

## **REPORT ON THE COMPOSITION, FUNCTIONING AND ACTIVITY OF THE AUDIT AND COMPLIANCE COMMITTEE OF TELEPIZZA GROUP, S.A.**

### **FISCAL YEAR 2017**

#### **1. Internal Regime**

The Audit and Compliance Committee was constituted by the Board of Directors in its meeting held on 6 April 2016 prior to the admission to trading of the shares of Telepizza Group, S.A. (the “Company”).

Its existence is provided in Article 16 of the Company’s Bylaws, referring to the Board of Directors’ Regulations all matters regarding its composition, functioning and competences, which are developed in Article 31 of the Board Regulations.

Both the Bylaws and the Board Regulations are registered and were duly communicated to the National Securities Market Commission (CNMV-acronym in Spanish) after their approval as provided in the current legislation and are available for consultation on the corporate website of the Company ([www.telepizza.com](http://www.telepizza.com)) and on the web page of the CNMV.

#### **2. Competences**

The competences of the Audit and Compliance Committee are included in Arts. 31.9 and 31.10 of the Board of Directors’ Regulations and are the following:

*“Art. 31.9.- The powers of the Audit and Compliance Committee shall be those stipulated in the Law and at least the following:*

- (a) Inform the Shareholders General Meeting about issues raised in relation to those matters that are the competence of the Committee.*
- (b) Monitor the effectiveness of the Company’s internal control, the internal audit and risk management including the tax systems, as well as to discuss with the accounts auditor the significant weakness of the system of internal control detected in the development of the audit.*
- (c) Supervise the mandatory preparation and presentation of financial information required and present recommendations or proposals to the Board of Directors aimed at safeguarding its integrity.*
- (d) Take to the Board of Directors proposals for selection, appointment, re-election*

*and replacement of the external auditor, as well as the conditions of the contract and regularly gather information on the audit plan and its implementation, in addition to preserving its independence in the exercise of his/her responsibilities.*

- (e) Establish appropriate relations with external auditors to receive information on matters that may compromise their independence, for their consideration by the Committee, and any others related to the audit process of development, as well as any other communications provided for in the accounts auditor law and the auditing standards. In any case, external auditors must submit their independence declaration annually with regard to the entity or entities related to it directly or indirectly, in addition to information on additional services of any kind provided together with the corresponding fees perceived from these entities by the external auditor or by persons or entities related to it in accordance with the provisions of the law on accounts audits.*
- (f) Issue, on an annual basis, and prior to the issuance of the accounts audit report, a report that will provide an opinion on the independence of the accounts auditor. This report must contain, always, the valuation of the provision of additional services referred to in the above section, individually and jointly considered, different from the legal audit and in relation to the regime of independence or regulatory audit standards.*
- (g) Report, previously, to the Board of Directors all matters stipulated by law, the bylaws and the hereby Regulations and particularly:
  - (i) the financial information that the Company should make public periodically;*
  - (ii) the creation or acquisition of shares in entities with special purposes or registered offices in countries or territories which are considered as tax havens; and*
  - (iii) transactions with related parties.**

**31.10.-** *The following will also be the responsibility of the Audit and Compliance Committee:*

**31.10.1.-** *In relation to internal control and information systems:*

- (a) Supervise the preparation process and completeness of financial information with regard to the Company and, where applicable, the group, reviewing compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct*

*application of the accounting criteria.*

- (b) Ensure the independence of the department that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose its budget; adopt the guidance and approve the work plans; ensure that their activity is mainly focused on significant risks facing the Company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.*
- (c) Establish and supervise a procedure that allows employees to confidentially communicate irregularities of potential significance, especially financial and accounting, which they observe within the Company.*

**31.10.2.-** *In relation to the external auditor:*

- (a) If the external auditor resigns, analyse the circumstances that have caused it.*
- (b) Ensure that the remuneration for the external auditor's work does not compromise quality or independence.*
- (c) Supervise that the Company communicates as a relevant fact to the CNMV the change of auditor accompanied by a declaration about the possible existence of disagreements with the exiting auditor and, if any, its content.*
- (d) Ensure that the external auditor annually holds a meeting with the full Board of Directors to inform on the work carried out and the evolution of the Company's accounts and risk situation.*
- (e) Ensure that the Company and the external auditor comply with the regulations in force regarding the rendering of any services different to auditing, the limits to the concentration of the auditor's business and, in general, any other regulations on the independence of the auditors."*

### **3. Composition**

The members of the Audit and Compliance Committee are appointed by the Board of Directors from among its members.

According to Art. 31.1 of the Board Regulations, the Committee shall be composed of a minimum of three and a maximum of five non-executive Directors. The majority of its members should be independent Directors, and at least one of them should have knowledge and experience in accounting and auditing and, as a whole, they shall all have relevant technical knowledge in relation to the Company's sector of activity.

The Chairman will be appointed by the Committee from among its members for a period of four years and will attend the meetings with voice but without vote. The Secretary of the Board of Directors will also act as the Secretary of the Committee.

Its current composition is the following:

Chairman:	Mr. Luis Sanz Suárez, Independent Director
Member:	Mr. Juan Riva de Aldama, Independent Director
Member:	Mr. Alejo Vidal-Quadras de Caralt, Proprietary Director
Secretary:	Mr. Javier Gaspar Pardo de Andrade

#### **4. Functioning**

In line with the provisions of the Board's Regulations, the Chairman will call the Committee for a meeting at least every three months in order to review the financial information, and in accordance with the legislation in force which regulates the Securities Market, which the Board of Directors shall send to the Supervising Authorities together with any other approved and included in the annual public documentation.

The committee will be considered validly constituted when the majority of its members attend and it will adopt the decisions by majority of the attendees.

During the fiscal year 2017, it met on six occasions.

All the agreements of the Committee have been adopted unanimously.

In addition to the Committee members, the Financial Director, Mr. Igor Albiol Gutiérrez, the representatives of the external auditors (KPMG) and the person responsible for the Internal Audit as of the meeting of 25 October, Mrs. Paloma Hernández Armengol, attended as guests in all the meetings held during 2017.

#### **5. Activity**

The Chairman of the Committee punctually informs the Board of Directors of all the issues dealt with in its sessions, which were all held in the registered offices of the Company.

During 2017, the activity of the Committee mainly focussed on the following tasks within its competence and responsibility.

**1.- Meeting of 2 February 2017.**

- KMPG Report regarding the accounting treatment of intangible assets.
- Examination and approval of the Risk Control and Management Policy, prior to its presentations to the Board of Directors.
- Examination and approval of the Internal Control System Policy, prior to its presentations to the Board of Directors.

**2.- Meeting of 21 February 2017.**

- Preparation of the Annual Accounts for the financial year 2016: Report by KPMG
- Report by the Internal Auditor regarding her activities.
- Annual Corporate Governance Report.
- Approval of the report on the Independence of the external auditor.

**3.- Meeting of 27 April 2017.**

- Q1 results for their presentation to CNMV and to the market.
- Report on the visit to Latam.
- Proposal for changes regarding the Internal Audit Plan.
- Approval of the Report of activity of the Audit and Compliance Committee for the financial year 2016.

**4.- Meeting of 25 July 2017.**

- S1 results for their presentation to CNMV and to the market.
- Report by Internal Audit.
- Report on the risks map.

**5.- Meeting of 25 October 2017.**

- Review of the financial statements up to September prior to reporting to the market.
- Status of the 2017 Internal Audit Plan.
- Internal Audit conclusions regarding the master franchises.
- Internal Audit conclusions regarding the travel and representation expenses.

**6.- Meeting of 20 December 2017.**

- External Audit Report.
- Report by PwC regarding the implementation of IFRS 16 (Leases).

- Internal Audit Report.

This Report from the Audit and Compliance Committee was approved at the meeting held by this Committee on 24 April 2018.

The Committee Secretary

Mr. Javier Gaspar Pardo de Andrade