Report prepared by the Appointments and Remuneration Committee of Telepizza Group, S.A. on the proposal for approval of the Director Remuneration Policy, to be submitted under item Sixth on the agenda to the Shareholders' Meeting to be held in Madrid, on June 27, 2018, on first call, or June 28, 2018, on second call.

This document was prepared in compliance with article 529 *novodecies* of Law 31/2014, of December 3, 2014, amending the Spanish Capital Companies Law (*Ley de Sociedades de Capital*, "**LSC**") to improve corporate governance. Pursuant to that article, the director remuneration policies of companies must be put to a vote at their shareholders' meetings, with such policies covering compensation of both non-executive directors and directors who discharge executive functions, given that, in accordance with article 529.5, any compensation received by directors who discharge executive functions must be in line with the prevailing director remuneration policy.

Such remuneration policies must cover several years and be submitted for approval at the shareholders' meeting at least every three years, as a separate item on the agenda.

Pursuant to article 529 *novodecies*, the director remuneration policy must be duly substantiated and must be accompanied by a report issued specifically to this end by the Appointments and Remuneration Committee. Both documents must be posted on the Company's website as from the call notice for the Shareholders' Meeting, and the call notice should expressly entitle shareholders to request that the documents be delivered to them by mail or in person, free of charge.

This document constitutes the statutory substantiated explanatory report on the proposed director remuneration policy detailed below, to be submitted to the Board of Directors for approval and subsequently to the Shareholders' Meeting.

1. Background

In 2016, Telepizza Group, S.A. ("**Telepizza**" or the "**Company**") approved a director remuneration policy prior to the listing of its shares.

Taking into account the Company's new situation since its stock market flotation and the need to bring its remuneration policy into line with Spanish and international recommendations on director remuneration, the Appointments and Remuneration Committee ("**ARC**") has deemed it advisable to submit a new policy covering 2018, 2019 and 2020 for approval at the Shareholders' Meeting. This new policy proposed by the ARC therefore replaces and improves upon the previous policy, which was initially in force for 2018.

In accordance with article 32.7 of Telepizza's Board of Directors Regulations, the ARC is entrusted with proposing the following to the Board: *"(...) the directors and general managers' remuneration policies or those who develop the positions of senior management under the Board or CEO, as well as the individual remuneration and other contractual terms and conditions of the Executive Directors and general managers, ensuring their compliance."*

In accordance with the above, the ARC has resolved to submit to the Board of Directors this report on the new policy for remuneration of directors of Telepizza (the "**Director Remuneration Policy**," the "**Remuneration Policy**" or the "**Policy**"), which will be subsequently submitted to the Shareholders' Meeting for approval under agenda item Sixth.

2. The Appointments and Remuneration Committee

As stipulated in article 32 of the Telepizza Board of Directors Regulations, the ARC comprises at least three (3) and at most five (5) non-executive directors, the majority of which are independent, with the exact number being determined by the Board of Directors.

At of the date of this report, the ARC comprises three directors with experience in the matters specific to this committee and with the capacity to perform a suitable and independent appraisal of remuneration policies and practices.

Name	Post	Director type
John Derkach	Chairman	Independent
Juan Riva de Aldama	Member	Independent
Mark Alistair Porterfield Brown	Member	Nominee

Pursuant to article 32 of the Board of Director Regulations, the ARC has the following powers:

- To propose to the Board of Directors: (a) the remuneration policy for directors, senior managers and those individuals performing senior management functions and reporting directly to the Board or to the chief executive officers; (b) the individual remuneration of executive directors and other conditions of their contracts, ensuring the proper application thereof; and (c) the basic terms and conditions of senior management contracts.
- To analyze and periodically review the remuneration policy applied to executive directors and to the management team, including share-based compensation schemes and their application, and to ensure that this remuneration is proportional to that paid to the other directors and members of the management team and to other Company personnel.
- To ensure compliance with the remuneration policy established by the Company.
- To verify the information on remuneration of directors and senior managers set out in corporate documents, including the Annual Report on Director Remuneration.

The ARC will meet at least twice a year and as often as is necessary in the opinion of its chairman, who must call a meeting whenever a report is to be issued or a proposal adopted and, in any event, whenever it is appropriate for the proper discharge of the committee’s functions.

3. Analysis and review of, and proposal regarding, the Telepizza Director Remuneration Policy to be submitted for approval at the Shareholders' Meeting

In the exercise of its powers, the ARC has analyzed the Director Remuneration Policy having regard to the regulatory and supervisory framework and to market practices and has submitted specific amendment proposals thereon to the Board of Directors, with these being duly reflected in the Remuneration Policy to be submitted for approval at the Shareholders' Meeting.

This Policy will apply to remuneration of directors of Telepizza in 2018, 2019 and 2020, unless the Shareholders' Meeting adopts a resolution that amends it during the years it is in force.

The ARC's analysis and review of the Director Remuneration Policy was concluded with the submission of a new policy for approval at the Shareholders' Meeting, with said new policy upholding the same principles and foundations as the previous policy. The general principles and foundation of the remuneration system established for directors aim to ensure that their remuneration is reasonably proportionate to the size of the Company, its financial position and market standards of comparable enterprises. The remuneration system established, particularly in the case of executive directors, seeks to promote the profitability and long-term sustainability of the Company and includes the necessary safeguards to prevent excessive risk-taking and rewards for poor results. The new Policy also reflects director remuneration recommendations published by different Spanish and international bodies and institutions.

The Appointments and Remuneration Committee had the advice of Willis Towers Watson to obtain remuneration market references and Garrigues for the preparation of this Remuneration Policy.

Pursuant to article 11 of the Bylaws, the Remuneration Policy distinguishes between (i) the compensation received by directors for membership on the Board and (ii) the compensation received by directors who discharge executive functions (the "**Executive Directors**").

3.1 Director remuneration for membership on the Board

In accordance with article 11 of the Bylaws, the annual fixed amount of director remuneration for membership on the Board will be established at the Shareholders' Meeting. This amount will be distributed among the Board members in accordance with the criteria set at the Shareholders' Meeting or, failing that, based on the distribution criteria set by the Board itself.

Pursuant to the criteria approved by the Board of Directors and subject to a favorable report by the Appointments and Remuneration Committee, the total remuneration amount approved at the Shareholders' Meeting is distributed among Telepizza's directors.

These amounts will remain unchanged until the Board of Directors resolves to amend them, with any such resolutions being duly disclosed in the Annual Report on Director Remuneration to be submitted each year to the Shareholders' Meeting for consideration.

This same remuneration system will apply to any new members appointed to the Board of Directors while this Policy is in force.

3.2 Remuneration of Executive Directors

The remuneration system applicable to Executive Directors complies with the corporate law provisions set forth in the LSC, as well as with article 11 of the Bylaws.

The new situation of the Company and the greater complexity of the business, in light of the recent strategic agreements that extend the international scope of Telepizza's activity, have brought to light new responsibilities of the executive director in the performance of his functions. Accordingly, following an analysis of market practices regarding remuneration, the Appointments and Remuneration Committee considers that the amounts of the fixed remuneration and variable remuneration of the executive director in the sums established in the new Remuneration Policy are in line with (i) remuneration practices at comparable companies, and (ii) the new competitive and internationalized framework in which the Company will operate.

In effect, the ARC considers it essential to periodically review the directors' remuneration policy, pursuant to the best corporate governance practices adopted by institutional shareholders and the recommendations of the main proxy advisors. In this regard, the ARC regularly carries out an analysis of the external competitiveness of the remuneration of the executive director, with the support of an independent consultant.

Specifically, in the benchmarking performed in 2017 for the chief executive officer, a comparison group was identified, formed according to the following selection criteria:

- Spanish multi-sectorial companies with a comparable billing range to that of Telepizza.
- Mostly listed companies.
- Companies with an international/global scope.

The companies included in the comparison group are the following: Almirall, CLH, Enagás, Ezentis, Ferrer, Grupo Antolin, Grupo Prisa, Grupo Sigla, Meliá Hotels, Natra, NH Hotel Group, Red Eléctrica de España and Vocento.

Considering the above, the ARC considers that remuneration system applicable to Executive Directors must comprise the following elements:

a) Annual fixed remuneration, which takes into account the level of responsibility and the director's professional career at Telepizza. This remuneration may, in turn be made up of the following items:

    - Fixed cash compensation, as a significant portion of total remuneration.
    - Certain remuneration in kind.

b) Variable remuneration, which may comprise the following:

- Annual variable remuneration, linked, among other metrics, to achievement of specific, predetermined and quantifiable economic-financial, industrial and operational targets. These targets will be aligned with the interests of Telepizza shareholders and with the Company's strategic plan. The individual performance of Executive Directors may also be assessed. In addition to the foregoing, other quantitative or qualitative targets may be taken into account, such as objectives relating to corporate governance and corporate social responsibility. Executive Directors may also receive, in exceptional cases, extraordinary variable compensation in the event that, in the opinion of the Board of Directors, the directors play a decisive role in significant transactions for the Telepizza Group that substantially and positively affect the Company and its shareholders. The terms and conditions of this extraordinary compensation must be established by the Board of Directors, at a proposal by the Appointments and Remuneration Committee. The main features and impacts of this compensation will be disclosed in the corresponding Annual Report on Director Remuneration.

  For the annual variable remuneration of 2018, the metrics used are 70% corporate objectives (40% Sales and 30% EBITDA) and 30% strategic objectives (Management by Objectives). For 2017, the objectives were Sales and EBITDA. The achievement degree of the objectives established for the payment of the 2017 annual variable remuneration has been 25% of the target, which has resulted that in 2018 the variable remuneration corresponding to 2017 has reached € 81,041.

- Medium and long-term variable remuneration: Executive Directors may take part in long-term incentive plans linked to strategic conditions and targets, payable in cash or in shares, that the Company has established for its senior executives. Such plans may feature annual award cycles. These plans will be linked to the Company's strategic metrics and to the creation of value for its shareholders. The plans may include metrics related to total shareholder return, EBITDA of the Group, sales or any other metric established by the Board of Directors upon a proposal from the ARC. Specific approval of the details of these plans must be put to a vote at the Shareholders' Meeting. Each metric will have an associated scale with a threshold below which no incentive will be paid and an associated maximum limit above which no additional incentive will be paid.

If comparison groups are used to determine the targets to be achieved, the Board of Directors, following a report from the ARC, will identify the peer companies or indexes to be taken into account, determining the weight of each metric for each plan and its corresponding cycles.

These plans will recur over time. In the event any such system is linked to the value of the Company's shares, the related terms and conditions must be put to a vote at the Shareholders' Meeting. In addition, the main features of such remuneration will be duly disclosed in the corresponding Annual Report on Director Remuneration.

Lastly, the new Remuneration Policy upholds the same principles and foundations as the previous policy and includes a clawback provision regarding total variable remuneration received by executive director, as well as a policy on the holding of shares.

4. Conclusion

Based on the above, the Appointments and Remuneration Committee concludes that the Director Remuneration Policy that the Board of Directors submits to the Shareholders' Meeting for approval complies with prevailing legislation and follows the latest recommendations and best practices in remuneration matters, while also complying with the following principles:

- The amount of remuneration reflects prudent criteria and provides an incentive to reward directors' dedication, qualifications and responsibility, without standing in the way of their duty of loyalty.

- The Policy complies with the principles and recommendations assumed by the Company in matters of good corporate governance, as well as those stipulated in its internal regulations.

- The Policy takes into account market trends, represents a market position that is in line with the Company's strategic plan and effectively serves to attract, motivate and retain the best professionals.

- Remuneration of directors for membership on the Board is exclusively of a fixed nature, based on membership on attendance at Board and Board committees meetings, and does not include variable items.

- The remuneration system is compatible with suitable and effective risk management pursuant to the risk management policy approved at the Company and in line with the objectives of Telepizza's shareholders.

- Variable remuneration is paid only to the executive director, including a short, and a medium and long-term component and with a medium and long-term horizon, thereby encouraging an alignment between the executive director's interest and those of shareholders.

In the opinion of the Appointments and Remuneration Committee, all of the foregoing allows Telepizza to have a suitable remuneration policy for the coming years, in line with the interests of its shareholders.