

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

### **FISCAL YEAR 2018**

#### **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 2018, it met on eight occasions.

All the agreements of the Committee have been adopted unanimously.

In addition to the Committee members, the Financial Director, Mr. Igor Albiol Gutiérrez, until June 2018 and new Financial Director, Javier van Engelen up from June , together with the representatives of the external auditors (KPMG) and the person responsible for the Internal Audit. Paloma Hernández Armengol, attended as guests in all the meetings held during 2018.

#### **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 2018, the activity of the Committee mainly focussed on the following tasks within its competence and responsibility.

**1.- Meeting of 18th January 2018.**

First .- KMPG Report regarding the accountting auditory for the 2017 year

Second .- Reading and approval of the meeting.

**2.- Meeting of 26 February 2018.**

First .- KPMG audit firm report regarding 2017 annual accounts. Audit & compliance

Second.- Committee report regarding the formulation of the accounts.

Third.- Report by PWC on “Pinta” transaction.

Fourth.- Report by internal audit

▪ **.3.- Meeting of 27 April 2017.**

First .- Q1 results for their presentation to CNMV and to the market.

Second .-Report on the status of Pinta Transaction.

Third .- IFRS 16 Rule. Status of its implementation. (Financial and Accounting manager) and E&Y as external advisors.

Fourth .- GDPR . Status of its implementation . CIO. Legal Manager and external advisors E&Y.

Fifth .- Cibersecurity. CIO.

Sixth.-Development of internal audit activities. Responsible for internal audit.

Seventh .-Reading and approval of the minute

**4.- Meeting of 11 May 2018 .**

First.- Final report of PWC regarding Pinta Transaction.

Second .- Opinion by external auditor KPMG regarding the PWC report and the resulting structure.

Third .- Committee resolution in the above items.

Fourth .- Reading and approval of the minute

#### **5.- Meeting of 25 July 2018.**

First .- First Half Results presentation. Communication and Inverstor Relation Strategy . Status of the 2017 Internal Audit Plan.

Second : Internal Audit Strategy and Auditory Plan

Third.- Pinta Transaction up date. Focus on internal controls, Internal Audit and compliance.

Fourth : Up date as from the last Committee. Specifically:

- a. IFRS 16
- b. GDPR
- c. Internal Audit activities

Fifth .-Other activities.

- a. Risk indicators report.- First Half 2018
- b. Legal and tax risks
- c. Czech Republic
- d. Corporate restructure.

Sixth.- Reading and approval of the minute.

As from 24<sup>th</sup> of October, Mr. Alejo Vidal-Quadras, member -director, was absent from the meetings due to its relationship with KKR which had informed to the Board of Directors on September 2018, the Public offer Acquisition on the whole share capital of the Company.

#### **6.- Meeting of 24th October 2018.**

- 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 8 th May 2019.

The Committee Secretary

Mr. Javier Gaspar Pardo de Andrade