



## REPORT OF THE AUDIT COMMITTEE EVALUATING ITS PERFORMANCE DURING THE YEAR 2019

### 1. INTRODUCTION

The Committee has prepared this report pursuant to the terms stipulated in the internal regulations of AmRest Holdings, SE ("**AmRest**" or the "**Company**") and in order for the Board of Directors to observe the performance of the Committee in accordance with Article 6.5 of the Board of Directors Regulation and Article 529, section 9, of Royal Legislative Decree 1/2010 of 2 July approving the consolidated text of the Spanish Corporate Enterprises Act (the "**Corporate Enterprises Act**").

This report on the activities performed by the Audit Committee during the 2019 fiscal year will be available to shareholders and investors on the Company's website ([www.amrest.eu](http://www.amrest.eu)) from the time at which the general shareholders' meeting is arranged.

This report has been prepared in accordance with Recommendation 6 of the Good Governance Code of Listed Companies published by the Spanish Stock Market Regulator (*Comisión Nacional del Mercado de Valores*, the "**CNMV**") in 2015. Moreover, its content aligns with the terms of the recommendations outlined in the CNMV's Technical Guidelines 3/2017 on the audit committees of public interest enterprises (the "**Technical Guidelines**").

### 2. REGULATION

The rules regarding the organisation and performance of the Audit Committee are outlined in the Board of Directors Regulation and Audit Committee Regulation, both of which are available for perusal on the Company's website ([www.amrest.eu](http://www.amrest.eu)).

### 3. STRUCTURE

Articles 19 of the Board of Directors Regulation and 11 of the Audit Committee Regulation stipulate that the Committee must be composed of a minimum of three members and a maximum of five, all of whom must be appointed by the Board from among its non-executive members. The majority of the Committee members must be independent Board members.

Moreover, at least one of the Committee members must be appointed based on their knowledge and experience in accounting, auditing or both. As a group, said members will possess the relevant know-how with regard to the sector in which the Company operates.



The Chairman of the Audit Committee must be an independent Board member and be replaced every four years. Re-election to this role is not permitted until at least one year has passed from stepping down.

The following changes to the structure of the Audit Committee were observed in the 2019 fiscal year:

- (i) José Parés Gutiérrez was a Committee member from 1 January to 14 May 2019, with the latter representing the date on which the Board modified the structure of the Audit Committee and Mr. Gutiérrez ceased to be a member.
- (ii) Emilio Fullaondo Botella was appointed a Committee member on 14 May 2019, the date on which he was named an external independent Board member through the co-option arrangement. On the same date, he was also appointed as Chairman of the Audit Committee, replacing Pablo Castilla Reparaz, who remains a Committee member.

Mr. Fullaondo, a Mexican national, has held senior management positions for more than 23 years in the beer industry, leading different areas related to the financial department of the Mexican beer group Grupo Modelo, including four years as Chief Financial Officer and later as Chief People Officer for Middle Americas at Belgian company AB InBev following its acquisition of Grupo Modelo, until his resignation in January 2019. He is also an Independent Director of Restaurant Brands, a company listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).

Emilio holds a degree in Public Accounting and an MBA from the Instituto Tecnológico Autónomo de México (ITAM), as well as completing the Executive Management programme at the Instituto Panamericano de Alta Dirección de Empresa (IPADE).

Emilio's proven track record, vast experience and broad knowledge of financial matters guarantee that he will perform the duties entrusted to him in a proper, diligent and qualified manner.

In view of the above, the structure of the Audit Committee at 2019-year end was as follows:

- (i) Emilio Fullaondo Botella (Chairman), an external, independent AmRest Board member since 14 May 2019.
- (ii) Pablo Castilla (Member), an external, independent AmRest Board member since 12 March 2018.
- (iii) Mustafa Ogretici (Member), an external, independent AmRest Board member since 12 March 2018.



Pursuant to the terms of the Audit Committee Regulation, remaining as Non-member Secretary and Non-member Deputy Secretary respectively of the Audit Committee were Eduardo Rodríguez-Rovira and Jaime Tarrero Martos.

Information on each of the Audit Committee members, including their professional profiles and biographies, can be found on the Company's website ([www.amrest.eu](http://www.amrest.eu)).

Upon being formed exclusively of non-executive members appointed by the Board, all of whom are independent members and with the chairman also being an independent Board member, the structure of the Committee in 2019 meets the requirements set out under the Corporate Enterprises Act, the Board of Directors Regulation and the Audit Committee Regulation.

Moreover, the Committee members' collective professional profiles and career history ensure that they have the relevant know-how of the sector in which AmRest operates.

#### **4. MEETINGS HELD BY THE COMMITTEE DURING 2019 AND THEIR ATTENDEE PROFILE**

The Audit Committee meets as often as arranged and agreed by the Committee itself or the Chairman. A minimum of four meetings are held per year. One of the meetings must be used to assess the efficiency and compliance of the Company's corporate governance rules and procedures, as well as to prepare the financial information to be approved by the Board and included in the annual public documents.

Audit Committee meetings are deemed validly established when attended by the majority of its members, whether present themselves or represented, with resolutions passed by way of such majority.

The Audit Committee met on six occasions during the 2019 fiscal year, with all members in attendance at each session. Thus, enough meetings were held for the Committee to properly perform its duties.

Committee meetings were attended at all times by members of the AmRest management team. On certain occasions, and where necessary, the accounts auditors and internal auditor were also present. Said persons' attendance at the meetings was always by way of invitation from the Committee, although their participation was restricted to addressing the agenda items underpinning their particular invitation. At no point were non-AmRest members present during the decision-making sections of these meetings.



Moreover, the Company's accounts auditor, KPMG Auditores, S.L. ("**KPMG**") attended three formal Committee meetings in order to report on (i) the 2018 annual financial report, (ii) the limited review of the condensed consolidated financial statements and management report as at 30 June 2019 and (iii) the audit process for the 2020 fiscal year.

The internal auditor, global controller, group head of tax and members of the legal team also attended certain Committee meetings for reasons such as task coordination and project follow-up.

## **5. ACTIVITIES PERFORMED DURING THE 2019 FISCAL YEAR**

In fulfilment of the duties undertaken by virtue of Article 19 of the Board of Directors Regulation and Articles 5 to 10 of the Audit Committee Regulation, the Committee based its 2019 meetings on the following key activities:

### **5.1. Review of the annual accounts and other cyclical financial information**

The Audit Committee reviewed the Company's individual and consolidated annual accounts for the 2018 fiscal year prior to them being drawn up by the Board of Directors. In this regard, the Audit Committee issued a favourable report to the Board of Directors prior to the preparation of the annual accounts. Moreover, the Committee oversaw the preparation and inclusion of the individual and consolidated quarterly and half-year financial information which the Board of Directors will disclose to the market and issue to the Spanish Stock Market Regulator (CNMV) as part of its duty to provide recurring information as a listed company.

There were no reservations found in the audit reports on AmRest's individual and consolidated annual accounts for the fiscal year ended 31 December 2018.

In addition, there are no reservations expected to be found in the audit reports on AmRest's individual and consolidated annual accounts for the fiscal year ended 31 December 2019.

### **5.2. External audit**

The Audit Committee has overseen the relationships with external auditors, met with them several times during the fiscal year, and established the necessary lines of communication to receive information on any queries relating to the accounts auditing process. Moreover, the Committee has also presided over the fulfilment of the audit agreement, ensuring that the opinion on the annual accounts and key content of the audit report were drafted in a clear and accurate manner.



### **5.3. Internal audit**

Throughout 2019, the Audit Committee performed the duties relating to the internal auditing of the Company as assigned thereto under the Board of Directors Regulation and Audit Committee Regulation, namely: (i) to safeguard the autonomy and efficiency of the internal audit function, ensuring the availability of sufficient resources and suitably-qualified personnel to perform these duties effectively; (ii) to approve the internal audit department's budget, the internal audit plan and the annual activity report, ensuring a pro-active approach and that the key focus of its activity is centred around the major risks to the Company and group; (iii) to receive regular activity-based information, dedicating every meeting some time to discuss the status of internal audit; and (iv) to verify that the senior management team duly takes on board the conclusions and recommendations set forth in its reports.

### **5.4. Compliance of corporate governance regulations and fulfilment of the obligations imposed on listed companies. Supervision of legal and tax affairs.**

In 2019, the Audit Committee oversaw compliance with the Internal Securities Market Conduct Regulation, the Board of Directors Regulation and, in general, the Company's rules on corporate governance. No key breaches of these regulations were reported. In the performance of its duties, the Audit Committee also oversees the group's legal and tax affairs.

### **5.5. Linked transactions**

Regarding its advisory role on transactions with related parties as set out in Articles 19.4.(g).(iii) of the Board of Directors Regulation and 5.(g).(iii) of the Audit Committee Regulation, the Audit Committee has monitored the linked transactions executed by the Company and, where necessary, reported its findings back to the Board of Directors.

### **5.6. Risk control and management**

In accordance with Articles 19.4.(b) of the Board of Directors Regulation and 5.(b) of the Audit Committee Regulation, the Audit Committee has overseen the effectiveness of the Company's internal control and its risk management systems. In this regard, the Audit Committee has regularly reviewed the internal control and risk management systems in order to identify and manage the key risks faced by the Company, as well as to spread awareness of them.

Against this backdrop, and in view of increasing concern among regulators over listed companies' internal control and risk management systems, the Committee has agreed to kick off a project dedicated to the comprehensive update to the global map of risks to which the Company and group are exposed.



#### **5.7. Liaison with regulatory bodies**

The Audit Committee has reviewed the notifications received from the CNMV, in particular those outlining the numerous suggestions raised in terms of the content of the financial information to be published by the Company and its group.

#### **5.8. Information on the Company's treasury stock**

The Audit Committee monitors the Company's treasury stock balance and transactions executed using treasury stock on a quarterly basis.

#### **5.9. Company consolidation systems**

The Audit Committee has commissioned a project aimed at improving its consolidated financial information systems to ensure the speedier and more efficient preparation of such information.

### **6. ASSESSMENT OF THE PERFORMANCE AND FUNCTIONING OF THE AUDIT COMMITTEE. CONCLUSIONS**

The Board of Directors has assessed the performance of the Audit Committee for the 2019 fiscal year, the degree of preparation and execution of the tasks mandated thereto by the Board and the performance of its internal control and supervisory duties in relation to the development of the areas under its responsibility. In this regard, the Board of Directors deems the Audit Committee's performance to be satisfactory.

The independent assessment of the Audit Committee has not raised any significant requirements for modifications to its internal organisation or procedures.

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This report has been prepared by the Audit Committee of AmRest on February 27, 2020 and approved by the Board of Directors in its meeting held on February 28, 2020.