

**REPORT FROM THE AUDIT AND CONTROL COMMITTEE OF PARQUES  
REUNIDOS SERVICIOS CENTRALES, S.A. REGARDING ITS FUNCTIONING  
FOR THE YEAR ENDED ON 31 DECEMBER 2018**

## **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 Spanish Companies Act approved by Legislative Royal Decree 1/2010 of 2 July (the “**Spanish Companies 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**”), specially, with provision 79 of the referred guide, the 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 2018 and 31 December 2018 is drafted by the Committee in Madrid on 25 February 2019 so that it can be submitted to and acknowledge by the Company’s Board of Directors on 26 February 2019.

Likewise, this report is approved in compliance with 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 ordinary General Shareholders’ 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 Spanish Companies Act, about the auditor’s independence.

In accordance with article 14.10 of the Board of Directors Regulations, 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 ordinary General Shareholders’ Meeting is convened.

## **II. MEMBERS**

At the end of the financial year addressed on this report, article 39 of the Bylaws and article 14 of the Board of Directors Regulations establish that the Committee must be comprised by at least three and up to 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 must be appointed in attention to his or her knowledge and experience in accounting, auditing, or both.

The Board of Directors must also designate the Committee’s Chairperson from among the independent members of the Committee. In accordance with article 14.4 of the Board of Directors Regulations, the Chairperson of the Committee must exercise his or her duty for a maximum of four years, at the end of which he or she cannot be re-elected as such until one

year has elapsed since his/her last day as Chairperson, without prejudice to his or 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 31 December 2018 were:

- **Mr Nicolás Villén Jiménez** (Chairman) is an external independent director at Parques Reunidos. He was appointed as a Company director on 13 April 2016. He was also appointed as member of the Appointments and Remunerations Committee and the Audit and Control Committee on the same date.

Mr Villén has extensive experience in the infrastructure industry, where he has held numerous management positions. Mr Villén is currently a senior advisor to IFM Investors Pty (an Australian global infrastructure fund), as well as director at Applus+ Services (a testing, inspection and certification company), at Banca March, S.A. (banking sector) and at FCC Aqualia (a water management company).

Between 1993 and 2009, Mr Villén was the Chief Financial Officer of Ferrovial (an infrastructure company). Subsequently, between 2009 and 2012, he was the Chief Executive Officer of Ferrovial Aeropuertos, Ferrovial's airport division which included 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 Smith Kline & French and held various management positions at Abbott Laboratories (healthcare sector) and Corning Glass Works (glass, ceramics, and optical physics). During his stay at Ferrovial, he held numerous international board 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 is an industrial engineer from Madrid Polytechnic University, holds a Master's Degree in Electrical Engineering from the University of Florida and an MBA from Columbia University. He was awarded a Fulbright Scholarship and a Samuel Bronfman Fellowship.

- **Mr Dag Erik Johan Svanstrom** (Member) is an external independent director at Parques Reunidos. He was appointed as director of the Company on 13 April 2016. He was also appointed as member of the Audit and Control Committee on the same date. On 28 July 2016, he was appointed as member of the Appointments and Remunerations Committee.

He is currently partner at EQT Ventures and has spent most of his career at Hotels.com and Expedia Affiliate Network ("**Expedia**"), companies where he was appointed Chairman. He was also a member of the Expedia Inc. Travel Leadership Team, which reports to the Chief Executive Officer of Expedia. Prior to taking the role of President, Mr Svanstrom spent eight years with Expedia Inc in Asia-Pacific, where he launched the EAN partner and Hotels.com businesses in the region. As Managing Director of Hotels.com for Asia and Pacific, he grew the business to a leading regional player operating in 15 Asia markets.

Before joining Expedia Inc, Mr Svanstrom served as a member of the Board of Directors at eLong (Nasdaq: LONG), one of China's largest online travel agencies, from 2007 to 2015 and was the Head of Digital Innovations Group at McDonald's Corporation for three years, during which he led the launch of Redbox ([www.redbox.com](http://www.redbox.com)) and the rolling out of WiFi services at McDonald's store network.

Before that, Mr Svanstrom was chief executive officer of Freefund, an online database company matching university students with corporations and employers across Europe. From 1997 to 1999, Mr Svanstrom served as Vice-president of Business Development at Glocalnet AB, a voice-over-IP telecom company, which he helped take public on 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 at Parques Reunidos. He was appointed as director at Parques Reunidos on 17 March 2017 representing Corporación Financiera Alba, S.A. He was appointed as member of the Audit and Control Committee on 8 May 2017 by the Board of Directors of the Company.

Mr Fernández is currently Chief Investments Officer of Corporación Financiera Alba, S.A. He is director and member of Board committees of the following entities: Euskaltel, S.A., Ebro Foods, S.A., Artá Capital S.G.E.I.C., S.A., Rioja Bidco Shareholdings, S.L.U. and Deyá Capital S.C.R., S.A. He is also a member of the Investments Committee and the Investors Committee of Artá Capital S.G.E.I.C., S.A.

Mr Fernández has been a director of 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 advised in merger and acquisition transactions in Spain and Portugal at Goldman Sachs Inc. and ABN Amro N.V.

Mr Fernández holds a degree in Business administration from the Universidad Comercial de Deusto (Bilbao).

- **Ms Ana Bolado Valle** (Member) is an external independent director at Parques Reunidos. She was appointed director of the Company on 28 November 2017, by means of the co-option system, to cover the vacancy left by the resignation of Mr Javier Abad Marturet on 25 April 2017. On 21 March 2018, the ordinary General Shareholders' Meeting ratified her appointment and agreed her re-election for the period set in the Bylaws of four years. The Company's Board of Directors appointed Ms Bolado as member of the Audit and Control Committee and of the Appointments and Remunerations Committee on 7 February 2018. On 17 July 2018, following the resignation of the then Chairman of the Board of Directors and Chairman of the Appointments and Remunerations Committee, Mr Peter James Long, the Board of Directors appointed her as Chairperson of the Appointments and Remunerations Committee.

Ms Ana Bolado Valle has over 31 years of management experience in an international environment within the Santander Group. As can be seen from her professional experience, which is summarized hereafter, Ms. Ana Bolado Valle has hold several

leadership offices, such as management positions in various companies and expertise in human resources prior to her appointment as a director of Parques Reunidos. Within Santander Group, Ms Ana Bolado has been Corporate Director of Digital Strategy and Business in Santander Universidades, where she was responsible for, among others, designing and implementing new digital models and negotiating global agreements with relevant digital companies. From 2013 to 2015, she was the T&O Corporate Director for Santander Universidades. From 2010 to 2013, she was the Director for Commercial Strategy and Business Development in Commercial Banking in Spain, where she also was a member of the Management Committee of Banco Santander España and a member of the Board of Directors of Sistemas 4B and Santander Seguros, among other duties. Between 2005 and 2010, she worked as Corporate Director of Human Resources at Santander Group and, between 2003 and 2005, as Managing Director of Santander Global Banking and Markets, where she participated in the design of the new global corporate client management model. Previously, Ms Bolado worked in different areas related to financial products, investment banking and capital markets.

Currently she is a member of the Board of Directors of Metrovacesa and of Unicaja Banco, where she chairs the Appointments Committee and is a member of the Compensation and Risks Committees. Ms Bolado is also Senior Advisor in Fellow Funders.

Ms Bolado has a degree in pharmacy by the Universidad Complutense de Madrid and an MBA at IE Business School.

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

During the year ending 31 December 2018, the Committee's composition complied with the applicable provisions included in the Board of Directors Regulations and with article 529 *quaterdecies.1* of the Spanish Companies Act, in accordance with its current wording. All the members of the Committee are non-executive directors and three of them are independent; all of them, especially its Chairperson, were designated in view of their knowledge in accounting, auditing and information technology.

In that respect, the Committee's composition also complies with the provisions included in sections 10 and 13-15 of Technical Guide 3/2017. The Committee's members, as a whole, have the necessary expertise in accounting and auditing, as well as in finance, internal control, risk management and business. In particular, the Committee's members have the necessary experience and knowledge in economics, finance and business management for any diligent director, 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, analyse 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 documents. 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 the Committee's duties.

The Committee met two times during the fiscal year addressed in this report, i.e. between 1 October 2018 and 31 December 2018. Consequently, the Committee met with the necessary frequency for the correct execution of its duties and complied with the provisions included in sections 23 and 26 of Technical Guide 3/2017. Below is a table detailing the attendees of the meetings of the Committee:

| N.º | Meeting date | Attendees | Absences         | External auditor | Internal auditor | CFO |
|-----|--------------|-----------|------------------|------------------|------------------|-----|
| 1   | 04/10/2018   | 3/4       | 1/4 <sup>1</sup> | Yes              | Yes              | Yes |
| 2   | 27/11/2018   | 4/4       | 0/4              | Yes              | Yes              | Yes |

According to the new calculation criteria established under CNMV's Circular 2/2018—applicable to annual corporate governance reports addressing financial years ended on or after 31 December 2018— proxy representations shall not be included as *in situ* members, even when subject to specific instructions. In this regard, it is expressly stated that Mr. Johan Svanstrom was represented by the Chairman of the Committee during one of the meeting through a proxy representation with specific voting instructions. Therefore, according to the new calculation criteria established under CNMV's Circular 2/2018, the percentage of *in situ* members of the total votes during this period would amount to 87.5%.

The Group's Chief Financial Officer, the Chief Investor Relations and Strategy and the Internal Audit Department Director were invited to attend all the Committee meetings by the Chairman, participated only in the items of the agenda related to their areas of competence and left the meetings during the discussion of the other items.

The Head of Corporate Communication and Compliance, the Human Resources Corporate Manager and the Labour Health and Environment Manager attended one meeting under the same conditions as the others.

The external auditors, KPMG Auditores, S.L., also attended the two meetings held during the financial year addressed in this report.

Consequently, during the year ended 31 December 2018, the Company complied with the provisions included, 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 Management and the Finance Department; (ii) the Internal Audit Director; and (iii) the main auditor responsible for the audit of the financial statements.

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

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<sup>1</sup> Mr. Johan Svanstrom was represented by the Chairman with specific voting instructions regarding the items of the agenda

#### **IV. POWERS**

The Committee of Parques Reunidos carries out the basic functions attributed to it in article 529 *quincedies*.4 of the Corporate Enterprises Act 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 CARRIED OUT DURING THE YEAR ENDED 31 DECEMBER 2018**

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 individual and consolidated financial information that the Board of Directors had to submit to the market and to the CNMV in compliance with its periodic reporting obligations as a listed company, as well as the corresponding explanatory presentations of results for the market and press releases. The Group’s Finance Department and the Chief Investor Relations have collaborated in this work.

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.
- Analyse the impact of applying the novelties to the accounting standards.
- Review the suitability of the consolidation perimeter.
- Understanding the opinions, assessments and estimates with a significant impact on the financial statements.
- Review of the annual accounts that must be supplied by the Board to the market and to its supervisory authorities.

- Communication with the external auditor of the Company and its Group, including the scope of the audit, changes to significant criteria applied, the significant weaknesses detected, if any, in the internal control, the adjustments identified in the audit work, if applicable, 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 2018 did not have any qualifications. Likewise, the audit reports for the year ending 31 December 2018 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 results presentations.

#### **b) Oversight of the internal control and risk management systems**

To comply with article 5.6 of the Company's 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.

Pursuant to points 45, 46, and chapter 4 of Technical Guide 3/2017, and with the purpose of regularly overseeing and supervising the effectiveness of internal control and risk management systems, including tax risks, to identify, manage and adequately understand the main risks, the Committee has monitored the execution of the Internal Audit Annual Plan, which has been prepared with the purpose of overseeing the Internal Control Systems implemented in the Group:

- Risk Management System.
- Financial Reporting Internal Control System.
- Criminal Risk Prevention Model.
- Tax Risk Prevention Model.

In order to facilitate the oversight and management of the internal control systems described above, a governance, risk and compliance tool (GRC) has been implemented, which involved the whole organisation and group companies.

The Committee was informed by the external auditor of the main internal control recommendations made following the group's audit and on the follow up of those recommendations identified in last year's financial statements.

#### **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. For the development of certain supervision activities of the Financial Reporting Internal Control System and the Risk Management System in Operations Units included in the scope of the audit plan, the group's internal audit function relies on a co-sourcing model, supported by specialist services from a prestigious consultancy firm.

The Committee is given the following internal audit duties in the Company, among others: (i) to ensure the independence and effectiveness of internal audit activities; (ii) to confirm the suitability of the current head of the internal audit services; (iii) to approve the direction, work plans and budget of the department, ensuring that it is principally focused on the Company's principal risks; (iv) to receive regular information on its activities; and (v) to verify that senior management consider the conclusions and recommendations of its reports.

During the year ending 31 December 2018, the Committee maintained a continuous communication with the Internal Audit Director, which participated in all the Committee's meetings, presenting, among others, the: (i) Audit Plan for the year ended 31 December 2018 and for the financial year ending on 31 December 2019; and (ii) Internal Audit Report for financial year ended on 30 September 2018.

**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 31 December 2018, while always maintaining a regular and continuous communication.

The Committee oversaw the activity of KPMG Auditores, S.L., authorizing, where appropriate the provision of non-audit services after analysing its suitability and independence. In its meeting of 5 October 2017, the Committee unanimously agreed, as a general principle, that non-audit services should not be sought from the Company's auditor unless there were sufficient grounds to justify it (such as the Committee finding the auditor to have sufficient or exceptional specific knowledge or experience in the matter at hand).

Likewise, in compliance with paragraphs 41 and 66 to 70 of the Technical Guide 3/2017, 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 consolidated annual accounts, the most relevant factors of its strategy and work plan in relation to the audit, including: the determination of the materiality threshold or relative 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 further below.

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

During the year ended on 31 December 2018, 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

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 article 12 of the Internal Rules of Conduct on Stock Exchange Related Matters, on 27 November 2018 the Committee was informed of the measures taken to ensure compliance with the Regulation, its compliance and incidents and cases, if applicable.

In relation to the Annual Corporate Governance Report for the year ended on 31 December 2018, that the Company must draft, the Committee, on its drafting, is following compliance 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 and CNMV Circular 2/2018, of 12 June—.

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.

At the end of the fiscal year of this report, the Company had followed most of the recommendations of the Technical Guide 3/2017. 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 continuously assesses the necessary measures, where applicable, to comply with certain sections of the referred guide to see with which the Company does not comply or only partially complies.

In relation to provision 19 to 21 of the Technical Guide 3/2017, the Committee finds that the Regulations of the Board of Directors covers the majority of the recommendations included in the referred guide. The Committee has considered the appropriateness of preparing separate rules for the Committee and, in view of the characteristics of the Company, the Committee has considered that the current Regulations of the Board of Directors includes a significant proportion of the minimum recommended for the Regulations of the Audit Committee. Therefore, it is considering the convenience of modifying the Regulations of the Board of Directors in order to include, if applicable, some of the aspects set on provision 19 of the Technical Guide that are not included in the current Regulations.

In relation to provision 48 and 49 of the Technical Guide 3/2017, the Company's Risk Management Policy rules the operations of an independent body in charge of risk management and oversight (*Risk Committee*), although this body is yet to be formally established.

Lastly, in relation to provision 65 of the Technical Guide 3/2017, the Company meets the majority of recommendations on the procedure and criteria for the preparation and issuance of

the report on the independence of the external auditor. However, the Company is yet to formally approve any procedure in this regard.

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 shareholders' meetings.

**f) Other responsibilities**

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

During the year ended on 31 December 2018, the Company did not carry out any transactions with own shares. 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 analyse 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.

The Board of Directors approved, on its meeting of 7 February 2017, the Group's Corporate Social Responsibility policy. The referred 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 honour.

Likewise, in accordance with recommendation 6 of the Code of Good Governance, on 27 November 2018 the Board of Directors approved, after a favourable report from the Committee, the Company's corporate social responsibility report for the year ended on 30 September 2018, which will be made available to shareholders on the Company's website from the date that the ordinary General Shareholders' Meeting for the year was convened.

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

In accordance with the provisions of article 529 *quaterdecies* 4 of the Spanish Companies Act and paragraph 65 and 71 of Technical Guide 3/2017, the Committee must review on the auditor activities and on how the auditor has contributed to the quality of the audit and the integrity of the financial information. Also, 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's auditors in accordance with article 529 *quaterdecies*.4.e) of the Spanish Companies 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 Spanish Companies Act, the Technical Audit Standards issued by the Spanish Accounting and Audit Institute, article 529 *quaterdecies*.4.e) of the Spanish Companies 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 ended on 31 December 2018, through a resolution by the ordinary General Shareholders' Meeting of Parques Reunidos on 4 October 2018.

Likewise, the auditors reported on the audit and non-audit services provided to the Company and its subsidiaries during the year ended on 31 December 2018, as authorized by the Committee. As indicated, in its meeting of 5 October 2017, the Committee unanimously agreed that, as a general principle, non-audit activities should not be sought from the Company's financial auditor except where there is sufficient justification (such as the Committee finding the auditor to have specific or exceptional knowledge or experience of the matter in question).

The non-audit services are detailed as follows:

| Description of the services             | Amount<br>(thousands of euros) |
|---|--------------------------------|
| Audit services                          | 601                            |
| Other related services                  | -                              |
| <b>Total audit and related services</b> | <b>601</b>                     |
| Other services <sup>(1)</sup>           | 15                             |
| <b>TOTAL PROFESSIONAL SERVICES</b>      | <b>616</b>                     |

<sup>(1)</sup> "Other services" include external verification services of the Non-Financial Information Report included in the Group's consolidated management report for the three-month financial year ended 31 December 2018, required under Law 11/2018 of 28 December on non-financial information and diversity.

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 ended on 31 December 2018.

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, it is hereby stated that KPMG Auditores, S.L. has not provided attorney services to the Company's.

- *“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.

Lastly, and in accordance with provisions 71 and 72 of the Technical Guide, the Committee considers that the activities of the auditor has contributed to the improvement of the quality and integrity of the Company's audit and financial information.

Particularly, the Committee outlines (i) the attendances of the Company's auditor to the necessary meetings of the Committee in order to inform on the progress of its activities (as expressed in point III of this report); (ii) the business and activity sector knowledge of the auditor, taking into account that the external auditor has provided services to the Company since 2012; (iii) the detailed information received by the Committee (abovementioned on item V d) of the present report); and (iv) the discussions held with the external auditor during the audit activity.

In view of the above, the Committee considers that the activities of the external auditor has contributed to the quality and integrity of the Company's audit and financial information. Therefore, the external auditor evaluation is positive.

### **Conclusion**

The Committee considers that, during the year ending 31 December 2018, the auditor of the Company and its consolidated Group, KPMG Auditores, S.L., has 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**

Banca March, S.A. notified the Company of the existing risk transactions in favour of the Group in which Parques Reunidos 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 31 December 2018, 0.4 million euros were disposed for the reverse factoring (*confirming*). Likewise, as of the same date referred above, no amount had been drawn down regarding the documentary credits.

It should be highlighted that, since 20 December 2018, Banca March, S.A. is not considered a related-party in relation to the Company due to the termination of the shareholders agreement between Banca March, S.A. and other shareholders regarding Corporación Financiera Alba, S.A., as communicated to the CNMV on 20 December 2018.

No member 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 ended on 31 December 2018.

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

During the year ended on 31 December 2018, 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 has continued to work on implementing different plans, such as the criminal compliance plans and the improvement of the current internal audit model.

In view of the above, the Committee has a positive view of the performance of its functions during the financial year addressed in this report 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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