

## ANNEX I

### ANNUAL CORPORATE GOVERNANCE REPORT OF PUBLICLY TRADED COMPANIES

#### IDENTIFYING DATA OF ISSUER

<b>CLOSING DATE OF THE FINANCIAL YEAR OF REFERENCE</b>	30/09/2018
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<b>C.I.F.</b>	A84885441
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<b>COMPANY NAME:</b>
PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.

<b>REGISTERED ADDRESS:</b>
PASEO DE LA CASTELLANA, 216, 28046, MADRID, ESPAÑA

**ANNUAL CORPORATE GOVERNANCE REPORT OF  
PUBLICLY TRADED COMPANIES**

**A. OWNERSHIP STRUCTURE**

**A.1 Complete the following table on the company's share capital:**

Last modification date	Share capital (€)	Number of shares	Number of voting rights
28/04/2016	40,371,022.00	80,742,044	80,742,044

Are there different types of shares with different associated rights?

YES  NO

**A.2 Provide details of the direct and indirect owners of significant holdings in your company at year end, excluding directors:**

Name of shareholder (person or company)	Number of direct voting rights	Number of Indirect voting rights	% of total voting rights
INVESCO LIMITED	0	948,672	1,17 %
GROUPE BRUXELLES LAMBERT (GBL)	0	16,953,434	21.00 %
ARTEMIS INVESTMENT MANAGEMENT LLP	0	4,058,183	5,03 %
GOLDMAN SACHS INTERNATIONAL	0	3,684,435	4.54 %
MORGAN STANLEY	0	5,801,,203	7,18 %
CORPORACION FINANCIERA ALBA, S.A.	0	16,156,522	20.01 %
FIDELITY INTERNATIONAL LIMITED	0	947.107	1.17 %
EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC	2,506,102	0	3.10 %
OB PARTNERSHIP	5,539,368	0	6.86 %
ACCIÓN CONCERTADA	0	4,040,250	5.00 %

Name of indirect shareholder (person or company)	Through: Name of direct shareholder (person or company)	Number of voting rights
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	948,672
GROUPE BRUXELLES LAMBERT (GBL)	MILES CAPITAL S.À.R.L.	16,953,434
ARTEMIS INVESTMENT MANAGEMENT LLP	ARTEMIS PAN-EUROPEAN ABSOLUTE RETURN FUND	1,014,545
ARTEMIS INVESTMENT MANAGEMENT LLP	ARTEMIS GLOBAL EQUITY INCOME FUND	1,014,545
ARTEMIS INVESTMENT MANAGEMENT LLP	BARCLAYS GLOBAL ACCESS GLOBAL EQUITY INCOME FUND	1,014,545
ARTEMIS INVESTMENT MANAGEMENT LLP	ARTEMIS GLOBAL EQUITY INCOME FUND	1,014,548

GOLDMAN SACHS INTERNATIONAL	GOLDMAN SACHS INTERNATIONAL	3,664,435
MORGAN STANLEY	MORGAN STANLEY & CO. INTERNATIONAL PLC	5,801,203
CORPORACION FINANCIERA ALBA, S.A.	ALBA EUROPE, SARL	16,156,522
FIDELITY INTERNATIONAL LIMITED	FIL INVESTMENTS INTERNATIONAL	947,107
ACCIÓN CONCERTADA	EQMC EUROPE DEVELOPMENT CAPITAL FUND	1,346,750
ACCIÓN CONCERTADA	MERCER INVESTMENT FUND	1,346,750
ACCIÓN CONCERTADA	QMC III IBERIAN CAPITAL FUND FIL	1,346,750

**Indicate the most significant changes in the shareholder structure during the year:**

<b>Name of shareholder (person or company)</b>	<b>Date of the transaction</b>	<b>Description of the transaction</b>
GRUPE BRUXELLES LAMBERT (GBL)	29/11/2017	Exceeded 20 % of the share capital
ACCIÓN CONCERTADA	19/04/2018	Exceeded 3 % of the share capital
ACCIÓN CONCERTADA	22/06/2018	Exceeded 5 % of the share capital
CORPORACION FINANCIERA ALBA, S.A.	29/11/2017	Exceeded 20 % of the share capital
EQMC EUROPE DEVELOPMENT CAPITAL FUND PLC	22/06/2018	Exceeded 3 % of the share capital
MORGAN STANLEY	29/11/2017	Fell below 5 % of the share capital
MORGAN STANLEY	06/12/2017	Fell below 3 % of the share capital
MORGAN STANLEY	13/12/2017	Exceeded 3 % of the share capital
MORGAN STANLEY	23/03/2018	Fell below 3 % of the share capital
MORGAN STANLEY	30/03/2018	Exceeded 3 % of the share capital
MORGAN STANLEY	02/04/2018	Fell below 3 % of the share capital
MORGAN STANLEY	15/06/2018	Exceeded 3 % of the share capital
OB PARTNERSHIP	14/06/2018	Exceeded 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	06/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	13/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	16/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	20/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	23/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	24/10/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	25/10/2017	Fell below 3 % of the share capital

GOLDMAN SACHS INTERNATIONAL	14/11/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	24/11/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	27/11/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	29/11/2017	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	04/01/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	05/01/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	08/01/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	10/01/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	31/01/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	08/02/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	09/02/2018	Exceeded 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	02/03/2018	Fell below 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	06/03/2018	Exceeded 3 % del capital
GOLDMAN SACHS INTERNATIONAL	19/04/2018	Exceeded 5 % del capital
GOLDMAN SACHS INTERNATIONAL	23/04/2018	Fell below 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	25/04/2018	Exceeded 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	10/05/2018	Fell below 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	11/05/2018	Exceeded 5 % del capital
GOLDMAN SACHS INTERNATIONAL	30/05/2018	Fell below 5 % del capital
GOLDMAN SACHS INTERNATIONAL	01/06/2018	Exceeded 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	04/06/2018	Fell below 5 % of the share capital
GOLDMAN SACHS INTERNATIONAL	05/06/2018	Exceeded 5 % del capital
GOLDMAN SACHS INTERNATIONAL	11/06/2018	Fell below 3 % del capital
GOLDMAN SACHS INTERNATIONAL	14/06/2018	Exceeded 3 % of the share capital
GOLDMAN SACHS INTERNATIONAL	29/06/2018	Exceeded 5 % del capital
GOLDMAN SACHS INTERNATIONAL	02/07/2018	Fell below 5 % del capital
GOLDMAN SACHS INTERNATIONAL	03/07/2018	Exceeded 5 % del capital
GOLDMAN SACHS INTERNATIONAL	17/08/2018	Fell below 5 % del capital
GOLDMAN SACHS INTERNATIONAL	20/08/2018	Exceeded 5 % of the share capital

GOLDMAN SACHS INTERNATIONAL	18/09/2018	Fell below 5 % del capital
MORGAN STANLEY	12/07/2018	Exceeded 5 % del capital

**A.3 Complete the following tables on the members of the company's board of directors who have voting rights over shares in the company:**

Name of shareholder (person or company)	Number of direct voting rights	Number of Indirect voting rights	% of total voting rights
FÉLIX FERNANDO EIROA GIMÉNEZ	49,322	0	0.06 %
NICOLÁS VILLÉN JIMÉNEZ	16,129	0	0.02 %
JAVIER FERNÁNDEZ ALONSO	1,000	0	0.00 %
DAG ERIK JOHAN SVANSTROM	32,258	0	0.04 %
RICHARD GOLDING	580,094	0	0.72 %

% total voting rights held by members of the board of directors	0.84 %
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**Complete the following tables on the members of the company's board of directors who have voting rights over shares in the company:**

Name of shareholder (person or company)	Number of direct voting rights	Number of Indirect voting rights	Number of equivalent shares	% of total voting rights
FÉLIX FERNANDO EIROA GIMÉNEZ	0	0	60,493	0.00 %
NICOLÁS VILLÉN JIMÉNEZ	0	0	8,064	0.00 %
DAG ERIK JOHAN SVANSTROM	0	0	16,129	0.00 %

**A.4 Indicate, where applicable, any family, commercial, contractual or corporate relations between the holders of significant shareholdings, where they are known by the company, unless such relations are irrelevant or arise from normal trading activities:**

**A.5 Indicate, where applicable, any commercial, contractual or corporate relations between the holders of significant shareholdings, and the company and/or its group, unless such relations are irrelevant or arise from normal trading activities.**

**A. 6 Indicate whether any shareholder agreements have been notified to the company that affect it under Articles 530 and 531 of the Ley de Sociedades de Capital (*Spanish Companies Act*). If so, describe them briefly and specify the shareholders bound by such agreements:**

Yes  No

Indicate whether the company knows of the existence of any concerted actions between its shareholders. If so, describe them briefly:

Yes [X] No []

**Share capital percentage**

**Affected capital:** 5.00 % **Brief description of the concerted action:**

Alantra Asset Management SGICC, S.A. (“ Alantra AM “) and Alantra EQMC Asset Management SGIIC S.A. (“Alantra EQMC”) (IIC managers of the Alantra Group) have a common policy regarding the voting rights for the ARQUES REUNIDOS SERVICIOS CENTRALES, S.A. shares owned by the investment companies managed by them. ALantra AM and Alantra EQMC are also controlled by Alantra Partners, S.A., the parent company of the Alantra Group. However, Alantra AM and Alantra EQMC will exercise voting rights independently from Alantra Partners, S.A.

Parties involved in the concerted action

- ALANTRA EQMC ASSET MANAGEMENT, SGIIC, S.A.
- ALANTRA ASSET MANAGEMENT, SGIIC, S.A.

If any modification or cancellation of these covenants, agreements or concerted actions has taken place during the year, please make express mention of this:

N/A

**A.7 Indicate whether there is any individual person or corporate entity that exercises, or may exercise, control over the company, pursuant to Article 4 of the Ley del Mercado de Valores (Securities Market Act). If so, identify this person:**

Yes [] No [X]

**Comments**

**A.8 Complete the following tables on the company’s treasury stock:**

**At year end:**

Number of direct shares	Number of indirect shares (*)	% of share capital
0	0	0.00 %

(\*) Through:

**Explain any significant changes occurring during the year, pursuant to Royal Decree 1362/2007:**

**Explain any significant changes**

N/A

**A.9 Give details of the terms and conditions corresponding to the general shareholders meeting current mandate to the board of directors to issue, acquire or assign own shares.**

On 13 April 2016, the then sole shareholder resolved to authorize the Board of Directors to proceed with the derivative acquisition of own shares, both directly by the company itself and indirectly through

companies over which it exercises control, under the terms stated below: a) the acquisition can be made through a purchase, swap, donation, award or assets given in lieu of payment and, in general, through any other type of acquisition for a consideration of outstanding fully paid-up shares as allowed by law, one or more times, provided that the shares acquired, in addition to those that the company already owns, do not exceed 10 % of share capital; b) the price or equivalent value will be between a minimum that is equivalent to its fair value and a maximum that is equivalent to the higher of: (i) 105 % of the share price in the Continuous Market at the time of the acquisition or the closing share price of the stock market session prior to the acquisition, if this is made outside the normal Continuous Market hours; and (ii) the amount resulting from increasing the highest share price of the previous three months before the acquisition by 10 %; and c) the authorization period will be valid for five years from the day after the resolution. The shares acquired in this way will not enjoy any political rights, not even voting rights, and the economic rights corresponding to them will be allocated to the rest of the shares in accordance with the provisions of article 148 of the Spanish Companies Act. Likewise, and for the purposes envisaged in the second paragraph of article 146.1.a) of the Spanish Companies Act, express authorization was granted to any of the companies over which it exercises control to acquire the company shares under the same terms resulting from the aforementioned resolution. The shares acquired as a result of this authorization can be used for divestment or redemption and for the direct delivery to the company employees or directors, or as a result of exercising the options on the shares that they hold, in accordance with the provisions of the third paragraph of article 146.1.a) of the Spanish Companies Act.

On 13 April 2016, the Company's sole shareholder resolved to empower the Board of Directors to increase share capital by up to half of the company's capital at the date of admission to trading of the shares in the Madrid, Barcelona, Bilbao and Valencia stock markets, with the power to exclude the preferential subscription rights (up to an amount equivalent to 20 % of the company's capital), within the limits and with the requirements established in the Spanish Companies Act, for a maximum period of five years starting from that date.

**A. 9 bis Estimated floating capital:**

	%
Estimated floating capital	24.01

**A.10 Indicate, where applicable, whether there is any restriction to the transfer of securities and/or any other restriction on voting rights; in particular, any type of restrictions that may make it difficult to take control of the company by the acquisition of its shares on the market must be reported.**

Yes  No

**A.11 Indicate whether the General Meeting has agreed to adopt neutralization measures against a takeover bid by virtue of the provisions in Law 6/2007.**

Yes  No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

**A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.**

Yes  No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

**B GENERAL MEETING**

**B.1 Indicate and, where applicable, list the differences with respect to the minimum regime under the Spanish Companies Act with of the quorum for establishing the Annual General Meeting.**

Yes  No [X]

**B. 2 Indicate and, where applicable, list the differences with respect to the regime under the Spanish Companies Act for adopting the company resolutions:**

Yes  No [X]

Describe how they differ from the rules established in the Spanish Companies Act.

**B.3 Indicate the rules applicable to the modification of the company's bylaws. In particular, report the majority required to amend the bylaws and, where applicable, the rules for preserving the rights of shareholders in the amendment of the bylaws.**

Pursuant to the provisions of article 16.2 of the Company's Bylaws and article 17.2 of the Company's Shareholders' Meeting Regulations, to enable the Meeting to validly resolve an amendment to the Bylaws, at least 50 % of the subscribed capital with voting rights must attend in person or by proxy at first call. The attendance of 25 % of that capital will be sufficient at second call.

Regarding the adoption of such resolutions, pursuant to the provisions of article 25.4 of the Company's Bylaws and articles 17.2 and 29.1 of the company's Shareholders' Meeting Regulations, if the capital present or represented exceeds 50 %, the resolution can be adopted by an absolute majority. Nevertheless, the favorable vote of two-thirds of the capital present or represented at the Shareholders' Meeting will be required when shareholders representing 25 % or more of the subscribed capital with voting rights attend at second call, without reaching 50 %.

**B.4 Indicate the attendance figures at the General Meetings held each year to which this report refers and those of the previous year:**

Date of Annual General Meeting	Attendance data				Total
	% physical presence	% representation	% distance vote		
			Electronic vote	Other	
16/03/2017	1.48 %	64.29 %	0.00 %	0.12 %	65.89 %
21/03/2018	1.46 %	62.43 %	0.00 %	0.42 %	64.31 %

**B.5 Indicate whether there is any restriction in the bylaws establishing a minimum number of shares needed to attend the AGM:**

Yes [X] No []

Number of shares required to attend the General Meeting 300

**B.6 Repealed section.**

**B. 7 Indicate the direction and form of accessing the information on corporate governance through the company's website and other information on AGMs that should be made available to the shareholders through the Company's website.**

The company's website is: [www.parquesreunidos.com](http://www.parquesreunidos.com). To access the corporate governance content, click on "Investors" on the home page and then "Corporate governance".

To access the annual general meetings content click on "Investors" on the home page and then "annual general meetings".



## C. MANAGEMENT STRUCTURE OF THE COMPANY

### C.1 Board of Directors

#### C.1.1 Describe the maximum and minimum number of directors set forth in the bylaws:

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	5

#### C.1.2 Complete the following table with the members of the board:

Name of director (person or company)	Representative	Director category	Position on the board	Date of first appointment	Date of last appointment	Election procedure
FELIX FERNANDO EIROA GIMÉNEZ		Executive	CEO	28/01/2016	28/01/2016	SHAREHOLDERS MEETING RESOLUTION
NICOLÁS VILLÉN JIMÉNEZ		Independent	DIRECTOR	13/04/2016	13/04/2016	SHAREHOLDERS MEETING RESOLUTION
COLIN HALL		Proprietary	DIRECTOR	25/04/2017	21/03/2018	SHAREHOLDERS MEETING RESOLUTION
JAVIER FERNANDEZ ALONSO		Proprietary	DIRECTOR	16/03/2017	16/03/2017	SHAREHOLDERS MEETING RESOLUTION
DAG ERIK JOHAN SVANSTROM		Independent	DIRECTOR	13/04/2016	13/04/2016	SHAREHOLDERS MEETING RESOLUTION
RICHARD GOLDING		Other External	CHAIRMAN	17/07/2018	17/07/2018	CO-OPTION
ANA BOLADO VALLE		Independent	DIRECTOR	28/11/2017	21/03/2018	SHAREHOLDERS MEETING RESOLUTION
CARLOS ORTEGA ARIAS-PAZ		Proprietary	DIRECTOR	21/03/2018	21/03/2018	SHAREHOLDERS MEETING RESOLUTION
JACKIE KERNAGHAN		Independent	DIRECTOR	21/03/2018	21/03/2018	SHAREHOLDERS MEETING RESOLUTION
MARIO ARMERO MONTES		Proprietary	DIRECTOR	21/03/2018	21/03/2018	SHAREHOLDERS MEETING RESOLUTION

<b>Number of board members</b>	10
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Indicate any resignations that have taken place in the Board of Directors during the reporting period:

Name of director (person or company)	Status of the director at the moment of resignation	Date of resignation
PETER JAMES LONG	Independent	17/07/2018

**C.1.3 Complete the following tables on the members of the board and their status:**

**EXECUTIVE DIRECTORS**

<b>Name of director (person or company)</b>	<b>Position in the company's organization chart</b>
FÉLIX FERNANDO EIROA GIMÉNEZ	Executive (CEO)
<b>Total number of executive directors</b>	1
<b>% of the total board</b>	10.00 %

**EXTERNAL PROPRIETARY DIRECTORS**

<b>Name of director (person or company)</b>	<b>Name of significant shareholder represented or proposing appointment</b>
COLIN HALL	GROUPE BRUXELLES LAMBERT (GBL)
JAVER FERNÁNDEZ ALONSO	CORPORACIÓN FINANCIERA ALBA, SA
CARLOS ORTEGA ARIAS-PAZ	CORPORACIÓN FINANCIERA ALBA, SA
MARIO ARMERO MONTES	GROUPE BRUXELLES LAMBERT (GBL)

<b>Total number of proprietary directors</b>	4
<b>% total of the board of directors</b>	40.00 %

**EXTERNAL INDEPENDENT DIRECTORS**

**Name of director**

**Mr. NICOLÁS VILLÉN JIMÉNEZ**

**Profile:**

Mr. Nicolás Villén Jiménez is an external independent director of the Company. He was appointed as director of the Company 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. Nicolás 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 (an Australian global infrastructure fund), as well as director at Applus+ Services, S.A. (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.

**Name of director:**

**Mr. DAG ERIK JOHAN SVANSTROM**

**Profile:**

Mr. Svanstrom is an external independent director of 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 the president of Hotels.com and Expedia Affiliate Network ("Expedia") brands, which operate in 80 markets worldwide and transact over US\$19 billion in gross bookings. He is also a member of the Expedia Inc Travel Leadership Team reporting to the chief executive officer of Expedia.

Prior to taking the role of President, Mr. Svanstrom spent 8 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.

Prior to 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 of Science in Economics from the Stockholm School of Economics.

**Name of director:**

**Ms. ANA BOLADO VALLE**

**Profile:**

Ms. Ana Bolado is an external independent director of Parques Reunidos. She was appointed director 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 21 March 2018, the Annual General Meeting ratified her appointment and agreed her reappointment 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 and Chairman of the Appointments and Remunerations Committee, Mr. Peter James Long, the Board of Directors appointed her as Chairwoman of the Appointments and Remunerations Committee.

Ms. Bolado has over 31 years of management experience in an international environment within the Santander Group. Ms 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 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.

**Name of director:**

**Ms. JACKIE KERNAGHAN**

**Profile:**

Ms. Jackie Kernaghan is an external independent director of Parques Reunidos, appointed on 21 March 2018 by the Company’s Annual General Meeting. Ms. Jackie Kernaghan is also a member of the Appointments and Remunerations Committee since 17 July 2018.

Ms. Jackie Kernaghan has extensive experience in the hotel and tourism industry. During her career she has held many high profile roles including, among others, Chair of the Institute of Travel and Tourism, Adviser in the UK Government’s Tourism White Paper on Tourism, Member of the World Tourism Organisation’s Advisory Committee, Member of ABTA’s Tour Operating Council and European Businesswoman of Achievement.

Ms. Kernaghan is currently the Managing Director of JKS Associates, Business Consultants and a Non-Executive Director at SDWorx UK, where she has strategically guided the Executive Team to transform the business from a small payroll-only operator to become one of the UK’s premier HR Management and Software companies.

Ms. Kernaghan started her career in Cosmos Holidays, where she held various positions from 1974 to 1986. She then worked for the tour operator Intasun Reisen, Dusseldorf, Germany from 1986 to 1988 as Managing Director. From 1988 to 1989 she worked in the leisure transportation industry for Coach Europe & Drive Europe as Managing Director. From 1989 to 1991 she worked for the tour operator Global Holidays & Lancaster Holidays as Managing Director. From 1991 to 1993 she worked for the tour operator Riva Travel as Managing Director. In 1993 she joined Forte Hotels plc (the world’s largest hotel operator at that time with a well balanced portfolio of properties ranging from Luxury to familiar brands). During her tenure, she worked as Director of the Worldwide Sales, Reservations and Yield Management, Senior VP of Leisure Sales and Marketing and was later appointed CEO of the Air Travel Group. In 2000 she joined Nicholson McBride as Managing Director. Ms Kernaghan created a team of Business Psychologists working with key FTSE 100 companies, predominantly in the Finance, Legal, Automotive and Oil Industries. The team specialized in post-merger Strategic Direction, Cultural and Financial Integration.

<b>Total number of independent directors</b>	4
<b>% of the total board</b>	40.00 %

**Indicate whether any director classified as independent receives any sum or benefit from the company or from its group, for an item other than the remuneration of directors; or has or has had in the last year a business relationship with the company or with any company in its group, whether in his or her own name or as a significant shareholder, director, or senior manager of a company that has or may have had such a relationship.**

See Explanatory Note 8.

**Where appropriate, a reasoned statement must be included from the board on the reasons why it is considered that this director may perform his or her functions as independent director.**

## OTHER EXTERNAL DIRECTORS

Please name any other external directors and describe the reasons why they are not proprietary or independent directors, and any links held with the company, its executives or shareholders:

**Name of director:**

**Mr. RICHARD GOLDING**

**Profile:**

**Company, executive, or shareholder to whom he is linked:**

PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.

**Reasons:**

Mr. Richard Golding held the position of member of the Board of Directors and Executive Chairman of the Company until February 2014. Consequently, in accordance with the provisions in section 4.a) of article 529 *duodecies* of the Spanish Companies Act, the director cannot be allocated to the independent category until the five-year period established in that regulation has elapsed.

<b>Total number of independent directors</b>	1
<b>% of the total board</b>	10.00 %

Indicate any changes that may have arisen during the reporting period, in each director's category:

**C.1.4 Complete the following table with information on the number and category of female directors at the closing date of the last 4 financial years:**

	Number of female directors				% over the total directors in each category			
	2018	2017	2016	2015	2018	2017	2016	2015
<b>Executive</b>	0	0	0	N/A	0.00 %	0.00 %	0.00 %	N/A
<b>Proprietary</b>	0	0	0	N/A	0.00 %	0.00 %	0.00 %	N/A
<b>Independent</b>	2	0	0	N/A	50.00 %	0.00 %	0.00 %	N/A
<b>Other external</b>	0	0	0	N/A	0.00 %	0.00 %	0.00 %	N/A
<b>Total:</b>	2	0	0	N/A	20.00 %	0.00 %	0.00 %	N/A

**C.1.5 Explain the measures that may have been adopted to include a number of women on the board of directors so that there is a balanced presence of women and men.**

Explanation of measures
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The Company's Board of Directors is comprised, as of the closing date of this financial year, by the Company's top executive, four proprietary directors, four independent directors, and one "Other external" director, all with acknowledged prestige. Moreover, the Board of Directors has a secretary and a vice secretary, both of whom are not directors. They have all been designated based on professional criteria, regardless of their gender. The selection for appointing or re-electing the Company's directors, secretary and deputy secretary (in this case, the last two are not directors) was based on the merits of each candidate. In that sense, the Board of Directors and the Appointments and Remuneration Committee within its powers, makes sure that the candidates selected are persons of recognized standing, competence and experience.

In that respect, on 7 February 2017 the Board of Directors approved the Company's Director Selection Policy, which establishes that the Company will strive to comply with recommendation 14 of the Code of Good Governance by 2020 in relation to the number of female directors. Consequently, the Company continues to foster the search for the best candidates, based on the Group's needs at any given time and taking into account the female director target.

Additionally, as stated in the abovementioned policy, the Appointments and Remuneration Committee will verify, as far as possible, that none of the incompatibilities, prohibitions and causes of conflict of interest established in the law or in the corporate governance system concur and that the procedures for the re-election of directors are not implicit biased that may involve any discrimination and, in particular, that do not hinder the selection of female directors.

As stated in the previous Annual Corporate Governance Report, the Company, as of the closing date of the previous financial year, was carrying out a search for a female director. As a result, on 28 November 2017 Ms. Ana Bolado was appointed independent director by means of the co-option system and was later ratified and re-elected in the meeting held on 21 March 2018. Together with Ana Bolado, there is currently a second female independent director, Ms. Jackie Kernaghan. Ms. Kernaghan was appointed director on the meeting of 21 March 2018. Moreover, the non-director secretary is held by a woman, who was re-elected in this financial year after the favorable report from the Appointments and Remuneration Committee on 30 May 2018.

Consequently, the Company has taken significant measures to comply with recommendation 14 of the Company's Code of Governance and Selection Policy. In any case, as stated above, the Board will try to ensure that the candidates selected are individuals of known solvency, competence, and experience, regardless of their gender, as established in the Director Selection Policy, on the basis of the candidates' merits.

**C.1.6 Explain the measures that may have been agreed by the appointments committee so that the selection procedures do not include any implicit bias that prevent the selection of female directors, and so that the company deliberately searches for and includes women with the appropriate profile among the potential candidates:**

<b>Explanation of measures</b>
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Article 15.6.b) of the Board of Directors Regulations establishes that the Appointments and Remuneration Committee must report and review the criteria that must be followed for the composition of the Board of Directors and for the candidate selection, ensuring that, when filling the new vacancies or appointing the new directors, the selection procedures do not have an implicit bias that involves any discrimination and, in particular, which may prevent women from being selected as directors, establishing a female board representation target and drafting guidelines on how to meet this.

Furthermore, the Company's director selection policy, which was approved on 7 February 2017, states that the Appointments and Remuneration Committee will make sure, as far as possible, that there are no incompatibilities, prohibitions or conflicts of interest in accordance with the law or with the corporate governance system and that the director selection procedures do not have an implicit bias that involves any discrimination and, in particular, which may prevent women from being selected as directors. The policy also establishes the target that the number of female directors should represent at least 30 % of all the members of the Board of Directors by 2020.

**When despite the measures that may have been adopted, the number of female directors is zero or limited, explain the reasons justifying this:**

**Explanation of the reasons**

Not applicable. The number of female directors in the Company currently represents 20%, which is closed to the 30% target set in the Code of Good Governance and, therefore, it cannot be considered that the number of female directors is zero or limited.

**C.1.6 bis Explain the conclusions reached by the Appointment Committee on verified compliance with the director’s selection policy, to particularly include how this policy is working towards the target that by 2020 the number of female directors represent, at least, 30 % of all the Board members.**

**Explanation of the conclusions**

In this regard, the Company's effort during the financial year ended on 30 September 2018 should be highlighted, as two new independent female directors have been appointed, one of whom was also appointed Chairwoman of the Appointments and Remuneration Committee. These appointments mean that almost half of the directors appointed in the last financial year are women.

As a result of these appointments, the Company has made significant progress toward the target set by the recommendation, as there is currently a 20 % percentage of women in the Board of Directors out of the total number of its members.

In any case, the Board will continue to implement the measure taken this financial year in order to achieve, as soon as possible, the goal stated in recommendation 14 of the Code of Good Governance, that is, a 30 % percentage of women in the Board out of the total number of members. However, the Company will try to ensure that the candidates selected are individuals of renowned solvency, competence, and experience, as established in the Director Selection Policy and that the selection process is based on the candidate merits, acting the Company with equanimity and watching out that nothing can hinder or prevent the increase of female representation at the Board of Directors.

**C.1.7 Explain the form of representation in the board of directors of the shareholders with significant holdings.**

Recommendation 16 of the Code of Good Governance sets out that the percentage of proprietary members over the total number of external directors shall not exceed the proportion between the capital represented on the Board by said directors and the remainder of the Company's capital.

Likewise, article 8.4 of the Regulations establishes that the Board must avoid any discrimination among the shareholders to join the Board of Directors as proprietary directors.

Mr. Colin Hall and Mr. Mario Armero represent the significant shareholder Groupe Bruxelles Lambert (GBL) which has an indirect stake, as of 30 September 2018, of 21 % in the Company. Mr. Javier Fernández and Mr. Carlos Ortega represent Corporación Financiera Alba, SA, which has an indirect stake, as of 30 September 2018, of 20.01 % (this information has been obtained from the communications to the Spanish National Securities Market Commission, regarding relevant stakes).

There are no other significant shareholders represented on the Board of Directors.

**C.1.8 Explain, where applicable, the reasons for the appointment of proprietary directors at the suggestion of shareholders whose holding is below 3 % of the share capital:**

**Indicate whether formal petitions have been met for the presence of shareholders on the board whose holding is equal to or greater than that of others at whose request proprietary directors may have been appointed. In this case, explain the reasons why they have not been granted:**

Yes [ ] No [X]

**C.1.9 Indicate whether any director has resigned before the end of his or her term in office, if the said director has explained the reasons for the resignation and how, to the board, and if the resignation was in writing to all the board, explain at least the reasons given:**

**Name of director:**

**MR PETER JAMES LONG**

**Reasons for resignation:**

Peter Long resigned as director and Chairman of the Company on 17 July 2018, before the end of their mandate, by means of a letter sent to all the members of the Board of Directors of the Company.

His decision to leave the positions which he held in the Company was firstly due to the fact that he thought that the goals set at the time of the Company's stock floatation had been achieved, both in terms of the consolidation of the business strategy and in terms of the setting of the best corporate governance practices. Moreover, after carefully considering the Company's stage of development and after the conversations with the members of the Board of Directors, Mr. Long reached the conclusion that the Company required a dedication significantly higher than that initially envisaged, and that, due to his various professional commitments, he was not in a position to provide it without compromising the obligations derived from his duty of loyalty to the Company.

**C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):**

**Name or corporate name of director:**

**MR FÉLIX FERNANDO EIROA GIMÉNEZ**

**Brief description:**

The Chief Executive Officer has been delegated with all the Board of Directors powers, apart from those which cannot be delegated in accordance with the Bylaws and with the law.

**C.1.11 Identify, where applicable, the members of the board who occupy positions as directors or executives in other companies that form part of the group of the traded company:**

<b>Name of director (person or company)</b>	<b>Company name of the company in the group</b>	<b>Position</b>	<b>Does he have executive functions?</b>
FÉLIX FERNANDO EIROA GIMÉNEZ	Grant Leisure Group Limited.	Manager	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	The Real Live Leisure Company Limited	Manager	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Centaur Holdings II United States, Inc.	President, CEO and member of the Board of Directors	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Parque de Atracciones Madrid S.A.U.	Physical representative of the sole director (Parques Reunidos Servicios Centrales, SA)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Zoos Ibéricos, S.A.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes



FÉLIX FERNANDO EIROA GIMÉNEZ	Leisure Parks S.A.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Parque Biológico de Madrid, S.A.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Centaur Holdings United States, Inc.	President, CEO and member of the Board of Directors	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Aquópolis Cartaya, S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Parque de la Naturaleza Selwo S.L.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Parque de atracciones San Fernando de Henares S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Madrid Theme Park Management S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Travelpark Viajes S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Gestión Parque de Animales Madrid S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Mall Entertainment Centre Murcia S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Mall Entertainment Centre Temático Arroyomolinos S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Mall Entertainment Centre Acuario Arroyomolinos S.L.U.	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Palace Entertainment Holdings LLC	President, CEO, Board of Managers Member	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Festival Fun Parks, LLC	President, CEO, Board of Managers Member	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Palace Entertainment Holdings Corporation	President, CEO, Board of Managers Member	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Palace Entertainment Management LLC	President, CEO, Board of Managers Member	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Attractions Hawaii, LP	President	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	SLP Services, LLC	President	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	DD Pacific Investors, LLC	President, CEO and Manager	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	DD Parks, LLC	President, CEO and Manager	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Oahu Entertainment Parks, LP	President	Yes
FÉLIX FERNANDO EIROA GIMÉNEZ	Indoor Entertainment Centre Príncipe Pío S.L.U	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes

FÉLIX FERNANDO EIROA GIMÉNEZ	Parques Reunidos Atlántica SLU	Physical representative of the sole director (Parque de Atracciones Madrid SAU)	Yes
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**C.1.12 Identify, where applicable, the directors of the company who are members of the board of directors of companies not in your group that are traded on official stock exchanges, and that have been reported to the company:**

Name of the director (person or company)	Company name	Position
NICOLÁS VILLÉN JIMÉNEZ	APPLUS SERVICES, S.A.	DIRECTOR
COLIN HALL	Umicore S.A.	DIRECTOR
COLIN HALL	Imerys S.A.	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	EBRO FOODS, S.A.	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	EUSKALTEL S.A.	DIRECTOR
RICHARD GOLDING	DISTRIBUIDORA INTERNACIONAL DE ALIMENTACIÓN S.A.	DIRECTOR
ANA BOLADO VALLE	METROVACESA, S.A.	DIRECTOR
ANA BOLADO VALLE	UNICAJA BANCO, S.A.	DIRECTOR

**C.1.13 Indicate, and where applicable, explain whether the company has established rules on the number of boards of directors that its directors may be members of:**

Yes []      No []

Explanation of the rules
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Article 34.2 of the Board of Directors Regulations, which includes recommendation 25 of the Code of Good Governance, establishes a maximum of ten boards of companies of which its directors can form part, not including companies that are part of the Parques Reunidos group.

**C.1.14 Repealed section**

**C.1.15 Indicate the Board of Directors' global remuneration:**

Remuneration of the Board of Directors (in thousands of euros)	1,567
Total remuneration corresponding to the pension rights accumulated by directors (in thousands of euros)	0
Total remuneration corresponding to the pension rights accumulated by directors (in thousands of euros)	0

**C.1.16 Identify the members of senior management who are not also executive directors, and indicate the total remuneration paid to them during the year:**

Identity or company name	Position(s)
YOLANDA MEDIANO LORENCI	Human Resources Corporate Manager
ISIDORO DÍEZ CAVEDA	Chief Financial Officer
CRISTINA CARRO WERNER	Board of Directors' Non-Director Secretary and Head of Legal Department
JESÚS FERNÁNDEZ MORÁN	Head of Operations in Europe
EVA GUTIÉRREZ GONZÁLEZ	Internal Auditor (Internal Audit Department Director)
ROLF PAEGERT	Head of Operations in US
JUAN BARBOLLA	Director of Investor Relations and Strategy
DAVID ESCUDERO CUESTA	Chief Operating Office for AMA
PEDRO MARÍA CORTÉS URBÁN	General Business Development Manager

<b>Total remuneration of senior management (thousands of euros)</b>	2,201
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**C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:**

Name of director	Name of significant shareholder	Position
MR NICOLÁS VILLÉN JIMÉNEZ	BANCA MARCH, S.A.	DIRECTOR

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

**Name or corporate name of related director:**

**MR COLIN HALL**

**Name or corporate name of related significant shareholder:**

GRUPE BRUXELLES LAMBERT (GBL)

**Relationship:**

Mr. Hall is Head of Investments at Groupe Bruxelles Lambert (GBL).

**Name or corporate name of related director:**

**MR JAVIER FERNÁNDEZ ALONSO**

**Name or corporate name of related significant shareholder:**

CORPORACION FINANCIERA ALBA, S.A.

**Relationship:**

Mr Fernández is currently Head of Investments at Corporación Financiera Alba, S.A.

**Name or corporate name of related director:**

**MR CARLOS ORTEGA ARIAS-PAZ**

**Name or corporate name of related significant shareholder:**  
CORPORACIÓN FINANCIERA ALBA, S.A.

**Relationship:**

Mr Ortega is currently Head of Strategy at Corporación Financiera Alba, S.A.

**C.1.18 Indicate if any changes have taken place to the regulation of the board of directors during the year:**

Yes  No

**C.1.19 Indicate the selection, appointment, re-election, assessment and removal procedures for board members. Specify the competent bodies, the procedures to follow and the criteria to use in each of the above procedures.**

(A) Selection, appointment and re-election: The directors are designated by the Shareholders' Meeting or by the Board of Directors by co-option, after a report by the Appointments and Remuneration Committee or, in the case of independent directors, at its proposal, in accordance with the provisions of the applicable regulations.

The Board of Directors makes sure that the candidates selected are persons of recognized standing, competence and experience and it must be rigorous in relation to the persons appointed as independent directors. Before proposing the director re-election to the Shareholders' Meeting, the Board of Directors must assess, with abstention from the affected persons, the quality of the work and the dedication to the position of the directors proposed during the preceding term. The Appointments and Remuneration Committee must report and review the criteria that must be followed for the composition of the Board of Directors and for the candidate selection, ensuring that, when filling the new vacancies or appointing the new directors, the selection procedures do not have an implicit bias that involves any discrimination and, in particular, which may prevent women from being selected as directors, establishing a female board representation target and drafting guidelines on how to meet this.

B) Duration and removal: The directors discharge their duty for four years, at the end of which they can be re-elected one or more times for periods of equal maximum duration. The appointment of the directors expires when, once the deadline has elapsed, the next Shareholders' Meeting is held or the legal deadline for holding the Shareholders' Meeting that must resolve the approval of the previous year's annual accounts has elapsed. The directors designated by co-option must discharge their duty until the first Shareholders' Meeting is held after their appointment, and they will be removed in the event that the stated Shareholders' Meeting does not ratify their appointment. In the event that there is a vacancy after the Shareholders' Meeting has been convened and before it is held, the Board can designate a director until the following Shareholders' Meeting is held. The independent directors cannot remain as such for more than 12 years running.

The directors must tender their resignation and, if the Board of Directors considers it appropriate, must formally resign in the following cases: (i) when they cease to hold the executive positions with which their appointment as Director was associated; (ii) when they are subject to any of the cases of incompatibility or prohibition in accordance with the law or with the Bylaws; (iii) when they receive a serious caution by the Board of Directors for failing to comply with their obligations as directors; (iv) when their remaining on the Board may put at risk or jeopardize the Company's interests, credit or reputation or when the reasons for which they were appointed cease to exist; and (v) in the case of proprietary directors: (a) when the shareholders they represent divest their ownership interest in its entirety or reduce it significantly; and (b) in the corresponding number, when such shareholders reduce their stakes to a level that requires them to reduce the number of proprietary directors. In the event that directors cease from their position before the end of their term as a result of their resignation or any other reason, they must set out the reasons in a letter which must be sent to all the Board members and the reasons must be stated in the Annual Corporate Governance Report. The Board of Directors will only propose the removal of an independent director before the end of the bylaw period when there are reasonable grounds, which are appreciated by the Board of Directors and after a report by the Appointments and Remuneration Committee.

C) Assessment: The Board of Directors has the power to assess once a year the quality and efficiency of the functioning of the Board of Directors, the performance of the duties by the Board Chairperson and, where applicable, by the Chief Executive Officer, based on a report submitted by the Appointments and Remuneration Committee, as well as the quality and efficiency of the functioning of the Committees, based on a report that they draft, and of the diversity in the composition and powers of the Board of Directors. The Board Chairperson organizes and coordinates the Board's periodic assessment. In the event that the Board Chairperson carries out executive functions, his assessment must be managed by the coordinating independent director. Every three years, an external consultant will help the Board of Directors to carry out the assessment. The Appointments and Remuneration Committee has the power to assess the merits, knowledge and experience required for the Board of Directors. For such purposes, it will define the functions and skills required by the candidates to fill each vacancy and assess the time and dedication required to carry out their tasks in an efficient way, and establish and supervise an annual program for the continuous assessment and review of the qualification, training and, where applicable, independence, as well as the necessary conditions for discharging the duty of director and member of a certain committee, and propose the Board of Directors the measures deemed fit.

**C.1.20 Explain to what extent the Board's annual evaluation has entailed relevant changes in its internal organization and procedures applicable to its activities:**

The plenary session of the Board of Directors assessed the quality and efficiency of its functioning as well as those of its committees during the year ending 30 September 2018, based on the reports drafted by them, in accordance with the provisions of article 5.4.(xix) of the Board of Directors Regulations. Moreover, the Board assessed the diversity of its composition and competences; the performance by the Board Chairperson and the Company's Chief Executive Officer; and the performance and contribution by each director, focusing especially on the committees' chairpersons.

The action plan arising from the previous year's assessment report stated that the Board's aim was to continue to promote the appointment of women in the Board of Directors. In this respect, the effort made by the Company should be highlighted, given that two new female directors have been appointment. In this way, the proportion of female directors with respect to the total number of members of the Board of Directors has been improved. Moreover, the female directors appointed fall under the "independent" category. As a consequence of these appointments, the Company has made significant progress toward the target set by the recommendation, as there is currently a 20 % percentage of women in the Board of Directors out of the total number of its members.

In any case, the Board will continue to implement the measure taken this financial year in order to achieve, as soon as possible, the goal stated in recommendation 14 of the Code of Good Governance, that is, a 30 % percentage of women in the Board out of the total number of members. However, the Company will try to ensure that the candidates selected are individuals of renowned solvency, competence, and experience, as established in the Director Selection Policy and that the selection process is based on the candidate merits.

**C.1.20.bis) Describe the evaluation process and the areas evaluated by the Board of Directors, with the assistance of an external consultant, as the case may be, with respect to diversity in its composition and competences, the operation and composition of its committees, performance of the Board Chairperson and Company CEO and performance/contributions made by each director.**

The Company's Board of Directors has made an internal assessment of (i) the functioning and quality of the work carried out by the Company's Board of Directors; (ii) the functioning and composition of its committees; (iii) the diversity in the Board's composition and powers; (iv) the performance by the Company's Board Chairperson and Chief Executive Officer; and (v) the performance and contribution by each director, focusing especially on the committees' chairpersons, between 1 October 2017 and 30 September 2018. To do this, it used the reports from both committees which were submitted to the Board of Directors and the discussion in the meeting of the Board of 17 September 2018 after the Directors filled in a questionnaire as the basis. Likewise, the Chairman of the Board of Directors and the Chairwoman of the Appointments and Remuneration Committee held talks with the all the directors to find out their opinion on the aforementioned points. In this regard, during the financial year that is the object of this report, an independent external consultant did not assess the Board, as stated in recommendation 36 of the Code of Good Governance. This is because, during the financial year that

ended on 30 September 2018, several significant changes have taken place in the Company which recommended not conducting that assessment, e.g. the change of the closing date of the financial year. This without prejudice to the fact that the Company expects to be able to conduct the assessment as established in that recommendation in the following financial years. However, it should be pointed out that, in the meeting of the Board of 17 September 2018, there was an in-depth discussion of the general operation of the Board of Directors after the directors filled in a questionnaire provided by the Chairman of the Board. As a result of this exercise and its later discussion, several areas from improvement were identified which will be dealt with in the next financial years.

The conclusions from those assessments are shown in the report from the Appointments and Remuneration Committee, which the Board of Directors has made its own in all its terms and it includes an action plan aimed at correcting the deficiencies that were detected. In that sense, the Board highlights, as in previous years, the diversity of the Board's composition, particularly regarding its professional experience, skills and knowledge about the sector and geographical origin, is viewed positively, which fosters skepticism and a critical attitude as well as the different points of view and stances. Moreover, the Board highlights the efforts which the Company has made in order to achieve, as soon as possible, the goal set in recommendation 14 of the Code of Good Governance. To this end, the Company has appointed two independent directors, and thus reaches a percentage of 20 % of female directors out of the total number of members of the Board. However, the Board finds it necessary to continue persevering with the task of increasing gender diversity on the Board of Directors.

**C.1.20.ter) Provide a breakdown, as the case may be, of the business relations that the consultant or any group company holds with the Company or any group company.**

Not applicable. The Board of Directors has made the assessment without assistance from an external consultant.

**C.1.21 Indicate the cases in which directors are compelled to resign.**

In accordance with article 21 of the Board of Directors Regulations, the directors will cease to hold office once their term of office has expired and when this is resolved by the Shareholders' Meeting under the powers vested therein by the law and the Bylaws.

The directors must tender their resignation and, if the Board of Directors considers it appropriate, must formally resign in the following cases: (i) when they cease to hold the executive positions with which their appointment as director was associated; (ii) when they are subject to any of the cases of incompatibility or prohibition in accordance with the law or with the Bylaws; (iii) when they receive a serious caution by the Board of Directors for failing to comply with their obligations as directors; (iv) when their remaining on the Board may put at risk or jeopardize the Company's interests, credit or reputation or when the reasons for which they were appointed cease to exist; and (v) in the case of proprietary directors: (i) when the shareholders they represent divest their ownership interest in its entirety or reduce it significantly; and ii) in the corresponding number, when such shareholders reduce their stakes to a level that requires them to reduce the number of proprietary directors.

In the event that directors cease from their position before the end of their term as a result of their resignation or any other reason, they must set out the reasons in a letter which must be sent to all the Board members and the reasons must be stated in the Annual Corporate Governance Report.

The Board of Directors will only propose the removal of an independent director before the end of the bylaw period when there are reasonable grounds, which are appreciated by the Board of Directors and after a report by the Appointments and Remuneration Committee. In particular, there are reasonable grounds when directors hold a new position or take on new obligations that prevent them from devoting the necessary time to discharge their functions as directors, when they fail to comply with the duties inherent to their position or when they incur in any of the circumstances that make them lose their independent status, in accordance with the provisions of the applicable legislation or, by default, with the corporate governance recommendations applicable to the Company at any given time.

**C.1.22 Repealed section**

**C.1.23 Are reinforced majorities other than those under law required for any type of decision?**

Yes  No

If so, describe the differences.

**C.1.24 Indicate whether there are specific requirements other than those relating to directors, to be appointed chairman of the board of directors.**

Yes  No

**C.1.25 Indicate whether the chairman has a casting vote:**

Yes  No

**C.1.26 Indicate whether the bylaws or the regulation of the board of directors establishes any age limit for directors:**

Yes  No

**C.1.27 Indicate whether the bylaws or regulation of the board of directors establishes a limited mandate for independent directors, other than that established by law:**

Yes  No

**C.1.28 Indicate whether the bylaws or regulation of the board of directors establishes specific rules for delegation of votes in the board of directors, the method of casting such votes, and in particular the maximum number of delegated voters that a director may hold; and whether the delegated vote must be delegated to a director of the same type. If so, give a brief outline of these rules.**

In accordance with article 17.2 of the Board of Directors Regulations, the directors will do everything possible to attend the Board meetings and, when they cannot indispensably attend in person, they will grant their representation in writing and especially for each meeting to another Board member, including the corresponding instructions and notifying this to the Chairperson of the Board of Directors. Non-executive directors can only be represented by another member of the Board of Directors with the same status.

Moreover, article 26.1 of the Board of Directors Regulations includes, among other general ones, the obligation for directors to attend the Board meetings and actively participate in the discussions so that their criteria make an effective contribution to the decision-making. In the event that directors cannot attend the meetings for which they were convened for justified reasons, they must give instructions to the director that will represent them.

**C.1.29 Indicate the number of meetings that the board of directors has held during the year. Also indicate the number of times, where applicable, that the board has met without the chairman being present. For the purposes of this calculation, attendance will include votes delegated with specific instructions.**

Number of board meetings	9
Number of meetings of the board without the chairman being present	0

If the chairman is also the CEO, please indicate the number of meetings held, without the attendance or representation of any executive director and under the chairmanship of the coordinating director.

Number of meetings	0
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Indicate the number of meetings held in the year by the different board committees:

Committee	Nº of Meetings
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<b>Auditing Committee</b>	5
<b>Appointment and Remuneration Committee</b>	6

**C.1.30 Indicate the number of meetings that the board of directors has held during the year with all its members attending. For the purposes of this calculation, attendance will include delegated votes with specific instructions:**

<b>Number of meetings attended by all directors</b>	9
<b>% of attendance out of the total votes during the year</b>	100.00 %

**C.1.31 Indicate whether the individual and consolidated annual accounts submitted for approval to the board have been previously certified:**

Yes  No

**Where applicable, identify the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the board:**

**C.1.32 Explain, where applicable, the mechanisms established by the board of directors to prevent the individual and consolidated accounts prepared by it to be presented to the general shareholders meeting with qualifications in the auditor's report.**

In accordance with article 39.3 of the Board of Directors Regulations, the Board will strive to draft the final financial statements in such a way that the auditor will not have any reservations or qualifications. In the exceptional cases, both the Chairperson of the Audit and Control Committee and the external auditors will clearly explain the content of such reservations or qualifications to the shareholders. Nevertheless, when the Board believes that it should maintain its criteria, it will publicly explain the content and the scope of the discrepancy. To prevent the individual and consolidated financial statements drafted by the Board from being submitted to the Shareholders' Meeting with qualifications in the audit report, article 14 of the Board of Directors Regulations establishes that, before they are drafted, the Audit and Control Committee, among other things, will: (i) ensure that the Board of Directors submits financial statements to the Shareholders' Meeting without any limits or qualifications; (ii) monitor the preparation and integrity of financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the consolidation scope and the correct application of accounting criteria; and (iii) review the internal control and risk management systems on a regular basis, so the main risks are properly identified, managed, quantified and reported, and make sure that such systems appropriately mitigate the risks within the policy framework which, where applicable, is defined by the Board of Directors.

**C.1.33 Is the secretary of the board a director?**

Yes  No

If the secretary is not a director, complete the following table:

<b>Name of the Secretary</b>	<b>Representative</b>
CRISTINA CARRO WERNER	

**C.1.34 Repealed section**

**C.1.35 Indicate, where applicable, the mechanisms established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.**

The Board of Directors Regulations established that the Audit Committee is in charge of submitting the proposals for the selection, appointment, re-election and replacement of the external auditor and its contractual terms to the Board. That Committee regularly receives information from the external auditor regarding the audit plan and the findings of the audit program, and checks that senior management are acting on its recommendations. Moreover, the Board of Directors Regulations entrust the Audit



Committee to notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for this. To maintain the external auditor's independence, the Board of Directors Regulations envisage that the Audit Committee, among other things, will: (i) establish the corresponding relations with the auditors to receive information about the matters which may jeopardize their independence; (ii) issue an annual report, prior to the issue of the audit report, giving an opinion on the independence of the auditors; this report must address, in any case, the provision of any additional services by the auditors; (iii) supervise compliance with the audit contract; (iv) examine the issues giving rise to the resignation of any external auditor; (v) ensure that the external auditor's remuneration for its work does not compromise its quality or independence. (vi) make sure that the external auditor holds an annual meeting with the plenary session of the Board of Directors to inform it of the work carried out and about the performance of the Company's accounting and risk situation; and (vii) make sure that the Company and the auditor respect the rules in force for the provision of non-audit services and, in general, the other rules set out to ensure the auditor's independence. Moreover, the Audit Committee complies with the provisions of CNMV Technical Guide 3/2017 on Audit Committees at Public-Interest Entities, regarding its obligation to oversee the auditor's independence.

**C.1.36 Indicate whether during the year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:**

Yes  No

Explain any disagreements with the outgoing auditor and the reasons for this:

**C.1.37 Indicate whether the audit firm carries out other tasks for the company and/or its group other than those of auditing. If so, specify the amount of fees received for this work and the percentage this amount represents of the total fees invoiced to the company and/or its group:**

Yes  No

	Company	Group	Total
<b>Amount of other work other than those of auditing (thousands of euros)</b>	13	0	13
<b>Amount for work other than auditing / total invoiced by the audit firm (as %)</b>	1,35 %	0.00 %	1,35 %

**C.1.38 Indicate whether the audit report on the annual accounts for the previous year includes any reservations or qualifications. In this case, indicate the reasons given by the chairman of the audit committee to explain the content and scope of these reservations or qualifications.**

Yes  No

**C.1.39 Indicate the number of continuous years that the current audit firm has been carrying out the audit of the company and/or its group's annual accounts. Also, indicate the percentage that the number of years audited by the current audit firm represents out of the total years in which the annual accounts have been audited:**

	Company	Group
<b>Number of continuous years</b>	7	7
<b>No. of years audited by the current audit firm / No. of years the company has been audited ( %)</b>	63.63 %	63.63 %

**C.1.40 Indicate and, where applicable, specify whether there is a procedure for which directors can have external advice:**

Yes  No

<b>Detail of procedure</b>
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Article 24 of the Board of Directors Regulations establishes that, with the aim of being helped in the discharge of their duties, all the directors can obtain from the Company the advice required to comply with their functions. To do this, the Company will provide suitable channels which, under special circumstances, can include to external advice at the Company's expense. The tasks to be carried out must, without exception, be related to specific issues of a certain significance and complexity that arise when the Directors are fulfilling their duties. The Company's Board Chairperson must be informed of any decision to engage external advisors, and may be vetoed by the Board of Directors, provided it demonstrates that: (i) it is not necessary for the proper performance of the duties entrusted to the external directors; (ii) the cost thereof is not reasonable in view of the importance of the problem and of the Company's assets and income; or (iii) the technical assistance requested may be adequately provided by experts and technical staff from within the Company. The Company will also provide directors with refresher programs when the circumstances advise this, regardless of the knowledge required of them to carry out their functions. Articles 14 and 15 of the Board of Directors Regulations establish that the Audit and Control Committee and the Appointments and Remuneration Committee, respectively, can receive advice from external experts to better comply with their functions.

**C.1.41 Indicate and specify, where applicable, whether there is a procedure for directors to have the information needed to prepare the meetings of the management bodies in sufficient time:**

Yes  No

<b>Detail of procedure</b>
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Article 16.3 of the Board of Directors Regulations establishes that this body must be convened at least 48 hours before the meeting and the notice must always include the agenda and the duly prepared and summarized relevant information. The agenda must clearly state the items for which the Board must adopt a resolution so that the directors can previously study or receive the information required. The Chairperson must ensure that the directors previously receive sufficient information to discuss the items on the agenda.

Moreover, article 23 of the Board of Directors Regulations establishes that the directors can request information about any matters in the Board's powers and, in this sense, they can examine its books, registers, documents and other documentation. They must request this information from the Board Secretary, who will submit this to the Chairperson and to the appropriate liaison officer at the Company. The Secretary will notify the directors of the confidential nature of the information requested and received and of their duty of confidentiality in accordance with the provisions of the Board Regulations. The Chairperson can refuse to provide the information if he believes that: (i) it is not necessary for the proper performance of the duties entrusted to the director; or (ii) the cost thereof is not reasonable in view of the importance of the problem and of the Company's assets and income.

**C.1.42 Indicate, and specify where applicable, whether the company has established rules that oblige directors to inform or resign in cases that may damage the credit and reputation of the company:**

Yes  No

<b>Details of rules</b>
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In accordance with article 34.3 of the Board of Directors Regulations, all the directors must inform the Company of any circumstance that might harm the Company's credit or reputation and, in particular, they must inform the Board of any criminal charges brought against them as summonsed or investigated and the progress of any subsequent trial. The moment directors are indicted or tried for any of the crimes stated in company legislation, the Board of Directors will examine the matter and, in view of the particular circumstances and as soon as possible, decide whether or not they should be called on to resign. Likewise, the directors must tender their resignation and, if the Board of Directors considers it appropriate, must formally resign in the following cases: (i) when they cease to hold the executive

positions with which their appointment as director was associated; (ii) when they are subject to any of the cases of incompatibility or prohibition in accordance with the law or with the Bylaws; (iii) when they receive a serious caution by the Board of Directors for failing to comply with their obligations as directors; (iv) when their remaining on the Board may put at risk or jeopardize the Company's interests, credit or reputation or when the reasons for which they were appointed cease to exist; and (v) in the case of proprietary directors: (i) when the shareholders they represent divest their ownership interest in its entirety or reduce it significantly; and (ii) in the corresponding number, when such shareholders reduce their stakes to a level that requires them to reduce the number of proprietary directors. The independent directors cannot remain as such for more than 12 years running.

Moreover, in the event that directors cease from their position before the end of their term as a result of their resignation or any other reason, they must set out the reasons in a letter which must be sent to all the Board members, and the reasons must be stated in the Annual Corporate Governance Report.

**C.1.43 Indicate whether any member of the board of directors has informed the company that he or she has been prosecuted or legal proceedings have been initiated against him or her, for any of the offences specified in Article 213 of the Companies Act:**

Yes [ ] No [X]

**Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.**

**C.1.44 Specify the significant agreements that the company may have concluded and that enter into force, are amended, or terminate if the control of the company changes due to a takeover bid, and its effects.**

The senior term and multicurrency revolving facilities agreement signed by the Company on 1 April 2016 includes an early termination clause in the event of a change of control, which will occur if any persons acting in conjunction with others (different to, or together with, the investors and any person that is directly or indirectly controlled by any of them) become the owner (direct or indirect) of over 50 % of the Company's capital with voting rights. For such purposes, "investors" means, among others, the members of the management team or employees of any group company (including any person with shares through a remuneration plan for employees or managers).

**C.1.45 Identify as a whole, and indicate in detail the agreements between the company and its administrative and managerial positions or employees who have compensation, guarantee or golden parachute clause, when these directors resign or are dismissed unfairly, or if the contractual relationship reaches its conclusion due to a takeover bid or other types of operations.**

**Number of beneficiaries: 10**

**Type of beneficiary:**

Chief Executive Officer and members of the management team

**Description of the resolution:**

The Company has signed a service provision contract with the Chief Executive Officer. In the event of termination or dismissal and its consequences (provided that this is not due to disciplinary fair dismissal), the contract envisages that, in the case of termination of the agreement and unless the grounds for termination justify a fair disciplinary dismissal (if the relationship was an employment relationship), the Chief Executive Officer is entitled to receive:

- Compensation equal to that for undue dismissal for the termination of the ordinary employment relationship that he had previously with the Company; and

- Compensation equal to the difference between (a) the legal compensation for the undue dismissal to which he would be entitled for the termination of the previous employment relationship and (b) fifteen monthly payments of its gross fixed salary.

Consequently, the Chief Executive Officer may receive compensation for up to fifteen monthly payments of his gross fixed salary.

On the other hand, that contract with the Chief Executive Officer includes a non-compete clause for which he will receive compensation equivalent to 85 % of his fixed remuneration for two years as consideration.

Furthermore, the contracts with six other members of the management team (not the CEO) include indemnity clauses in the event of wrongful dismissal whose amount varies from 12 to 15 months' fixed salary. Lastly, the contracts with seven other members of the management team (not the CEO) include non-compete clauses, so those persons will receive an amount equivalent to two years of 70 % of their fixed salary.

In this regard, David Escudero, after his termination from all positions he held in the Company on 4 June 2018, is receiving 70 % of his annual gross remuneration for a period of 24 months. Likewise, Ignacio Fonturbel, after his termination from all positions he held in the Company on 31 July 2018, is receiving 70 % of his annual gross remuneration for a period of 24 months

The aforementioned contracts include two with members of the management team (not the CEO) that have both types of benefits, i.e. an indemnity in the event of wrongful dismissal and non-compete clauses. Therefore, the total number of beneficiaries of one or both clauses is 10 persons, including the Chief Executive Officer.

**Please indicate whether these contracts need to be reported to and/or approved by the bodies of the company or its group:**

	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorizing the clauses</b>	Yes	No

	<b>Yes</b>	<b>No</b>
<b>If the General Meeting informed of the clauses?</b>		X

## **C.2 Committees of the Board of Directors**

**C.2.1 Specify all the committees of the Board of Directors, their members and the proportion of executives, proprietary, independent and other external directors who are members of them:**

### **Audit and Control Committee**

<b>Name</b>	<b>Office</b>	<b>Category</b>
NICOLÁS VILLÉN JIMÉNEZ	CHAIRMAN	INDEPENDENT
JAVIER FERNÁNDEZ ALONSO	MEMBER	PROPRIETARY
DAG ERIK JOHAN SVANSTROM	MEMBER	INDEPENDENT
ANA BOLADO VALLE	MEMBER	INDEPENDENT

<b>% proprietary directors</b>	25.00 %
<b>% independent directors</b>	75.00 %

% other external directors	0.00 %
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**Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarize its most relevant activities during the year.**

The Audit and Control Committee provides information and advice and makes proposals within its scope of action and does not have executive functions. It comprises at least three and at most five directors, designated by the Board of Directors itself, and the members must be non-executive directors. Most of the Committee members must be independent and one of them must be appointed based on their knowledge and track record in matters of accountancy, auditing, or both. The Board of Directors also designates the Chairperson of the Audit and Control Committee from among the independent directors who form part of that Committee. The Audit and Control Committee's Secretary is a person designated by the Board of Directors and who does not have to be a member of the Audit and Control Committee, in which case he/she does not have to be a member of the Board of Directors. The Audit and Control Committee's Secretary does not have to be the Board Secretary. The directors who form part of the Audit and Control Committee discharge their duty while their appointment as Company directors is in force, unless the Board of Directors resolves otherwise. The position of Chairperson is exercised 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. The Audit and Control 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 meets whenever its members request this and when its Chairperson convenes a meeting. The Audit and Control Committee is quorate when the majority of its members attend in person or by proxy and its resolutions are adopted by an absolute majority of the votes.

The Committee's basic functions are summarized as follows: (i) inform the Shareholders' Meeting of the issues raised by the shareholders in matters related to its functions; (ii) oversee the efficacy of the Company's and group's internal control, their internal audit function and risk management systems, including the tax ones, and discuss with the auditors any significant weaknesses in the internal control system detected during the audit, all of this without undermining its independence; (iii) oversee the process of preparation and presentation of the regulatory financial reporting and submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity; (iv) submit proposals to the Board of Directors, so that it can submit them to the Shareholders' Meeting, for selecting, appointing, re-electing or replacing the auditors, being responsible for the selection process in accordance with the applicable regulations, along with the terms of their contract, regularly assessing information on the auditing plan and its implementation, in addition to preserving their independence in the exercise of their functions; (v) oversee the Company's internal audit activity; (vi) liaise with the auditors to obtain information on any issues that could compromise their independence for review by the Audit and Control Committee or any other subjects related to the audit process and, where applicable, the authorization of the services other than those forbidden, under the terms envisaged in the applicable regulations, and any other disclosures envisaged in the audit legislation and audit standards; (vii) issue annually, prior to the issue of the audit report, a report giving an opinion on the independence of the auditors or audit firms; this report must in all cases include an assessment of the additional services provided, as referred to in the previous paragraph, considered separately and in their totality, that consists of services other than the legal audits and how they relate to the requirement of independence or to the regulatory legislation on auditing; and (viii) keep the Board of Directors informed in advance on all items provided for in the law, the Bylaws and the Board of Directors Regulations, in particular, on: (i) the financial information that the Company must periodically publish; (ii) the creation or acquisition of investments in special purpose vehicles or entities domiciled in jurisdictions or territories considered to be tax havens; and (iii) related-party transactions.

During the year, the Committee, among other actions, (i) reviewed the quarterly, half-yearly and annual financial information of the Company and its Group, as well as the financial statements; (ii) oversaw and reviewed the Company's internal control system for the financial reporting and risk management system; (iii) reviewed the Company's plans, policies and strategies such as the implementation of the GRC (Governance, Risk, and Compliance) tool; (iv) oversaw the Company's internal audit function; (v) oversaw compliance with the contents of CNMV Technical Guide 3/2017; (vi) was involved in the work carried out by the auditor, making sure that there was regular and continuous communication; (vii)

oversaw compliance with the Company's corporate governance regulations; and (viii) oversaw compliance with the Company's corporate social responsibility policy.

**Please name any director belonging to the auditing committee who was appointed based on his knowledge and experience in accounting or auditing matters, or both, and include the number of years during which the committee Chairman has held office.**

<b>Name of the experienced director</b>	<b>NICOLÁS VILLÉN JIMÉNEZ</b>
<b>No. of years holding office as Chairman</b>	<b>2</b>

#### **APPOINTMENT & REMUNERATION COMMITTEE**

<b>Name</b>	<b>Post</b>	<b>Category</b>
ANA BOLADO VALLE	CHAIRWOMAN	Independent
COLIN HALL	MEMBER	Proprietary
DAG ERIK JOHAN SVANSTROM	MEMBER	Independent
NICOLÁS VILLÉN JIMÉNEZ	MEMBER	Independent
JACKIE KERNAGHAN	MEMBER	Independent

<b>% of proprietary directors</b>	<b>20.00 %</b>
<b>% of independent directors</b>	<b>80.00 %</b>
<b>% of other external directors</b>	<b>0.00 %</b>

**Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarize its most relevant activities during the year.**

The Company's Appointments and Remuneration Committee is an internal reporting and consultative body without any executive functions and it provides information and advice and makes proposals within its scope of action. It comprises at least three and at most five directors, designated by the Board of Directors itself, at the proposal of the Board Chairperson, and the members must be non-executive directors. Most of the Appointments and Remuneration Committee members are independent. The Board of Directors also designates its Chairperson from among the independent directors who form part of that Committee. The Appointments and Remuneration Committee's Secretary is a person designated by the Board of Directors and who does not have to be a member of the Appointments and Remuneration Committee, in which case he/she does not have to be a member of the Board of Directors. The Appointments and Remuneration Committee's Secretary does not have to be the Board Secretary. The directors who form part of the Appointments and Remuneration Committee discharge their duty while their appointment as Company directors is in force, unless the Board of Directors resolves otherwise. The Appointments and Remuneration Committee holds an ordinary meeting every six months. Likewise, it meets whenever its members request this and when its Chairperson convenes a meeting. The Appointments and Remuneration Committee is quorate when the majority of its members attend in person or by proxy and its resolutions are adopted by an absolute majority of the votes.

The Appointments and Remuneration Committee's basic functions are summarized as follows: (i) assess the competencies, knowledge and experience required on the Board of Directors; (ii) establish a target concerning the representation of the less-represented gender on the Board of Directors and prepare guidelines on how this target can be attained; (iii) submit to the Board of Directors proposed appointments of independent directors for them to be designated by co-option or subject to a resolution by the Shareholders' Meeting, as well as on proposals for their re-election or removal by the Shareholders' Meeting; (iv) report proposed appointments of the remaining directors for them to be designated by co-option or subject to the decision of the Shareholders' Meeting, as well as on proposals for their re-election or removal by the Shareholders' Meeting; (v) report on proposed appointments and removals in senior management and the basic terms of their contracts; (vi) examine and organize the

succession of the Board Chairperson and top company executive; and (vii) propose to the Board of Directors a policy of remuneration of directors and general managers or those who perform senior management functions and report directly to the Board of Directors, to executive committees or executive directors, along with individual remuneration and other terms of executive directors' contracts, checking and ensuring that said policy is abided by.

Finally, during the year, the Appointments and Remuneration Committee carried out, among others, the following actions: (i) It has provided a favorable report regarding the proposed change to the number of director; (ii) It has provided a favorable report regarding the appointment by co-option of Ms. Ana Bolado as member of the Board of Directors, its later ratification, and her re-election by the General Shareholders Meeting and her appointment as member of the Appointments and Remuneration Committee, the proposal for ratification and re-election of Mr. Colin Hall, the appointment of Mr. Mario Armero, and Mr. Carlos Ortega and the proposal for the appointment of Ms. Jackie Kernaghan; (iii) It has acknowledged Mr. Peter Long's intention to resign from his positions in the Company. In this context, the Committee provided a favorable report regarding the proposal for the appointment by co-option of Mr. Richard Golding, as well as his appointment as Chairman of the Board of Directors; (iv) It has decided to propose the appointment of Ms. Ana Bolado Valle as Chairwoman of the Appointments and Remuneration Committee and provide a favorable report regarding the granting of full effectiveness to the appointments of Ms. Jackie Kernaghan as member of the Committee; (v) It has provided a favorable report regarding the proposal for the ratification and re-election of Mr. Richard Golding; (vi) It has provided a favorable report regarding the proposal for the re-election of Ms. Cristina Carro Werner as Secretary Non-Member of the Board of Directors, regarding the proposal for the appointment of Ms. Yolanda Mediano as Corporate Head of HR and regarding the proposal for the appointment of Ms. Eva Gutiérrez as Internal Auditor and Head of Internal Auditing; (vii) It has reviewed and provided a favorable report on the proposal for the Director Guidance and Update Program; (viii) It has verified the category of the members of the Board of Directors and reported on the corresponding Annual Corporate Governance Report sections; (ix) It has assessed the functioning and quality of the work carried out by the Board of Directors; (x) It has provided a favorable report regarding the Annual Directors' Remuneration Report; (xi) It has provided a favorable report regarding the Board regarding various matters regarding remuneration that are detailed in the Committee's report for the financial year that ended on 30 September 2018; and (xii) It has provided a favorable report regarding the proposal for the modification of the Company directors' Remuneration Policy.

**C.2.2 Fill in the following table with information related to the number of female directors making up the Board of Directors' committees during the last four years:**

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
<b>Auditing Committee</b>	1	25.00 %	0	0.00 %	0	0.00 %	0	0.00 %
<b>Appointments and Remuneration Committee</b>	2	40.00 %	0	0.00 %	0	0.00 %	0	0.00 %

**C.2.3 REPEALED SECTION**

**C.2.4 REPEALED SECTION**

**C.2.5 Indicate whether there is any regulation governing the board's committees, the place where they may be available for consultation and any modifications made during the year. Also, indicate whether any annual report has been prepared voluntarily on the activities of each committee.**

The regulations of the Board Committees are included in articles 14 and 15 of the Board of Directors Regulations, which establish, among others, their powers, composition and procedures. They are

available for viewing on the CNMV's website and on the corporate website ([www.parquesreunidos.com](http://www.parquesreunidos.com)) by clicking on "Investors", "Corporate Governance" "Internal Regulations" and then "Board of Directors Regulations".

In line with the corporate governance recommendations, the Company's committees assess their functioning, which is then published in the corresponding report.

## **C.2.6 REPEALED SECTION**

## **D. RELATED-PARTY AND INTRA-GROUP TRANSACTIONS**

**D.1 Where appropriate, explain the procedure for approving related-party and intra-group transactions.**

<b>Procedure for reporting approval of related-party transactions</b>
-----------------------------------------------------------------------

In accordance with article 5.4.(xvi) of the Board of Directors Regulations, the Board has the power to approve, after a report from the Audit and Control Committee, the related-party transactions as defined in the applicable legislation on this matter at any given time. Likewise, in accordance with article 14.5. (viii) of the Board of Directors Regulations, the Audit and Control Committee must inform the Board of Directors in advance on all items provided for in the law, the Bylaws and the Board of Directors Regulations and, in particular, on related-party transactions.

In that sense, any Company transactions with the directors and significant shareholders or, where applicable, with shareholders which have proposed the appointment of a Company director or with their respective related parties will be submitted for authorization by the Board of Directors after a report from the Audit and Control Committee. Before the Company authorizes such transactions, the Audit and Control Committee and the Board of Directors must assess the transaction based on equality of treatment of the shareholders and of the market conditions.

However, the Board's authorization may not be required for related-party transactions that simultaneously meet the following three conditions: (i) they are governed by standard form contracts applied on an across-the-board basis to a large number of clients; (ii) they are made at market prices, generally set by the person supplying the goods or services; and (iii) their amount is no more than 1 % of the Company's annual revenues. The habitual or recurring transactions that form part of the ordinary course of business simply require the Board's general authorization. The authorization must necessarily be resolved by the Shareholders' Meeting when the transaction with a director is worth more than 10 % of the corporate assets.

It is hereby stated that, pursuant to point 74 of the Spanish National Securities Market Commission's Technical Guide 3/2017, on Audit Committees at Public-Interest Entities, the Audit and Control Committee shall collect and analyze all necessary information and documents to inform the Board of Directors the transactions the Company or the group it is part of intent to carry out with directors or shareholders holding a significant stake at the Company, in conformity with the terms provided by the Law. For that, it may request experts to prepare reports whenever deemed necessary, with an opinion on, for instance, the effects of the proposed transactions' corporate interest or whether it is carried out under market terms.

**D.2 Specify any transactions that are significant due to their amount or relevant due to their content carried out between the company or entities of the group, and the company's significant shareholders:**

**D.3 Specify any transactions that are significant due to their amount or relevant due to their content carried out between the company or entities of the group, and the company's administrators or directors:**

**D.4 Inform of the significant transactions carried out by the company with other entities belonging to the same group, provided that they are not eliminated in the process of preparing**



**the consolidated financial statements and do not form part of the normal business operations of the company in terms of its purpose and conditions.**

**In any event, any intra-group transactions carried out with entities established in countries or territories that are considered tax havens must be reported:**

**D.5 Indicate the amount of the transactions carried out with other related parties.**

0 (in thousands of euros)

**D.6 Specify the mechanisms established to detect, determine and resolve any possible conflicts of interest between the company and/or its group and its directors, executives or significant shareholders.**

In accordance with article 29 of the Board of Directors Regulations and article 9 of the Company's Internal Rules of Conduct on Stock Exchange Related Matters, directors must notify any conflict of interest to the Board of Directors which relates to them or to parties related to them. There is a personal interest when an issue affects the directors or a person related to them or, in the case of proprietary directors, to the shareholders that proposed or made their appointment or to the persons directly or indirectly related to them.

For such purposes, the following are considered to be related parties to directors who are natural persons: a) Their spouse or persons with an analogous relationship of affection; b) the ascendants, descendants or siblings of the director or of the director's spouse (or persons with an analogous relationship of affection); c) the spouses of the ascendants, descendants or siblings of the director; d) the companies or institutions in which the directors or the persons related to them, on their own or through an intermediary, are involved in any of the situations envisaged in article 42 of the Spanish Code of Commerce; e) the companies or institutions in which the directors or the persons related to them hold an administrative or management position on their own or through an intermediary or from which they receive an emolument for whatever reason; and f) in the case of proprietary directors, additionally, the shareholders that proposed their appointment.

The following persons are considered to be related parties to directors that are legal persons: a) the partners who, with respect to the directors that are legal persons, are involved in any of the situations envisaged in article 42 of the Spanish Code of Commerce; b) the companies that form part of the same group as defined in article 42 of the Spanish Code of Commerce; c) the physical representative, the directors (de jure or de facto), the liquidators and the proxies with general powers of the directors that are legal persons; and d) the persons who, with respect to the directors that are legal persons, are considered to be parties related to the director.

The directors must abstain from representing the Company in the transaction to which the conflict refers, with the exceptions established in the applicable legislation. Moreover, the Company must notify, when this is applicable in accordance with the law, any conflict of interest involving the directors (or persons related to them) during the year in question and which it knows of as a result of the affected person notifying it or through any other means. The conflicts of interest involving the directors must be reported in the Company's financial statements. Company directors also sign every year the transparency letters declaring in writing that there are no circumstances which may cause a conflict of interest with the Company pursuant to art. 229.3 of the Spanish Companies Act.

Without prejudice to all the above, any doubt regarding the possibility of a conflict of interest must be consulted with the Compliance Officer. The final decision will be made by the Auditing Committee.

**D.7 Is more than one company of the Group traded publicly in Spain?**

Yes  No

**Identify the subsidiaries traded publicly in Spain:**

**Publicly traded subsidiaries**

Indicate whether the respective areas of activity and possible business relations between them have been identified precisely, as well as those of the publicly traded subsidiary with other companies in the group;

Define the possible business relations between the parent company and the publicly traded subsidiary, and between the latter and the other companies in the group

Identify the mechanisms in place to resolve possible conflicts of interest between the publicly traded subsidiary and the other companies in the group:

Mechanisms to resolve possible conflicts of interest

**E. CONTROL AND RISK MANAGEMENT SYSTEMS**

**E.1 Explain the scope of the company's Risk Management System, including for tax risks.**

Parques Reunidos Servicios Centrales, S.A. (hereinafter, Parques Reunidos) has undertaken a number of projects since its IPO in April 2016 in order to perfect, formalize and systematize its internal control and risk management framework, based on the standards required by the various stakeholders, with special attention to the requirements of the Spanish National Securities Market Commission (CNMV).

The project to improve the internal control system was structured into four large areas in which the Company has worked on in parallel: (i) the internal control and risk management over financial reporting (ICFR), with the aim of ensuring the quality of the company's financial reporting to the market; (ii) the risk management system (RMS), whose coverage includes the other risk areas considered to be relevant for meeting the company's objectives, with special attention to the strategic and operating risks; (iii) the crime risks prevention model, aiming at establishing the most appropriate internal control proceedings and policies to inhibit the committing of offences and, where appropriate, exempt the Company from responsibility pursuant to the provisions under the Organic Law No. 1/2015, of 30 March, modifying the Criminal Code; and (iv) the tax risks prevention model, aiming at mitigating the fiscal risks.

Such projects have contributed to a better integration of the various existing control frameworks; the main ones for our activity being the safety of our fairground attractions, facilities and food, and prevention of labor risks.

The Board of Directors of Parques Reunidos approved on 13 April 2016 the Risk Control and Management Policy, which lays down the master guidelines for the RMS and whose implementation has been set out in the Risk Control and Management System Manual.

The main milestones of the risk management system (RMS) implemented in the Group are : (i) identify and assess the risks of the Parques Reunidos Group in the countries where it operates, all risks are included in the map of corporate risks that is subject to regular reviews; (ii) determine control mechanisms that mitigate the impact and probability of occurrence of the risks; (iii) define the organizational structure that provides the support to the functioning of the RMS, including identifying those who hold the controls; and (iv) define and implement the RMS's monitoring and information processes.

In order to facilitate maintenance and supervision, both of the RMS and of the other Internal Control Systems implemented in the Group, there have been incorporated into an IT tool for corporate governance, risk and compliance (GRC) that involves the entire Group organization and companies.

Regarding the fiscal sphere, on 28 November 2016, the Board of Directors approved the Group's Tax Policy. It includes, among other matters, the guidelines inspiring the company's tax strategy, aimed at strictly respecting the tax regulations and collaborating with the tax authorities.

## **E.2 Identify the company's bodies responsible for preparing and executing the Risk Management System, including tax risks.**

The Company's Board of Directors Regulations establish that the plenary session of the Board is the only one with the power to approve the Company's general policies and strategies and, in particular, the Risk Control And Management Policy, including the tax ones, and periodically monitor the internal reporting and control systems. Likewise, the Audit and Control Committee's functions are, among other, to: (i) oversee the efficacy of the Company's and Group's internal control, their internal audit function and risk management systems, including the tax ones, and discuss with the auditors any significant weaknesses in the internal control system detected during the audit, all of this without undermining its independence; and (ii) review the internal control and risk management systems on a regular basis, so the main risks are properly identified, managed, quantified and reported, and make sure that such systems mitigate the risks within the policy framework which, where applicable, is defined by the Board of Directors.

The Corporate Internal Audit Department provides support to the Audit and Control Committee in its mission of supervision of internal control and risk management through regular review and assessment of the effectiveness of the internal control systems implemented in the Group.

To round out the functions of the aforementioned bodies, the Risk Control and Management Policy states that the Group's management has the responsibility to define and assess risks, identify measures against them, and implement the risk management system (RMS), which includes its strategy, culture, persons, processes and technology. It also contemplates the existence of a Risk Committee responsible for coordination and monitoring of the RMS in the Group. During the financial year that ended on 30 September 2018, the risks included in the risk map have been reviewed and assessed. The updated risk map has been presented to the Audit and Control Committee, which has acknowledged it.

Regarding tax risks, the Tax Policy stated in section E.1 establishes that the tax function depends on the Group's Finance Department, so its responsibility is to: (i) implement the tax guidelines in an effective way; (ii) establish and implement the procedures and controls to mitigate the tax risk; and (iii) disseminate the tax strategy among the Group.

## **E.3 Explain the main risks, including tax risks that may affect the achievement of the business objectives.**

The Group has defined a map of the risks may affect the achievement of targets. The main risks found are the following:

- The weather or an adverse weather forecast reduces the influx of visitors to amusement parks.
- The activity's seasonal nature may increase the effect of adverse conditions or events.
- Economic crises or weaknesses in the countries where there are amusement parks reduce the influx of visitors to them and the consumption per capita of the customers.
- Cybersecurity.
- Accidents that take place in amusement parks, especially in the group's parks but also among the competition, may reduce the influx of visitors to them.
- Changes in customers' tastes and preferences are an underlying threat that may affect the amusement park industry.

## **E.4 Identify whether the entity has a risk tolerance level, including for tax risks.**

The Risk Control and Management Policy establishes that, as a general rule, all the risks threatening the success of the Group's strategies and objectives shall reach risk range acceptable-low. The risks not within such range shall be subject to actions to attain it, inasmuch as it is a manageable risk and the cost-benefit of the mitigation measures justify it.

The Management of the Group periodically identifies and revises the risks threatening compliance with the business targets, including the emergent risks, carrying out a valuation of its criticality based on its impact, probability exposure, and management levels, understood as:

- Impact: consequence or result of the risk will materialize in a given event.
- Probability: probability that the risk will materialize in a given event.

- Exposure: time elapsed since the materialization of the risk until the materialization of its effects in the organization.
- Management level: the effectiveness of the controls defined by the organization for risk mitigation.

#### **E.5 Indicate what risks, including tax risks, have materialized during the year.**

The Company operates outdoor amusement parks, therefore they are subject to climate risks as stated in section E.3. During the financial year ended on 30 September 2018, most of the regions where the Group operates has suffered, in different degrees, adverse climate conditions. Central Europe, has suffered a heat wave through the whole summer, that is, the high season for the Company's amusement parks in Europe. Spain has suffered the most rainy spring since 1965, this has significantly affected the season opening in all amusement parks and in animal parks where the high season are the months within the Company's second fiscal quarter. Lastly, parks in United States has suffered very adverse weather conditions that affected during the whole season and, specially, to those parks located in the Northwest and California.

#### **E.6 Explain the response and supervision plans for the main risks to the entity, including tax risks.**

The Internal Audit department has, among its responsibilities, the coordination with the responsible parties of the risks in their valuation, as well as the identification of controls, plans of action and proceedings to mitigate them.

Regarding the main risks of the Group mentioned in section E.3, particularly, the ones materialized described in section E.5 related to the risks of adverse weather conditions, although they entail a contingency that cannot be controlled by the Group, the Company's strategy is to minimize its impact by: i) adjusting the amusement parks' capacity on days with adverse weather conditions; ii) extend the season for the Company's parks trough the addition of out of season events such as Halloween or Christmas; iii) increase the number of season passes members in all parks; and iv) carry out acquisitions in markets or businesses that trigger the Group's diversification as the recent announced acquisition of Wet'n'Wild Sidney in Australia, that allows the Group to start operating in the southern hemisphere.

The Audit Committee has the authority to periodically oversee and revise the efficacy of the risk control and management system, verifying the efficacy of the established controls and the response plans.

## **F INTERNAL RISK AND MANAGEMENT CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)**

### **Description of the mechanisms forming the risk and management control systems in relation to financial reporting (ICFR) of the Company**

#### **F.1 The Company's control environment**

Specify at least the following components with a description of their main characteristics:

**F.1.1.** The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable and effective ICFR; (ii) its implementation; and (iii) its monitoring.

Article 5.4. (xxi) of the Company's Board of Directors Regulations establish that the Board is ultimately responsible for the existence and maintenance of an appropriate and effective internal control over financial reporting (hereinafter, ICFR).

Regarding the implementation on 13 April 2016, the Board of Directors of Parques Reunidos formally approved the Internal Control over Financial Reporting Policy, which establishes that the Finance Department, through the Group's Internal Control over Financial Reporting System (hereinafter, "ICFR function"), and the parties responsible for the ICFR in each country, are responsible for the design, implementation and correct functioning of the ICFR.

The Audit and Control Committee is responsible for supervision of the ICFR pursuant to article 14.6.(i).a) of the Group's Board of Directors Regulations. This article establishes that the Audit and Control Committee has, among other functions, the power to "supervise the elaboration process and the integrity of the in financial information regarding the Group, controlling the compliance with the legal requirements and that the accounting standards are correctly applied, as well as periodically review the internal control and risk management systems, so the main risks are properly identified, managed, quantified and reported". To do this, it is based on a specific function carried out by the Internal Audit department whose Bylaws was reviewed and approved by the Audit and Control Committee on 6 February 2018.

**F.1.2.** The existence or otherwise of the following components, especially in connection with the financial reporting process:

- **The departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate breakdown of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the company.**

The Human Resources Manager is responsible for maintaining an updated corporate organizational chart that shows the Group's organizational structure. That organizational chart sets out all the Group's areas by department, identifying the responsibilities up to the management level and rounding out with other more detailed organizational charts at department level.

Regarding the financial reporting process, there is a Finance Department Management Manual which sets out in greater detail the specific tasks of this department. The Manual has been reviewed so that it can be aligned with the ICFR policy stated in the preceding section and it has been published on the corporate intranet of the Group.

This periodic review of the Finance Department Manual allows for an appropriate division of functions prevent overlapping and guarantee coordination between the various departments, thus leading to a greater operating efficiency at the Group.

The ICFR documentation described on section F.3.1., includes a risk and control matrix that clearly defines, within the organizational structure, those who hold each control in relation to the financial reporting process.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.**

For Europe, the Group has a Code of Conduct, which was approved by the Management Committee, and whose objective is to include the ethical principles and the principles of conduct that must guide all the actions carried out by the workers of the Parques Reunidos Group, both in their internal relations and when they contact and communicate with customers, shareholders, suppliers, sponsors, associates and, in general, any persons or organizations in the social environment of the countries where they operate or are expected to operate. This Code of Conduct has been published in the Company's intranet. In turn, in the United States, the Employees' Manual includes all matters reflected in the Code of Conduct, adapted to the particularities of the United States, even though it is incorporated in a document where information on other issues is also included.

The Code of Conduct is signed by all the employees entering the Group together with their respective employment contract. Additionally, during the fiscal year warnings are made, as a disclaimer, so that the employees of the Group review and accept the Code of Conduct.

The Group has a Criminal Risk Prevention Model that includes events related specifically to the financial information, it was approved by the Board of Directors in their meetings of August 2011 and June 2012. After the approval of the Criminal Code Amendment in 2015, the publication by the Spanish Attorney General of the Circular 1/2016 on the criminal liability of legal persons and the recent decisions issued by the criminal law section of the Supreme Court, a new amendment of the Criminal Risk Prevention Model was approved by the Board of Directors on 27 July 2017.

During the current fiscal year, a revision of the Model has been carried out in order to standardize it with the other internal control systems that exist in the Group, including their embodiment at the Governance, Risk and Compliance tool (hereinafter, "GRC tool"). Additionally, in the context of adaptation of the Model to the different jurisdictions under which the Group operates, an analysis has been carried out in order to determine the gradual expansion of the Model, in an initial stage, to Belgium and Holland. The Board of Directors has been informed by the Chairmen of the Audit and Control Committee in their meeting of 30 May, 2018.

Regarding the Internal Code of Conduct in the Securities Markets (ICC) approved by the Board of Directors on 28 July 2016, it was informed to the Board of Directors on 7 February 2018 that the necessary measures regarding the adaptation of the ICC to the recommendations proposed by the Compliance Officer were taken.

In accordance to the ICC, the Audit and Control Committee ratified, on 6 February 2017 the appointment of the Compliance Officer and approved a procedure for the Management of Privileged Information and Corporate Communication in accordance with Regulation (EU) No 596/2014, of April 16, on market abuse and the other applicable laws. In this regard, on 6 February 2018, the Audit and Control Committee approved the Report on the level of compliance with the ICC.

• **'Whistle-blowing' channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.**

The Group has in Europe a whistle-blowing channel that allows the identification of irregularities of a financial or accounting nature as well as breaches of the Code of Conduct and malpractice within the Group. For that, an email address has been provided so that the employees can send information about a conduct which they believe contravenes the Code of Conduct or any other malpractice. The Group in the United States has, in turn, one whistle-blowing channel, though through a telephone line 24/7 called "Ethics Hotline", for the same purpose.

In Europe, the Monitoring Unit, in accordance with its regulations of 26 February 2015 (and, in the United States, the "Ethics Committee"), is the body in charge of gathering, assessing and deciding the actions that must be taken in relation to the reports which, once they are received through the whistle-blowing management channel, may breach the Criminal Risk Prevention Model or the Code of Conduct, monitoring the investigation processes that are initiated and until their completion.

In Europe, the periodic meetings of the Monitoring Unit analyze and establish the corresponding measures. All of this is stated in a single minute's book of the meetings, periodically notifying to the Audit and Control Committee of the relevant events that take place within the Criminal Risk Prevention Model.

The communications and/or reports are received by all the members of the Monitoring Unit (or the "Ethics Committee" in the United States) simultaneously and are assessed and treated by guaranteeing confidentiality, no reprisals and personal data protection.

Pursuant to the Technical Guide 3/2017, of 27 June 2017 (paragraphs 45-47), periodic information on the functioning of such whistle-blowing management channels is provided to the Audit and Control Committee. In this respect, the Secretary Non-Member of the Board of Directors informed the Audit and Control Committee on the functioning of the whistleblower channel in its meeting of 25 July 2018.

• **Training and refresher courses for personnel involved in preparing and reviewing financial information or assessing ICFR which address, at least, accounting standards, auditing, internal control and risk management.**

The Finance Department (mainly, the Tax and Consolidation area) and the Internal Audit Department staff attend training sessions to be up to date with the regulatory and legislative changes.

Regarding the external training sessions, during the financial year ended on 30 September 2018, the staff involved in preparing, reviewing and reporting the financial information received several refresher courses and courses on regulatory novelties during the year.

Regarding the internal training sessions related to the ICFR and other internal control systems, technical sessions has been done regarding the implementation of the GRC tool. In these sessions, the people responsible for the ICFR in EMEA and the United States have participated.

## **F.2 Risk assessment in financial reporting**

Report, at least:

### **F.2.1. The main characteristics of the risk identification process, including risks of fraud or error, stating whether:**

- **The process exists and is documented.**

The Group's process to identify risks of fraud or error in the financial information is based on the COSO (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology, implementing practices aimed at designing and maintaining an internal control system that provides reasonable certainty about the reliability of the regulated financial information.

The Group has an Internal Control over Financial Reporting Policy, which was formally approved by the Board of Directors on 13 April 2016 and, together with the ICFR Manual, it sets out the general description of the system and its objectives, roles and responsibilities as well as the process for defining the matrix of the ICFR scope and the methodology for implementing the internal control over financial reporting function.

- **The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.**

Regarding the specific risks of financial information, the Group has drafted a matrix to define the scope of ICFR. This matrix, which is annually updated, identifies the accounts and breakdowns that have a significant associated risk which may have a material impact on the financial information.

In accordance with the provisions of the ICFR Policy of the Group, the scope matrix of the ICFR has been defined base on the consolidated financial statements for the year ending 30 September 2017. For this purpose, the relevant accounting line-items based on quantitative criteria (materiality) and qualitative criteria (complex nature of the transactions, volume of transactions, complex nature of the calculations, use of judgements, estimates or projections, etc.) were selected. In this respect, the Audit Committee, in its meeting of 6 February 2018, was informed of the referred scope matrix.

The critical processes and sub-processes have been defined with regard to each of the relevant accounts and breakdowns included in the scope matrix, identifying the controls that could prevent errors and/or frauds regarding the financial information covering all of the objectives of the financial information (existence and incidence, integrity, valuation, presentation and breakdown, rights and obligations).

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, shell corporations or special purpose vehicles.**

The determination of the consolidation perimeter is reviewed, at least, every year by the Consolidation Department, as well as every time there is a change to it, either by the incorporation of a new company or any change in the stake of any of the companies of the Group. When a new company is incorporated, the Legal Department informs the Finance Department, the Group's Consolidation Department, the Treasury Department, the Tax Department and the Management Control Department, providing the deed of incorporation of the company and the general powers granted.

- **The process addresses other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

In accordance with that established in the Risk Control and Management Policy approved by the Board of Directors on 13 April 2016 and in the Risk Control and Management System Manual, Parques Reunidos regularly identifies and prioritizes the critical risks of any type (operational, strategic, reporting

and compliance) which, if they do take place, may have an adverse effect on the Group meeting its main targets and the financial statements. In this respect, the Group's management has carried out the review and re-evaluation of the Risk Map in its meeting of 6 February 2018, the Audit and Control Committee acknowledges the updated Risk Map and decided to submit it to the Board of Directors for its approval.

**• Which of the Company's governing bodies is responsible for overseeing the process.**

Pursuant to article 14.5, the Audit and Control Committee is responsible for overseeing the efficacy of the ICFR and of the Risk Management System through the Internal Audit Department, which applies specific monitoring programs both for financial and non-financial risks, that will be envisaged in its Internal Audit Plan and approved and reviewed by the Audit and Control Committee.

### **F.3 Control activities**

**Indicate the existence of at least the following components, and specify their main characteristics:**

**F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, measurements and projections.**

The process to review and authorize the Group's financial information is carried out monthly, ensuring the quality of the financial information stated in the financial statements. In that sense, the CFO submits an analysis of the main changes in the financial statements to the Board of Directors, stating this in the minutes. Moreover, since the date when the Group became listed, the financial information is also reviewed by the Audit and Control Committee.

With regard to the description of the ICFR, the Finance Department is in charge of its elaboration, in coordination with the involved departments. This process ends with the approval of the Annual Corporate Governance Report validated by the Board of Directors as a whole. Likewise, the annual financial statements are drafted by the Board of Directors every year.

In accordance with the matrix of the ICFR scope, the Group's Finance Department, through the ICFR function, has documented in risks and controls matrixes the risks of fraud or error in the financial information and the controls to mitigate such risks and which affect all the processes and/or sub-processes identified as key at the companies in the EMEA and United States areas, in doing so it has been used a GRC tool that facilitates its monitoring and control.

Such processes and/or sub-processes include several types of transactions that may have a material effect on the financial statements, especially those affected by relevant judgements, estimates, measurements and projections.

The following have been identified for each control:

- Evidence to support the controls.
- Organizational structures and/or functions regarding the positions responsible for each control identified.
- Frequency of controls.
- Level of automatization of the controls.
- Type of control: preventive or detective.

Regarding the critical judgements and relevant estimates for financial reporting, as well as the assumptions and projections considered by the Management, they all were reviewed by the Audit and Control Committee and submitted and approved by the Board of Directors.

**F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and separation of duties) giving support to key company processes regarding the preparation and publication of financial information.**



The Group has posted on its intranet the "Security Document", which includes the internal control activities over the IT systems that provide support to critical company processes regarding the preparation and publication of financial information.

The main control activities focus on the following:

- Access control
- Support management
- Physical access control
- Tests with real data
- Staff functions and obligations
- Appointments and users
- Incidents. Procedures for notifying, managing and responding to them
- Procedures for making back-up copies and recovery
- Procedure for updating the security documentation

Additionally, the Group has a list of the critical applications, relevant for the ICFR.

### **F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned to independent experts, when these may materially affect the financial statements.**

Every year, the Group reviews all outsourced activities which are relevant to the preparation of financial information.

On specific cases, the Group requests advice from companies with recognized technical skills for the evaluation of specific assets, as well as for the adaptation to regulatory modifications derived from the new IFRS entry into force.

The outcomes of these activities entrusted to third parties are supervised by the Finance Department of the Group, which has qualified personnel to validate the conclusions of the reports issued by the third parties.

## **F.4 Information and communication**

**Indicate the existence of at least the following components, and specify their main characteristics:**

### **F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) up to date and settling doubts or conflicts over their interpretation, maintaining regular communication with the persons responsible for the organization's transactions, as well as an updated accounting policy manual that is provided to all the company's operating units.**

The Management Control and Consolidation Departments, which are directly answerable to the Finance Department, are responsible for defining, maintaining and updating the Group's accounting policies and resolving doubts or conflicts arising from their interpretation. Therefore, they maintain regular communication with the persons responsible for the accounting and the rest of the financial departments.

Both departments are also responsible for updating the Group's accounting practices manual, which is distributed by the Consolidation Department to the subsidiaries every year by email. This manual contains the Group's main accepted principles regarding the preparation of consolidated financial statements based on the IFRS-UE principles.

### **F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and attached notes as well as disclosures concerning ICFR.**

The mechanism that captures and prepares the information to support the Group's main financial statements is based mainly on using the consolidation tool centralized by the Consolidation Department.

Every month, the Consolidation Department uploads the trial balances submitted by the subsidiaries to this tool after reviewing them.

Every six months, more detailed reporting packages are received which include the necessary information to prepare the Group's consolidated financial information (including the breakdowns and notes). Those reporting packages are aimed at guaranteeing that the information is standardized since they are standard and consistent for all the countries and subsidiaries and are prepared based on the Group's accounting practices instructions and manual, which is unique for all the Group companies.

The capture and preparation of the information stated regarding the ICFR is centralized at the Finance Department, in collaboration with the various departments involved.

## **F.5 Monitoring of the functioning of the system**

**Indicate the existence of at least the following components, describing their main characteristics:**

**F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information**

To carry out its function of monitoring the efficacy of the ICFR, the Audit and Control Committee is assisted by the Internal Audit Department. This department, as stated in the ICFR Policy approved by the Board of Directors, has, among others, the following responsibilities: draft and execute, within the Annual Audit Plan, the monitoring of the efficacy of the ICFR, focusing on the risks of the financial information identified and assessed by the Management. In this respect, an annual revision of the SCIIF has been set at corporate level and a rotation plan for the supervision of the different operating units of the Group. As a result of such procedures, the department informs the Audit and Control Committee of the potential weaknesses detected during the audits, as well as the proposes recommendations on how to correct them.

In the financial year ended on 30 September 2018, various actions regarding the ICFR were carried out.

Firstly, in the Committee meeting of 6 February 2018, the Internal Audit Department Director gave a presentation regarding the results of the review of the ICFR matrix. The Committee was also informed, in its meeting of 30 May 2018, of the results of the corporate internal audits carried out and of the internal audits carried out in Mirabilandia and in Parque de Atracciones de Madrid, in order to assess compliance with the ICFR and RMS systems, its design and effectiveness. Finally, the Internal Auditor Manger informed the Audit Committee, in its meeting of 25 July 2018, on the internal audit report of Palace Entertainment and of five of its parks (Dutch Wonderland, San Dimas, Story Land, Kennywood, and Idlewild parks).

**F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. State also whether the company has an action plan to correct or mitigate the weaknesses found.**

During the fiscal year ended on 30 September 2018, the Audit and Control Committee meet five times.

The external auditors attended two meetings of the Audit and Control Committee in order to explain, in accordance with point 69 of the Technical Guide 2/2017, the contents of the audit report and the additional report. Likewise, they also explained the scope of the consolidated audit, including the potential incidents detected. Additionally, the internal control possible weaknesses identified during their work were also discussed.

The person responsible for the ICFR function within the Group periodically intervenes in the meetings of the Audit and Control Committee, as stated in the Internal Control and Risk Management Over

Financial Information Policy. In this regard, the Group's CFO has presented the conclusions regarding the works carried out during the financial year regarding the ICFR.

Likewise, the Internal Audit Department Director has notified to the Audit and Control Committee the findings and the identified control weaknesses based on the implementation of the ICFR assessment plan, as a result of the works undertaken in relation with the revision of the ICFR previously described in section F5.1. The implementation of the recommendations derived from the internal audits are reviewed by the Group's Internal Audit function.

#### **F.6 Other relevant information**

N/A

#### **F.7 External auditor report**

**State whether:**

**F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.**

Parques Reunidos has submitted the ICFR information reported to the market, for the financial year ended on 30 September 2018, for review by the external auditor. The scope of the auditor's review procedures was made in accordance with the action guideline and audit report form referred to in the information about the internal control over financial reporting of the listed companies in July 2013 issued by the corporations representing the auditors.

### **G LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS**

Please describe the extent to which the company has complied with the recommendations of the Code of Good Governance for Publicly Traded Companies.

If any recommendation is omitted or only partly followed, a detailed explanation must be given of the reasons for this, in order to ensure that the shareholders, investors and the market in general have enough information to be able to assess the company's conduct. General explanations will not be accepted.

- 1. The Bylaws of listed companies do not limit the number of votes that may be issued by the same shareholder, nor do they contain any other restrictions that hinder the taking of a company's control by purchasing its shares on the market.**

Compliance  Explain

- 2. If the parent company and one of its dependent companies are both listed, a public and accurate definition of the following:**
  - a) The respective areas of activity and possible business relations between them have been identified precisely, as well as those of the publicly traded subsidiary with other companies in the group.**
  - b) The devices foreseen to resolve any future conflicts of interest that may arise.**

Compliance  Compliance in part  Explain  Not applicable

- 3. During the General Shareholders' Meeting, as a supplement to the distribution in writing of the annual corporate governance report, the chairman of the Board of Directors**

informs the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company, and in particular:

- a) Of the changes that have occurred since the previous General Shareholders' Meeting.
- b) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and of any alternative rules that may be applicable in this matter.

Compliance  Compliance in part  Explain

4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisers that is fully respectful of the rules against market abuse and gives a similar treatment to shareholders that are in the same position.

The company makes public this policy through its website, including information relating to the way in which it has been implemented and identifying the contacts or those responsible for carrying it out.

Compliance  Compliance in part  Explain

5. The Board of Directors does not submit to the General Shareholders Meeting a proposal for delegating powers to issue shares or convertible securities, except for the right to preferential subscription, for an amount greater than 20 % of the share capital at the time of delegation.

And when the Board of Directors approves any issue of shares or convertible securities, not including the right to preferential subscription, the company immediately publishes on its website the reports on this exclusion referred to be company law.

Compliance  Compliance in part  Explain

6. Listed companies preparing the reports mentioned below, whether as an obligation or voluntarily, publish them on their websites in sufficient time before the General Shareholders Meeting, even if their publication is not mandatory:

- a) Report on the independence of the auditor.
- b) Reports on the operation of the Auditing and Appointments and Remuneration committees.
- c) Auditing Committee report on related operations.
- d) Report on the policy of Corporate Social Responsibility.

Compliance  Compliance in part  Explain

7. The company broadcasts the general meetings of shareholders live via its website.

Compliance  Explain

The Company takes into account the degree of participation at its General Meeting and the information and communication channels made available to its shareholders. In that sense, the Company does not believe that a live broadcast of the General Meeting will increase its transparency substantially. In any case, the Company will continue to devote its efforts to identifying the appropriate measures aimed at increasing transparency and fostering

and facilitating the communication regarding the convening and holding of all the annual general meetings. However, the suitability of a live broadcast of the next General Meetings will be considered.

8. **The Auditing Committee oversees the Board of Directors to ensure that if possible it presents the accounts to the General Shareholders Meeting without any limitations or qualifications in the auditor's report; and that in the exceptional cases when there are qualifications, both the chairman of the Auditing Committee and the auditors explain clearly to the shareholders the content and scope of these limitations or exceptions.**

Compliance  Compliance in part  Explain

9. **The company posts publicly and permanently on its website, the requirements and procedures that it will accept to accredit the ownership of the shares, the right of attendance to the General Shareholders Meeting and the exercise of delegation of this voting right.**

**These requirements and procedures favor attendance and the exercise of voting rights by the shareholders and are applied in a non-discriminatory way.**

Compliance  Compliance in part  Explain

10. **When a duly registered shareholder has exercised the right to add to the Agenda or present new proposed resolutions before the General Shareholders Meeting, the company:**

a) **Immediately makes public these supplementary points and new proposed resolutions.**

b) **Makes public the model of attendance card or form of delegating the vote or distance vote, together with the precise modifications, so that the new points on the Agenda and the alternative proposed resolutions can be voted on in the same terms as those proposed by the Board of Directors.**

c) **Subjects all these points or alternative proposals to the vote and applies to them the same voting rules as those issued by the Board of Directors, including in particular any assumptions or deductions regarding voting intention.**

d) **Following the General Shareholders Meeting, reports the breakdown of the vote on these supplementary points or alternative proposals.**

Compliance  Compliance in part  Explain  Not applicable

11. **If the company plans to pay attendance bonuses to the General Shareholders Meeting, it should establish in advance a general policy on such bonuses and this policy should be stable.**

Compliance  Compliance in part  Explain  Not applicable

12. **The Board of Directors performs its duties with a single purpose and with independent criteria, treats all shareholders who are in the same position in the same way and is guided by the corporate interest, meaning the achievement of a profitable and sustainable business in the long term that promotes its continuity and the maximization of the company's economic value.**

**In aiming for the corporate interest, as well as respecting the laws and regulations and a good behavior based on good faith, ethics and respect for commonly accepted**

customers and good practices, it aims to reconcile the corporate interest with the legitimate interests of its employees, suppliers, customers, and the other stakeholders that may be affected, as appropriate, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliance  Compliance in part  Explain

13. The Board of Directors is of the right size to ensure effective and participative operation, which means that it is advisable for it to have between 5 and 15 members.

Compliance  Explain

14. The Board of Directors approves a policy on appointing directors that:

- a) Is specific and verifiable.
- b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.
- c) Favors the diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the Board of Directors is included in the justificatory report from the Appointments Committee published when calling the General Shareholders Meeting to which the ratification, appointment or re-election of each director is subject to.

The policy for selecting directors fosters the target that in 2020 the number of female directors should represent at least 30 % of all the members of the Board of Directors.

The appointments committee shall check compliance with the policy for selecting directors every year and report on this in the annual Corporate Governance Report.

Compliance  Compliance in part  Explain

15. The nominee and independent directors constitute a broad majority of the Board and that number of executive directors is the smallest possible, taking into account the complexity of the corporate group and the percentage participation held by executive directors in the company's capital stock.

Compliance  Compliance in part  Explain

16. The percentage of nominee directors out of the total number of non-executive directors is not greater than the proportion between the company's capital stock represented by these directors and the rest of the capital.

This criterion may be eased:

- a) In companies with a high market value, when there are few shareholdings that are legally considered to be significant.
- b) When it is a case of companies where there are a number of shareholders represented on the Board and there is no relation between them.

Compliance  Explain

**17. The number of independent directors is at least half of all the directors.**

However, when the company does not have a high market value, or when it does but has one shareholder or a number acting together who control more than 30 % of the capital stock, the number of independent directors is at least a third of the total number of directors.

Compliance  Explain

**18. The companies publish and keep updated the following information on their directors on their website:**

a) Professional and personal background.

b) Other boards of directors to which they belong, whether or not of listed companies, as well as information on other remunerated activities they engage in, whatever their nature.

c) Indication of the type of director, specifying in the case of nominee directors, the shareholder they represent or to which they are related.

d) Date of the initial appointment as director of the company, as well as the subsequent re-elections.

e) Shares in the company, and options on such shares, that they own.

Compliance  Compliance in part  Explain

**19. The annual Corporate Governance Report, following review by the Appointments Committee, explains the reasons for the appointment of the nominee proprietary directors at the request of shareholders whose holding is under 3 % of the capital; and, where appropriate, explains the reasons for not approving formal requests for representation on the Board from shareholders whose holding is at least equal to that of the others at whose request nominee proprietary directors have been appointed.**

Compliance  Compliance in part  Explain  Not applicable

**20. Any nominee proprietary directors should resign if the shareholder they represent fully transfers its shareholding. They should also resign, in the necessary number, if the shareholder reduces its shareholding down to a figure that requires a decrease in the number of nominee directors.**

Compliance  Compliance in part  Explain  Not applicable

**21. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment foreseen in the By-laws, unless there is just cause, ascertained by the Board subject to a prior report from the Appointments Committee. In particular, just cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him or her from dedicating the time needed to perform the duties of director, infringes the duties inherent to his office or is involved in any of the circumstances entailing loss of independence under applicable law.**

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations, entailing a change in the company's capital structure, if such changes in the Board's structure are triggered by the proportionality principle indicated in Recommendation 16.

Compliance  Explain

- 22. The companies establish rules obliging their directors to report and resign, if necessary, in any situations that may damage the company's creditworthiness and reputation. In particular, they should be obliged to inform the Board of any criminal proceedings in which they are charged, including any subsequent procedural vicissitudes.**

**If a director is prosecuted or an order initiating a public trial is delivered against him, for any of the offences foreseen in Company Law, the Board should examine the case as soon as possible and, in light of specific circumstances, decide whether or not the director should remain in his post. The Board should report all of the foregoing, in a reasoned manner, in the Annual Corporate Governance Report.**

Compliance  Compliance in part  Explain

- 23. All directors are able to clearly expressly their disagreement if they consider that any proposed decision presented to the Board may be contrary to the corporate interest. The foregoing will also apply, in particular, in the case of independent directors and others not affected by a potential conflict of interests, for decisions that may be detrimental to shareholders not represented on the Board.**

**If the Board adopts significant or reiterated decisions on which a director has made serious reservations, the latter is able to reach the necessary conclusions and, if he decides to resign, should explain his reasons in the letter referred to in the recommendation below.**

**This Recommendation also covers the Secretary of the Board of Directors even if he does not hold director status.**

Compliance  Compliance in part  Explain  Not applicable

- 24. If further to a resignation or for other reasons, a director abandons his office before the end of his term, the reasons for this should be explained in a letter forwarded to all of the Board members. Without prejudice to such abandonment being notified as a relevant event, the Annual Corporate Governance Report should explain the reasons for his abandonment.**

Compliance  Compliance in part  Explain  Not applicable

- 25. The Appointments Committee should ensure that non-executive directors have sufficient time available for the correct performance of their duties.**

**And the Regulation of the Board of Directors establishes the maximum number of boards of directors of which its directors may form part.**

Compliance  Compliance in part  Explain

- 26. The Board of Directors meets as frequently as necessary to perform its duties effectively, and at least eight times a year, following the schedule of dates and issues it establishes at the start of the year. Each director can individually propose Agenda items that are not initially included.**

Compliance  Compliance in part  Explain



**27. Non-attendance by directors is limited to unavoidable cases that are listed in the annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions.**

Compliance  Compliance in part  Explain

**28. When the directors or the Secretary express concern regarding a proposal, or in the case of directors, on the performance of the company, and these concerns are not resolved by the Board of Directors, this is noted in the minutes at the request of the person who has raised the concerns.**

Compliance  Compliance in part  Explain  Not applicable

**29. The company establishes appropriate channels allowing directors to obtain precise advice on the performance of their duties, including, if circumstances require, external advice at the company's expense.**

Compliance  Compliance in part  Explain

**30. Apart from the knowledge required from the directors to perform their duties, the companies also offer their directors refresher courses to update knowledge where required by the circumstances.**

Compliance  Explain  Not applicable

**31. The Agenda of the meetings indicates clearly those points on which the Board of Directors have to adopt a decision or resolution so that the directors can study or gather in advance the information required for adoption.**

**Exceptionally, when for reasons of an emergency, the chairman wishes to submit decisions or resolutions to the Board of Directors for approval that are not included on the Agenda, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes.**

Compliance  Compliance in part  Explain

**32. The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.**

Compliance  Compliance in part  Explain

**33. The chairman, as responsible for the efficient operation of the Board of Directors, not only performs the duties established by law and the Bylaws, but prepares and submits to the Board of Directors a schedule of dates and issues to be considered; organizes and coordinates the regular evaluation of the Board, and where appropriate, of the company's chief executive; is responsible for the management of the Board and for its effective operation; ensures that it dedicates sufficient time to discussion of strategic questions,**

and agrees and reviews the programs for updating each director's knowledge, where advisable.

Compliance  Compliance in part  Explain

34. When there is a coordinating director, the Bylaws or the Regulation of the Board of Directors, as well as the corresponding duties under law, the Bylaws or Regulation of the Board of Directors establish for him the following duties: chair the Board of Directors in the absence of the Chairman and of the Deputy Chairmen, where there are such; respond to the concerns raised by the non-executive directors; maintain contacts with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate the succession plan for the Chairman.

Compliance  Compliance in part  Explain  Not applicable

35. The Secretary of the Board of Directors pays particular attention to ensuring that the actions and decisions of the Board of Directors take into account the recommendations on good governance included in the Code of Good Governance and applicable to the company.

Compliance  Explain

36. The full Board of Directors evaluates once a year and adopts, where appropriate, an action plan to correct any deficiencies identified with respect to:
- a) The quality and efficiency of the operation of the Board of Directors.
  - b) The operation and composition of its committees.
  - c) The diversity in composition and competences of the Board of Directors.
  - d) The performance of the Chairman of the Board of Directors and the company's chief executive.
  - e) The performance and contribution of each director, with particular attention to those responsible for the different Board committees.

The evaluation of the different committees is based on the report that they submit to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Appointments Committee.

Every three years, the Board of Directors will be assisted in carrying out the evaluation by an external consultant, whose independence will be verified by the Appointments Committee.

The business relations that the consultant and any company in his group have with the company or any company in its group must be disclosed in the annual Corporate Governance Report.

The process and the areas evaluated will be described in the annual Corporate Governance Report.

Compliance  Compliance in part  Explain

**37. When there is an Executive Committee meeting, the structure of participation by the different categories of directors is similar to that of the Board of Directors, and its Secretary is that of the Board.**

Compliance  Compliance in part  Explain  Not applicable

**38. The Board is always informed of the matters discussed and decisions adopted by the Executive Committee, and all the Board members receive a copy of the minutes of all Executive Committee meetings.**

Compliance  Compliance in part  Explain  Not applicable

**39. The members of the Auditing Committee and in particular its chairman, shall be appointed taking into account their knowledge and experience in matters of accounting, auditing and risk management, and most of these members should be independent directors.**

Compliance  Compliance in part  Explain

**40. Under supervision of the Auditing Committee, a unit is in place that assumes the internal audit function and ensures the correct operation of the information and internal control systems. It answers to the non-executive chairman of the Board of Directors or the Auditing Committee.**

Compliance  Compliance in part  Explain

**41. The person in charge of the unit that assumes the function of internal auditing should present his annual work plan to the Auditing Committee, directly informing it of any incidents that may arise and presenting an activity report at the end of each financial year.**

Compliance  Compliance in part  Explain  Not applicable

**42. In addition to those provided for by law, the Auditing Committee has the following duties:**

**1. In relation to data and internal control systems:**

**a) To supervise the drafting process and the integrity of the financial information relating to the company, and where appropriate to the group, reviewing compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria.**

**b) To ensure the independence of the unit that assumes the function of internal auditing; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for this department; to approve the approach and the work plans, ensuring that their activity is focused mainly on relevant risks for the company; to receive periodic information on its activity; and to check that senior management takes into account the conclusions and recommendations made in its reports.**

**c) To establish and supervise a device that enables employees to communicate any irregularities of potential importance, in a confidential and even anonymous manner,**

if deemed appropriate and possible, to particularly include financial and accounting irregularities, noticed within the company.

2. In relation to external auditors:

- a) If the external auditor resigns, examine the circumstances that may have caused this.
- b) Ensure that the remuneration of the external auditor for its work does not compromise its quality or independence.
- c) Supervise that the company informs the CNMV of a change of auditor, as a relevant event, including a statement about the future existence of disagreements with the outgoing auditor and the content thereof, if any.
- d) Ensure that the external auditor holds a meeting every year with the full Board of Directors to inform it about the work being done and changes in the accounting situation and risks in the company.
- e) Ensure that the company and the external auditor respect the regulations in place on provision of services other than auditing, the limits to the auditor's business concentration, and in general other regulations on the independence of auditors.

Compliance  Compliance in part  Explain

43. The Auditing Committee may summon any company employee or executive, and even order their declaration without the presence of any other executive.

Compliance  Compliance in part  Explain

44. The Auditing Committee should be informed of structural and corporate modifications that the company plans in order to review them and inform the Board of Directors in advance of the financial conditions and their accounting impact, in particular of the proposed exchange ratio, where applicable.

Compliance  Compliance in part  Explain  Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (among others, operational, technological, social, environmental, political and reputational) faced by the Company. The financial or economic risks include tax risk, contingent liabilities and other off-balance-sheet risks.
- b) A specific risk threshold that the Company considers acceptable.
- c) The measures planned to mitigate the impact of risks identified, if they should materialize.
- d) The information and internal control systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

Compliance  Compliance in part  Explain

The Board of Directors approved, on 13 April 2016, the Risk Control and Management Policy, which lays down the master guidelines for the RMS and which implementation was set out in the Risk Control and Management System Manual. Even though these documents do not make specific reference to the

items referred, it is hereby stated that this items are all covered by the deployment and implementation of the internal control systems of the group, mitigating its financial and non-financial risks.

**46. Under the direct supervision of the Auditing Committee or, where appropriate, a specialized committee of the Board of Directors, an internal risk control and management function is exercised by an internal unit or department in the Company that has the following functions expressly attributed to it:**

- a) Ensure the proper operation of the systems of risk control and management; in particular they should appropriately identify, manage and quantify all the important risks affecting the company.**
- b) Participate actively in preparing the risk strategy and the important decisions with respect to its management.**
- c) Ensure that the risk control and management functions mitigate the risks sufficiently within the framework of the policy defined by the Board of Directors.**

Compliance  Compliance in part  Explain

**47. The members of the Appointments and Remuneration Committee, or of the Appointments Committee and the Remunerations Committee, if they are separate, are appointed with the idea that they should have the knowledge, attitudes and experience that are appropriate to the functions they are to perform and that most of these members should be independent directors.**

Compliance  Compliance in part  Explain

**48. Companies with a high market value should have a separate Appointments Committee and Remunerations Committee.**

Compliance  Explain  Not applicable

**49. The Appointments Committee should consult the Chairman of the Board of Directors and the Company's chief executive, particularly in the case of matters related to executive directors.**

**The possibility of any director being able to request that the Appointments Committee take potential candidates into account, if deemed suitable in its opinion, in order to cover director vacancies.**

Compliance  Compliance in part  Explain

**50. The Remunerations Committee should exercise its functions independently and as well as the tasks attributed to it by law, it has the following duties:**

- a) To propose to the Board of Directors the basic conditions of the contracts of senior managers.**
- b) To check that the remuneration policy established by the company is being adhered to.**
- c) To review periodically the remunerations policy applied to directors and senior management, including the share-based remuneration systems and their application;**

and to guarantee that individual remuneration is proportionate to what is paid to other directors and senior managers in the Company.

- d) Ensure that possible conflicts of interest do not harm the independence of the external advice provided to the committee.
- e) Check the information on the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliance  Compliance in part  Explain

**51. The Remuneration Committee should consult the Company's Chairman and chief executive, particularly in the case of matters related to executive directors and senior managers.**

Compliance  Compliance in part  Explain

**52. The rules on the composition and operation of the supervision and control committees appear in the Regulation of the Board of Directors and are consistent with those applicable to the legally obligatory committees in accordance with the above recommendations, including:**

- a) They are composed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors.
- c) The Board of Directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the duties of each committee, and deliberates on their proposals and reports; and accounts for their activity at the first full Board of Directors meeting following its meetings, where they answer for the work done.
- d) The committees may have recourse to external advice when they consider it necessary to perform their duties.
- e) Minutes are drafted of the meetings, and made available to all the directors.

Compliance  Compliance in part  Explain  Not applicable

**53. Supervision of compliance with the rules on corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one committee or is divided between a number of committees of the Board of Directors. They may be the Auditing Committee, the Appointments Committee, the Corporate Social Responsibility Committee (if there is one), or a specialized committee that the Board of Directors, in the exercise of its faculty of self-organization, decides to create for this purpose, to which the following minimum tasks are specifically attributed.**

- a) Supervision of compliance with the internal codes of conduct and the rules of the company's corporate governance.
- b) Supervision of the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- c) Periodic evaluation of the appropriateness of the company's system of corporate governance, with the aim of complying with its mission to promote the corporate interest and take into account the legitimate interests of the other stakeholders, as appropriate.

- d) Review of the company's corporate social responsibility policy, ensuring that it is geared to creating value.
- e) Monitoring of the strategy and practice of corporate social responsibility and evaluation of the level of compliance.
- f) Supervision and evaluation of the processes of engagement with the different stakeholders.
- g) Assessment of everything related to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination of the process of reporting non-financial information and information on diversity, in accordance with the regulations applicable and international standards in the area.

Compliance  Compliance in part  Explain

**54. The corporate social responsibility policy includes the principles or commitments assumed by the company voluntarily in its relations with different stakeholders, and should identify at least:**

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to the sustainability, environment, and social questions.
- c) The specific practices on questions related to: shareholders, employees, customers, suppliers, social questions, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct.
- d) Methods or systems of monitoring the results of the application of specific practices specified in the above point, associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that prevents information manipulation and protects integrity and honor.

Compliance  Compliance in part  Explain

**55. The company should report in a separate document or management report on the issues related to corporate social responsibility, using some of the internationally accepted methodologies for this purpose.**

Compliance  Compliance in part  Explain

**56. The remuneration of directors should be sufficient to attract and retain the directors with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgment of non-executive directors.**

Compliance  Explain

- 57. Variable remuneration linked to the company's performance and personal performance should be limited to executive directors, as should remuneration based on delivery of shares, options or rights to shares, or instruments that depend on the value of the shares and the systems of long-term savings such as pension plans, retirement plans or other social insurance systems.**

**Delivery of shares may be used as remuneration for non-executive directors when it is conditional on them being held until their end their period as directors. The above will not be applicable to the shares that the director may need to dispose of in order to pay the costs related to their acquisition.**

Compliance  Compliance in part  Explain

- 58. In the case of variable remuneration, the remuneration policies include limits and precise technical thresholds to ensure that the remuneration is related to the professional performance of their beneficiaries and does not only derive from the general movements of market prices or the company's sector of activity, or other similar circumstances.**

**And in particular, the variable component of remunerations:**

- a) Should be linked to predetermined and measurable performance criteria, and these criteria should consider the risk assumed to obtain a result.**
- b) Should promote the company's sustainability and include non-financial criteria that are appropriate for the creation of value in the long-term, such as compliance with the company's rules and internal procedures and its policies for risk control and management.**
- c) Should be organized on the basis of a balance between compliance with short-term, medium-term and long-term objectives, which allow remuneration of performance for continued work during a period of time that is sufficient for its contribution to the sustainable creation of value to be appreciated, so that the elements for measuring this performance do not solely involve one-off, occasional or extraordinary events.**

Compliance  Compliance in part  Explain  Not applicable

- 59. The payment of a significant part of the variable components of remuneration is deferred for a minimum period of time that is sufficient to check that the previously established conditions for performance have been complied with.**

Compliance  Compliance in part  Explain  Not applicable

- 60. The remuneration related to the company results takes into account the possible exceptions included in the external auditor's report that reduce these results.**

Compliance  Compliance in part  Explain  Not applicable

The Company's executive director is the only director who is a beneficiary of the Company's former Long-Term Incentive Plan and of the Company's new Long-Term Incentive Plan approved by the General Shareholders Meeting of 21 March 2018.

The terms and conditions envisaged for the accrual of shares in favour of the plan's' beneficiaries do not include clauses which take into account any qualifications stated in the external auditor's report.



Likewise, the executive director is the only director who is a beneficiary of the variable remuneration programme, which envisages the delivery of performance stock units (PSUs) that will turn into Company shares if certain conditions are met. Likewise, this programme does not include clauses which take into account any qualifications stated in the external auditor's report.

In both cases, the plans are deferred in time and their accrual is subject to meeting the conditions that the Company has deemed appropriate. Moreover, the Board reserves certain powers in relation to those plans based on which it can resolve to assess the degree of compliance with the targets established in them.

**61. A significant percentage of the variable remuneration of the executive directors should be linked to the delivery of shares or financial instruments linked to their value.**

Compliance  Compliance in part  Explain  Not applicable

**62. Once the shares or options or rights on the shares corresponding to the remuneration systems have been allocated, the directors may not transfer the ownership of a number of shares equivalent to twice their fixed annual remuneration, nor may they exercise the options or rights for at least three years from the time of their allocation.**

**The above will not be applicable to the shares that the director may need to dispose of in order pay the costs related to their acquisition.**

Compliance  Compliance in part  Explain  Not applicable

The Company's executive director is the only director who is a beneficiary of the Company's former Long-Term Incentive Plan and of the Company's new Long-Term Incentive Plan approved by the General Shareholders Meeting of 21 March 2018.

Once the corresponding terms and conditions are met and the respective cycles elapse, the shares received by the Long Term Incentive Plans beneficiaries are transferable from the moment that they received them. Nevertheless, the Board of Directors of the Company can resolve to obligate the beneficiaries to maintain and not sell the shares that they receive for a maximum of six months from the date that they are delivered. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Also, the Company's new Long-Term Incentive Plan approved by the General Shareholders Meeting of 21 March 2018 includes a three-year period consolidation for the options exercise.

Likewise, the executive director is the only director who is a beneficiary of the variable remuneration programme, which envisages the delivery of performance stock units (PSUs) that will turn into Company shares if certain conditions are met. Within the framework of that programme, the total number of Company shares to be delivered to the executive director corresponding to each year can reach up to 40 % of his fixed remuneration divided by the share average value during the thirty stock market days prior to the date of granting the PSUs. The conversion of the PSUs delivered each year into shares will take place three years after the closing date of the year for which the variable remuneration was accrued for which they were respectively granted. Those shares will be transferable from the time that the beneficiary receives them.

**63. The contractual agreements include a clause that allows the company to claim the repayment of the variable components of the remuneration when the payment has not met the performance conditions, or when payment has been based on data that is subsequently proved to be erroneous.**

Compliance  Compliance in part  Explain  Not applicable

The executive director's variable remuneration is based on the parameters linked to meeting the corporate targets aimed at creating value. In the event that the targets are not met, the variable remuneration will not accrue. Moreover, the completion of the plans is deferred. In this sense, the shares of the variable retribution of the executive director will be paid in three years since the year in which it accrued. In the event the executive director resigns as a director of the Company, either by means of resignation or for any other reason, he will lose the right to receive shares, except when the termination occurs as a consequence of the unilateral termination by the Company of the contract for the provision of services as an executive director for different reasons than those that would have justified an authorized disciplinary dismissal.

The General Terms of the New Long-Term Incentive Plan, that bounds both the Company and the beneficiaries, includes a clawback clause under certain scenarios of undue granting and material amendment of the financial statements at the expense of the Company. The clawback clause can be triggered by the Board of Directors of the Company after the report issued by the Appointments and Remunerations Committee.

**64. Severance payments should not be greater than the equivalent to two years of total annual remuneration [sic] and should not be paid until the company has checked that the director has complied with the previously established criteria for remuneration.**

Compliance  Compliance in part  Explain  Not applicable

## H. OTHER INFORMATION OF INTEREST

**1. If there is any relevant aspect related to corporate governance in the company or its group entities, not covered in the other sections of this report, but which should be included in order to gather full and justified information about governance structure and practice in the company or its group, please describe briefly.**

**2. This section may also include any other information, clarification or specification related to the foregoing sections of this report, insofar as relevant and not repetitive.**

**Specifically, please indicate whether the company is subject to laws other than Spanish legislation on corporate governance and, if applicable, any other information it is obliged to provide, other than the one required in this report.**

**3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practice, whether international, in each sector or other. If so, please provide the code and date of adhesion.**

### EXPLANATORY NOTE 1

It is stated that on 4 October 2018, the Company CEO, Mr. Fernando Eiroa resigned from all his positions in the Company. However, this report includes the CEO's information regarding the financial year ended on 30 September 2018, given that on 30 September 2018 he continued to hold his positions in the Company.

### EXPLANATORY NOTE 2

Regarding section A.2, the information in the report corresponds to that stated in the official registers of significant stakes at the CNMV at year-end.

- The stake held by Artemis Investment Management LLP has been divided into equal parts among the four funds which directly own the Company shares since the exact number of shares owned by each one is not stated in the communication to the CNMV. However, as it is impossible to distribute the number of shares declared among the four funds stated by means of an integer, we have opted to indicate three more shares than the rest in the Artemis Global Equity Income Fund.

- Regarding the stake held by Groupe Bruxelles Lambert (“GBL”), it is hereby reported that BDL, a company listed on Euronext Brussels, is the indirect holder of 100 % of the share capital of Miles Capital Sàrl. In turn, Pargesa Netherlands B.V. (“PNBV”) is the holder of a 50 % share in GBL. Pargesa Holdings S.A. (“PHSA”) controls 100 % of PNVB. And, finally, 55.5 % of the share capital of PHSA is owned by Parjointco N.V. (“PNV”).

Therefore, and taking into consideration the public information published by the CNMV, it cannot be confirmed that PNV holds control over GBL as envisaged in the Spanish Code of Commerce, thus it has been decided to refer GBL as significant stakeholder of the Company in this report.

#### EXPLANATORY NOTE 3

Regarding section A.3, it is stated the sole and extraordinary incentive connected to the acceptance of the offices as independent directors in connection with the Company’s IPO. Such incentive consisted in the delivery, without any consideration, of the rights to receive shares of the Company at the price of the IPO. Such rights are structured as restricted stock units (“RSU”) and grant the right to receive one share of the Company per RSU. The number of RSUs granting rights to each independent director is equal to 50 % of the shares acquired at the Company’s IPO.

In particular, Dag Erik Johan Svanstrom and Nicolás Villén Jiménez received RSUs equivalent to EUR 250,000 and EUR 125,000, respectively, as informed in the IPO’s Prospectus. The delivery of the shares will take place after three years have elapsed since the admission to trading of the Company’s shares. The delivery is conditioned to the maintenance of the condition as director by its beneficiaries during the period of three years, as well as the non-assignment, for a minimum period of three years, of the shares acquired during the five working days following the Company’s IPO. In any case, these directors shall not assign any of the shares received as long as they maintain the condition of director. Such assignment prohibition will not affect the shares acquired outside the framework of such exceptional and extraordinary incentive.

As for former director Peter Long, he received RSUs equivalent to EUR 750,000. It should be stated that, on 17 July 2018, the Board decided to consider the share compensation scheme granted to independent directors through RSUs at the time of the Company’s stock floatation as fully applicable to Mr Long. For this reason, due to the circumstances of Mr. Long’s exit, it was unanimously decided to subject the recognition to Mr. Long of all the RSUs, to which he might be entitled, to approval by the General Shareholders Meeting, so that, if applicable, they might be delivered in the form and in the periods originally envisaged. In this regard, the extraordinary General Shareholders Meeting held on 4 October 2018 recognised all the RSUs.

#### EXPLANATORY NOTE 4

As indicated in explanatory note 1, and regarding section A.3 of the present report, it is expressly stated that, as set in the Termination Agreement, Mr Eiroa holds the right to redeem 192,629 options corresponding to the elapsed period between the options effective granting date and the date of his termination, in relation with the New LTIP approved by the Ordinary General Shareholders Meeting of the Company held on 21 March 2018. These options will be redeemed under the same terms as initially planned. The compensation obtained under the options redemption (because of the difference between the reasonable market value of the Company shares, that is, the listed price of the Company shares (the “Benchmark Value”) at the time of its exercise and the exercise price), will be redeemed in Company shares at the Benchmark Value.

Likewise, regarding the long-term variable remuneration LTIP, the Company appointed a prestigious consulting firm as advisor for the long-term incentive plan, consisting of the delivery of the Company’s shares for a period of four years, divided into two cycles. During the fiscal year ended on 30 September 2018, the Company set the targets and conditions that the beneficiaries of the incentive plan must comply within the second cycle.

In this context, and in accordance with the Termination Agreement, no shares corresponding to the second cycle were accrued as the targets to which he was subject were not achieved.

#### EXPLANATORY NOTE 5

Although section C.1.2 states that the procedure for electing directors Mr. Fernando Eiroa, Nicolás Villén, and Johan Svanstrom was through a resolution by the General Meeting, the directors were appointed through a resolution adopted by the Company's sole shareholder at the time. Also, although it is stated that Mr Colin Hall was appointed by decision of the General Shareholders Meeting, he was first appointed by means of the co-option system on 25 April 2017 by decision of the Board of Directors. He was altered ratified and re-elected by the ordinary General Shareholders Meeting held on 21 March 2018. As for Mr Richard Golding, he has been appointed and re-elected by the Extraordinary General Shareholders Meeting on 4 October 2018.

#### EXPLANATORY NOTE 6

In section C.1.3, the percentages represented by each category directors over the total of the Board are calculated on the basis of the 10 members who were members of the Board as of the end of the financial year. However, after the resignation mentioned in Explanatory Note 1, the number of members of the Board is 9.

#### EXPLANATORY NOTE 7

Regarding section C.1.3, it is hereby stated that Ms Kernaghan was appointed by the Board of Directors as a member of the Appointments and Remunerations Committee on 30 May 2018, subject to a vacancy becoming available in the Committee. On 17 July 2018, following the resignation of the then Chairman of the Board and of the Committee, Mr. Peter James Long, the Board of Directors agreed to make the appointment of Ms Kernaghan as a member the Committee fully effective, having verified compliance with the sole requirement of her effective appointment.

#### EXPLANATORY NOTE 8

Regarding section C.1.3, it is hereby stated that LPL Finance Limited, a company in which Mr Peter Long held shares, provided consultancy services to the Company to support the chairman of the Board in his duties, for which this company received, in the financial year that ended on 30 September 2017, 25,000 pounds per year. This service agreement was cancelled on 17 July 2018, when Mr. Long announced his resignation. The Board considers that this contractual relationship did not affect the duties to be performed by this director in his capacity as independent director, to the extent that it was not a significant amount in proportional terms, considering his remuneration as director of the Company and his other activities.

#### EXPLANATORY NOTE 9

In section C.1.16, to identify the management staff for corporate purposes, we followed the criterion envisaged in article 249.bis h) of the Spanish Companies Act, i.e. the direct dependence on the Board or on any of its members. It is included in this section the Company's Head of Legal Department as it is accountable to the CEO, though we shall state the obligations envisaged in the code of conduct for lawyers in relation to the principles of independence, professional secrecy, integrity and confidentiality are applicable to her office. Moreover, we have included in this section the Internal Audit Department Director, in compliance with the CNMV Circular 7/2015, which sets forth that the definition of senior managers shall include, in any case, the Internal Auditor, though we shall also clarify that it is subject to the principles of independence, professional secrecy, integrity and confidentiality.

The total remuneration for senior managers, included only the amounts to managers received during fiscal year in which they have exercised the functions as such, pursuant to the criterion described the preceding paragraph. It should be pointed out that as of 30 September 2018, Mr. David Escudero Cuesta did not provide services to the Company anymore.

In the total remuneration for senior managers, on the top of the fixed remuneration paid throughout the year, there is also a variable remuneration effectively paid during the year analysed in this report, but accrued in the preceding year. This is consistent with the information disclosed in the financial accounts of the Company during such year. Such variable remuneration was consolidated in January 2018 since it is the date it is paid out (inasmuch as the beneficiary remains linked to the Company at such date). The variable remuneration corresponding to such year is informed as an estimate as it depends on the consolidated results of the Group which are now under preparation as well as their realization by the competent

corporate bodies. Likewise, as previously informed, it is paid out in January as long as at such date the beneficiary remains linked to the Company. Thus, at the date of this report, the Company estimates that there will be a variable remuneration amounting to 20 % of the maximum percentage payable to the managers who may receive a variable remuneration. In any case, the next financial year's ACGR, the amounts of the variable remuneration corresponding to the previous year, where appropriate, will be informed as soon as the effectively paid amounts are determined and will be stated that these amounts correspond to the previous fiscal year. Likewise, it is expressly stated that this amount does not include the amounts paid regarding non-competence agreements.

The amounts received by the members of the managerial staff in dollars were converted into euros at the average official exchange rate taken as source OANDA, i.e. 1.19 dollars per euro.

#### EXPLANATORY NOTE 10

The references to "senior management" in various sections of this report are made merely for distinction within the framework of this document; this definition cannot be interpreted or affect or modify in any way whatsoever the employment nature of the relationship between the Company and its employees, without in any way whatsoever this being interpreted that their contracts cease to be employment contracts subject to the Workers' Statute and without this coinciding with the definition of "Senior Management" envisaged in Royal Decree 1382/1985, of 2 August, which regulates the special employment relationship of the senior management staff.

#### EXPLANATORY NOTE 11

Section C.1.17 states that Mr Nicolás Villén is an independent director at Banca March, S.A. In accordance with the official registers at the CNMV at 30 September 2018, Banca March directly owns 20.001 % of 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.

#### EXPLANATORY NOTE 12

Section C.1.26 states that neither the Bylaws nor the Board of Directors Regulations set any age limit for directors. Nevertheless, the Director Selection Policy approved by the Board of Directors in its meeting of 7 February 2017, states, merely as an indication, that the Board of Directors believes that the directors should not be aged over 75 in general.

#### EXPLANATORY NOTE 13

To calculate the percentages referred to in section C.1.39, the first year was considered to be 2007, which corresponds to the year in which Company became the group's parent company. The partner responsible for the audit has changed in accordance with the provisions of the applicable regulations.

#### EXPLANATORY NOTE 14

Although section C.1.45 states that the body which authorises the clauses referred to in that section is the Board of Directors, it is hereby stated that, in accordance with that established in the Spanish Companies Act, the Board only approves the basic terms and conditions of the contracts with the persons who are directly answerable to the Board or to any of its members (in particular, the Chief Executive Officer).

#### EXPLANATORY NOTE 15

Regarding section F.3.1, it is hereby stated that the critical judgements and relevant estimates for financial reporting, as well as the assumptions and projections considered by the Management, were reviewed by the Audit and Control Committee and submitted and approved by the Board of Directors. Such approval is stated in the corresponding Board's minutes of 4 October 2018.

#### EXPLANATORY NOTE 16

The Risk Control and Management Policy approved by the Board of Directors sets the creation of a Risk Committee under the Audit and Control Committee. Even though this Committee has not yet been formed, it is expressly stated that the Group's Management Committee and its

CEO has reviewed and assessed the risk map which was acknowledged by the Audit and Control Committee. Its submission to the Board of Directors is pending.

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

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on 27/11/2018.

Please indicate if any directors voted against or abstained, in relation to approval of this Report.

Yes  No