



**Annual report prepared by the Appointments and Compensation Committee of the Board of Directors of Applus Services, S.A. on its functioning during year 2023**

## **I. Introduction**

This report is drafted by the Appointments and Compensation Committee (the “**Committee**”) of the Board of Directors of Applus Services, S.A. (hereinafter, “**Applus**” or the “**Company**”), in compliance with the provisions of article 39.11 of the Regulations of Applus' Board of Directors (hereinafter, the “**Board Regulations**”) and article 19.3 of the Committee's Regulations, in order to inform about the work performed by the Committee during year 2023.

This report shall be submitted to the Board of Directors of the Company, which is the body in charge of evaluating the work performed by the Committee during year 2023, in accordance with the provisions of article 36 of the Board Regulations.

## **II. Regulation of the Committee**

The Committee is regulated by the provisions of article 529 quidecies and concordant articles of the Spanish Companies Act (*Ley de Sociedades de Capital*). The basic rules of organisation and functioning are contained in article 39 of the Board Regulations, and are developed in the Committee Regulations approved by the Board of Directors at its meeting of 15 December 2020.

In addition, the Committee follows the recommendations contained in the Good Governance Code of Listed Companies and in Technical Guide 1/2019, on appointments and compensation committees, approved by the National Securities Market Commission on 20 February 2019.

## **III. Composition of the Committee**

From January to December 2023, the Committee was composed by Ms. Marie-Françoise Damesin (Chairman), Ms. María José Esteruelas Aguirre and Mr. Brendan Connolly, all of them with the position of independent director.

#### **IV. Meetings**

During year 2023, the Committee held three meetings, corresponding to three of the four regular quarterly meetings (22 February, 3 May, and 25 October). Such meetings were attended by all of the Committee's members with positions in force on those dates, either present or duly represented. It was initially agreed to hold the fourth ordinary meeting in December to discuss a new remuneration policy, but as a result of the extraordinary situation caused by the takeover bids launched over the Company (the outcome of which would determine the need or not to have a new remuneration policy), it was agreed to postpone this meeting.

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

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

#### **V. Actions carried out during year 2023**

The Committee, in the performance of the functions attributed to it under article 529 quidecies of the Spanish Companies Act, article 32 of the Company's bylaws and article 39 of the Board Regulations, has mainly focused its meetings during year 2023 on the following actions:

##### **A. Directors' remunerations**

The Committee, in the exercise of its functions to review and control the remuneration policies of the Company, has submitted to the Board of Directors for its subsequent ratification, the following remuneration matters related to the Senior and Non-Senior Managers, as well as to the Chief Executive Officer ("**CEO**"):

- (i) Approval of the evaluation of the 2022 cash bonus for the CEO and the other Senior Managers.
- (ii) Determination of the remuneration of the Company's CEO and Senior Managers for the year 2023 in their different components of monetary remuneration, benefits, RSUs and PSUs.
- (iii) Approval of modifications to the incentive plan linked to the Strategic Plan for the CEO: (i) replacing the AOP metric with TSR, (ii) adding 2 years of retention to the 3-year vesting period and (iii) making the targets public in general terms.
- (iv) Approval of the 2023 bonus targets.
- (v) Approval of the evaluation of the 2020-2022 Performance Stock Units ("PSU") incentive under the recurrent long-term incentive ("LTI") plans, and determination of the EPS, ROCE and ESG targets of the 2023-2025 LTI for the PSU incentive for the CEO and the other Senior Managers, and of the incentive for the EVP of IDIADA.
- (vi) Approval of the 2023 Restricted Stock Units ("RSUs") awards for Non-Senior Managers.

B. Modification of the Remuneration Policy

As a consequence of Mr. Joan Amigó (former CFO) replacing Mr. Fernando Basabe as CEO, it was proposed to modify the Remuneration Policy for years 2022 to 2024. The modification was made mainly for the purpose of adding to the CEO's remuneration a new long-term incentive plan linked to the 2022-2024 Strategic Plan similar to that established for Senior Managers. The amendment also reflects the existence of a single executive director.

The modification proposal for the new Directors' Remuneration Policy, which incorporates several suggestions made by investors, was approved by the Committee at its meeting held on 3 May 2023, subsequently submitted to the Board of Directors, and finally approved by the General Shareholders' Meeting of the Company held on 8 June 2023.

The new Directors' Remuneration Policy was the subject of a specific report by this Committee, in accordance with the provisions of article 529 novodecies of the Spanish Companies Act.

C. Report on remuneration

As provided for in article 28 of the Board Regulations, the Committee prepared the 2022 Directors' Compensation Annual Report, which was submitted to the Board of Directors of the Company for its approval, and subsequently submitted to advisory vote at the Company's General Shareholders' Meeting held on 8 June 2023.

D. Proposals for re-election of directors

The Committee, at its meeting held on 22 February 2023, agreed to propose to the Board of Directors the re-elections of Ms. María José Esteruelas (as independent director of the Company, as well as member of the A&C and ESG Committees), Ms. Essimari Kairisto (as independent director of the Company, as well as member of the A&C and ESG Committees), and Mr. Joan Amigó (as executive director of the Company), by issuing the corresponding justifying report, which included an analysis of the needs of the Board of Directors.

Such re-elections were also the subject of the corresponding explanatory report of the Board of Directors, which was approved at its meeting of 4 May 2023. Said report was made available to the Company's shareholders at the General Shareholders' Meeting held on 8 June 2023, which approved the aforementioned re-elections of Ms. María José Esteruelas, Ms. Essimari Kairisto, and Mr. Joan Amigó.

E. Succession plan for the Senior Managers

As a continuation of the exercise initiated at the December 2022 meeting (where the Senior Managers of the Group's four divisions were reviewed), the Committee at its May meeting reviewed the succession plan for the remaining Senior Managers (SVP Human

Resources, SVP Corporate Development, General Counsel, Compliance Officer and VP H&S) with the exception of the Chief Financial Officer ("CFO") and the SVP Operational Excellence as they were recently appointed and the VP Investor Relations as he reports directly to the CEO and CFO.

F. Engagement with key investors / proxy advisors

As agreed in December 2022, the traditional annual roadshow of meetings and contacts with the Company's key investors and proxy advisors was not held and instead an update on ESG issues (with special focus on the CEO's remuneration) was sent to investors and proxy advisors. Virtual meetings with two shareholders were held at their request to discuss that update.

G. Monitoring of the takeover bids process

The takeover bids process was followed up by the Committee mainly from the perspective of the due diligence on labour aspects and people management carried out by the bidders.

H. Follow-up of HR initiatives

The Committee, at its meeting held on 25 October 2023, reviewed and discussed the main Human Resources strategic initiatives developed by the Company.

**VI. Evaluation of the Committee**

In view of the takeover bid process currently affecting the Company, the Board of Directors – following the recommendation from this Committee – has agreed to postpone the annual evaluation of its functioning (including functioning of the Board Committees) until there is a better visibility on the outcome of that process, which will likely result in the delisting of Applus from the Spanish Stock Exchanges.

In Madrid, on 20 February 2024