

## **REPORT FROM THE AUDIT AND CONTROL COMMITTEE OF PARQUES REUNIDOS SERVICIOS CENTRALES, S.A. REGARDING ITS FUNCTIONING FOR THE YEAR ENDING 30 SEPTEMBER 2017**

### **I. PURPOSE**

In accordance with article 14.10 of the Board of Directors Regulations of Parques Reunidos Servicios Centrales, S.A. (“**Parques Reunidos**” or the “**Company**”) in relation to the regulations of the Audit and Control Committee (the “**Committee**”), to enable the Board of Directors to draft the annual assessment of the Committee in accordance with the provisions of article 529 *nonies* of the consolidated text of the Corporate Enterprises Act approved by Legislative Royal Decree 1/2010 of 2 July (the “**Corporate Enterprises Act**”) and to comply with the provisions of Technical Guide 3/2017 of the Spanish Securities Market Commission (the “**CNMV**”) on audit committees at public-interest entities (“**Technical Guide 3/2017**”), that Committee must draft an annual report on its functioning, highlighting the main incidents that arise, if any, in relation to its own functions.

To comply with those regulations, the Committee has drafted this report, which also includes, where applicable, the proposals to improve the Company's governance rules.

This report on the activities performed by the Committee between 1 October 2016 and 30 September 2017 was drafted by the Committee in Madrid on 27 November 2017 so that it is acknowledged by the Company's Board of Directors on 28 November 2017 and, in accordance with article 14.10 of the Board of Directors Regulations, it will be available to shareholders and investors on the Company's website ([www.parquesreunidos.com](http://www.parquesreunidos.com)) from the moment that the Annual General Meeting is convened.

Likewise, this report is approved in compliance with that envisaged in Recommendation 6 of the Code of Good Governance for Listed Companies approved on 18 February 2015 by the CNMV (the “**Code of Good Governance**”) in relation to the documents that must be made available to the shareholders from the moment that the Annual General Meeting is convened. For such purposes, this report also includes information about related-party transactions and, in accordance with article 529 *quaterdecies.4.f*) of the Corporate Enterprises Act, about the auditor's independence. This report will be available to shareholders and investors on the Company's website ([www.parquesreunidos.com](http://www.parquesreunidos.com)) from the moment that the Annual General Meeting is convened.

### **II. MEMBERS**

At the date of this report, article 39 of the Bylaws and article 14 of the Board of Directors Regulations establish that the Committee must comprise at least three and at most five directors, designated by the Board of Directors from among the non-executive directors. Most of the Committee members must be independent and at least one of them must be appointed in view of his/her knowledge and experience in accountancy, auditing, or both.

The Board of Directors must also designate its Chairperson from among the independent directors who form part of that Committee. In accordance with article 14.4 of the Board of Directors Regulations, the Chairman of the Committee must exercise his/her duty for a maximum of four years, at the end of which he/she cannot be re-elected as such until one

year has elapsed since then, without prejudice to his/her continuation or re-election as a member of the Committee.

In accordance with article 14.4 of the Board of Directors Regulations, the members of the Committee must discharge their duty while their appointment as Company directors is in force, unless the Board of Directors resolves otherwise.

The Committee's members at 30 September 2017 is as follows:

- **Mr. Nicolás Villén Jiménez** (President) is an external independent director of Parques Reunidos. He was appointed as a Company director on 13 April 2016, the date on which the Board of Directors appointed him as a member of the Committee.

Mr. Villén has extensive experience in the infrastructure industry, where he has held numerous management positions. He is currently an external advisor to IFM Investors Pty (an Australian infrastructure fund) and a director at ACR Grupo (real estate sector) and at Banca March, S.A. (banking sector). He was also appointed as a director at Applus+ Services, S.A. (a testing, inspection and certification company) in October 2015.

Between 1993 and 2009, Mr. Villén was the Chief Financial Officer of Ferrovial (an infrastructure company), with experience in information technology. Subsequently, between 2009 and 2012 he was the Chief Executive Officer of Ferrovial Aeropuertos, Ferrovial's airport division which includes all the BAA Limited airports (Heathrow, Gatwick, Stansted, Edinburgh, Glasgow, Aberdeen, Southampton and Naples) (“BAA”). Previously he was the Chief Executive Officer of Midland Montagu Ventures and of Smith Kline & French and held various management positions at Abbott Laboratories (healthcare sector) and Corning Glass Works (specializing in glass, ceramics and optical physics). During his stay at Ferrovial, he held numerous management international positions, including at BAA, now Heathrow Airport Holdings, since Ferrovial's acquisition in 2006. He has also been a director at Aer Lingus, CLH and Dinamia.

He has a Bachelor Degree in Industrial Engineering from Madrid Polytechnic University, a Master's Degree in Electrical Engineering from Florida University and an MBA from Columbia University. He has received the Fulbright and Samuel Bronfman grants.

- **Mr. Dag Erik Johan Svanstrom** (member) is an external independent director of Parques Reunidos. He was appointed as a Company director on 13 April 2016, the date on which the Board of Directors appointed him as a member of the Committee.

He is the President of Hotels.com and Expedia Affiliate Network (“**Expedia**”), a private brand within the Expedia, Inc. Group, which is present in 80 markets worldwide and deals with over 19 billion dollars in gross hotel bookings. He is also a member of the Expedia Inc. Travel Leadership Team, which reports to the Chief Executive Officer of Expedia.

Before being the Chairman, Mr. Svanstrom worked eight years at Expedia Inc. in Asia-Pacific, where he set up EAN Partners and Hotels.com in the region. As the

executive director of Hotels.com for Asia and the Pacific, he developed the business until it became a regional operator in 15 Asian markets.

Before joining Expedia Inc., between 2007 and 2015 Mr. Svanstrom was a director at eLong, Inc. (Nasdaq: LONG), one of China's biggest online travel agencies, and Head of the Digital Innovations Group at McDonald's Corporation for three years, during which time he led the launch of Redbox (www.redbox.com) and the rolling out of Wi-Fi services at McDonald's store network.

Prior to that, Mr. Svanstrom was the Chief Executive Officer of Freefund, an online database company matching university students with corporations and employers across Europe. Between 1997 and 1999, Mr. Svanstrom was the Vice-President for Business Development at Glocalnet AB, a voice-over IP telecommunications company, where he collaborated in the IPO process at the Stockholm Stock Exchange.

Mr. Svanstrom holds a Master's Degree in Economics from the Stockholm School of Economics.

- **Mr. Javier Fernández Alonso** (member) is an external proprietary director of Parques Reunidos. He was appointed as a director of Parques Reunidos to represent Corporación Financiera Alba, S.A. on 17 March 2017. The Board of Directors appointed him as a member of the Committee on 8 May 2017.

Mr. Fernández is currently the Chief Investment Officer at Corporación Financiera Alba, S.A. He is also a director and committee member at the following companies: Euskaltel, S.A., Ebro Foods, S.A., Artá Capital S.G.E.I.C., S.A. and Deyá Capital S.C.R., S.A. He is also a member of the Investment Committee and Investor Committee at Artá Capital S.G.E.I.C., S.A.

Mr. Javier Fernández has been a director at Acerinox, S.A., Clínica Baviera, S.A., ACS, Actividades de Construcción y Servicios, S.A., ACS, Servicios y Concesiones, S.L., Dragados, S.A., Ocibar, S.A., Antevenio, S.A., IslaLink, S.A. and 360 Corporate Finance, S.A. Previously, he provided advice on mergers and acquisitions in Spain and Portugal to Goldman Sachs Inc. and ABN Amro N.V.

Mr. Fernández is a graduate in Business Administration and Management from Universidad Comercial de Deusto.

Mr. Fredrik Arp also formed part of the Committee until 25 April 2017. Mr. Arp resigned from the Board of Directors of Parques Reunidos and, therefore, from the Committee as a result of the divestment made by Arle Capital Partners Limited, the company which he represented as a proprietary director.

- **Mr. Fredrik Arp** (member) was appointed as an external proprietary director of Parques Reunidos on 13 December 2013, the date on which the Board of Directors appointed him as a member of the Committee. He held both positions (director and Committee member) until 25 April 2017.

Mr. Arp is the Chairman of Nolato AB, which supplies products for medical technology, telecom and other industrial sectors. He is also a non-executive director at Technogym S.p.A., one of the world's largest high-end fitness equipment designers and manufacturers, and at Vattenfall AB, one of Europe's leading generators of

electricity and heat. He also carried out advisory tasks on the Advisory Board of the Lund University Business School and on the Operational Review Board of Arle Capital Partners Limited. He is also the President of the Swedish Employers' Association of Industrial and Chemical Companies and a non-executive director at the Confederation of Swedish Enterprise.

Mr. Frederik Arp has an honorary doctorate degree in Economics and a degree in Economics and Business Studies, from Lund University.

The Committee's non-member secretary is Ms. Cristina Carro Werner.

During the year ending 30 September 2017, the Committee's membership was consequent with that established in the Board of Directors Regulations and with article 529 *quaterdecies.1* of the Corporate Enterprises Act, in accordance with its current wording. All the Committee's members are non-executive directors and two of them are independent; all of them, especially its Chairman, were designated in view of their knowledge in accountancy, auditing and information technology.

In that respect, the Committee's membership is also consequent with that established in sections 10 and 13-15 of Technical Guide 3/2017. The Committee's members have the necessary experience and knowledge in economic, financial and business management for any good directors as well as the knowledge and experience required to assess and interpret the implementation of the accounting standards, understand the internal control mechanisms related to the financial reporting process, draft, audit, analyze or assess the financial statements with a certain complex nature, similar to that of the Company, and oversee one or more persons involved in those tasks.

### **III. MEETINGS**

The Committee holds an ordinary meeting every quarter to review the periodic financial information that must be submitted to the stock market authorities as well as the information that the Board of Directors has to approve and include in its annual public documentation. Likewise, it can meet at the request of any of its members and whenever it is convened by its Chairman, which must do so every time that the Board or its Chairman requests the issuance of a report or the drafting or adoption of proposals and, in any case, whenever it is appropriate for the proper execution of its duties.

The Committee met five times during the Company's fiscal year, i.e. between 1 October 2016 and 30 September 2017. Consequently, the Committee met with the necessary frequency for the correct discharge of its functions and complied with that established in sections 23 and 26 of Technical Guide 3/2017.

All the Committee members attended four of the meetings, either in person or by multi-conference, in accordance with the provisions of article 33.5 of the Bylaws of Parques Reunidos and article 16.9 of the Board of Directors Regulations. One Committee member delegated his representation to the Chairman in one of the meetings, with specific voting instructions regarding the items on the agenda.

The Group's Chief Financial Officer and the Internal Auditor were invited to attend all the Committee meetings, and participated only in the items on the agenda regarding their powers and left during the Committee's other debates.

The external auditors, KPMG Auditores, S.L., and the Consolidation Department Manager and ICFR Officer also attended two meetings, under the same conditions as the previous persons.

Other Company advisors also attended the Committee's meetings when this was required to deal with matters in their powers, such as the control policy and the risk management plans (including the criminal risk prevention program).

In that way, the Company complied with that established, among others, in sections 5, 6, 25, 41 and 66 of Technical Guide 3/2017, maintaining an effective and periodic communication channel with the usual liaison officers, mainly and including the following: (i) the Company's management, particularly the General and Financial Department; (ii) the Internal Audit Officer; and (iii) the main auditor responsible for the audit.

In all cases, the liaison officers left the meetings once the items on the agenda for which they were invited had been completed.

#### **IV. POWERS**

The Committee of Parques Reunidos carries out the basic functions attributed to it in article 529 *quincedies*.4 of the Corporate Enterprises as well as the tasks established in article 14 of the Board Regulations and article 39 of the Bylaws. In particular, the Committee has the following powers, among others:

- Oversee the Company's financial and non-financial reporting, including the review and analysis of the financial statements and of any other relevant non-financial information;
- Oversee the effectiveness of the internal control and risk management systems;
- Oversee the Company's internal audit: approve the annual internal audit work plan and monitor its implementation and results;
- Handle the relations with the external auditor, being involved in its selection and appointment, ensuring its independence and establishing a regular communication; and
- Oversee compliance with the internal corporate governance rules, making proposals regarding the Company's governance rules.

#### **V. ACTIVITIES IN THE YEAR ENDING 30 SEPTEMBER 2017**

To comply with the functions stated in the preceding section, the Committee focused the objectives of its meetings on the following main activities:

##### **A. Oversight of financial and non-financial reporting**

The Committee oversaw the drafting and integrity of the quarterly individual and consolidated financial information that the Board of Directors had to submit to the market and to the CNMV by virtue of its periodic reporting obligations as a listed company.

In that respect, in accordance with chapter 3 of Technical Guide 3/2017 in relation to the oversight of financial and non-financial reporting, the Committee carried out the following activities:

- Ensure compliance with the legal requirements and the correct application of the generally accepted accounting principles.
- Analyze the impact of applying the new features to the accounting standards.
- Review the suitability of the consolidation scope.
- Understand the opinions, assessments and estimates with a significant impact on the financial statements.
- Review the periodic financial information, the intermediate financial statements and the annual accounts that must be supplied by the Board to the markets and to its supervisory authorities.
- Notify the external auditor of the Company and its group, as envisaged in the scope of the audit, of the changes to significant criteria, the significant weaknesses detected in the internal control, the adjustments identified in the audit work and the management's position in all of them.

In that sense, the audit reports on the individual and consolidated financial statements of Parques Reunidos for the year ending 30 September 2016 did not have any qualifications. Likewise, the audit reports on the individual and consolidated financial statements of Parques Reunidos for the year ending 30 September 2017 are not expected to have any qualifications.

- Oversee the clarity and integrity of the non-financial information attached to the financial reporting: the directors' report on the financial statements, the intermediate directors' report, the press releases and the earnings presentations.

## **B. Oversight of the internal control and risk management systems**

In accordance with sections 45 and 46 as well as chapter 4 of Technical Guide 3/2017 in relation to the oversight of risk management and control, the Committee carried out the following activities:

- **Risk management system (RMS) and internal control over financial reporting (ICFR) system**

To comply with article 5.6 of the Board of Directors Regulations, on 13 April 2016 the Board of Directors approved a risk control and management policy (RMS) and an internal control over financial reporting (ICFR) system.

During the year ending 30 September 2017, the Committee oversaw the implementation of the Group's internal control over financial reporting (ICFR) system and risk management system (RMS). Both were completed during the year, and the Internal Audit function began with a review of the design and effectiveness at certain operating units.

- **Corporate Compliance program and Crime Prevention System**

The Committee received an explanation from the legal advisor, Deloitte S.L., regarding the results obtained in its review of the Company's Corporate Compliance program and the proposed update. After a favorable report from the Committee, the

update of the Corporate Compliance program was approved by the Board of Directors at its meeting on 27 July 2017.

The update of the Corporate Compliance program was aimed at adjusting it to, among others, the latest legislative amendments, the changes in the Company's organizational structure, Spanish Attorney General Circular 1/2016 on the criminal liability of legal persons, the decisions issued by the criminal law section of the Supreme Court regarding the interpretation of criminal liability of legal persons (decision 154/2016 of 29 February and decision 221/2016 of 16 March) and the ISO 19600 standard on compliance management systems and the ISO 37001 standard on anti-bribery management systems.

Likewise, and in accordance with that established in sections 45-57 of Technical Guide 3/2017, information about the functioning of the Company's whistle-blowing channel was presented to the Committee members, including the number of reports received, their origin and type, the results of the investigation and the actions carried out regarding them.

### **C. Oversight of the internal audit**

In accordance with chapter 5 of Technical Guide 3/2017 and the provisions of article 14.13 of the Board of Directors Regulations, the Company has an internal audit department which, under the Committee's oversight, must ensure the good functioning of the internal control systems and provide support to the Committee in its mission to oversee the Group's financial and non-financial risks.

The Company also has, among others, the following functions regarding the Company's internal audit: (i) ensure the independence and efficacy of the internal audit function; (ii) confirm the suitability of the current internal audit service officer; (iii) approve the approach and the work plans, ensuring that the activity is focused mainly on relevant risks for the Company; (iv) receive periodic information on its activity; (v) check that the management staff takes into account the conclusions and recommendations made in its reports.

During the year ending 30 September 2017, the Committee maintained a continuous communication with the internal auditor of Parques Reunidos, which participated in all the Committee's meetings, informing of the progress in the internal audit work included in the annual plan related to the oversight of the implementation of the internal control systems at the Group and the review of the design, implementation and testing of the ICFR's operational efficiency carried out at certain operating units. The recommendations and action plans presented to the Committee will be monitored by the Internal Auditor.

Mr. Jaime Fernández Aceña held the position of internal audit manager at Parques Reunidos until 26 July 2017, the date on which the Committee, exercising the power to select, appoint and remove the internal audit department officer as envisaged in article 14.6.(i).d) of the Board of Directors Regulations, resolved to propose the appointment of Ms. Eva Gutiérrez González to replace him as the internal audit officer.

Also during the year, it discussed the advantages of the co-sourcing models as a strategy to support and carry out the internal audit function, with potential synergy for joint work among the external and internal auditors and various bids were submitted and duly studied. The Committee decided to implement the co-sourcing model on the Group's internal audit function.

**D. Relations with the auditor**

In accordance with Technical Guide 3/2017, the Committee was involved in the work performed by the auditor during the year ending 30 September 2017, while always maintaining a regular and continuous communication.

The Committee was involved in the process to re-elect the auditor for Parques Reunidos. In that respect, the Committee proposed the Board of Directors to re-elect KPMG Auditores, S.L. as the auditor for the Company and the companies which form part of its group and this was submitted to the Annual General Meeting for approval on 16 March 2017.

The Committee oversaw the activity of KPMG Auditores, S.L., authorizing the provision of non-audit services after analyzing its suitability and independence.

During the year, the Committee requested and received from the external auditor, through its attendance to the Committee's meetings at least before the drafting of the intermediate consolidated financial statements and annual accounts, the most relevant factors of its strategy and work plan in relation to the audit, including: the determination of the relative significant or importance; the audit plan regarding the main risks identified; the resources allocated to carrying out the work; the justification, if necessary, of the use of specialists; the schedule for undertaking the expected tasks, stating the nature and scope of the scheduled control tests and substantive tests; and the main audit adjustments detected as well as the deficiencies in the internal control detected and the recommendations regarding them.

Likewise, the Committee discussed with the external auditor the opinions made, the assumptions and the potential difficulties encountered during the audit; the Committee did not detect any anomalies in that sense.

Finally, the Committee acknowledged the independence statement submitted by KPMG Auditores, S.L. and drafted the mandatory report on the auditor's independence, as detailed below.

**E. Oversight of compliance with the internal corporate governance rules, principles and recommendations followed by the Company**

During the year ending 30 September 2017, the Committee, in addition to the applicable mandatory measures, sought to comply, as far as possible, with the principles and recommendations applicable to listed companies, in particular with the Code of Good Corporate Governance and Technical Guide 3/2017, and ensured compliance with the Internal Rules of Conduct on Stock Exchange Related Matters, without detecting any relevant breaches in that respect.

Regarding the Internal Rules of Conduct on Stock Exchange Related Matters, the Committee informed the Board of Directors that the necessary measures were adopted

to ensure compliance, as proposed by the Company's Compliance Officer. In that respect, in accordance with the Internal Rules of Conduct on Stock Exchange Related Matters, on 6 February 2017 the Committee ratified the appointment of a Compliance Officer and approved a Procedure for Managing Inside Information and Corporate Communication at the Company, in line with the provisions of EU Regulation 596/2014 of 16 April on market abuse and other applicable rules.

In relation to the Annual Corporate Governance Report for the year ending 30 September 2017, the Committee made sure that the following were complied with: (i) Order ECC/461/2013 of 20 March, which determines the content and structure of the annual corporate governance report, of the annual report on remuneration and other reporting instruments of listed companies, savings banks and other institutions that issue securities admitted to trading in official securities markets; and (ii) CNMV Circular 5/2013 of 12 June, which establishes the annual corporate governance report forms for listed companies, savings banks and other institutions that issue securities admitted to trading in official securities markets, as amended by virtue of CNMV Circular 7/2015 of 22 December.

The functions of the Committee established in the Bylaws, the Board of Directors Regulations and the Internal Rules of Conduct on Stock Exchange Related Matters include making the necessary proposals for its improvement and for the Company's governance rules when the Committee deems this fit. To that end, the Committee analyzed the Company's degree of compliance with the sections included in Technical Guide 3/2017 and, based on the principle of proportionality envisaged therein and the characteristics, scale and complex nature of the Company and its business and the specific sectors in which it operates, the Committee will assess in the year in which this report is approved the necessary measures, where applicable, to comply with certain sections of that Guide to see with which the Company does not comply or only partially complies.

Moreover, in accordance with the provisions of Technical Guide 3/2017, the Committee has reviewed and proposed the Board of Directors a schedule for its meetings, taking into account the schedule envisaged for the ordinary board meetings and annual general meetings.

#### **F. Other responsibilities**

- **Control of the trading with the Company's own shares**

During the year ending 30 September 2017, the Company did not carry out any transactions with own shares. Nevertheless, the Committee is aware of the existence of the recommendations included in the document called "*Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares*", which was published on 18 July 2013, and undertakes to analyze and take it into consideration in the event that this type of transaction is carried out in the future.

- **Corporate social responsibility policy**

The Committee must know, foster, guide, oversee and assess the degree of compliance with the Company's corporate social responsibility and sustainability strategy and

practices, making sure that it is aimed at creating value, in line with the provisions of article 14.6(v).g) of the Board of Directors Regulations.

During the year ending 30 September 2017, the Committee of Parques Reunidos provided a favorable report regarding the Group's corporate social responsibility policy, which was approved by the Board of Directors on 7 February 2017. That policy includes, among other matters, the following:

- The corporate social responsibility policy's objectives and the supporting instruments to implement it.
- The corporate strategy related to sustainability, the environment and social matters.
- The specific practices regarding: shareholders, employees, clients, suppliers, social matters, the environment, diversity, tax liability, respect for human rights and prevention of illegal conduct.
- The methods or systems used for monitoring the results of applying the specific practices stated in the preceding section, the associated risks and their management.
- The mechanisms used for supervising non-financial risk, ethics and the business conduct.
- The channels used for communication, participation and dialogue with the stakeholders.
- The responsible communication practices that prevent information manipulation and protect integrity and honor.

Likewise, in accordance with Recommendation 6 of the Code of Good Corporate Governance, on 7 February 2017 the Board of Directors approved, after a favorable report from the Committee, the Company's corporate social responsibility report for the year ending 30 September 2016, which was made available to shareholders on the Company's website from the date that the Annual General Meeting for the year was convened.

## **VI. ANALYSIS AND REPORT ON THE INDEPENDENCE OF THE EXTERNAL AUDITORS**

In accordance with the provisions of article 529 *quaterdecies* 4 of the Corporate Enterprises Act and paragraph 65 of Technical Guide 3/2017, the Committee must issue every year, before the audit report, a report stating the opinion of whether or not the independence of the auditors or audit companies is compromised, and regarding the provision of additional non-audit services considered individually and as a whole and in relation to the independence system or to the audit standards.

This section of the report is based on the letter received by the Committee from the Company auditors in accordance with article 529 *quaterdecies*.4.e) of the Corporate Enterprises Act, and which contains the written confirmation about the auditor's independence vis-à-vis the Company or the companies related directly or indirectly to it, as well as information about the additional services of any type provided to those companies by those

auditors or by the persons or companies related to them in accordance with the provisions of the Audit Act.

The written confirmation of the independence, signed by the Company's audit partner, was issued in accordance with the provisions of the Audit Act, the Corporate Enterprises Act, the Technical Audit Standards issued by the Spanish Accounting and Audit Institute, article 529 *quaterdecies*.4.e) of the Corporate Enterprises Act and article 14.5.(vi) of the Company's Board of Directors Regulations.

The Company's auditors, KPMG Auditores, S.L., were appointed as auditors of the Company and its subsidiaries, in charge of auditing the individual and consolidated financial statements for the year ending 30 September 2017, through a resolution by the Annual General Meeting of Parques Reunidos on 16 March 2017.

Likewise, the auditors reported on the audit and non-audit services provided to the Company and its subsidiaries during the year ending 30 September 2017, as authorized by the Committee. The non-audit services are detailed as follows:

Description of the services	Amount (thousands of euros)
Audit services	680
Other related services <sup>(1)</sup>	251
<b>Total audit and related services</b>	<b>931</b>
Tax services <sup>(2)</sup>	20
Other services <sup>(3)</sup>	130
<b>TOTAL PROFESSIONAL SERVICES</b>	<b>1,081</b>

<sup>(1)</sup> "Other related services" include mainly a limited review of the intermediate consolidated financial statements at 31 March 2017, an audit of the reporting by the subsidiaries at 30 September 2017, ratio compliance reports and other agreed procedures.

<sup>(2)</sup> "Tax services" include tax advisory on corporate income tax for accounting purposes with regard to UK subsidiaries, "Grant Leisure Group Limited" and "Real live Leisure Company Limited". Those services are included in article 5.1.a).(iv) of Regulation (EU) 537/2014 and, as provided for in article 5.3 of such Regulation, it has been properly and thoroughly documented that the services have no effect, separately or in the aggregate, on the financial statements of Parques Reunidos Servicios Centrales, S.A. and its subsidiaries, and that the services do not jeopardize the independence of the Company's auditor. These documents are included in the additional report for the Audit and Control Committee provided for in article 11 of the referred Regulation.

<sup>(3)</sup> "Other services" include assistance for the documentation of the ICFR, the risk management system (RMS) and the GRC tool.

The Committee obtained written confirmation from the auditor that it was not involved in any incompatibility in which, in line with article 16 of the Audit Act, the auditor did not enjoy sufficient independence to carry the functions regarding the Company. In particular, the auditor confirmed that no circumstances were identified which would make it incompatible

and those which, in its professional opinion, could lead to significant threats were eliminated or reduced to an acceptably low degree by applying the necessary safeguards.

Regarding the hiring conditions envisaged in article 40 of the Audit Act, the Company complies with the obligation to rotate the auditor signing the audit report since no partner has signed the audit report for more than five years in a row.

Finally, regarding the audit fees, as envisaged in article 24 of the Audit Act, they were established before the start of the audit tasks for the year ending 30 September 2017.

Regarding the cases envisaged in the law which may threaten the auditor's independence, there are two which require a detailed analysis in the case of the Company:

- *“The provision of attorney services simultaneously for the audited company, unless such services are provided by different legal persons and with different types of management advice, without this referring to the resolution of litigation regarding issues which may have a significant impact, measured in terms of relative importance, on the financial statements for the audited period or year.”*

In that respect, KPMG Auditores, S.L. does not provide attorney services regarding issues with a significant impact on the Company's financial statements; it merely provides advice regarding certain taxation, fiscal and, to a lesser extent, legal work. Likewise, the legal persons who provide such services are not the auditors. In that respect, the auditors confirmed that they took into account the necessary safeguards to detect any potential threats against the auditor's independence, and no incompatibilities was detected.

- *“When the fees accrued from the provision of audit and non-audit services to the audited companies by the auditor or audit firm in each of the last three consecutive years represent over 15% of the total annual revenues of the auditor or audit firm, that auditor or audit firm must abstain from performing the audit for the following year.”*

In that sense, and in accordance with the information provided by KPMG Auditores, S.L., the fees paid by the Company do not represent a large percentage of the auditor's total annual revenues.

## **Conclusion**

The Committee believes that, during the year ending 30 September 2017, the auditor of the Company and its consolidated group, KPMG Auditores, S.L., carried out its audit task independently as a result of the following:

- The auditor confirmed its independence in accordance with the criteria stated in articles 14 and subsequent of the Audit Act and did not inform, in its relations with the Committee, of any issues which could compromise its independence.
- The audit fees were established before the auditor's functions began and for all the period during which it must carry them out. The fees were not influenced or determined by the provision of additional services and they were not based on

contingencies or conditions other than changes in the circumstances used as the basis for establishing the fees, as stated in article 24.1 of the Audit Act.

- The non-audit fees did not represent a large percentage of the auditor's total annual revenues, taking into account the average for the previous three years.
- The fees were reasonably justified and broken down by item, regarding both the audit and non-audit services.
- No circumstances were identified that could lead to incompatibility.
- In view of the above, the Committee made sure that the work arranged with the auditor met the independence requirements established in the Audit Act.

Based on that requirement and on the information broken down above, the Committee concludes that there are no objective reasons to question the auditor's independence.

## **VII. ANALYSIS AND REPORT OF RELATED-PARTY TRANSACTIONS**

LPL Finance Ltd., a company in which the Board Chairman Mr. Peter Long has a stake, provides consultancy services to the Company, providing support to the Board Chairman during his functions, for which that company has received 25,000 pounds per year since 1 May 2016. That transaction was authorized by the Company's Board of Directors, after a report by the Committee, through a unanimous resolution on 27 October 2016 which guaranteed the directors' independence with respect to the chairman. The Board discussed and voted this item with the abstention of the Chairman, Mr. Peter Long, since he was involved in a conflict of interest. Moreover, that resolution states that the transaction is harmless for the Company's corporate assets and it is made at an arm's length basis. The Committee dealt with the matter with full transparency, reporting this in the Annual Corporate Governance Report and Notes to the Financial Statements of Parques Reunidos.

Likewise, Banca March, S.A. notified the Company of the existing risk transactions in favor of the Group in which the Company is the parent due to the links between Banca March, S.A. and Corporación Financiera Alba, S.A. Those transactions are regulated subject to a banking discount policy, advance payments, credit assignments and other banking and/or trade transactions in the name of several group companies, amounting to 5 million euros and of which, at 30 September 2017, 0.98 million euros for the reverse factoring and 0.37 million euros for the documentary credits had been drawn down. In accordance with the official records at the CNMV at 30 September 2017, Banca March, S.A. directly owned 20.001% of the Corporación Financiera Alba, S.A., which is a significant shareholder of the Company. Moreover, Banca March, S.A. acts in conjunction with others until controlling 65.182% of Corporación Financiera Alba, S.A.

In addition to that transaction, no other members of the Company's Board of Directors, either directly or indirectly, through a company in which they are directors, shareholders or senior managers, or related parties or representing a third party, made related-party transactions during the year ending 30 September 2017.

## **VIII. ASSESSMENT OF THE COMMITTEE'S FUNCTIONING AND PERFORMANCE**

During the year ending 30 September 2017, the Committee aimed to comply with all the functions attributed to it either by the applicable legislation or by the Company's internal regulations, seeking to implement internal plans and policies to improve its work. Likewise, the Committee aimed to comply with the voluntary principles and recommendations applicable to listed companies.

The Committee is working on implementing various plans such as the corporate criminal liability plan at the Group, which has already been implemented in Spain, as well as those related to the tax risks and those for improving the current internal audit model. The Committee believes that those plans will be progressively implemented in the year starting 1 October 2017 and subsequent years.

In view of the above, the Committee has a positive view of the performance of its functions during the year and believes that its functioning conforms to that envisaged in the regulations in force and, to a large extent, to the applicable recommendations and technical guides.



*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail*

**ANNEX I**

**AUDITOR INDEPENDENCE LETTER**

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