

**REPORT ON THE INDEPENDENCE OF THE EXTERNAL AUDITOR OF THE  
COMPANY AND ITS CONSOLIDATED GROUP FOR THE 2016 FINANCIAL  
YEAR**

By virtue of the provisions of Article 529 quaterdecies, para 4.f) of the Capital Companies Act (Ley de Sociedades de Capital) and Article 31.9 f, para 2.h) of the Management Board Regulations (Reglamento del Consejo de Administración), the Audit and Compliance Committee of Telepizza Group, S.A. (hereinafter the Company), in its meeting held on 21 February 2017, hereby issues the following report on the independence of the external auditor for the Company and its Consolidated Group for the 2016 financial year, prior to the issue by the auditors of the audit reports on its individual and consolidated annual accounts for that year.

**I.- Applicable legislation**

Article 529 quaterdecies, para 4.f) of the Capital Companies Act (Ley de Sociedades de Capital) stipulates that the Audit Committee must *“issue an annual report expressing its opinion on the independence of the auditor, prior to the issue of the audit report. Said report must always include a valuation of the additional services referred to in the previous letter, considered individually and as a whole, separate from the statutory audit and in relation to the rules on independence or the regulatory legislation on auditing.”*

For its part, para 4.e) of the aforementioned provision provides that *“(…) in any case, an annual declaration must be received from the external auditors stating their independence from the entity or entities directly or indirectly associated with them, as well as information on the additional services provided, of whatever kind, and the corresponding fees received from those entities by the external auditor or by the persons or entities associated therewith, in accordance with the provisions of the legislation on auditing accounts.”*

These obligations have been recognised in Article 31.9 of the Management Board Regulations (Reglamento del Consejo de Administración), which entrusts the following powers to the Audit Committee with regard to external auditing:

...

*(d) To submit proposals to the Management Board for the selection, appointment, re-selection and replacement of the external auditor, as well as the conditions of its commissioning, and to regularly collect information from the external auditor on the audit plan and its execution, in addition to maintaining its independence in the exercise of its duties.*

*(e) To establish an appropriate relationship with the external auditor in order to ascertain information on any aspects that could jeopardise its independence, for consideration by the Committee, and any other aspects related to the process of auditing the accounts, as well as other communications provided for in the legislation and standards on auditing. In any case, an annual declaration must be received from the external auditors stating their independence from the entity or entities directly or indirectly associated with them, as well as information on the additional services provided, of whatever kind, and the corresponding fees received from those entities by the external auditor or by the persons or entities associated therewith, in accordance with the provisions of the legislation on auditing accounts.*

*(f) To issue an annual report expressing its opinion on the independence of the auditor, prior to the issue of the audit report. Said report must always include a valuation of the additional services referred to in (e), considered individually and as a whole, separate from the statutory audit and in relation to the rules on independence or the regulatory legislation on auditing.”*

## **II.- Regulations on the independence of the Auditor or the Auditing Firm.**

Article 12.1 of Royal Legislative Decree 112011 of 1 July, approving the recast text of the Auditing of Accounts Act (Ley de Auditoría de Cuentas) provides that *“In exercising their duties, auditors and auditing firms must be independent from the audited entities and must refrain from audit activities if it is considered that their*

*independence could be compromised with regard to the inspection and verification of annual accounts, financial statements or other accounting documents.”*

In this sense, Article 13 of the recast text of the Auditing of Accounts Act (Ley de Auditoría de Cuentas), which contains the cases whereby an auditor or auditing firm is not sufficiently independent in the exercise of its duties, provides that:

*“In any case, an auditor or auditing firm is considered not to be sufficiently independent in the exercise of its duties towards a company or entity, in addition to the cases of incompatibility provided for in other legislation, if the signatory auditor of the audit report:*

- a) Holds a managerial or administrative position, or is employed by or performs an internal supervision role in the audited entity, or has been granted power of attorney with a general mandate by the audited entity.*
- b) Has a direct or indirect financial interest in the audited entity, in either case.*
- c) Is related by marriage, blood or affinity up to the first degree, or indirectly related by blood up to the second degree, including spouses of such persons, to a manager, administrator or person responsible for the financial affairs of the audited entity.*
- d) Maintains records for or assists in preparing the financial statements or other accounting documents of the audited entity.*
- e) Provides valuation services to the audited entity that lead to the evaluation of significant amounts, measured in terms of relative significance, in the financial statements or other accounting documents of that entity for the audited period or year, provided that the valuation involves a significant degree of subjectivity.*
- f) Provides internal audit services to the audited entity, unless the management body of the audited entity is responsible for the global internal control system, for determining the scope, risk and frequency of internal audit procedures, and for considering and implementing the results and recommendations of the internal audit.*
- g) Simultaneously provides legal services for the audited entity, unless such services are provided by separate legal persons and with different management boards, and without the ability to*

*refer the resolution of disputes on matters that could have a significant impact, measured in terms of relative significance, on the financial statements for the period or year audited.*

- h) Receives fees for audit and non-audit services provided to the audited entity, provided that they constitute a significant percentage of the total annual revenue of the auditor or auditing firm, in view of the average over the previous three years.*
- i) Provides design and implementation services to the audited entity for financial information technology systems used to generate the data of the audited entity's financial statements, unless it is responsible for the global internal control system or the service is provided in accordance with the specifications laid down by that entity, which must also assume responsibility for the design, implementation, evaluation and operation of the system.*

### **III.- Additional services provided by KPMG Auditores S.L. and its affiliates**

For the purpose of this report, the written declaration of independence received from the Company's auditors, pursuant to the provisions of Article 529 quaterdecies, para 4.e) of the Capital Companies Act (Ley de Sociedades de Capital), which includes information on the corresponding fees for the auditing and additional services, of whatever kind, provided to the Company and its Consolidated Group [by the external auditor or] by the persons or entities associated therewith, in accordance with Article 21, para 1 of the Auditing of Accounts Act (Ley de Auditoría de Cuentas), has been taken into consideration.

In the 2016 financial year, the auditing firm KPMG Auditores S.L. invoiced the Company and Group for €178,130 for auditing services and €281,590 for other accounting verification services.

The fees received by other entities affiliated with KPMG International in the 2016 financial year amounted to €73,921, plus €47,816 for other services.

The fees received by KPMG Auditores, S.L. for accounting services, i.e. €178,130, include the audits of the individual and consolidated annual accounts of the Company as well as the

individual annual accounts of the Group companies that have been audited by the aforementioned firm<sup>1</sup>.

The fees for account verification services, i.e. €281,590, relate to work carried out to go public (€280,000) and the work done with Ecoembes (€1,590).

The fees for auditing services carried out by affiliates of KPMG International, i.e. €73,921, relate to the auditing of the individual annual accounts of Company subsidiaries: Telepizza Poland Sp. z.o.o., Telepizza Chile S.A., Telepizza Portugal SA and Inverjenos SAS.

The services, in addition to auditing, provided by KPMG and its affiliates for the amount of €47,816 relate to tax services for Telepizza Portugal SA, Telepizza Poland, Sp. Z.o.o. and Telepizza Chile S.A.

#### **IV.- Opinion of the Auditing Committee on the independence of the auditor.**

The Auditing Committee has received confirmation from the auditor of the latter's independence, in accordance with the criteria in Articles 12.1 and 13 of the Auditing of Accounts Act (Ley de Auditoría de Cuentas) and, with regard to the 2016 financial year, confirmation that no circumstances have been identified that could, either individually or as a whole, pose a significant threat to the independence of auditors.

In view of the foregoing, the Auditing Committee considers that there is nothing to suggest that the auditor is not sufficiently independent to perform its duties, in consideration of the cases provided for in the Auditing of Accounts Act (Ley de Auditoría de

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<sup>1</sup> The following companies have not been audited or have been audited by an auditor other than KPMG Mixor S.A.U.: Circol S.A.U., Telepizza Guatemala S.A., Telepizza Ecuador S.A., Shanghai Telepizza CO. LTD., Telepizza Andina S.A.C., Procusto Activos S.L., Foodco Pastries Maroc SRL., Cozicharme Comercio Productos Alimentare LDA, Bazigual SGPSU LTDA, Todopizza S.L. Foodco Pastries Panamá SA. and Telepizza Switzerland GmbH.

Cuentas) and, as such, that KPMG Auditores, S.L. has acted with the independence required by the applicable legislation in order to exercise its duties to inspect and verify the financial statements.

#### **V.- Publication of the report**

This report on the independence of the external auditor of Telepizza Group, SA and its consolidated group will be published on the Company's website, together with its individual and consolidated annual accounts.

Madrid, 21 February 2017