ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

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ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED COMPANIES

A THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR

A.1 Explain the director remuneration policy in effect for the current financial year. Where relevant information can be incorporated by reference to the remuneration policy approved by the shareholders at the general shareholders' meeting, provided that the incorporation is clear, specific and concrete.

The specific provisions established for the current financial year must be described in terms of both remuneration of directors in their capacity as such and remuneration for the performance of executive duties that the board has performed in accordance with the terms of contracts signed with the executive directors and with the remuneration policy approved at the general meeting.

In any case, at least the following aspects must be reported on:

- Description of the company's procedures and decision-making bodies involved in the determination and approval of the remuneration policy and its conditions.
- Statement and, if applicable, explanation of whether comparable companies have been taken into account to establish the company's remuneration policy.
- Information on whether any external advisor has participated and, if applicable, the identity thereof.

The Company's Annual General Shareholders' Meeting held in 2019 approved the Director Remuneration Policy for financial years 2019, 2020 and 2021, unless the shareholders resolve to amend or replace it during said period.

The principles and grounds of the Remuneration Policy revolve around remuneration based on market practices, capable of attracting, retaining and motivating the necessary talent in accordance with the features of its industry and of the countries in which the Company operates, in order to satisfy the needs of the business and shareholders' expectations.

Additionally, independent directors shall receive the remuneration necessary to reward the dedication, qualification and responsibility that the position requires, though it should not be so high as to compromise their independence.

The director remuneration established in the Remuneration Policy is reasonably proportionate to the importance of the Company, its financial situation and the market standards of comparable companies. It is also aimed at promoting the long-term profitability and sustainability of the Company and it incorporates the necessary caution to prevent the excessive assumption of risks or the rewarding of unfavourable results.

The position of director of the Company is remunerated and the remuneration of directors in their capacity as such is composed of a fixed annual amount. The maximum amount of the annual remuneration for the directors as a whole in their capacity as such is to be approved by the General Shareholders' Meeting. If not, it will be the same as for the preceding year. The Board will determine the remuneration of each director, taking into account the duties and responsibilities allocated to each director, membership of Board Committees and any other objective circumstances that are deemed relevant.

Proprietary and executive directors will not receive any remuneration for their membership of the Board or of any of its Committees.

The maximum total amount of directors' annual remuneration in their capacity as such is EUR 1,500,000. The remuneration for each director agreed for 2020 is stated in sub-section three of this section A.1.

Directors will also be reimbursed for duly justified expenses relating to travel and accommodation to attend meetings of the Board and its Committees.

The Company has also contracted civil liability insurance for its directors on market conditions.

With regard to the remuneration of directors for their performance of executive duties, the only directors performing said duties on the date of this report are the Managing Director, Mr Fernando Basabe Armijo, and the Finance Director, Mr Joan Amigó i Casas (the “**Executive Directors**”).

The remuneration of the Managing Director consists of: (i) fixed remuneration of EUR 750,000 (adjustable according to the Consumer Price Index) in cash; (ii) other benefits at a maximum cost equal to 10% of his fixed remuneration and a pension scheme contribution for an amount equal to the difference between the aforementioned 10% and the sum cost of the benefits effectively received; (iii) variable annual remuneration payable in cash and in rights over Applus shares; and (iv) a long-term incentive plan in shares. Items (ii) to (iv) above are described in the following sub-sections.

The remuneration of the Finance Director consists of: (i) fixed remuneration of EUR 267,343 in cash; (ii) other benefits at a maximum cost equal to EUR 35,080, which may among other items include a pension scheme contribution at his discretion; (iii) remuneration in rights over Applus shares in the amount resulting from dividing 58,833 euros by the average listing value of the Applus shares during the thirty days prior to the date of award of the rights; (iv) variable annual remuneration in cash and in rights over Applus shares; and (v) a long-term incentive plan in shares. Items (i) to (v) above are described in the following sub-sections.

In relation to the procedure for determining and approving the Remuneration Policy, the current Policy was proposed to the General Shareholders’ Meeting by the Board upon a proposal from the Appointments and Remuneration Committee (the “**ARC**”). The ARC prepared a reasoned report on the proposal, that was made available to the shareholders at the business address and published continuously on the company website from the publication of the announcement of the call to the General Shareholders’ Meeting until the holding thereof.

Article 40.4 of the Board Regulations provides that the ARC may seek external advisory services in order to best fulfil its duties. In 2017 Applus engaged the remuneration consultancy firm Mercer Consulting to conduct an international and Spanish salary benchmark study examining the remuneration status of the then Finance Director of the Company. On the basis of said study, Applus set out de remuneration framework for the then CFO of the Company. In view of his appointment as executive director, the ARC submitted its proposed amendments to the Remuneration Policy to the Board of Directors to include in it the remuneration system of the Finance Director, equivalent to the one he had as CFO on the basis of Mercer Consulting’s study. In accordance with the proposal in the CNMV’s technical guide for these committees and with the intention of safeguarding its independence of judgment, the ARC does not engage Mercer Consulting to provide any other advisory service to this body.

- Relative importance of variable remuneration items in comparison to fixed items (remunerative mix) and which criteria and targets have been taken into account in the determination thereof and to ensure an appropriate balance between the fixed and variable remuneration components. In particular, state the actions taken by the company in relation to the remuneration system in order to reduce exposure to excessive risks and align it with the company’s long-term objectives, values and interests, which will include (where applicable) a reference to measures established to ensure that the remuneration policy takes into account the company’s long-term results, the measures adopted in relation to those categories of staff whose professional activities have a material impact on the entity’s risk profile and any measures established to avoid conflicts of interest.

  Also state whether the company has established any accrual or consolidation period for certain variable remuneration items, in cash, shares or other financial instruments, a deferral period in the payment of sums or delivery of financial instruments already accrued and consolidated, or whether any clause has been agreed for the reduction of deferred remuneration or obliging the director to return remuneration received when said remuneration has been based on information whose inaccuracy has subsequently been clearly proven.

Variable remuneration items are only established for the remuneration of Applus’ Executive Directors for the performance of their executive duties.

The fixed remuneration components for the Managing Director consist of fixed annual remuneration of EUR 750,000 (adjustable according to the Consumer Price Index), other benefits that are described below at a maximum cost equal to 10% of said fixed remuneration and a pension scheme contribution for the difference between the cost of benefits effectively received and the aforementioned 10%. The aggregate value of the fixed components of his remuneration therefore amounts to EUR 825,000 (adjustable according to the Consumer Price Index).

In turn, the variable remuneration components for the Managing Director consist of: (i) variable annual remuneration in a maximum amount of 150% of the base target established as 80% of fixed remuneration paid in cash (that is, a maximum amount of EUR 900,000); and (ii) a long-term incentive plan in a maximum annual amount equivalent to 120% of his fixed remuneration (that is, a maximum annual amount of EUR 900,000). Said remuneration items are described in detail below.

As a result, the maximum variable remuneration items for the Managing Director could represent up to approximately 218% of his fixed items (the percentage of the sum of EUR 900,000 and EUR 900,000 of variable concepts, divided between EUR 825,000 of fixed concepts) if all the respective targets were achieved.

The fixed remuneration components for the Finance Director consist of fixed annual remuneration of EUR 267,343, other benefits at a maximum total cost of EUR 35,080, which may among other items include a pension scheme contribution at his discretion, and remuneration in rights over Applus shares in the amount resulting from dividing 58,833 euros by the average listing value of the Applus shares during the thirty days prior to the date of award of the rights. The aggregate value of the fixed components of his remuneration therefore amounts to EUR 360,756.

In turn, the variable remuneration components for the Finance Director consist of: (i) variable annual remuneration in a maximum amount of 200% of the base target established as 70.6% of the fixed remuneration in cash (that is, a maximum amount of EUR 377,506); and (ii) a long-term incentive plan in a maximum annual amount equivalent to 200% of the amount of EUR 58,333 (that is, a maximum annual amount of EUR 116,666). Said remuneration items are described in detail below.

As a result, the maximum variable remuneration items for the Finance Director could represented up to approximately 137% of his fixed items (the percentage of the sum of EUR 377,506 and EUR 116,666 of variable concepts, divided between EUR 360,756 of fixed concepts) if all the respective targets were achieved.

Applus has used Mercer Consulting's study mentioned in the previous section to determine the above remunerative mix. As a result of the aforementioned benchmark study of 2017, it was proposed to the shareholders at the General Shareholders' Meeting 2018 to introduce some amendments to the Remuneration Policy to: (i) increase the fixed annual remuneration of the Managing Director; (ii) establish that the Company will annually contribute to the Managing Director's pension scheme an amount equal to the difference between the cost of benefits effectively received by the director during the year and 10% of his fixed annual remuneration (which is the maximum amount that all the benefits can reach according to the provisions of his contract); and (iii) amend the variable annual remuneration of the Managing Director such that: (a) it was payable partly in cash and partly in rights over shares called restricted stock units ("**RSUs**") (37.5%) whose number will be determined based on the average listing value of the Applus shares during the thirty days prior to the date on which they are granted, (b) the RSUs are vested into shares of Applus over a three-year period as from when they are awarded, on a 30% basis for each of the first two years and on a 40% basis for the third year, (c) the variable annual remuneration base target increases from 50% to 80% of fixed remuneration, and (d) for each 1% increase on the targets, variable annual remuneration is increased by 2% (as opposed to 3% previously) up to a maximum of 150% of the base target (as opposed to 250% previously), while for each decrease of 1% on the targets, variable annual remuneration is reduced by 5% (as opposed to 10% previously).

A new Remuneration Policy was subsequently proposed at the Annual General Shareholders' Meeting held in 2019. Among other things, the content of the Policy was adapted to the new appointment of the Finance Director, transferring the remuneration system that he obtained as Finance Director established on the basis of the aforementioned comparative study of 2017, and which contained remuneration concepts which are equivalent to those of the Managing Director (whose remuneration system was not amended). Therefore, the following remuneration was set out for the Finance Director: (i) a fixed annual remuneration; (ii) other benefits which include an annual pension scheme contribution from the Company at the Finance Director's choice within the maximum amount that all the benefits can reach according to the provisions of his contract; (iii) a fixed remuneration payable in RSUs (58,333) whose number will be calculated on the basis of the average listing value of the Applus shares during the 30 days prior to the date on which they are granted; (iv) a variable annual remuneration such that: (a) it is payable in cash (50%) and in RSUs (50%) whose number will be determined based on the average listing value of the Applus shares during the 30 days prior to the date on which they are granted, (b) the RSUs are vested into Applus shares over a three-year period as from when they are awarded, on a 30% basis for each of the first two years and on a 40% basis for the third year, (c) the variable annual remuneration base target is 70.6% of fixed remuneration, and (d) for each 1% increase on the targets, variable annual remuneration is increased by 2% up to a maximum of 200% of the base target, while for each decrease of 1% on the targets, variable annual remuneration is reduced by 5%. Finally, the new proposed Remuneration Policy introduced clawback clauses for the variable annual remuneration of the Executive Directors of Applus in accordance with recommendation 63 of the Good Governance Code of Listed Companies (*Código de Buen Gobierno de las Sociedades Cotizadas*), meaning that Applus will be entitled to claim the return of RSUs delivered to the Executive Directors (or, if already vested as shares, the vested shares) or an equivalent amount in cash, if the data upon which basis they were awarded are subsequently proven to be inaccurate.

The other terms of the Remuneration Policy proposed at the Annual General Shareholders' Meeting held in 2019 were identical to the previous Policy, including the Managing Director's remunerative and contractual system, which was not amended.

In short, the current Remuneration Policy maintains the relative importance adjusted in 2018 of the variable items in comparison with the fixed items, the average listing value of Applus shares is included in the equation for the variable annual remuneration and long-term incentive plan system for the Executive Directors and in the equation for part of the Finance Director's annual fixed remuneration system, and a deferral period is established for the receipt by the Executive Directors of 37.5% of his variable annual remuneration in the case of the Managing Director, and 50% of his annual variable remuneration in the case of the Finance Director. Due to all of the foregoing, the ARC considers that both the Managing Director and the Finance Director's current remunerative mixes are aligned with market conditions for listed companies, at the same time as taking into account the outstanding performance and sustained leadership of the Executive Directors.

Additionally, in order to reduce exposure to excessive risks and align the remuneration system with the Company's long-term objectives, values and interests, 65% of the amount of the Executive Director's variable annual remuneration is linked to achieving adjusted operating profit targets and 35% is linked to the group's adjusted operating cashflow, meaning that certain targets are set for each of these parameters and any increase or decrease with relation thereto is directly reflected in the variable remuneration amount, with a maximum limit of 150% of the base target in the case of the Managing Director and of 200% in the case of the Finance Director, and a minimum of 0% of the base target for both of them. It is also provided that in the case of proven inaccuracies in the data taken into account for purposes of granting the RSUs, the Company may claim the return thereof (or, if already vested as shares, the vested shares) or an equivalent amount in cash.

Furthermore, the long-term incentive plan approved for the Executive Directors takes into account quantitative parameters (relative total shareholder return and adjusted earnings per share) calculated for a three-year period, which allows the Company's long-term results to be taken into account. Certain minimum thresholds are also established below which the plan amounts do not accrue, in addition to maximum limits on the amount thereof, and it is provided that in the case of proven inaccuracies in the information taken into account for purposes of calculating amounts under this plan, the Company can claim reimbursement of the amount net of withholdings, taxes or rates corresponding to the amount of the incentive effectively received.

The features of the variable annual remuneration system and of the long-term incentive plan are described in more detail in sub-section six of this section A.1.

As regards measures established to avoid conflicts of interest, the Regulations of Applus' Board of Directors impose an obligation on directors to notify the other directors and the Board of Directors of any direct or indirect situation of conflict that they or persons related thereto may have with the Company's interest. Situations involving conflicts of interest for directors are notified in Applus' report on its annual accounts. Moreover, the director subject to the conflict must refrain from attending or intervening in discussions affecting issues in which they have a personal interest and must abstain from voting on the corresponding decisions.

– Amount and nature of the fixed components to be accrued during the financial year by directors in their capacity as such.

The fixed remuneration to be received in financial year 2020 by the members of the Board of Directors in their capacity as such is expected to be as follows:

- Members of the Board of Directors other than the Chair: EUR 60,000.
- Chair of the Board of Directors: EUR 250,000.
- Members of any Board Committee other than the Chairs thereof: EUR 20,000 per Committee.
- Chair of any Board Committee: EUR 30,000 per Committee.

With the composition of the Board and the Committees as at the date of this report, the fixed remuneration to be received by the directors in their capacity as such in financial year 2020 would amount to EUR 880,000.

No new appointments of directors are expected.

It is stated for the record that neither proprietary directors, of whom there are currently none and who there are no plans to appoint, nor the executive directors will receive any remuneration for their position on the Board of Directors or for membership of any of its Committees.

The Company will also pay the premiums for the civil liability insurance signed to cover its directors and senior officers, which are expected to amount to EUR 88,050 in financial year 2020.

Finally, the directors will be reimbursed for travel and accommodation expenses incurred due to attendance at meetings of the Board of Directors and its Committees, provided they are duly justified.

– Amount and nature of fixed components that will be accrued during the financial year for the performance of senior management duties by executive directors.

The fixed remuneration to be accrued in financial year 2020 for the performance of executive duties by the Managing Director will be the same as that accrued in 2019:

- Fixed remuneration in cash: EUR 750,000.
- Other benefits at a cost of EUR 37,857 (see description below). Of this amount, EUR 7,311 corresponds to a cash supplement for medical insurance and vehicle to bring these benefits into line with the agreement reached with the Managing Director at the time he was hired (see description of this item in section B.16).
- Pension scheme contribution: EUR 37,143 (see description below).

Additionally, the fixed remuneration that will be accrued in financial year 2020 for the performance of executive duties by the Finance Director is expected to be the same as accrued in 2019, adjusted to a complete annual period:

- Fixed remuneration in cash: EUR 267,343.
- Other benefits at a cost of EUR 27,838 (see description below). Of this amount, EUR 1,575 corresponds to a cash supplement for vehicle to bring these benefits into line with the agreement reached with the Finance Director at the time he was hired (see description of this item in section B.16).
- Pension scheme contribution: EUR 7,697 (see description below).
- Fixed remuneration in RSUs: EUR 58,333. The average listing value of the Applus shares during the 30 days prior to the date of awarding the RSUs will be taken into account in order to calculate the number of RSUs to be granted.

The RSUs will be granted every year immediately following the date on which the Board of Directors approves the annual results of Applus. In relation to this item, in February 2020 the Finance Director was granted 5,317 RSUs, resulting from dividing EUR 58,333 by the average value of the Applus shares during the 30 days prior to the date on which they were awarded (EUR 10.97 per share).

Each RSU shall be exchangeable for one Applus share on the third anniversary of the date on which it was awarded. The RSUs delivered in 2019 shall vest as shares in February 2022. As such, the RSUs delivered in 2017 to the then CFO (that is, 5,453 RSUs) have vested as shares in February 2020.

– Amount and nature of any component of remuneration in kind that will be accrued during the financial year, including but not limited to insurance premiums paid on behalf of the director.

Remuneration in kind is only paid in favour of the Executive Directors. According to the provisions of the Remuneration Policy, the Managing Director will receive other benefits at a maximum cost equal to 10% of fixed annual remuneration in cash. The Company will also annually contribute to the Managing Director’s pension scheme an amount equal to the difference between the aforementioned 10% of his fixed remuneration and the cost of the benefits effectively received by the Managing Director during said year.

In financial year 2020, the Managing Director is expected to receive benefits consisting of the use of a company vehicle (including petrol consumption), medical insurance for him and his family (including an annual check-up for him and for his spouse) and life insurance (with an indemnity of EUR 150,000 in the event of death or permanent disability and of EUR 300,000 in the event of accidental death), at a total cost of benefits effectively received of EUR 37,857, as in 2019.

The premiums for life insurance that the Company will pay on behalf of the Managing Director during financial year 2020 are expected to amount to EUR 1,237, as in 2019, without prejudice to the civil liability insurance premium referred to in the above section. Said premiums are included in the amount of remuneration in kind stated in the above paragraph.

In addition, as the difference between 10% of his fixed remuneration and the cost of the benefits effectively received, it is also expected that the Company will contribute an amount of EUR 37,143 to the Managing Director’s pension scheme during financial year 2020, as in 2019.

In accordance with the provisions of the Remuneration Policy, the Finance Director will receive other benefits at a maximum cost equal to EUR 35,080, which may include items such as a pension scheme contribution.

In financial year 2020, the Finance Director is expected to receive benefits consisting of the use of a company vehicle (including petrol consumption), medical insurance for him and his family (including an annual check-up for him and for his spouse) and life insurance (with an indemnity of EUR 608,015 in the event of death or permanent disability and of EUR 1,216,030 in the event of accidental death), at a total cost of benefits effectively received of EUR 27,383.

The premiums for life insurance that the Company will pay on behalf of the Finance Director during financial year 2020 are expected to amount to EUR 2,360, without prejudice to the civil liability insurance premium referred to in the above section. Said premiums are included in the amount of remuneration in kind stated in the above paragraph.

In addition, as the difference between EUR 35,080 and the cost of the benefits effectively received, it is also expected that the Company will contribute an amount of EUR 7,697 to the Finance Director's pension scheme during financial year 2020.

– Amount and nature of variable components, distinguishing between short- and long-term components. Financial and non-financial parameters, including among the latter the social, environmental and climate change-related parameters, selected to determine variable remuneration for the current financial year, and explanation of the extent to which said parameters are related to the performance of the director and of the entity and to its risk profile, and the methodology, required term and techniques established in order to determine at financial year-end the level of achievement of the parameters used in designing the variable remuneration.

  State the range in monetary terms of the different variable components, based on the level of achievement of established targets and parameters, and whether there is any absolute maximum monetary amount.

In accordance with article 27.1 of the Regulations of the Board of Directors, the variable remuneration linked to the Company's performance is confined to executive directors. Pursuant to the provisions of the Remuneration Policy, the variable remuneration components for the Executive Directors are as follows:

(i) Variable annual remuneration:

The variable annual remuneration of the Executive Directors consists of a variable annual amount payable in cash and via the delivery of rights over Applus shares called restricted stock units ("**RSUs**"), linked to the achievement of Group targets (65% linked to adjusted operating profit and 35% linked to adjusted operating cashflow).

In the case of the Managing Director, the variable amount will be increased by 2% for each increase of 1% on the targets and reduced by 5% for each decrease of 1% on the targets. The variable base target has been established as 80% of fixed remuneration in cash and a maximum amount of 150% of the base target has been set. In other words, the target amount of variable annual remuneration amounts to EUR 600,000 and may be increased or reduced in the aforementioned proportions, with a maximum limit of EUR 900,000 and a minimum of EUR 0. With regard to the Finance Director, the variable amount will be increased by 2% for each increase of 1% on the targets and reduced by 5% for each decrease of 1% on the targets. The variable base target has been established as 70.6% of fixed remuneration in cash and a maximum amount of 200% of the base target has been set, for which reason the target amount of variable annual remuneration amounts to EUR 188,753 and may be increased or reduced in the aforementioned proportions, with a maximum limit of EUR 377,506 and a minimum of EUR 0.

The Board of Directors determines the effective amount of the variable annual remuneration of the Executive Directors upon a proposal from the ARC, which is responsible for conducting a detailed evaluation of the level of compliance with the targets set for achievement thereof.

Of the variable remuneration to be received by the Managing Director, 62.5% would be paid in cash and 37.5% via the delivery of RSUs. For the sake of clarity, for example, if one year the amount of remuneration to be received matched the target variable remuneration (EUR 600,000), the Managing Director would receive EUR 375,000 in cash and EUR 225,000 in RSUs. Of the variable remuneration to be received by the Finance Director, 50% would be paid in cash and 50% via the delivery of RSUs. For the sake of clarity, for example, if one year the amount of remuneration to be received matched the target variable remuneration (EUR 188,753), the Finance Director would receive EUR 94,376 in cash and EUR 94,376 in RSUs.

The average listing value of the Applus shares during the 30 days prior to the date of delivery of the RSUs will be taken into account in order to calculate the number of RSUs to be delivered in both cases.

The RSUs will be delivered every year on the date that the Board of Directors approves Applus' annual results and the amount of each executive director's variable annual remuneration. Specifically, the RSUs, corresponding to financial year 2019, have been delivered in February 2020.

The Company has delivered 24,407 RSUs to the Managing Director, which is the result of multiplying the target amount (EUR 600,000) by the level of performance of Applus in 2019 measured by the level of achievement of this remuneration system's parameters (119%) and by the percentage of remuneration payable in RSUs (37.5%), and then dividing the result by the average listing value of the Applus shares during the 30 days prior to the date of delivery of the RSUs (EUR 10.97 per share). The Company has delivered 6,031 RSUs to the Finance Director, which is the result of multiplying the target amount (EUR 188,753) by the level of achievement of this remuneration system's parameters (119%) and by the percentage of remuneration payable in RSUs (50%), and then dividing the result by the average listing value of the Applus shares during the 30 days prior to the date of delivery of the RSUs (EUR 10.97 per share), in proportion to the time that he was Finance Director during financial year 2019.

Each RSU will be exchangeable for one Applus share within a three-year period as from the date on which it is awarded, on a 30% basis for each of the first two years and a 40% basis for the last year. The RSUs corresponding to 2019 will vest as shares in February 2021, 2022 and 2023. The RSUs may also vest in advance in certain circumstances. The RSUs delivered in past financial years to the Managing Director (6,647 RSUs) and to the then CFO (7,917 RSUs) have vested as shares in February 2020.

The Company will be entitled to claim the return of the RSUs delivered to the Executive Directors (or, if already vested as shares, the vested shares) or an equivalent amount in cash, if the data upon which basis they were awarded are subsequently proven to be inaccurate.

(ii) Long-term incentive plan:

The long-term incentive plan (which started in 2016 under the Remuneration Policy in effect at that time) involves the annual receipt by the Executive Directors of performance stock units ("**PSUs**"), each one exchangeable for one share of the Company three years after the date on which they were awarded, depending on the level of achievement of certain parameters.

Under this plan, the Managing Director will annually receive PSUs in an amount in principle equivalent to 60% of his fixed remuneration and the Finance Director will annually receive PSUs in an amount in principle equivalent to EUR 58,333.

However, depending on the level of achievement of the parameters indicated below, said amounts may ultimately fluctuate as stated below.

The value of each PSU will be equivalent to the average listing value of the Company's shares during the 30 days prior to the date of award of the PSUs. Accordingly, in February 2020 the Company has granted 41,021 PSUs to the Managing Director, which is the result of dividing 60% of his fixed remuneration (EUR 450,000) by the referred average listing value of the Applus shares (EUR 10.97 per share), and it has granted 5,318 PSUs to the Finance Director, which is the result of dividing EUR 58,333 by the referred average listing value of the Applus shares (EUR 10.97 per share).

The PSUs will be granted every year on the date that the Board of Directors approves Applus' annual results. The number of PSUs to be delivered to the Managing Director may be adjusted throughout each financial year if his fixed remuneration is amended. However, the date of award of the additional PSUs will be deemed to be that corresponding to the date on which the Board of Directors approves the results for the relevant year.

The PSUs granted in each financial year will vest as shares within a three-year period as from the date of award thereof if the targets described below are achieved. The number of PSUs that will vest will have a value of between 0% and 120% of the fixed remuneration of the Managing Director and between 0% and 200% of EUR 58,333 in the case of the Finance Director, depending on the level of achievement of said targets during the three years prior to the vesting, meaning that said vesting corresponds to the professional performance of the Executive Directors during each three-year period. As such, 200% of the PSUs delivered in 2017 to the Managing Director (36,449 PSUs) and of the PSUs delivered to the then CFO (5,451 PSUs) have vested as shares in February 2020.

The ARC is responsible for conducting a detailed evaluation of the level of achievement of the criteria and targets established for accrual under the incentive plan. Therefore, in order to conduct the mandatory evaluation in February 2020 of the incentive plan started in 2016, the ARC has asked the firm PWC to prepare an independent report evaluating the TSR target and it will use Applus' audited reports for the EPS evaluation.

The following quantitative targets will be taken into account for the vesting of the PSUs:

(a) A target based on relative total shareholder return ("TSR") within a three-year period, where the Company's TSR will be compared against an unweighted index made up of a group of comparable companies within the inspection and certification industry. These companies are SGS S.a., Intertek Group PLC, Core Laboratories, Inc., ALS Limited, Bureau Veritas S.A., Eurofins Scientific S.E., Mistras Group, Inc., TEAM Industrial Services, Inc.

This parameter will represent 40% of the total of PSUs granted each year.

Within this 40%, 50% of the PSUs will vest as shares if the TSR result is equal to the index and 200% of the PSUs will vest as shares if the TSR result is 5% higher than the index on an annual cumulative basis. Between the index value and the TSR value creating entitlement to a 200% PSU-to-share vesting, vesting shall take place according to a linear interpolation between said two values. As a result, 100% of the PSUs will vest if the TSR result is 1.67% higher than the index on an annual cumulative basis.

If the TSR result is below the index, PSUs will not vest under this parameter.

(b) A target relating to adjusted earnings per share ("**EPS**") reported by Applus, accumulated within a three-year period. Said target will be published ex-post at the end of each three-year period.

This parameter will represent 60% of the total of PSUs granted each year.

The Board of Directors will establish specific thresholds for this EPS target, at which 50%, 100% and 200% (within the 60% that this parameter represents) of the target PSUs will vest as shares. The maximum number of PSUs that can vest as shares is 200% of the target.

If the EPS result is below the threshold creating an entitlement to a 50% PSU-to-share vesting, PSUs will not vest under this parameter.

If proven inaccuracies are found in the information taken into account for purposes of delivering the PSUs, mechanisms will be established so that the Company can claim reimbursement of the amount net of withholdings, taxes or rates corresponding to said PSUs effectively received by each executive director.

The PSUs may also vest as shares in advance in certain circumstances.

– Main features of long-term savings schemes. Among other information, state the contingencies covered under the schemes, whether they are defined-contribution or defined-benefit, the annual contribution to be made to defined-contribution schemes, the benefit to which beneficiaries are entitled in the case of defined-benefit schemes, the conditions for vesting of economic rights in favour of directors, and the compatibility thereof with any class of payment or indemnity for early termination or cessation or arising from the termination of the contractual relationship on the terms established between the company and the director.

  Also state whether the accrual or vesting of any of the long-term savings plans is linked to the achievement of certain targets or parameters related to the director's short- and long-term performance.

Pursuant to the provisions of the Remuneration Policy, the Company's Managing Director is entitled to receive an annual pension scheme contribution. The pension plan is structured as a defined-contribution scheme whose annual amount is the difference between 10% of the director's fixed annual remuneration in cash and the amount of benefits effectively received by the Managing Director during the financial year.

The Company is expected to make a contribution to the Managing Director's pension scheme in the amount of EUR 37,143 during financial year 2020, as in 2019.

The only limitation or restrictive condition relating to the executive director's enjoyment of the pension scheme is that it must take place after his retirement. The plan is compatible with the payments arising from the termination of the contractual relationship between the executive director and Applus.

Also pursuant to the provisions of the Remuneration Policy, the Company's Finance Director has the opportunity to choose to receive an annual pension scheme contribution within the framework of the benefits obtained during the financial year, which will have a maximum total cost of EUR 35,080.

It is expected that the Company will make a contribution to the Finance Director's pension scheme in the amount of EUR 7,697 in financial year 2020.

The pension plan is structured as a defined-contribution scheme and the only limitation or restrictive condition relating to the executive director's enjoyment of the pension scheme is that it must take place after his retirement. The plan is compatible with the payments arising from the termination of the contractual relationship between the executive director and Applus.

– Any class of payment or indemnity for early termination or cessation or arising from the termination of the contractual relationship on the terms established between the company and the director, whether the cessation is at the will of the company or the director, as well as any class of agreement entered into, such as exclusivity, post-contractual non-compete, continuance in office or loyalty agreements, that entitle the director to any kind of payment.

Applus has assumed the following payments, indemnities and agreements vis-à-vis the Executive Directors:

(i) Exclusivity: The Executive Directors have an exclusivity obligation vis-à-vis the Company on the terms described in the following sub-section, which is not specifically remunerated.

(ii) Termination: The Managing Director is not entitled to any consideration as a result of the mere termination of his contract, except as provided in the post-contractual non-compete agreement. In turn, the Finance Director is entitled to compensation (net of taxes) equivalent to twice the total net monetary remuneration received in the year prior to the termination of his contract in the case of: (a) termination of the contract in any form at the decision of the Company, except in cases of dismissal on disciplinary grounds ruled fair by the employment tribunals in a final judgment; and (b) termination of the contract at the decision of the Finance Director, whatever the form or grounds thereof, except in cases of resignation or voluntary severance without grounds.

However, if one of the executive directors or the Company partially or fully breaches the notice obligation, the other party will be entitled to an indemnity equivalent to the relevant executive director's fixed remuneration corresponding to the duration of the breach of the notice period.

(iii) Post-contractual non-compete: The Executive Directors are not to compete against the Company or any company of the Applus group. The Managing Director's non-compete undertaking will have a duration of two years as from the termination of his contract. As consideration, the Managing Director will be entitled to receive upon said termination an amount equal to twice the fixed annual remuneration in cash received in the last year prior to termination of the contract, which will be paid during the 23 months following said termination in equal monthly instalments. This amount will be reduced by any sum that the Company is required to pay to the Managing Director as legal compensation (arising from the application of relevant legal provisions) for the termination of the contract, meaning that in no case will the total amount to be received by the Managing Director after the termination of the contract exceed twice the fixed annual remuneration received in the last year prior to the termination of the contract. Said reduction shall be divided on a pro rata basis in equal parts among the monthly instalments pending payment to the Managing Director. If the Managing Director breaches this undertaking and competes with the Company or with any company of the group, he must return the sums paid by the Company as consideration for the agreement.

In turn, the Finance Director's non-compete undertaking will have a duration of one year as from the termination of his contract. As consideration, the Finance Director will be entitled to receive an amount equal to 50% of the fixed annual remuneration he is receiving at the date of termination of the contract, which will be paid in the 12 months following such termination through payment of monthly instalments in equal amounts. If the Finance Director breaches his undertaking, he must return the sums paid by the Company as consideration for the agreement and he must pay the Company compensation in an equivalent amount (that is, 50% of the fixed annual remuneration that he is receiving at the date of termination of the contract).

Other than as stated above, Applus has not assumed any other payments or indemnities for early termination or cessation or arising from termination of the contractual relationship with its directors, or any agreements such as exclusivity, post-contractual non-compete, continuance in office or loyalty agreements that entitle its directors to any kind of payment.

- State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding, among others, the term, limits on termination compensation amounts, continuance in office clauses, notice periods, and payment in lieu of the aforementioned notice periods, and any other clauses relating to hiring bonuses, as well as compensation or golden parachutes due to early termination of the contractual relationship between the company and the executive director. Include among other things any non-compete, exclusivity, continuance in office or loyalty, and post-contractual non-compete clauses or agreements, unless they have been explained in the preceding sub-section.

In addition to those relating to his remuneration, the terms and conditions of the contracts of the Executive Directors to provide services to the Company are as follows:

(i) Duration: The contracts of the Executive Directors are for an indefinite term.

(ii) Exclusivity: While they are performing executive duties, the Executive Directors must not hold any direct or indirect interest in any other business or activity that could represent a conflict of interests in relation to their obligations and responsibilities in the Company or in relation to the activity thereof and of the Applus group.

(iii) Termination: The contracts of the Executive Directors may be terminated at any time at the will of the corresponding executive director or the Company, provided that it is notified in writing to the other party with six months' notice in the case of the Managing Director and with three months' notice in the case of the Finance Director. If this notice period is breached, the breaching party must pay the other the indemnity described in the preceding sub-section.

(iv) Post-contractual non-compete: See preceding sub-section. Additionally, in the case of the Managing Director, the provision of any kind of service, whether on his own behalf or for a third party, whether in an executive or merely advisory capacity, or the direct or indirect promotion of the creation of companies or entities that will carry on a competing business, as well as shareholding participation in such companies or entities, shall be deemed to be competition. Any activity that at the time of termination of the Managing Director's contract is being carried on by any company of the group or is expected to be started in the following 12 months shall be deemed to be a competing business. Moreover, the Managing Director is not to hire or participate in the hiring of workers who are or have been part of the workforce of the Company or of any company of the group at the time of termination of his contract or in the preceding 12 months.

    In the case of the Finance Director, the direct or indirect performance of the following activities or actions, whether on his own behalf or for a third party, shall be deemed to be competition: (a) producing, supplying, distributing or marketing identical or similar products or services to those that the group is supplying or plans to supply at the time of termination of the contract; (b) making offers or proposals, seeking or approaching or inducing the hiring of natural or legal persons with respect to whom the Finance Director is aware that Applus, its subsidiaries or its investees have provided good or professional services at any time during the two years prior to the date of termination of contract, or were negotiating with Applus or any other company of the group to provide activities or services at the aforementioned date of termination of contract; or (c) in relation to persons who were contracted by Applus or any company of the group at the date of termination of the contract or during the six months prior thereto, making them offers or proposals or inducing or asking them to leave Applus or any company of the group, or hiring or employing them for another person or ensuring that they are hired by another person who carries on business that is in competition with any of the business of the Applus group.

- Explain the nature and estimated amount of any other supplementary remuneration that will be accrued by the directors during the current financial year as consideration for services provided other than those inherent to their position.

No directors have provided or are expected to provide services other than those inherent to their position during the current financial year, for which reason they have not accrued and are not expected to accrue any supplementary remuneration for said items.

- Other remuneration items such as any deriving from the company granting the director advances, loans, guarantees or other remuneration.

As at the date of this report, the Company has not granted its directors any other remuneration items such as any deriving from advances, loans, guarantees or other remuneration.

- Explain the nature and estimated amount of any other scheduled supplementary remuneration not included in the preceding sub-sections, whether paid by the entity or another entity of the group, that will be accrued by the directors during the current financial year.

No supplementary remuneration of this nature has accrued or is expected to accrue during the current financial year.

A.2 Explain any significant changes in the remuneration policy applicable to the current financial year arising from:

- A new policy or an amendment to the policy previously approved by the shareholders at the General Meeting.

- Significant changes in the specific determinations established by the board for the current financial year for the current remuneration policy, in comparison with those applied in the preceding financial year.

– Proposals that the board of directors has resolved to present to the shareholders at the general shareholders' meeting to which it will submit this annual report and which are proposed to be applied to the current financial year.

As at the date of this report, there have been no changes to the Remuneration Policy applicable to the current financial year arising from a new policy or an amendment to the previously approved policy, or any significant changes in the specific determinations established by the Board of Directors for the current financial year in comparison with those applied in 2019. The ARC annually reviews the Remuneration Policy to ensure that it is aligned with the entity's situation and short-, medium- and long-term strategy and with market conditions and to assess whether it contributes to the creation of long-term value and to adequate risk control and management, amending it if necessary as has been the case in previous years. In preparation for this review, each January the Chair of the ARC conducts a formal dialogue process with the main investors and proxy advisors involving the review of the existing policy and a request for assessments and opinions with respect to the improvement thereof.

A.3 Provide a direct link to the document featuring the company's current remuneration policy, which must be made available on the company's website.

https://www.applus.com/global/es/dam/jcr:9082bb58-3750-4bb4-9b03-84642d3b3320/191204-Applus+_Pol%C3%ADtica%20Remuneraci%C3%B3n%20Consejeros.pdf

A.4 Taking into account the information provided in section B.4, explain how the shareholders' votes at the general meeting at which the annual remuneration report for the previous financial year was submitted for a consultative vote have been taken into account.

The consultative vote of the shareholders at the General Shareholders' Meeting 2019 in relation to the Annual Report on Director Remuneration for the previous financial year was very positive (95.009% of votes in favour, 3.511% against and 1.480% abstentions). In financial year 2019, the amendments to the Director Remuneration Policy were submitted for the approval of the shareholders at the General Shareholders' Meeting. The amendments were intended to adapt the Policy to the new composition of the Board of directors following the appointment of the Finance Director as a new executive director, as well as to introduce clawback clauses for the variable annual remuneration of the Executive Directors in accordance with recommendation 63 of the Good Governance Code of Listed Companies.

B OVERALL SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE LAST FINANCIAL YEAR

B.1 Explain the process followed to apply the remuneration policy and determine the individual remuneration set forth in section C of this report. This information will include the role of the remuneration committee, the decisions taken by the board of directors and, if applicable, the identity and role of external advisors whose services have been used in the process of applying the remuneration policy during the last financial year.

In accordance with the provisions of section 529 *septdecies* of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) and article 25.1 of the Regulations of Applus' Board of Directors, it is for the Board of Directors to determine the distribution of the overall sum approved by the shareholders at the General Meeting among the directors, taking into consideration the duties and responsibilities allocated to each director, membership of Board Committees and the other circumstances that it deems relevant. The ARC is the body that assists the Board of Directors with the remuneration policy for directors and senior officers in accordance with the powers assigned thereto for such purpose in the Regulations of the Company's Board of Directors.

Pursuant to the foregoing, on 19 February 2019 the ARC submitted the previously described proposed amendment of the Remuneration Policy to the Board of Directors, which was subsequently approved by the shareholders at the General Shareholders' Meeting 2019. For purposes of preparing this Policy, the ARC maintained the remuneration system of the Finance Director prior to his appointment, designed on the basis of the benchmark study it had engaged Mercer Consulting to conduct (see sub-section one of section A.1 above)

In accordance with the terms of the Remuneration Policy, the Board of Directors applied the Remuneration Policy on the terms described in section C below upon a proposal from the ARC.

It was resolved not to alter the new Remuneration Policy in relation to the remuneration of the directors in their capacity as such. In line with this, the Board resolved to maintain the individual remuneration of directors in their capacity as such for financial year 2019 along the same lines as for the previous year:

- Members of the Board of Directors other than the Chair: EUR 60,000.
- Chair of the Board of Directors: EUR 250,000.
- Members of any Board Committee other than the Chairs thereof: EUR 20,000 per Committee.
- Chair of any Board Committee: EUR 30,000 per Committee.

Neither proprietary nor executive directors will receive any remuneration for their membership of the Board of Directors or any of its Committees.

As regards the remuneration of the Managing Director for the performance of his executive duties, his fixed remuneration in financial year 2019 is as described in the Remuneration Policy and his effective variable remuneration has been determined by the Board of Directors upon a proposal from the ARC, in accordance with the procedure described in section A.1 above.

As regards the remuneration of the Finance Director for the performance of his executive duties, it was resolved to introduce the amendments to the Remuneration Policy in comparison with 2018 that have been described in sub-section two of section A.1 above. His fixed remuneration in financial year 2019 is as described in the Remuneration Policy and his effective variable remuneration has been determined by the Board of Directors upon a proposal from the ARC, in accordance with the procedure described in section A.1 above.

B.2 Explain the different actions taken by the company in relation to the remuneration system and how they have contributed to reducing exposure to excessive risk and aligning the system to the company's long-term objectives, values and interests, including a reference to the measures taken to ensure that the accrued remuneration has taken into account the company's long-term results and an appropriate balance has been achieved between the fixed and variable remuneration components, what measures have been taken in relation to those categories of staff whose professional activities have a material impact on the entity's risk profile, and what measures have been taken to avoid conflicts of interest, if any.

During financial year 2019, Applus adapted its remuneration system, which resulted in the approval by the shareholders at the General Shareholders' Meeting 2019 of a new Remuneration Policy, applicable for financial years 2019, 2020 and 2021, on the terms described in section A.1 above.

This review was due to the new appointment of the Finance Directors as an executive director of the Company, providing for part-payment of both his fixed remuneration and his remuneration with a variable component, in shares. Moreover, to reduce exposure to excessive risks and align the remuneration system with the Company's long-term objectives, values and interests, the Finance Director's variable annual remuneration and long-term incentive plan are both linked to the achievement of targets, with accrual and payment deferral periods established as well as maximum limits on the amount thereof.

Additionally, the review of the Remuneration Policy was intended to introduce clawback clauses for the variable annual remuneration in RSUs of Applus' Executive Directors in accordance with recommendation 63 of the Good Governance Code of Listed Companies, which ensure that the variable annual remuneration of the executive directors properly corresponds to the Company's long-term results. All of the foregoing amendments are described in detail in sub-section two of section A.1 above.

Applus did not amend the remuneration system approved at the General Shareholders' Meeting 2018 for the Managing Director during financial year 2019, maintaining its remunerative mix, maintaining the form of calculating variable annual remuneration and the part-payment thereof in shares, with a partial deferral of payment thereof. Additionally, the Managing Director's variable annual remuneration and long-term incentive plan remained unaltered; they are linked to the achievement of targets, with accrual and payment deferral periods established as well as maximum limits on the amount thereof. These features are described in detail in sub-section two of section A.1 above.

With respect to the measures established to avoid conflicts of interest, the aforementioned sub-section two describes the disclosure and abstention duties of directors in situations involving conflicts of interest, which were also applicable in the last financial year.

B.3 Explain how remuneration accrued during the financial year complies with the provisions of the current remuneration policy.

Also report on the relationship between remuneration obtained by directors and results or other short- and long-term performance measures for the entity, explaining where applicable how fluctuations in the company's performance may have influenced fluctuations in director remuneration, including accruals the payment of which is deferred, and how they contribute to the company's short- and long-term results.

The remuneration of Directors in their capacity as such complies with the provisions of the current Remuneration Policy given that the maximum total approved by the shareholders at the General Meeting has been respected, the individual remuneration of each director has been set based on the criteria established in the Policy, the Executive Directors have not received any remuneration for their membership of the Board or its Committees, all the Directors have been reimbursed for duly justified expenses associated with travel and accommodation for purposes of attending meetings of the Board and its Committees and the premiums for the civil liability insurance contracted have been paid.

The Managing Director's remuneration for the performance of his executive duties has also been aligned with the provisions of the Remuneration Policy, meaning that he has received the fixed remuneration in cash established in said Policy (EUR 750,000), benefits effectively received at a total cost of EUR 37,857 (of which EUR 7,311 corresponds to a cash supplement for medical insurance and vehicle to bring the currently received benefits into line with the agreement reached with the Managing Director at the time he was hired), a contribution to his pension scheme in the approximate amount of EUR 37,143 (which is the difference between 10% of his fixed remuneration in cash and the total cost of benefits effectively received), variable annual remuneration accrued in 2019 and payable in 2020 of EUR 714,000 (EUR 446,250 in cash and EUR 267,750 in RSUs), calculated in accordance with the provisions of the Remuneration Policy and described below, and 45,036 PSUs granted under the long-term incentive plan, which will vest as Applus shares, if applicable, in February 2022.

The Finance Director's remuneration for the performance of his executive duties has also been aligned with the provisions of the Remuneration Policy, but the amounts reflected correspond to the period from his appointment as Director on 30 May 2019 until the end of the reference year, meaning that he has received the fixed remuneration in cash established in said Policy since his appointment (EUR 157,476), benefits effectively received since his appointment at a total cost of EUR 16,130 (of which EUR 928 corresponds since he was appointed to a cash supplement for vehicle to bring the currently received benefits into line with the agreement reached with the Finance Director at the time he was hired), a contribution to his pension scheme since he was appointed in the amount of approximately EUR 4,534 (which is the difference between EUR 20,664 and the total cost of benefits effectively received since his appointment), did not receive RSUs as part of his fixed remuneration since his appointment, he received a variable annual remuneration accrued since he was appointed in 2019 and payable in 2020 of EUR 132,308 (EUR 66,154 in cash and EUR 66,154 in RSUs), also calculated in accordance with the provisions of the Remuneration Policy and described below, and did not receive any PSUs under the long-term incentive plan, since his appointment. In addition, the RSUs delivered in 2016 to the CFO as fixed remuneration (that is, 6,720 RSUs) have vested as shares in February 2019, although the Company has delivered the shares net of taxes (that is, 3,948 shares). The RSUs delivered in past financial years to the CFO as variable remuneration (that is, 9,889 RSUs) have vested as shares in 2019, although the Company has delivered the shares net of taxes (that is, 5,802 shares).

Fluctuations in the Company's performance have been directly reflected in the Executive Directors' variable remuneration. The amount of variable annual remuneration is calculated by increasing or reducing the target amount as described in sub-section six of section A.1 above. Moreover, the Managing Director has received 37.5% of his variable annual remuneration for 2019 in the form of RSUs, and the Finance Director has received 50% of his variable annual remuneration for 2019 since his appointment in the form of RSUs. The number of RSUs was calculated based on the average listing value of the Company's shares during the 30 days prior to the date on which they were granted. Each RSU will be exchangeable for one Applus share within a three-year period (30% of the RSUs corresponding to 2019 will vest as shares in February 2021, another 30% in February 2022 and the remaining 40% in February 2023), which again links the effective value of the directors' remuneration to Applus' short- and long-term performance.

The number of PSUs granted to the Managing Director in 2019 was calculated based on the average listing value of the Company's shares during the 30 days prior to the date on which they were granted. The number of PSUs that will be exchangeable for shares will be determined based on the level of achievement over a cumulative three-year period of the TSR and EPS targets described in sub-section six of section A.1 above. 80% of the PSUs delivered in 2016 to the Managing Director and to the then CFO have vested as shares in February 2019, although the Company has delivered the shares net of taxes. In addition, the Managing Director received in accordance with the long-term incentive plan, an economic provision equal to the value of the dividends that would have been paid on the gross PSUs delivered in 2016 which vested in 2019.

B.4 Report on the result of the consultative vote of the shareholders at the general meeting on the annual report on remuneration for the previous financial year, stating the number of negative votes in respect of the report, if any:

	Number	% of total
Votes cast	98,079,341	68.57%

	Number	% of votes cast
Negative votes	3,443,324	3.511%
Votes in favour	93,184,565	95.009%
Abstentions	1,451,452	1.480%

Comments

B.5 Explain how the fixed components accrued during the financial year by the directors in their capacity as such have been determined, and how they have varied in comparison with the previous year

The Board of Directors determined the fixed components of remuneration of directors in their capacity as such during the previous financial year, upon a proposal from the ARC, within the limits set by the shareholders at the General Shareholders' Meeting and based on the criteria established in the Remuneration Policy. These components have not varied in comparison with 2018.

B.6 Explain how the balances accrued by each executive director for the performance of management duties during the last financial year have been determined, and how they have varied in comparison with the previous year.

The Managing Director's salary accrued during financial year 2019 corresponds with that approved by the shareholders at the General Shareholders' Meeting in the Remuneration Policy (that is, EUR 750,000), which is the same as that accrued in financial year 2018. The benefits correspond with that approved by the shareholders at the General Shareholders' Meeting in the Remuneration Policy (that is, with a maximum amount of EUR 75,000) and have been maintained on equivalent terms to those of the previous year. Likewise, the Finance Director's salary accrued during financial year 2019 since his appointment corresponds with that approved by the shareholders at the General Shareholders' Meeting in the Remuneration Policy (that is, EUR 157,476). The benefits since he was appointed correspond with that approved by the shareholders at the General Shareholders' Meeting in the Remuneration Policy (that is, with a maximum amount since his appointment of EUR 20,664). The Financial Director was not an Executive Director in the previous year.

B.7 Explain the nature and main features of the variable components of the remuneration systems accrued during the last financial year.

In particular:

- Identify each remuneration scheme that has determined the different items of variable remuneration accrued by each director during the last financial year, including information on their scope, date of approval, implementation date, accrual and validity periods, criteria that have been used to evaluate performance and how it has impacted on the setting of the accrued variable amount, as well as the measurement criteria used and the period required to be able to properly measure all the stipulated conditions and criteria.

In the case of schemes involving share options or other financial instruments, the general features of each plan are to include information on the conditions for acquiring unconditional ownership thereof (consolidation) and for being able to exercise said options or financial instruments, including the price and exercise period.

– Refer to each director and their classification (executive director, proprietary external director, independent external director or other external director), if they are beneficiaries of remuneration systems or schemes that incorporate variable remuneration.

– If applicable, report on the established payment accrual or deferral periods that have been applied and/or periods for withholding/non-disposal of shares or other financial instruments, if any.

Explain the short-term variable components of the remuneration schemes

There are only short-term variable remuneration components in favour of the Executive Directors. These components consist of a variable annual remuneration scheme approved in 2019 for the Managing Director in the terms in force in 2018, and approved for the Finance Director after his appointment by the shareholders at the General Shareholders' Meeting 2019 in terms equivalent to those he accrued as CFO.

The terms and conditions of this variable remuneration scheme, including its scope, accrual and validity periods, criteria used to evaluate performance and reflection thereof in the setting of the accrued variable amount, criteria and measurement periods are described in sub-section six of section A.1 above. The sums accrued in financial year 2019 are stated in section B.3 above.

Explain the long-term variable components of the remuneration schemes

There are only long-term variable remuneration components in favour of the Executive Directors. These components consist of a long-term incentive plan that was approved by the shareholders at the General Shareholders' Meeting 2016 and which has remained unchanged to date, applying since then to the Executive Directors (in the case of the Finance Director, prior to his appointment by the General Shareholders' Meeting 2019, as CFO). The Finance Director has not received any remuneration during the reference financial year in relation to the long-term incentive plan since he was appointed on 30 May 2019.

The terms and conditions of this incentive plan, including its scope, accrual and validity periods, criteria used to evaluate performance and the reflection thereof in the setting of the accrued variable amount, criteria and measurement periods are described in sub-section six of section A.1 above. The sums accrued in financial year 2019 are stated in section B.3 above.

B.8 State whether certain variable components have been reduced or reclaimed (malus/clawback), when payment has been consolidated and deferred in the former case, or consolidated and paid in the latter case, based on information that has later been clearly proven to be inaccurate. Describe the amounts reduced or returned due to the application of malus/clawback clauses, why they have been enforced and the financial years to which they correspond.

There was no reduction or reclaiming of any variable component in financial year 2019, as no inaccuracy was identified in the information used for purposes of calculation thereof.

B.9 Explain the main features of the long-term savings schemes whose annual equivalent amount or cost is included in the tables in Section C, including retirement and any other survival benefit, either partially or wholly financed by the company and whether funded internally or externally, stating the type of scheme, whether it is defined-contribution or defined-benefit, the contingencies it covers, the conditions for consolidation of economic rights in favour of directors, and the compatibility thereof with any class of indemnity for early termination or cessation of the contractual relationship between the company and the director.

Pursuant to the provisions of the Remuneration Policy, the Executive Directors are entitled to receive an annual pension scheme contribution (in the case of the Finance Director, at his discretion). Its features are described in sub-section seven of section A.1 above. The amount of the contribution made to the scheme in 2019 is stated in section B.3 above.

B.10 Explain, if applicable, the indemnities or any other class of payment arising from early cessation, whether at the will of the company or the director, or from the termination of the contract on the terms provided therein, accrued and/or received by the directors during the last financial year.

No Applus director accrued or received any indemnities or payments of any class arising from the early cessation of termination of their contract in financial year 2019.

B.11 State whether there have been significant amendments to the contracts of those performing senior management duties as executive directors and explain them, if applicable. Also explain the main terms and conditions of new contracts signed with executive directors during the financial year, unless already explained in section A.1.

A proposal to amend the Director Remuneration Policy was submitted to the shareholders at the General Shareholders' Meeting in financial year 2019. The proposed and approved amendments consisted of adapting the scope of the Policy to the new composition of the Company's Board of Directors following the appointment of Applus' Finance Director as executive director, as well as introducing clawback clauses for the variable annual remuneration of Applus' two executive directors in accordance with recommendation 63 of the Good Governance Code of Listed Companies. Additionally, a contract for the provision of services was entered into with the Finance Director on the terms set out in section A.1 above.

B.12 Explain any supplementary remuneration accrued by the directors as consideration for services provided other than those inherent to their position.

The directors did not provide services other than those inherent to their position in financial year 2019, meaning no supplementary remuneration accrued for this item.

B.13 Explain any remuneration arising from the grant of advances, loans and guarantees, stating the interest rate, the essential features thereof and any amounts reimbursed, as well as the obligations assumed under the guarantee.

No remuneration accrued for these items and no obligation was assumed of this kind in financial year 2019.

B.14 Describe the remuneration in kind accrued by the directors during the financial year, briefly explaining the nature of the different salary components.

The remuneration in kind for directors of the Company is only in favour of the Executive Directors.

In financial year 2019, the Managing Director accrued benefits as remuneration in kind at a total cost of benefits effectively received of EUR 37,857. Said benefits include the use of a company vehicle (including petrol consumption), of medical insurance for him and his family (including an annual check-up for him and his spouse), and life insurance (with an indemnity of EUR 150,000 in the event of death or permanent disability and of EUR 300,000 in the event of accidental death). In addition, during financial year 2019 the Company has contributed to the Managing Director's pension scheme an amount of EUR 37,143.

In financial year 2019 and since he was appointed, the Finance Director accrued benefits as remuneration in kind at a total cost of benefits effectively received of EUR 16,130 since his appointment. Said benefits include the use of a company vehicle (including petrol consumption), of medical insurance for him and his family (including an annual check-up for him and his spouse) and life insurance (with an indemnity of EUR 608,015 in the event of death or permanent disability and of EUR 1,216,030 in the event of accidental death) and fees of professional societies and associations. In addition, during financial year 2019 and since his appointment the Company has contributed to the Finance Director's pension scheme an amount of EUR 4,534.

B.15 Explain the remuneration accrued by the director under payments made by the listed company to a third-party entity in which the director provides services, when said payments are intended to remunerate the services thereof within the company.

There were no payments of this kind in financial year 2019.

B.16 Explain any other remuneration item not covered above, whatever the nature thereof or the entity of the group that pays it, particularly when it is classified as a related-party transaction or the making thereof detracts from a true and fair view of the total remuneration accrued by the director.

During financial year 2019, the Managing Director accrued a cash supplement of EUR 7,311 corresponding to the medical insurance and vehicle supplement, in order to bring the benefits received into line with the agreement reached with the Managing

Director at the time he was hired. Said supplement is associated with the corresponding benefits, and would not be received if said benefits disappeared. Said cash amount of EUR 7,311 is also reflected in table C1 of this report and is included in the cost of the benefits effectively received by the Managing Director, not including the contributions to the pension scheme (approximately EUR 37,857). Likewise, during financial year 2019, the Finance Director accrued since his appointment a cash supplement of EUR 928 corresponding to the vehicle supplement, in order to bring the benefits received into line with the agreement reached with the Finance Director at the time he was hired. Said supplement is associated with the corresponding benefits, and would not be received if said benefits disappeared. Said cash amount of EUR 928 is also reflected in table C1 of this report and is included in the cost of the benefits effectively received by the Finance Director since his appointment, not including the contributions to the pension scheme (approximately EUR 16,130).

C DETAILS OF INDIVIDUAL REMUNERATION CORRESPONDING TO EACH DIRECTOR

Name	Classification	Accrual period t
Christopher Cole	Independent	From 01/01/2019 to 31/12/2019
Fernando Basabe Armijo	Executive	From 01/01/2019 to 31/12/2019
Ernesto Gerardo Mata López	Independent	From 01/01/2019 to 31/12/2019
John Daniel Hofmeister	Independent	From 01/01/2019 to 31/12/2019
Richard Campbell Nelson	Independent	From 01/01/2019 to 31/12/2019
Nicolás Villén Jiménez	Independent	From 01/01/2019 to 31/12/2019
Cristina Henríquez de Luna Basagoiti	Independent	From 01/01/2019 to 31/12/2019
Maria José Esteruelas Aguirre	Independent	From 20/02/2019 to 31/12/2019
Essimari Kairisto	Independent	From 09/04/2019 to 31/12/2019
Joan Amigó Casas	Executive	From 30/05/2019 to 31/12/2019

C.1 Complete the following tables with respect to the individual remuneration of each director (including remuneration for the performance of executive duties) accrued during the financial year.

a) Remuneration from the company covered by this report:

i) Remuneration accrued in cash (in thousands of €)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	Total financial year t	Total financial year t-1
Christopher Cole	250		38						288	284
Fernando Basabe Armijo				750	446	14		7	1,218	1,126
Ernesto Gerardo Mata López	60		20						80	84
John Daniel Hofmeister	60		30						90	90
Richard Campbell Nelson	60		40						100	100
Nicolás Villén Jiménez	60		30						90	86
Cristina Henríquez de Luna Basagoiti	60		20						80	80
Maria José Esteruelas Aguirre	53		12						64	0
Essimari Kairisto	44		14						58	0
Joan Amigó Casas				157	66			2	225	0

Comments
Ms Maria José Esteruelas Aguirre was appointed a member of the ARC on 30 May 2019. Ms Essimari Kairisto was appointed a member of the Audit Committee on 10 April 2019. Mr Joan Amigó Casas was appointed Finance Director on 30 May 2019. Within the framework of the long-term incentive plan, Mr Fernando Basabe Armijo obtained in February 2019 an economic provision equal to the value of the dividends that would have been paid on the gross PSUs delivered in 2016 which vested in 2019 (EUR 14,018). Mr Joan Amigó Casas obtained the same provision amounting to EUR 2,096 as CFO, but its accrual in 2019 was prior to his appointment as Finance Director.

ii) Table of movements in share-based remuneration schemes and net return on consolidated shares or financial instruments

Name	Name of Plan	Financial instruments at start of financial year t		Financial instruments granted during financial year t		Financial instruments consolidated during financial year t				Instruments mature but not exercised	Financial instruments at end of financial year t	
		No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent no. of shares	No. of instruments	Equivalent/consolidated no. of shares	Price of consolidated shares	Net Return on consolidated shares or financial instruments (thousands of €)	No. of instruments	No. of instruments	Equivalent no. of shares
Fernando Basabe Armijo	Variable annual remuneration scheme	22,158	22,158	24,407	24,407	24,407	24,407	10.81	264	0	46,565	46,565
	Long-term incentive plan	121,185	121,185	45,036	45,036	35,945	35,945	10.42	375	0	121,290	121,290
Joan Amigó Casas	Fixed remuneration	16,448	16,448	0	0	0	0	0	0	0	16,448	16,448
	Variable annual remuneration scheme	16,801	16,801	6,031	6,031	6,031	6,031	10.81	65	0	22,832	22,832
	Long-term incentive plan	16,448	16,448	0	0	0	0	0	0	0	16,448	16,448

Comments
During financial year 2019, the Managing Director accrued (i) 24,407 RSUs in relation to his variable remuneration (delivered in February 2020, which were consolidated); and (ii) 45,036 PSUs under the long-term incentive plan, which have a consolidation period lasting three years. In addition to that, 35,945 PSUs of the 44,931 PSUs granted in 2016 under the long-term incentive plan, as disclosed in prior IARs, were consolidated and vested. The Finance Director's remuneration for financial year 2019 accrued as CFO, prior to his appointment on 30 May 2019, with the exception of the RSUs in relation to his variable remuneration (delivered in February 2020). During financial year 2019 and prior to his appointment, the CFO accrued (i) 5,838 RSUs in relation to his fixed remuneration, which were consolidated; and (ii) 5,838 PSUs under the long-term incentive plan, which have a consolidation period lasting three years. In addition to that, 6,720 RSUs in relation to his fixed remuneration granted in 2016, 9,889 RSUs in relation to his variable remuneration granted in 2016 (40% of 13,238), 2017 (30% of 7,886) and 2018 (30% of 7,425), and 5,376 of the 6,720 PSUs granted in 2016 under the long-term incentive plan (which were consolidated), accrued as CFO. After his appointment, during financial year 2019, the Finance Director accrued 6,031 RSUs in relation to his variable remuneration (delivered in February 2020, which were consolidated). The price of consolidated shares has been (i) EUR 10.81 for the RSUs relative to variable remuneration (delivered in February 2020) and (ii) EUR 10.42 for the PSUs of the Managing Director granted in 2016 which have vested under the long-term incentive plan.

iii) Long-term savings schemes

	Remuneration for consolidation of savings scheme rights
Fernando Basabe Armijo	37
Joan Amigó Casas	5

Name	Contribution in financial year by company (thousands of €)				Amount of accumulated funds (thousands of €)			
	Savings schemes with consolidated economic rights		Savings schemes with non-consolidated economic rights		Financial year t		Financial year t-1	
	Financial year t	Financial year t-1	Financial year t	Financial year t-1	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights	Schemes with consolidated economic rights	Schemes with non-consolidated economic rights
Fernando Basabe Armijo	37	38	0	0	75	0	38	0
Joan Amigó Casas	5	10	0	0	76	0	71	0

Comments
The Finance Director benefitted from the same pension plan under his remuneration scheme as CFO prior to his appointment.

iv) Details of other items

Name	Item	Remuneration amount
Fernando Basabe Armijo	Cost of benefits in kind: total cost of benefits effectively received EUR 37,857 – cash amount associated therewith EUR 7,311	31
Joan Amigó Casas	Cost of benefits in kind: total cost of benefits effectively received EUR 16,130 – cash amount associated therewith EUR 928	15

Comments
The Executive Directors obtained cash supplements in relation to their remuneration in kind, so the cost of benefits in kind which have not been set out in previous sections (that is, not including contributions to the pension schemes), does not include these provisions.

b) Remuneration for company directors for membership on boards of other group companies:

i) Remuneration accrued in cash (in thousands of €)

Name	Fixed remuneration	Attendance fees	Remuneration for membership of board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Indemnity	Other items	Total financial year t	Total financial year t-1
Christopher Cole	0	0	0	0	0	0	0	0	0	0
Fernando Basabe Armijo	0	0	0	0	0	0	0	0	0	0
Ernesto Gerardo Mata López	0	0	0	0	0	0	0	0	0	0
John Daniel Hofmeister	0	0	0	0	0	0	0	0	0	0
Richard Campbell Nelson	0	0	0	0	0	0	0	0	0	0
Nicolás Villén Jiménez	0	0	0	0	0	0	0	0	0	0
Cristina Henríquez de Luna Basagoiti	0	0	0	0	0	0	0	0	0	0
Maria José Esteruelas Aguirre	0	0	0	0	0	0	0	0	0	0
Essimari Kairisto	0	0	0	0	0	0	0	0	0	0
Joan Amigó Casas	0	0	0	0	0	0	0	0	0	0

Comments

ii) Table of movements in share-based remuneration schemes and net return on consolidated shares or financial instruments

iii) Long-term savings schemes

iv) Details of other items

c) Summary of remuneration (in thousands of €):

The summary must include the amounts corresponding to all remuneration items included in this report that the director has accrued, in thousands of euros.

	Remuneration accrued in the Company					Remuneration accrued in group companies				
Name	**Total cash remuneration**	**Net return on consolidated shares or financial instruments**	**Remuneration for savings schemes**	**Remuneration for other items**	**Company total financial year t**	**Total cash remuneration**	**Net return on consolidated shares or financial instruments**	**Remuneration for savings schemes**	**Remuneration for other items**	**Group total financial year t**
Christopher Cole	288	0	0	0	288	0	0	0	0	0
Fernando Basabe Armijo	1,218	639	37	31	1,925	0	0	0	0	0
Ernesto Gerardo Mata López	80	0	0	0	80	0	0	0	0	0
John Daniel Hofmeister	90	0	0	0	90	0	0	0	0	0
Richard Campbell Nelson	100	0	0	0	100	0	0	0	0	0
Nicolás Villén Jiménez	90	0	0	0	90	0	0	0	0	0
Cristina Henríquez de Luna Basagoiti	80	0	0	0	80	0	0	0	0	0
Maria José Esteruelas Aguirre	64	0	0	0	64	0	0	0	0	0
Essimari Kairisto	58	0	0	0	58	0	0	0	0	0
Joan Amigó Casas	225	65	5	15	310	0	0	0	0	0
Total:	**2,293**	**704**	**42**	**46**	**3,085**	**0**	**0**	**0**	**0**	**0**

Comments

D OTHER INFORMATION OF INTEREST

Provide a brief description of any significant aspects relating to director remuneration that it has not been possible to include in the other sections of this report but which require inclusion in order to provide more complete and reasoned information on the company's remuneration structure and practices in relation to its directors.

None.

This annual remuneration report was approved by the company's board of directors at its meeting held on 21 February 2020.

Indicate whether any directors voted against or abstained in relation to the approval of this Report.

Yes ☐ No ☒

Name or company name of any member of the board of directors who did not vote in favour of the approval of this report	Reasons (against, abstention, non-attendance)	Explanation of reasons