors, appointed by the Board of Directors for a period not exceeding their term as Directors and without prejudice to being re-elected, insofar as they are also Directors. The Board of Directors designate the members of the Appointments and Remuneration Committee, based on the knowledge, skills and experience of the Directors and the tasks entrusted to the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee (“ARC”) is in charge of:

- Reporting any proposed appointments and re-elections of Executive and Proprietary Directors, making proposals to appoint Independent Directors.
- Reporting any proposed removals of members of the Board of Directors.
- Verifying the nature of each Director, checking that requirements are met to be classified as executive, independent or proprietary.
- Evaluating the competences, knowledge and necessary experience on the Board of Directors, consequently defining the necessary candidate tasks and skills to cover each vacancy, evaluating the necessary time and dedication in order to adequately perform their task.
- Examining or arranging, as deemed adequate, the succession of the Chairman and top executive and, if necessary, making proposals to the Board of Directors in order for this succession to take place in an orderly and well planned manner.
- Annually reporting on performance of tasks by the Chairman of the Board of Directors and top executive of the company.
- Reporting any appointments and removals of the Secretary of the Board of Directors and senior executives proposed by the top executive to the Board of Directors.
- Providing information to the Board of Directors about any gender diversity matters, ensuring that when new vacancies arise, selection procedures have no implicit biases that hinder the selection of female Directors; ensuring that the company deliberately searches for, and includes amongst potential candidates, women who meet the professional profile sought.
- Preparing and keeping a record of situations involving Directors and senior executives of the company, receiving and safeguarding in this register any personal details provided by Directors, as provided in article 29 of the Regulations of the Board of Directors.
- Receiving any information provided by Directors.
- Proposing to the Board of Directors a remuneration policy for Directors and senior executives.
- Proposing to the Board of Directors the individual remuneration of executive Directors and other contractual

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- conditions.
- Proposing to the Board of Directors the basic conditions of senior executive contracts.
- Ensuring that the remuneration policy established by the company is followed.

Main 2015 actions of the Appointments and Remuneration Committee were:

- Approval of executive Director's remuneration and bonus payout;
- Analysis of new Long Term Incentive ("LTI") development for executive Director;
- Salary review, bonus payout, LTI award approval and change in contract terms, when applicable, of senior management.
- LTI approval for non-senior management and its conditions:
- Approval, appointment and termination of senior managers undertaken in 2015 and related arrangements;
- Board, Committee, Chairman and Executive evaluation;
- Annual Report on Remuneration approval;
- Report on roles, responsibilities, and necessary approvals by Committee, Board and shareholders meetings in the matters of its competence;
- Approval of Board's remuneration policy;
- Selection and proposal for appointment of new Board member;

**CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

<b>Nombre</b>	<b>Cargo</b>	<b>Categoría</b>
Mr. CHRISTOPHER COLE	CHAIRMAN	INDEPENDENT
Mr. RICHARD CAMPBELL NELSON	MEMBER	INDEPENDENT
Mr. FERNANDO BASABE ARMIJO	MEMBER	EXECUTIVE

<b>% executive directors</b>	33.33%
<b>% proprietary directors</b>	0.00%
<b>% independent directors</b>	66.67%
<b>% other external</b>	0.00%

**Explain the functions of the committee; describe the procedures and organization rules and its functioning, as well as the main performance of the year.**

The Board of Directors unanimously approved on 14 December 2015 to create the Corporate Social Responsibility Committee, following recommendation 54 of the Good Governance Code of Listed Companies.

The Corporate Social Responsibility Committee comprises a minimum of three and a maximum of five Directors appointed by the Board of Directors, for a period not exceeding that of their term as Directors and without prejudice to their ability to be re-appointed insofar as they were re-appointed as Directors. The Board of Directors will appoint the members of the Corporate Social Responsibility Committee based on the expertise, skills and experience of the Directors and the commitments of the Corporate Social Responsibility Committee.

The Corporate Social Responsibility Committee shall be in charge of:

- To promote the Corporate Social Responsibility strategy of the company and of the Applus + Group ensuring the adoption and effective implementation of good practices in the field of corporate social responsibility, good governance, ethics and transparency and procuring that expectations of the various stakeholders in the framework of value creation are taken into account.
- To submit to the Board of Directors the initiatives and proposals it deems appropriate and inform on the proposals submitted for the consideration thereof, ensuring that the business strategy of the company is aligned with the values of the Corporate Social Responsibility Policy approved by the Board of Directors.
- In particular, to design, define and approve initiative and according development plans for the achievement of the goals previously set up according to the Corporate Social Responsibility Policy of the company and to such other policies or codes that, within the scope of its functions, it may promote.
- Likewise, to define the necessary organization and coordination for the implementation of such initiatives and strategies for Corporate Social Responsibility including, if necessary, the possibility to appoint ad-hoc committees to monitor specific areas that, in its view, may require specialized dedication.
- To assess, review and monitor the development and implementation of initiatives and plans of the company in implementing the Corporate Social Responsibility Policy, by monitoring their compliance with the indicators defined.
- To report, prior to its approval by the Board of Directors, on the Annual Corporate Social Responsibility Report and to coordinate whenever necessary the process for reporting non-financial information in accordance with applicable regulations and international reference standards.
- To issue the reports and take such other actions on Corporate Social Responsibility matters as may be requested by the Board of Directors or by its Chairman.

Due to its recent creation, the Corporate Social Responsibility Committee only held one meeting in 2015, where it acknowledged the Corporate Social Responsibility Policy, reviewed a first implementation proposal and approved a calendar of matters to develop, particularly the publication of a Report on CSR, and established a calendar for next matters of the exercise. In most of the cases, main issues on those matters have been defined and will continue to be developed during the next exercise.

**C.2.2 Complete the following table with information regarding the number of female directors comprising the committees of the board of directors for the last four financial years:**

	Number of female directors							
	Year 2015		Year 2014		Year 2013		Year 2012	
	Number	%	Number	%	Number	%	Number	%
<b>Executive Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00
<b>Audit Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00

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<b>Appointments and Remuneration Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00
<b>Corporate Social Responsibility Committee</b>	0	0.00	0	0.00	0	0.00	0	0.00

**C.2.3 Deleted section.**

**C.2.4 Deleted section.**

**C.2.5 State, if applicable, the existence of regulations of the board committees, where such regulations may be consulted and the amendments made during the financial year. Also state if any annual report of the activities performed by each committee has been voluntarily prepared.**

Rules for Board Committees are included in the Regulations of the Board of Directors, which establish their competences, composition, procedures, etc.; these are available for consultation both on the CNMV website and the [www.applus.com](http://www.applus.com) corporate website, and may be directly accessed through the following link: <http://www.applus.com/es/InvestorRelations/Corporate-governance>.

See details in section C.1.18 regarding amendments of Regulations of the Board of Directors.

**C.2.6 Deleted section.**

**D. RELATED-PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS**

**D.1. Describe any procedures for approving related-party and intragroup transactions.**

<b>Procedure for the approval of related-party transactions</b>
Further to article 7.2 h) of the Regulations of the Board of Directors and article 529 ter of Companies Act, transactions carried out by the company or companies of the Applus Group with its directors, significant shareholders, and shareholders represented on the Board of Directors of the company or any Applus group company, or with persons associated with them, must be approved by the Board of Directors on the basis of a prior report by the Audit Committee.

**D.2. Describe those transactions that are significant due to the amount or subject-matter thereof between the company or entities of its group and the company's significant shareholders:**

N/A

**D.3. Describe those transactions that are significant due to the amount or subject-matter thereof between the company or entities of its group and the company's directors or officers:**

N/A

**D.4. Report the significant transactions made by the company with other entities belonging to the same group, provided they are not eliminated in the preparation of the consolidated accounts and they are not part of the ordinary course of business of the company as to their purpose and conditions.**



**In any case, report any intragroup transaction with entities established in countries or territories considered to be tax havens:**

N/A

**D.5. State the amount of transactions with other related parties.**

0 (thousands of Euros)

**D.6. Describe the mechanisms used to detect, determine, and resolve potential conflicts of interest between the company and/or its group, and its directors, officers, or significant shareholders.**

Article 19 of the Regulations of the Board of Directors specifically regulates conflicts of interest:

*“The Directors shall perform their duties with the loyalty of a faithful representative, acting in good faith and in the best interest of the Company. In particular, the duty of loyalty obliges the Director:*

- a) ...
- b) ...
- c) *To refrain from participating in the discussion and voting on resolutions or decisions in which they or a person related to them has a, direct or indirect, conflict of interest. The agreements or decisions relating to them in their condition of Directors, including their appointment or revocation for the positions on the Board or others analogous in nature, shall be excluded from the above obligation of refrain from participating and voting.*
- d) *To perform their duties under the principle of personal responsibility with freedom of judgement or good judgement and independence with regard to the instructions and links to third parties.*
- e) *To adopt the necessary measures to avoid finding themselves in situations in which their interests, on their own account or that of a third party, may conflict with the corporate interest and their duties to the Company.*
- f) *In particular, the duty to avoid the conflicts of interest referred to in the previous paragraph obliges the Director to refrain from:*
  - (i) *Carrying out transactions with the Company, except in the event of ordinary transactions, carried out under standard conditions for the clients and non-material, defined as those transactions whose information is not necessary to present a fair view of the Company's equity, the financial situation and the results of the entity.*
  - (ii) *Using the name of the Company or using their status as Director to unduly influence private operations being conducted.*
  - (iii) *Making use of the corporate assets, including the confidential information of the Company, for private purposes.*
  - (iv) *Taking advantage of the business opportunities of the Company.*
  - (v) *Obtaining advantages or remuneration from third parties other than the Company and the Applus+ Group associated to the performance of their duties, except in the case of the corporate hospitality.*
  - (vi) *Carrying out activities on their own account or on behalf of a third party which entail effective competition, whether actual or potential, with the Company or that, otherwise, would create a permanent conflict of interests with regard to the interests of the Company.*
- g) *The foregoing provisions shall also apply in the event that the beneficiary of the acts or activities prohibited is a person related to a Director.*

- h) *In any case, the Directors shall inform the other Directors and the Board of Directors of any conflict, direct or indirect, that they or persons related to them may have with the interests of the Company.*
- i) *The conflict of interest of the Directors shall be disclosed in the Notes of the financial statements”*

**D.7. Is more than one company of the group listed in Spain?**

Yes  No

**Identify the subsidiaries listed in Spain:** N/A

**Listed subsidiary**

**Identify if each activity areas and eventual business relationships have ben public and accurately, as well as those of the listed subsidiary with the other companies of the group:**

Define the business relationships between listed parent Company and listed subsidiary, and between the latter and other companies of the group.

**Identify the mechanisms foreseen to resolve potential interest conflicts between the listed subsidiary and other companies of the group:**

Mechanisms foreseen to resolve potential interest conflicts

**E. RISK CONTROL AND MANAGEMENT SYSTEMS**

**E.1 Explain the scope of the company's Risk Management System, including the tax risks.**

The company has a Corporate Risk Map, where critical risks which from a strategic, governance, compliance and financing reporting point of view may affect the achievement of strategic objectives have been identified.

This risk map has incorporated critical factors, based on the group's lines of activity, geographical areas where it operates and business divisions as well as the risks factors considered as critical in connection with the scope of the support functions, such as finance, human resources, legal and tax services.

Critical risks have been identified by prioritizing matters based on the volume of business affected, the possibility of stopping transactions due to risk materialization and potential reputational damage in the event of an incident.

The Board of Directors is assisted by the Audit Committee which periodically reviews the internal control systems and risk management and supervises and informs on the adequacy of the system to evaluate and internally control relevant risks.

**E.2 Identify the decision-making bodies of the company responsible for preparing and implementing the Risk Management System, including the tax one.**

In accordance with article 7.2 (vii) of its Regulations, the Board of Directors of the company is responsible for defining the risk strategy and control policy, including tax, as well as periodic monitoring of the internal information and control systems, by

optimizing a cost-benefit ratio, in order to:

- Reach medium-term strategic objectives
- Safeguard shareholders value
- Assure the group's results and reputation
- Defend the interests of company shareholders and interest groups
- Ensuring compliance with tax laws in the countries in which it operates.

The Audit Committee, in accordance with article 39.7 (a) (ii) of the Regulations of the Board of Directors, is responsible for periodically reviewing the internal control systems and to manage the risks, so that the main risks are identified, processed and informed appropriately as well as discussing with auditors the significant weak points of the internal control system outlined during the audit process. To that purpose, the Committee relies on the supervision tasks carried out by the company's Internal Audit Management. Supervision of the risk control systems includes approval of a model and a periodic follow-up, which will depend on criticality and importance.

Risk management is made by the Chief Executive Officer, the heads of the corporate functional areas, and the Executive Vice President of each business division in accordance with their scope of activity, according to acceptable risk levels for the company.

The Internal Audit Management is in charge of supervising compliance with risk tolerance levels, the effectiveness of control measures associated to critical risks and supervised implementation of the necessary action/response plans, which will be monitored as applicable initially at a corporate level by the affected functions.

**E.3 Point out the principal risks, including tax risks, that could affect the achievement of business goals.**

The risk map of the company contemplates those risks that can have a significant impact on the results of the company and its group, to their best knowledge. The risks referred to in said risk map can be grouped in different types:

1. risks arising from the group's organizational model
2. risks which are inherent to business activities
3. risks related to regulatory compliance in the countries where the group operates (scope: legal, tax and human resources, etc).
4. financial risks

With regards to the first risk, the main risk arising from the particular group 's organizational model would be the risk of non-compliance by the responsible of the group's subsidiaries with the Delegation of Authority internal Policy (predefined scope for decision-making)

With regards to the second risk, the main business risk groups would be:

- Adequate monitoring of businesses entered into by the group based on long-term contracts such as concessions in the business of vehicle inspection in Spain, Europe and America.
- Adequate supervision of formal and quality standards of the service, when provided according to approved qualifications. In this sense, group has contracted insurance policies which include coverage of third-party

<p>damages arising as a consequence of the services rendered by the group in all sectors in which it operates.</p> <ul style="list-style-type: none"><li>• Risks related to economic, social and political situation in the geographical areas in which the company operates and the main macroeconomic indicators that may impact in the future short and medium term in the results of the group, particularly considering its wide geographical implementation.</li><li>• Retention of key staff for the group.</li></ul> <p>In respect of financials, the company manages and monitors risks that may impact the results of the group.</p> <ul style="list-style-type: none"><li>• Liquidity risk and leverage of the group.</li><li>• Risk of overvaluing certain significant assets of the group, such as goodwill, intangible assets generated by inorganic growth and tax assets.</li><li>• Exchange rate risk derived from relevant international activity.</li><li>• Interest rate risk (which could increase the cost of its debt).</li></ul>
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**E.4 Identify whether the entity has a risk tolerance level, including the tax one.**

<p>Tolerance levels are defined in the risk valuation matrix, constituting the starting point to assess risks qualified as inherent and residual.</p> <p>Tolerance levels are defined according to the following parameters :</p> <ul style="list-style-type: none"><li>• Sustained quality standards for the group</li><li>• Business volume affected and potential impact on business sustainability</li><li>• Impact on reputation and business continuity</li><li>• Compliance with applicable law, including tax regulations.</li><li>• Probable materialization</li></ul> <p>For risks considered as critical, given the impact of their potential materialization on the achievement of the group's objectives, specific tolerance levels are defined indicating action guidelines, achievement timeframe, managers, follow-up indicators; furthermore, the frequency and content are defined of the information provided to the governing bodies for supervision and decision-making.</p>
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**E.5 State what risks, including tax ones, have materialize during the financial year.**

<p>The risks which have materialized during year 2015 and resulted in an impact on the group's results are:</p> <ul style="list-style-type: none"><li>• As a result of completing in 2014 certain contracts in the oil &amp; gas sector, followed by a significant decrease in 2015 in certain client investments as a consequence of fall in the price of oil, which have resulted in a decrease in profit in divisions focusing on the oil &amp; gas sector (RTD and Velosi). The company has adopted measures to mitigate the impact.</li></ul>
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Events occurred in 2015 related to risks covered by the group which have not had a significant impact on the group's results are:

- A positive economic growth in Spanish market has taken place which has allowed growing. The weight of group's business in Spain is currently no longer as relevant as in the past, as it does not represent more than 16% of the group's total turnover figure.
- The company performed impairment tests for all cash generating units in relation to goodwill and intangibles assets concluding that the record of additional impairment was not necessary in 2015.

The group has not been involved in further litigation that could have a significant impact on its results and currently open litigation actions have not led to events which could modify previous fiscal years' accounting estimates. The Spanish companies are pending an inspection in last three financial years on all applicable taxes. The Board of Directors does not foresee any significant tax contingency as a consequence of any potential inspection.

**E.6 Describe the plans for responding to and supervising the entity's main risks, including the tax ones.**

The group has an updated risk map that foresees relevant risks from a strategic, governance, regulatory compliance, including tax, and financial reporting point of view that may affect the achievement of strategic objectives, including the risk of fraud.

To this end, the Applus group has implemented mitigating measures for these risks, in order to try to minimize its potential impact. Furthermore, for all other risks not yet covered an action plan has been designed, assigning managers of each initiative and an execution timetable, in order to start up the necessary measures to reduce any potential impact should they materialize.

These measures are generally executed by the group's Management. The Audit Committee and company's Board of Directors, eventually, are the bodies in charge of supervising and approving the measures conducted.

In tax compliance risks which entail a high technical difficulty related to regulations interpretation, the company is assisted by external consultants in order to have an opinion on the foreseeable risks when undertaking certain transaction and in order to mitigate them before they arise, if applicable. It will use the instruments foreseen in tax regulations (previous valuation agreements, binding consultations, etc.) in those cases that (i) it considers convenient in order to diminish the conflicts derived from application of tax regulations and (ii) seem reasonable considering the available tools, matter in hand and foreseeable deadlines.

In addition, the company has internal control and risk management systems and tools which make monitoring of action plans and incidents identified within the process of elaboration of financial information easier.

Likewise, the company has hired a property damage insurance policy which includes coverage of third-party damages arising as a consequence of the services rendered by the company and its subsidiaries in sectors in which they operate.

**F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN CONNECTION WITH THE PROCESS OF ISSUING FINANCIAL INFORMATION (ICFR)**

**Describe the mechanisms of control and risk management system regarding the financial information issuance process (SCIIF) of the entity.**

**F.1 Control environment of the entity**

**Inform, pointing out the main characteristics, of:**

**F.1.1 What bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective internal control system over financial reporting (ICFR); (ii) the implementation thereof; and (iii) oversight thereof.**

The Internal Control System over Financial Reporting (“ICFR”) of the company and its group is part of its general internal control system and is configured as the set of processes that the Board of Directors, Audit Committee, Management and group staff carry out to provide reasonable security as regards the reliability of financial information published by the markets.

The company has implemented an internal control and risk management tool (GRC Applus+) to enable the continuous monitoring and supervision of the action plans and incidents identified when drawing up and reviewing this financial information, including the tax one.

Supervision of the ICFR is within the functions of the Audit Committee and is carried out through supervision actions conducted by the Corporate Internal Audit Management. Since 2011, an Internal Control Model over financial reporting is being developed in order to guarantee its reliability.

The Corporate Financial Management of the company carries out the following tasks in relation to Internal Control over financial reporting:

- To review and approve accounting Policies and Manuals incorporated into the group’s Financial Management intranet.
- To establish and provide information on the necessary procedures to ensure an adequate internal control of financial reporting.
- To establish and maintain internal controls over financial reporting, in order to guarantee its reliability and ensure that all reports, facts, transactions or other relevant items are communicated in due time and form.
- To establish and maintain internal controls on tax matters, in order to ensure timely filling on tax returns.

The internal control model for financial information of the group has three separate areas of control: (i) self-evaluation of the persons in charge of critical processes and control measures, (ii) review of the financial evaluation process by the Financial Managements in each division and by the Corporate Financial Management in the consolidation process, and (iii) evaluation of the efficiency and effectiveness of risk control and identification measures by the Corporate Internal Audit Management.

**F.1.2. Whether any of the following are in place, particularly as regards the financial information preparation process:**

- **Departments and/or mechanisms in charge of: (i) the design**

**and revision of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of work and duties; and (iii) ensuring that there are sufficient procedures for the proper dissemination thereof at the entity.**

Initially the company's Chief Executive Officer and the Corporate Financial Management are in charge of designing and reviewing the organisational structure for the presentation of financial information; the Management will be responsible for changing such information if deemed appropriate.

Likewise, the lines of authority and responsibility of its relevant processes have been defined by formalizing a Standard Model for Authority and Responsibility Delegation, which includes all of the group's critical decisions that may eventually affect the drafting and review of financial information. Furthermore, the Corporate Financial Management has a functional flowchart of the Financial Management to cover all of the group's business divisions.

As regards the process to prepare financial information, instructions are issued by the Corporate Financial Management, establishing specific guidelines and responsibilities for each financial closing, as well as closing procedures reflected in the Internal IFRS Manual, covering a description and accounting plan of the company's financial reporting system.

**• Code of conduct, body that approves it, degree of dissemination and instruction, principles and values included (indicating whether the recording of transactions and the preparation of financial information are specifically mentioned), body in charge of reviewing breaches and of proposing corrective actions and penalties.**

The company has a Code of Ethics and an Anti-Corruption Policy, approved by the Board of Directors, which specifically refers to the registration of operations and drawing up of financial information, as well as compliance with the law and accounting policies of the group, inter alia. Both have been signed by the Management, intermediate managers and practically all of the group's employees.

Furthermore, the Code of Ethics includes a commitment to strictly comply with the obligation to provide reliable financial information, prepared according to applicable regulations, as well as the responsibility binding employees and officers, to ensure that this is so, both by adequately executing their tasks and by informing the governing bodies of any circumstance that may affect this commitment.

All employees are aware of the Code of Ethics through periodic training sessions.

On 2012 the Group Ethics Committee (GEC) was created, which meets every quarter and, amongst other matters, manages and processes any reports received through the whistleblowing channel, including any other incident related to ethical matters. It analyses possible infringements of the mentioned regulations reported by the Chief Compliance Officer and propose, where applicable, corrective actions and disciplinary sanctions.

**• Whistleblowing channel that makes it possible to report any irregularities of a financial or accounting nature to the Audit Committee, as well as any possible breach of the code of conduct and irregular activities at the organisation, specifying, if appropriate, whether it is confidential.**

The company has established a an internal whistleblowing channel which allows employees or third parties to report any facts that may be contrary to integrity and professional ethics, covered by the principles of the Code of Ethics.

All communications are received, analysed and followed through by the Chief Compliance Officer. All reports and their processing are handled on a confidential basis. There is a unique whistleblowing channel for the entire group and is available on the corporate Intranet.

**• Regular training and update programmes for personnel involved in the preparation and review of financial information, as well as in the evaluation of the internal control system over financial reporting, covering at least accounting standards, auditing, internal control and risk management.**

In order to periodically recycle and train the staff involved in the preparation and review of financial information, continuous correspondence is held with external auditors and other independent professionals (advisors) on relevant matters in corporate terms (basically changes or updates in accounting regulations and the preparation of financial information, as well as tax laws).

Any training needs detected and provided at a corporate level are extended to all other Chief Financial Officers in the group's subsidiaries, through the Finance Community Meeting held each year, where training is a key point of the agenda; individual meetings are also held with local financial representatives if deemed appropriate.

**F.2 Risk assessment of financial information indicates at least the following:**

**F.2.1. What are the main features of the risk identification process, including the process of identifying the risks of error or fraud, with respect to:**

**• Whether the process exists and is documented.**

The group has developed risk matrices and control measures for relevant business processes (sales, purchases, fixed assets, treasury, human resources, payrolls, tax etc.), specifically for each subsidiary, which are relevant for the consolidated statements of the group. In particular, this has been carried out for subsidiaries which, in aggregate, represent more than 80% of the sales of the group.

**• Whether the process covers all the objectives of financial information (existence and occurrence; completeness; assessment; presentation, breakdown and comparability, and rights and obligations), whether it is updated and how often.**

The methodology used to select the risks to be taken into account is COSO (Committee of Sponsoring Organizations for the Treadway Commission).

The criteria used to locate the most relevant processes are quantitative (materiality) and qualitative (business risk and visibility amongst third parties such as reputational risks), based on the most relevant accounting items and notes included in the Annual Report. All identified risks are prioritized in the professional's opinion, following a series of variables (level of process automation, whether the process is known and/or whether it is necessary to use judgments and estimates). The risk of fraud is indirectly identified



insofar as material errors may arise in the financial information.

Once the most relevant risks are selected, the necessary control measures are selected and designed for their mitigation of management, and the necessary action plans are established to improve control surroundings; critical control measures are systematically supervised and reviewed by the Corporate Internal Audit Department.

Any risks classified as relevant are reviewed at least once a year, further to the certification/evaluation of effective internal control carried out by the persons in charge. This review intends to adjust the risks to changing circumstances in which the group is operating, particularly if there are changes in the organisation, computer systems, regulations, products or the market situation.

**• The existence of a process for the identification of the scope of consolidation, taking into account, among other matters, the possible existence of complex corporate structures, holding entities or special purpose entities.**

The consolidation area of the finance department periodically reviews, together with legal department, the changes in the consolidation perimeter for every period.

In the last corporate instance, the possibility of errors is contemplated in certain processes not connected to specific types of transactions with impact on a subsidiary, which may be relevant when preparing financial information, such as the closing process in each subsidiary and, particularly, in consolidated statements. In the consolidation process, the group has considered all inherent risks, ensuring that the process is adequately configured and executed, as well as an adequate definition of the consolidation perimeter.

In addition, Regulation of the Board of Directors attributes competence for the approval of matters related to incorporation or acquisition of shares in special purpose entities or which are domiciled in tax havens, as well as any analogous transactions which due to its complexity might diminish group's transparency.

**• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.**

The process to locate possible errors in financial information takes into account the effects of other risk categories, which are evaluated and managed by various corporate units. Nevertheless, in order to identify financial information risks these other categories are not expressly identified.

**• What corporate governance body of the entity supervises the process.**

The Management Body that supervises the ICFR is the Audit Committee, which is supported by the Internal Audit Management when executing its tasks.

The group has implemented the Applus GRC tool for internal control management at various levels in the following areas: procurement, Human Resources, Tax, Treasury and Assets. The following advantages are provided by this tool in SCIIF matters:

- Availability, in centralized form, of all ICFR documentation

and management for the group, in a homogenous manner.

- Internal Control system over financial reporting is integrated into business and corporate processes, enabling each organizational unit in charge to periodically evaluate its control, to provide the necessary evidence and to annually execute the ICFR internal certification process.
- Automatic workflows are used to manage control activities and to execute action plans.
- It constitutes a back-up tool for the ICFR supervision and testing process carried out by the Internal Audit Department.
- It allows the necessary information for ICFR reporting to be obtained and supported.
- Integrates in internal control the elaboration and filling of tax returns in countries where the group operates, using automatic workflows to manage tax control activities.

### **F.3 Control activities**

**Indicate whether at least the following are in place and describe their main features:**

**F.3.1 Procedures for review and authorisation of financial information, and description of the internal financial information control system to be published in the securities market, indicating the persons or divisions responsible therefor, as well as documentation describing the flows of activities and controls (including those relating to risk of fraud) of the various types of transactions that could materially affect the financial statements, including the closing process and the specific review of significant judgements, estimates, assessments, and projections.**

The responsibility for preparing monthly, quarterly, six-monthly and annual consolidated financial information is entrusted to the Group's Chief Financial Officer. In respect of tax information, Tax Management, which falls under Finance Management, is responsible of its elaboration.

The Audit Committee, with support from the Internal Audit Management, approves and supervises the ICFR internal control model and forwards to the Board of Directors the conclusions obtained in this process.

ICFR documentation and evidence of execution and supervision, as well as significant facts and action plans, are managed through an internal control and risk management tool of the Applus group (Applus GRC). As indicated in F.2.1 above, in each subsidiary the activity and control directly related to transactions that may have a material effect on the financial statements are provided with a description of implemented control measures. Control matrixes by process document the foregoing, and information is provided on the control activity, the risk covered, the person in charge of execution and the frequency of control. These matrixes are managed through a corporate tool (Applus GRC) which enables an annual certification that the control matrix is still being updated, as well as a periodic evaluation by the persons in charge of executing the control measures on their execution and effectiveness.

In each subsidiary, the following information is available for critical processes in relation to each control activity:

- Description of the process and sub-process
- Description of financial information risks associated to various processes, sub-processes and control objectives
- Definition of control activities designed to mitigate the risks identified
- Description of the process managers, risks and control activities
- Classification of control activities already implemented or outstanding (action plans)
- Level of automation of control activities (manual or automatic)
- Classification of control activities distinguishing between preventive and detective.
- Definition of control execution frequency
- Definition of evaluation frequency by the Internal Audit Department
- Definition of the evidence required

Each one of the closing processes carried out in the various divisions is treated as a single process. The same applies to all the closing activities conducted within the corporation, in relation to the consolidation process and drafting of annual accounts.

A specific review of any judgments, estimates, valuations, provisions and projections that are relevant to quantify certain assets, liabilities revenues and expenses itemized in the annual accounts involves the continuous supervision of the Corporate Financial Management of the Applus group.

The process of judgements and estimations is aimed at validating and confirming the estimations made which might have a relevant impact on the financial information. These mainly refer to:

- The recoverability of deferred tax asset
- The estimate of the effects which might derivate from the existence of tax minutes in appeal and results of the audits.

The control measures used to mitigate or manage possible risks in financial information include some related to the most relevant computer applications, such as control over user access permits or the integrity of information when it is transferred from one application to another and the adequate management of the digital certificate for the submission of tax returns.

**F.3.2 Policies and procedures of internal control of information systems (including, among others, security of access, control of changes, operation thereof, operational continuity and segregation of duties) that provide support for the significant processes of the entity in connection with the preparation and publication of financial information.**

The group uses SAP BPC as a common consolidation and reporting system. This software is being used by all group subsidiaries, irrespective of the degree to which each subsidiary uses SAP R3 as a financial system, or uses another system.

When identifying the risk of material errors in financial information two control levels apply: (i) in each subsidiary, as part of the ICFR, control measures are used to ensure that all information reported through SAP BPC is consistent with local information systems, if different from SAP; (ii) in corporate terms, there are automatic and manual measures to control the main application in order to generate financial information in SAP BPC, guaranteeing that the consolidation process is correct.

In addition, as regards the security of information, the Corporate Systems Management has established policies to operate information and data security systems (including availability parameters due to their impact on business continuity and data integrity), containing minimum requirements to be met by any Applus group system.

The following security policies have been established by the group:  
i) Classification of information; ii) Management of system access; iii) Prevention of Data Leaks; iv) Identification and maintenance of critical applications; v) Back-Up Copies; vi) Restrictions on Internet and e-mail use; vii) Data encryption; viii) Agreements with third parties; ix) Protection of equipment; x) Legal compliance; xi) Notification of incidents; and xii) Infrastructure licences and use.

These policies have enabled Applus to implement a Data Security Policy.

In operating continuity terms, the group has improved the already high level of availability of its central data systems, held in a Main Datacenter in Madrid, with a Disaster Recovery (DR) solution. This DR is hosted in a Secondary Datacenter in Barcelona, which is connected through a high-speed line to the Main Datacenter. Thanks to a constant replica of data, the DR may provide, in a matter of hours, the most critical applications for the business, in the unlikely case of an event of force majeure (fire, flood, earthquake, etc.) that renders the Main Datacenter inoperative.

Additionally, a series of key supplementary control measures are defined and executed by members of the consolidation team, in order to strengthen the trust in the data systems used to generate financial information.

The group has a plan to improve and monitor information systems as regards the segregation of functions, as well as to incorporate in the Audit Plan the supervision of these internal control systems as regards the segregation of functions in financial information systems.

### **F.3.3 Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as those aspects of assessment, calculation or valuation entrusted to independent experts, which may materially affect the accounts.**

In the group, third party activities that may be relevant to the information generation process basically reside in the business conducted in Spain. The group has outsourced its administration, filling of some tax returns, and back-office tasks for its Spanish subsidiaries (except for the IDIADA division subsidiaries). In order to supervise outsourced activities, it has appointed a manager in the Corporate Financial Management. In this contractual relationship service level agreements (SLA's) are defined to evaluate service quality and integrity. Furthermore, the corporate accounting department in charge of Spain has been assigned monthly tasks to review the financial statements of any subsidiaries operating in Spain.

In the rest of the group, outsourced activities are sporadic or highly centralized in very specific processes or sub-processes, such as payroll preparation. These factors are considered a risk in the ICFR model for these companies, for which there is efficient and effective associated control.

Whenever necessary, the group hires reports from independent

experts in order to obtain greater trust in matters that may have a significant effect on the financial statements, such as Purchase Price Allocation reports related to wide-ranging acquisitions, the valuation of financial instruments and advice in impairment tests conducted on goodwill and intangible assets, which the group has entered as assets. In all these cases, when hiring these services, the group determines as part of the selection criteria the absence of any doubt as to the supplier's competence, qualifications, reputation and independence.

#### **F.4 Information and communication**

**Indicate whether at least the following are in place and describe their main features:**

##### **F.4.1 A specific function charged with defining and updating accounting policies (accounting policy area or department) and with resolving questions or conflicts arising from the interpretation thereof, maintaining fluid communications with those responsible for operations at the organisation, as well as an updated accounting policy manual that has been communicated to the units through which the entity operates.**

The Corporate Financial Management is in charge of defining, updating and disseminating accounting policies in order to draw up financial information under IFRS-EU, and resolve any interpretation doubts or conflicts. It keeps a communication flow with the managers of operations and financial and tax representatives in its various divisions and subsidiaries.

The accounting Manual is updated each year and is published on the Financial Management intranet, accessible by all the staff involved in the drafting and review of financial information. Furthermore, at meetings held with corporate Chief Financial Officers, division and subsidiary managers, training sessions are provided on the interpretation and application of any updates. Finally, the Corporate Financial Management, through the consolidation department, is entrusted with handling any doubts the subsidiaries may have when applying their account reporting rules, IFRS-EU.

In addition, the group's external auditor, both of consolidated statements and of the most representative subsidiaries of the consolidated statements, will request that the financial information reported by these subsidiaries be reviewed further to the principles gathered in the group's Accounting Manual, i.e. IFRS-EU, both in the 12-month audit and the limited six-monthly review.

##### **F.4.2. Mechanisms to capture and prepare financial information with standardised formats, to be applied and used by all units of the entity or the group, supporting the principal accounts and the notes thereto, as well as the information provided on the internal control system over financial reporting.**

The capture and preparation of information backing up the main financial statements of the Applus group uses the SAP-BPC consolidation tool, which is integrated into transactional systems of each subsidiary through automatic and occasionally manual systems for capture and validation. There is a single monthly reporting, based on a homogenous accounting plan for all companies. In addition, monthly reporting incorporates other information necessary for the management of the Applus group, also necessary to draw up notes on the consolidated Financial Statements issued at the closing of the financial year and at the end of the first six months. Consequently, the monthly reporting of all subsidiaries in SAP-BPC already automatically controls the

validation of financial statements reported and any additional details requested.

The ICFR internal control system, as already indicated, incorporates an evaluation of control activities both in the closing process designed for each subsidiary, and control activities related to the closing process conducted by the Consolidation Department of the group.

#### **F.5 Supervision of the operation of the system**

**Indicate and describe the main features of at least the following:**

##### **F.5.1. The activities of supervision of the internal control system over financial reporting performed by the audit committee, as well as whether the entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including the internal control system over financial reporting. Information is also to be provided concerning the scope of the assessment of the internal control system over financial reporting performed during the financial year and on the procedure whereby the person or division charged with performing the assessment reports the results thereof, whether the entity has an action plan in place describing possible corrective measures, and whether the impact thereof on financial information has been considered.**

The Audit Committee has approved the ICFR design criteria for the group. At least once a quarter it supervises the outcome of all ICFR reviews conducted by the Internal Audit Department and, each year, by the external auditor. Ultimately, it reviews ICFR information gathered by the group in the Annual Corporate Governance Report.

In the Applus group, the Audit Committee uses the Internet Audit function to supervise adequate operation of the internal control system, including the ICFR, and ensures its independence.

The Internal Audit Management permanently supervises the action plans agreed with various subsidiaries to remedy any defects detected and to jointly agree on suggestions for improvement. All reviews, including on-site audits, enable the Internal Audit function to evaluate the internal control system- both in terms of design and operation- and to issue an opinion on the effectiveness of internal control measures in order to guarantee the reliability of financial information; this is forwarded to the Audit Committee further to the meetings that are periodically held.

The Internal Audit Management periodically informs the Financial Management and Audit Committee of any significant weaknesses in internal control discovered during ICFR reviews and in internal audits of processes carried out over the year, as well as the level of implementation of action plans and any mitigation measures established.

Any future weaknesses in internal control identified in internal audit reviews are catalogued according to criticality as high, medium or low, based on the effect they may have if an error materializes in the financial statements. These weaknesses are managed through the Applus GRC application, for which a manager and timeframe are established in order to implement an action plan, as well as follow-up plans by the Internal Audit Department.

##### **F.5.2. Whether it has a discussion procedure whereby the auditor (as provided in the Technical Auditing Standards), the internal**

**audit function, and other experts can inform senior management and the audit committee or the directors of the entity of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall also be provided on whether it has an action plan to seek to correct or mitigate the weaknesses found.**

The Audit Committee meets at least once a quarter and, in order to fulfil its responsibilities, it convenes at least the following people:

- Group's Chief Financial Officer: the senior manager in charge of drafting financial information to explain the performance of the main financial magnitudes occurring in the period in question, transactions and most relevant impact in the period and communication of the main estimates made.
- Internal Audit Department, in charge of supervising the internal control model, including the ICFR, provides information on the state of any future weaknesses located as well as the outcome of any reviews conducted according to the planning approved by the Audit Committee for the ongoing year.
- External Auditors, in order to understand and share auditing planning or a review, to be carried out in the ongoing year, over consolidated and six-monthly annual accounts. If control weaknesses are identified and not considered by the Internal Audit Department these will also be communicated, as well as any other matter deemed appropriate for the Audit Committee.

In turn, the group, both from the Corporate Finance Department and the Audit Committee, represented by the Internal Audit Department, encourages full collaboration and coordination with the external accounts auditors. Consequently, the external accounts auditor of the group may directly access the Management, holding periodic meetings both to obtain the necessary information to carry out its task and to communicate any control weaknesses identified further to its auditing work.

#### **F.6 Other significant information**

There is no other significant information regarding the Internal Control System applicable to the company's financial information.

#### **F.7 External audit report**

**Report on:**

##### **F.7.1 Whether the information on the internal control system over financial reporting has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor.**

Furthermore, the group has presented the ICFR information included in this 2015 Corporate Governance Report to the external auditor, for its review. To this end, the scope of the auditor's review procedures has followed Circular E14/2013, of 19 July 2013, issued by the Spanish Institute of Chartered Accountants, which publishes the Action Guide and standard auditor's report, regarding information on the internal control system over financial reporting

(ICFR) used by listed companies in Spain.

Attached as an annex is a copy of the external auditor's report.

**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

**State the company's degree of compliance with the recommendations of the Good Governance Code of Listed Companies.**

**If the company does not comply with a recommendation or does it partially, a detailed explanation of the reasons should be given so that shareholders, investors and the market in general have sufficient information to assess the company's course of action. Generalised explanations will not be acceptable.**

1. **The by-Laws of listed companies do not limit the maximum number of votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of the acquisition of its shares on the market.**

Complies x Explain

2. **When both the parent company and a company controlled by it are listed companies, they both provide detailed public disclosure on:**

a) **Their respective areas of activity, and any business dealings between them, as well as between the controlled listed company and other companies belonging to the group;**

b) **The mechanisms in place to resolve any conflicts of interest that may arise.**

Complies Complies in part Explain Not applicable x

3. **During the annual general meeting the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

a) **Changes taking place since the previous annual general meeting.**

b) **The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead.**

Complies x Complies in part Explain

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.**

**This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.**

Complies Complies in part Explain x

The company is interested in promoting transparency and improving its communication policy so it provides with sufficient information and equal to all its groups of interests, and it has been outlined in the Corporate Social Responsibility Policy. To that purpose, it has established different communication channels which can be consulted at the company's web page. Likewise, contact in Investor Relations' department is disclosed on the web page. The company is currently working on a policy on the matter, under the aegis of the Corporate Social Responsibility Committee.

5. **The board of directors should not make a proposal to the general meeting for the**



delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in applicable laws.

Complies x                      Complies in part                      Explain

6. **Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:**

- a) **Report on auditor independence.**
- b) **Reviews of the operation of the audit committee and the appointments and remuneration committee.**
- c) **Audit committee report on third-party transactions.**
- d) **Report on corporate social responsibility policy**

Complies                      Complies in part                      Explain X

The company is engaged in adopting the best practices on corporate governance and in particular, those contained in the Good Governance Code of Listed Companies. In this sense, it foresees to continue promoting the transparency on the information accessible through the web page and will make available any public reports which might be of interest of the various groups of interest for a better knowledge of the company.

7. **The company should broadcast its general meetings live on the corporate website.**

Complies                      Explain x

The company held the first Shareholders' meeting after being listed on 18 June 2015. The company's objective is to promote transparency and to facilitate communication when convening and celebrating each shareholders' meeting and will continue to direct its efforts accordingly.

8. **The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.**

Complies x      Complies in part                      Explain

9. **The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and display them permanently on its website.**

**Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.**

Complies x      Complies in part                      Explain

10. **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:**

- a) **Immediately circulate the supplementary items and new proposals.**
- b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the**

board of directors.

- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals

Complies                  Complies in part                  Explain                  Not applicable x

11. In the event that a company plans to pay for attendance at the general meeting, it should first establish a general, long-term policy in this respect.

Complies                  Complies in part                  Explain                  Not applicable x

12. The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Complies x                  Complies in part                  Explain

13. The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies X                  Explain

14. The board of directors should approve a director selection policy that:

- a) Is concrete and verifiable;
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs; and
- c) Favours a diversity of knowledge, experience and gender.

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Complies                  Complies in part                  Explain x

Appointments and Remuneration committee is in charge of informing the Board of Directors about gender diversity matters and to safeguard that, when filling new vacancies, the selection procedures do not suffer from implicit biases that might hinder the selection of female Directors and so that the company deliberately searches for, and includes amongst potential candidates, women who meet the professional profile sought. In this sense, it is the company's intention to continue to direct its efforts towards it.

The selection process developed during 2015 and described in sections C.1.5 y C.1.6 above is a proof of that. Likewise, the company is now preparing a Director's selection

policy.

15. **Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Complies x      Complies in part      Explain

16. **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion can be relaxed:

- a) **In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- b) **In companies with a plurality of shareholders represented on the board but not otherwise related.**

Complies      Explain x

While there is a slight over-representation of the proprietary Directors, which might be explained due to the recent listing of the company and them being appointed by the first shareholder, during 2015, a proprietary Director has been replaced by an independent Director, and therefore the latter currently represent 62.5% of the external Directors in the Board of Directors of the company.

17. **Independent directors should be at least half of all board members.**

However, when the company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30 percent of capital, independent directors should occupy, at least, a third of board places.

Complies x      Explain

18. **Companies should disclose the following director particulars on their websites and keep them regularly updated:**

- a) **Background and professional experience.**
- b) **Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.**
- c) **Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.**
- d) **Dates of their first appointment as a board member and subsequent re-elections.**
- e) **Shares held in the company, and any options on the same.**

Complies x      Complies in part      Explain

19. **Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.**

Complies      Complies in part      Explain      Not applicable x

20. **Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.**

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Complies x      Complies in part      Explain      Not applicable

- 21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.**

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

Complies x      Explain

- 22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.**

The moment a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Complies x      Complies in part      Explain

- 23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.**

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Complies x      Complies in part      Explain      Not applicable

- 24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.**

Complies x      Complies in part      Explain      Not applicable

- 25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.**

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

Complies      Complies in part x      Explain

While the company does not establish specific rules on the number of Board of Directors of which its directors can be part, the Appointments and Remuneration Committee safeguards that the non-executive directors have the appropriate time for

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the development of its functions. The result of the evaluation described above confirmed the appreciation of the members of the Board on such statement.

- 26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

Complies                      Complies in part    x                      Explain

The Board of Directors meet with sufficient frequency to perform their functions efficiently and particularly, during 2015, it met 6 times, which is above the minimum requirements described in article 35.1 of the Board of Directors Regulations, which require a quarterly frequency.

- 27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

Complies x                      Complies in part                      Explain

Director's absences are kept to a strict minimum. During 2015, there has been a single case, with duly justified reasons, where a Director has been absent and has not granted powers of representation with the appropriate instructions.

- 28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

Complies x                      Complies in part                      Explain                      Not applicable

- 29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense**

Complies x                      Complies in part                      Explain

- 30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

Complies x                      Explain                      Not applicable

- 31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Complies x                      Complies in part                      Explain

- 32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

Complies x                      Complies in part                      Explain

- 33. The chairman, as the person in charge of the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the**

board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies x      Complies in part      Explain

34. When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies      Complies in part      Explain      Not applicable x

35. The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies x      Explain

36. The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:

- a) The quality and efficiency of the board's operation.
- b) The performance and membership of its committees.
- c) The diversity of board membership and competences.
- d) The performance of the chairman of the board of directors and the company's chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process. This facilitator's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Complies x      Complies in part      Explain

37. When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary of the board should also act as secretary to the executive committee

Complies      Complies in part      Explain x      Not applicable

The creation of the Supervisory Committee is immediately previous to the listing of the company's shares, when the company had a main shareholder, and was subject to the shares being listed. While Board' faculties which can be delegated have been formally delegated to the Supervisory Committee, it does not, in practice, exercise such faculties and otherwise works as an monitoring internal committee which decisions are always submitted to the approval of the entire Board. Consequently, the Company does not consider necessary to alter the composition of this Committee, which was created before the listing of the Company shares.

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Article 38 of the Regulations of the Company's Board of Directors allows the possibility of the Board Secretary not necessarily belonging to the Executive Committee.

- 38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minute.**

Complies x      Complies in part      Explain      Not applicable

- 39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Complies x      Complies in part      Explain

- 40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.**

Complies x      Complies in part      Explain

- 41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.**

Complies x      Complies in part      Explain

- 42. The audit committee should have the following functions over and above those legally assigned:**

- 1. With respect to internal control and reporting systems:**

a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if appropriate and feasible, anonymously, any significant irregularities that they detect in the course of their duties, in particular financial or accounting irregularities.

- 2. With regard to the external auditor:**

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

d) Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.

e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

*ENGLISH GUIDE TRANSLATION FOR INFORMATION PURPOSES ONLY*

Complies x      Complies in part      Explain

43. The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies x      Complies in part      Explain

44. The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Complies      Complies in part      Explain      Not applicable x

45. Risk control and management policy should identify at least:

a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other offbalance-sheet risks.

b) The determination of the risk level the company sees as acceptable.

c) The measures in place to mitigate the impact of identified risk events should they occur.

d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balancesheet risks.

Complies x      Complies in part      Explain

46. Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.

b) Participate actively in the preparation of risk strategies and in key decisions about their management.

c) Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.

Complies x      Complies in part      Explain

47. Members of the appointments and remuneration committee – or of the appointments committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

Complies x      Complies in part      Explain

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Complies      Explain      Not applicable x

49. The appointments committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Complies x      Complies in part      Explain



50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior officer contracts.
- b) Monitor compliance with the remuneration policy set by the company.
- c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
- d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
- e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.

Complies x      Complies in part      Explain

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers

Complies x      Complies in part      Explain

52. The terms of reference of supervision and control committees should be set out in the board of directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting. d) They may engage external advice, when they feel it necessary for the discharge of their functions.
- e) Meeting proceedings should be minuted and a copy made available to all board members

Complies      Complies in part x      Explain      Not applicable

While the majority of the members of the Corporate Social Responsibility committee are independent Directors, including its Chairman, the company has considered it is convenient to include the executive Director in the committee in order to encourage the implementation of the CSR Policy within the group.

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
- b) Oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodically evaluate the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
- d) Review the company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.

- f) Monitor and evaluate the company's interaction with its stakeholder groups.
- g) Evaluate all aspects of the non-financial risks the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies x                      Complies in part                      Explain

54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity

Complies x                      Complies in part                      Explain

55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Complies                      Complies in part x                      Explain

The CSR Committee was created on 14 December 2015 and its policy approved on the same date, following recommendation 54 of the Good Governance Code of Listed Companies. Consequently, the Committee has not yet prepared its first report, which is expected to be in 2016 in line with best corporate governance practices.

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies x                      Explain

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies x                      Complies in part                      Explain

58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
- b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Complies x    Complies in part    Explain    Not applicable

**59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Complies x    Complies in part    Explain    Not applicable

**60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

Complies    Complies in part    Explain    Not applicable x

**61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Complies x    Complies in part    Explain    Not applicable

**62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.**

**The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.**

Complies    Complies in part    Explain    Not applicable x

The shares attributed to Directors (Chairman of the Board and executive Director) as well as options or rights over shares (only for executive Director) derive from extraordinary agreements and not from LTIP programs, which were entered to into before the shares in the company were listed.

**63. Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out Good Governance Code of Listed Companies 45 of step with the director's actual performance or based on data subsequently found to be misstated.**

Complies    Complies in part    Explain    Not applicable x

The contractual arrangements entered into by the company derived from extraordinary agreements and not from LTIP programs, and were entered to into before the shares in the company were listed.

**64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria**

Complies x    Complies in part    Explain    Not applicable

**H. OTHER INFORMATION OF INTEREST**

1. If there are any significant aspects regarding corporate governance at the company or at entities of the group that is not included in the other sections of this report, but should be included in order to provide more complete and well-reasoned information regarding the corporate governance structure and practices at the entity or its group, briefly describe them.
2. In this section, you may also include any other information, clarification, or comment relating to the prior sections of this report to the extent they are relevant and not repetitive.

**Specifically, state whether the company is subject to laws other than Spanish laws regarding corporate governance and, if applicable, include such information as the company is required to provide that is different from the information required in this report.**

3. The company may also state whether it has voluntarily adhered to other international, industrial or other codes of ethical principles or good practices. If so, identify the code in question and the date of adherence thereto. Particularly, please mention if it has adhered to the Good Tax Practices Code, of 20 July 2010.

Some of the Applus group companies (particularly, Applus Norcontrol SLU and LGAI Technological Center SA) are adhered since January 2013 and 2014, respectively, to the UN Global Compact.

**This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 24 February 2016.**

**State whether any directors voted against or abstained in connection with the approval of this Report.**

Yes  No

## **Applus Services, S.A. and Subsidiaries**

Auditor's report on the system of Internal Control over Financial Reporting (ICFR) of the Applus Group for 2015.

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails*

## AUDITOR'S REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF THE APPLUS GROUP FOR 2015

To the Directors of  
Applus Services, S.A.:

As requested by the Board of Directors of Applus Services, S.A. and Subsidiaries ("the Applus Group") and in accordance with our proposal-letter of 22 January 2016, we have applied certain procedures to the information relating to the ICFR system included in section F of the accompanying Annual Corporate Governance Report ("ACGR") of the Applus Group for 2015, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the information relating to the ICFR system included in section F of the accompanying ACGR.

It should be noted in this regard, irrespective of the quality of the design and operating effectiveness of the internal control system adopted by the Applus Group in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Applus Group was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Applus Group's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Applus Group's annual financial reporting for 2015 described in the information relating to the ICFR system included in section F of the accompanying ACGR. Therefore, had we applied procedures additional to those described below or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Applus Group in relation to the ICFR system - disclosure information included in the directors' report- and assessment of whether this information addresses all the information required in accordance with the minimum content described in section F, relating to the description of the ICFR system, of the model ACGR established in CNMV Circular no. 7/2015, of 22 December 2015.
2. Questioning of personnel responsible for the drawing up of the information detailed in point 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning at the Applus Group.
3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR system descriptive information. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Applus Group's ICFR system obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Applus Group to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the information.

This report has been prepared exclusively in the context of the requirements of Article 540 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Spanish Limited Liability Companies Law, and of CNMV Circular no. 7/2015 of 22 December, published by the Spanish National Securities Market Commission for the purposes of the description of the ICFR system in Annual Corporate Governance Reports.

DELOITTE, S.L.

Raimon Ripoll

25 February 2016