



Madrid, August 26, 2016

In accordance with article 82 of law 24/1988 of the Spanish Stock Market Act, Codere S.A. hereby informs the *Comisión Nacional del Mercado de Valores* (Spanish stock market regulator) about the following:

**SIGNIFICANT EVENT**

The Board of Directors, in its meeting held yesterday, has unanimously agreed to modify the Regulations of the Board of Directors of Codere S.A., in order to adapt the name, responsibilities and functions of certain committees to legal requirements, as well as to adjust it to certain Recommendations of the Code of best practices in corporate governance for listed companies, and to include improvements in the operation of the Board. The amended text is attached to this communication.

Yours faithfully,

Luis Argüello Álvarez  
Secretary of the Board of Directors

## REGULATIONS OF THE BOARD OF DIRECTORS OF CODERE, S.A.

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### TITLE I.- COMPOSITION OF THE BOARD OF DIRECTORS AND DIRECTORS' BY-LAWS

#### **Article 1.-** *COMPOSITION OF THE BOARD*

- 1.- The number of Directors, between the maximum and minimum foreseen in the By-laws, will be determined by the General Meeting.

The Board will propose to the General Meeting a number of directors that is most adequate to ensure its effective and cooperative operation, which will be no less than five (5) or more than fifteen (15).

- 2.- Any individuals appointed as Directors, apart from the conditions imposed by the Act and the By-laws, will also meet those foreseen in these Regulations. At the time of undertaking their post, they formally agree to fulfil the obligations and duties foreseen therein.
- 3.- In the exercise of their right of proposal to the General Meeting and right of co-optation to cover any vacancies, the Board of Directors will ensure that three types of Directors exist amongst its members:
  - a) Executive Directors
  - b) Directors representing substantial shareholders ("*consejeros dominicales*")

c) Independent Directors

- 4.- For the purposes of these Regulations, Executive Directors will be those who are assigned senior management tasks or are employed by the company or its group.

Nevertheless, any Directors who are Senior Executives or Directors of the Company's parent companies will not be considered to represent substantial shareholders.

Whenever a Director is exercising senior management duties and, at the same time, is or represents a substantial shareholder or one that is represented on the Board, he will be considered an "executive" or "internal" Director for the exclusive purposes of these Regulations.

- 5.- For the purposes of these Regulations, the following Directors will be considered to represent substantial shareholders:

- a) Any who hold a shareholding that is higher than or equal to the one legally considered as substantial, or who were appointed due to their shareholder status, even if their shareholding does not reach said amount.
- b) Those who represent shareholders from amongst those indicated in the foregoing section. To this effect, it will be presumed that a Director represents a shareholder when:
  - (i) He was appointed whilst holding the right of representation.
  - (ii) He is a Director, Senior Executive, employee or non-occasional supplier of services to said shareholder, or to companies belonging to its same group.
  - (iii) The corporate documentation indicates that the shareholder has accepted that the Director was appointed by or represents the same.
  - (iv) He is the spouse, related person due to an analogous link of affection, or relative up to the second degree of a substantial shareholder.

6.- For the purposes of these Regulations, Independent directors will be those who, when appointed based on their personal and professional circumstances, can exercise their duties without being conditioned by any relations held with the Company, its substantial shareholders or executives.

The following individuals may never be classified as Independent Directors:

- a) Former employees or Executive Directors of group companies, unless 3 or 5 years have elapsed, respectively, since said relationship ended.
- b) If they receive from the Company or its same group any amount or benefit, other than as Director's remuneration, unless it is insubstantial.

For the purposes of this section, any dividends or complementary pension payments received by the Director further to his former professional or employment relationship will not be taken into account, as long as said complementary payments are not conditional and, consequently, the Company paying them may not at its own discretion, without a breach of obligations, suspend, modify or revoke their accrual.

- c) Individuals who are, or who have been during the past 3 years, partners of the external auditor or entity in charge of the auditing report, whether in the case of an audit during said period of the listed Company or any other group Company.
- d) Individuals who are Executive Directors or Senior Executives of another Company, in which any Executive Director or Senior Executive of the Company is an External Director.
- e) Individuals who hold, or who have held during the past year, a significant business relationship with the Company or with any group Company, whether in their own name or as a substantial shareholder, Director or Senior Executive of an entity that holds or had held such relationship.

Business relations will refer to those of a supplier of goods or services, including financial, advisory or consultancy services.

- f) Substantial shareholders, Executive Directors or Senior Executives of an entity that receives, or has received during the past 3 years, significant donations from the Company or its group.

This point will not include any individuals who are mere sponsors of a foundation that receives donations.

- g) Individuals who are spouses, related persons due to an analogous link of affection, or relatives up to the second degree of an Executive Director or Senior Executive of the Company.
- h) Individuals not proposed, whether for appointment or renewal, by the Appointments, Remuneration and Corporate Governance Committee.

- i) Individuals who, in relation to any substantial shareholder or that is represented on the Board, are involved in any of the situations foreseen in a), e), f) or g) above. In the case of a relationship foreseen in section g), this limitation will not only apply to the shareholder but also to any of its Directors representing substantial shareholders in the investee Company.
- j) Individuals who have been Directors during more than twelve interrupted years.

Any Directors representing substantial shareholders who lose this status as a result of their stake being sold by the shareholder they represented may only be re-elected as Independent Directors whenever the shareholder they represented until then had sold all of its shares in the Company.

A Director who holds a shareholding in the Company may hold Independent Director status, if he meets all the aforementioned conditions and, furthermore, if his stake is not material.

- 7.- In general, it will be ensured that external and independent Directors representing substantial shareholders amount to a wide majority and that the number of executive directors is the least possible, taking into account the complexity of the corporate group and the percentage stake held by executive directors in the share capital.
- 8.- If any External Director cannot be considered to represent substantial shareholders or to hold independent status, such circumstance will be explained as well as his links, whether to the Company or its executives, or to its shareholders.
- 9.- Amongst External Directors, it will be ensured that the ratio between the number of Directors representing substantial shareholders and the number of Independent Directors reflects the proportion between the Company share capital, represented by Directors representing substantial shareholders, and the remaining share capital. This proportionality criterion may be adjusted if there are several shareholders represented on the Board.
- 10.- It will be ensured that the number of Independent Directors represents at least a third of the total number of directors.
- 11.- The nature of each Director will be explained by the Board to the General Shareholders' Meeting that will carry out or ratify their appointment and will be confirmed or reviewed, as applicable, each year in the Annual Corporate Governance Report, subject to a prior

verification by the Appointments, Remuneration and Corporate Governance Committee. Said Report will also explain the reasons why Directors representing substantial shareholders, if any, were appointed at the request of shareholders holding a stake that is less than 5% of the share capital, and reasons will be given for the rejection, if any, of formal requests for their presence on the Board, made by shareholders whose stake is equal to or higher than that held by others who requested the appointment of Directors representing substantial shareholders.

12.- If the number of female directors is small or nil, the Board will explain the reasons and initiatives adopted to remedy this situation. In particular, the Board of Directors will ensure the following, when new vacancies arise:

- a) The selection procedures promote diversity in genders, experiences and knowledge and do not imply any bias or entail any discrimination;
- b) That the Company deliberately searches for, and includes amongst potential candidates, women who meet the relevant professional profile.

13.- The Company, through its Internet website, will announce the following information on its Directors and will keep the same updated:

- a) Professional profile and c.v.
- b) Positions in the Board of Directors.
- c) The Director category to which they belong, as applicable, indicating, in the case of Shareholders representing substantial shareholders, the shareholder they represent or to which they are linked.
- d) Any other remunerated activities developed by the Director.
- e) The date of their initial appointment as Company Directors, as well as subsequent appointments; and
- f) Any company shares and options they own.



For Directors which are companies, the same information shall be announced regarding its representative.

Directors will duly inform the Company of the foregoing details.

## **Article 2.- *PROPOSED APPOINTMENTS***

The Board of Directors will present its Director appointment proposals to the General Meeting and will make the relevant appointments as co-optation:

- at the proposal of the Appointments, Remuneration and Corporate Governance Committee, in the case of Independent Directors;
- further to a report issued by the Appointments, Remuneration and Corporate Governance Committee, for all other Directors.

## **Article 3.- *TERM AND REMOVAL FROM THE POST***

- 1.- Directors will hold their post during the term for which they were appointed by the General Meeting. They will be removed from their post in the cases and for the reasons foreseen by law or in the by-laws.
- 2.- It will be ensured that Independent Directors do not remain as such for longer than 12 years. If it is agreed to renew their post beyond this period of time, specific reasons will be given for this in the Annual Corporate Governance Report.
- 3.- Directors representing substantial shareholders must resign whenever the shareholder they represent sells its company stake in full or whenever said shareholder reduces its shareholding to such an extent as to require a decrease in the number of such Directors.

- 4.- The Board will not propose that any Independent Director be removed before expiration of the regulatory term for which he was appointed, unless there is just cause, ascertained by the Board, further to a report issued by the Appointments, Remuneration and Corporate Governance Committee. In particular, just cause will be deemed to exist whenever the Director has breached the duties inherent to his post or if he has incurred any circumstances that hinder his Independent Director status.
- 5.- A removal of Independent Directors may also be proposed as a result of Takeover Bids, mergers or other similar corporate operations that entail a change in the Company's share capital structure, whenever such changes in the Board's structure are triggered by the proportionality criterion indicated in Article 1.9 above.
- 6.- Directors will be obliged to resign in any cases that are potentially detrimental to the Company's credit and reputation, and will inform the Board of any criminal causes of which they are accused, including any subsequent procedural vicissitudes. If a Director is prosecuted or is the object of a Court Order to initiate a public hearing for any of the offences foreseen in Article 213 of the Spanish Companies Act ("*Ley de Sociedades de Capital*"), the Board will examine the case as soon as possible and, in light of its specific circumstances, will decide whether or not the Director should continue in his post. The Board will account for the foregoing, in a reasoned manner, in the Annual Corporate Governance Report.
- 7.- Whenever, due to a resignation or for other reasons, a Director were to abandon his post before the end of his term, he will explain the reasons for this in a letter sent to all the Board members. Without prejudice to such removal being notified as a relevant event, the reasons for this removal will be recorded in the Annual Corporate Governance Report.

## **Article 4.- DIRECTORS' DUTIES**

**1.- DUTY OF DILIGENCE:** Each Director will act with the diligence of an orderly entrepreneur and loyal representative, and will be particularly obliged as follows:

- a) To dedicate, on a continuous basis, the time and effort required to regularly follow up on any issues raised by the Company's management, collecting the necessary information to do so, as well as any collaboration or assistance he deems appropriate.
- b) To this effect, all Directors:



- will inform the Appointments, Remuneration and Corporate Governance Committee of their other professional obligations, in case they interfere with the dedication required; and
  - may not, unless expressly authorised by the Board and further to a report delivered by the Appointments, Remuneration and Corporate Governance Committee, belong to more than 8 boards, except for (i) Boards of Companies that belong to the same group as the Company, (ii) Boards of family-owned or private equity Companies belonging to the Directors or their relatives, and (iii) Boards to which they belong due to their professional relationship.
- c) To adequately prepare all meetings of the Board and Committees to which they belong, obtaining information, giving their opinion and procuring that the remaining directors support the decision that is deemed most favourable in the company's interest.
- d) To attend any meetings of the bodies to which they belong and to actively participate in all discussions, in order for their criteria to help in effective decision-making, assuming responsibility for said decisions. The non-attendance of Directors will be limited to inevitable cases and will be accounted for in the Annual Corporate Governance Report. If a proxy is indispensable, it will be conferred to another Board member, in a writ addressed to the Chairman of the Board, with instructions and on an individual basis for each meeting. External Directors can only delegate his vote in other External Director.
- e) To carry out any specific task entrusted to them by the Board of Directors, which is reasonably included within the scope of their committed dedication.
- f) To encourage the investigation of any irregularity in the Company management of which they may become aware, and to ensure that adequate measures are adopted to control any potential risk.
- g) To clearly challenge any proposed decision, presented to the Board, which could be contrary to the Act, the by-laws or the corporate interest, and to request that this challenge be stated for the records if considered appropriate to safeguard the corporate interest. In particular, Independent Directors and any other Directors not affected by the potential conflict of interest will also present a challenge in the case of decisions that could be detrimental to shareholders not represented on the Board.

- h) If the Board adopts significant or reiterated decisions on which the Directors have made serious reservations, the latter will draw the relevant conclusions and, if they decide to resign, will give the necessary reasons in a letter sent to the Board.
- i) To call meetings of the Board whenever deemed appropriate, or to include in the agenda any issues deemed convenient, according to the Act and the Company By-laws.
- j) To request the information deemed necessary to complete any already provided, in such a way as to make an objective and fully independent judgment on the general operation of the Company's management.
- k) To inform the Company or any of the Board Committees of any issues required in order for the Company to fulfil its obligations, as well as any other obligatory matters by virtue of current laws, these Regulations and any other regulations or internal code of the Company.

**2.- DUTY OF FAITHFULNESS:** Directors will fulfil the duties imposed by law, the By-laws and these Regulations, in a faithful manner and in the corporate interest, understood as referring to the Company's interest.

**3.- DUTY OF SECRECY:** Even after abandoning their post, Directors will keep the secrecy of any confidential information and the reserved nature of any information, data, reports or background details of which they become aware as a result of exercising their post, without the foregoing being disclosed to third parties or distributed if this could be detrimental to the corporate interest.

The duty referred to in the foregoing paragraph will not cover any cases where the laws allow such communication or disclosure to third parties or, if applicable, when the information is officially requested or must be sent to the competent supervisory authorities, in which case the assignment of information will conform to law.

All documentation and information available to Directors as a result of their post will be confidential and may not be disclosed in any way whatsoever, unless a resolution adopted by the Board of Directors were to expressly exclude this confidential nature.



If the Director is a legal entity, the duty of secrecy will also bind its representative, without prejudice to fulfilling his obligation to inform said entity.

**4.- DUTY OF LOYALTY:** All Directors will exercise their duties with absolute loyalty to the corporate interest.

To this effect, Directors will fulfil the following obligations and prohibitions:

- a) Directors may not use the Company name or invoke their Director status to carry out operations on their own account or on behalf of related parties.
- b) Directors may not carry out, to their own benefit or that of related parties, any investments or operations linked to Company assets of which they became aware as a result of exercising their post, if such operations are offered to the Company or the Company has an interest in the same, as long as the Company has not rejected any such investment or operation without being influenced by its Directors.
- c) Directors may not use the Company assets or take advantage of their position therein to obtain a profit, unless they have paid adequate consideration. If the profit is received as a member, it will only be allowed if the principle of equal shareholder treatment is upheld.
- d) Directors will notify the Board of Directors of any situation that could directly or indirectly conflict with the Company's interest. In case of conflict, the affected Director shall abstain from participating in the deliberations and voting on agreements or decisions in which he or she is a related party or has a direct or indirect conflict of interest. Conflicts of interest will be reported in the Annual Report.
- e) No Director may directly or indirectly carry out any professional or commercial operations or transactions with the Company, or with any other Group companies, except they are ordinary operations, carried out in standard conditions for the clients and slightly relevant.
- f) Directors will inform of any stake held by them or by related parties in the share capital of a company with the same, similar or complementary type of activity as the corporate object, their posts or duties exercised therein, as well as the execution on their own

account or for a third party of the same, similar or complementary type of activity as the corporate object. Said information will be included in the Annual Report.

- g) Directors may not engage in any activities that are the same, similar or complementary to that of the Company on their own behalf or the behalf of others without the express approval of the shareholders in general meeting.

For the purposes of the provisions established in this section, the term “related parties” will refer to those foreseen in Article 231 of the Spanish Companies Act.

**5.- SPECIFIC DUTIES DERIVED FROM STATUS AS LISTED COMPANY:** Directors will inform the Company of any securities directly or indirectly held therein, in the terms established in Securities Market laws and in the Company’s Internal Rules of Conduct in matters related to securities markets.

Directors may not carry out, or suggest that any person carry out, operations with securities of the Company or Group companies, on which they have privileged information as a result of their post, in the terms foreseen in Article 81 of the Securities Market Act (“*Ley del Mercado de Valores*”).

Directors may not use non-public information of the Company for private purposes, unless the following conditions are met:

- (a) the use of such information does not breach securities market regulations;
- (b) its use does not cause any harm whatsoever to the Company; and
- (c) the Company does not hold a right of exclusivity or similar legal position with respect to the information to be used, unless expressly authorised by the Board.

Without prejudice to the provisions established in the foregoing sections, Directors will at all times abide by the rules of conduct foreseen in Securities Market laws and, in particular, those established in the Company’s Internal Rules of Conduct in securities market matters.

## **Article 5.- DIRECTORS’ RIGHTS AND POWERS**

**1.- RIGHTS OF ADVICE AND INFORMATION:** Directors will have access to all of the company's services and may obtain the necessary information and advice to carry out their duties. The foregoing will be procured through the Chairmanship or Secretariat of the Board; in the latter case, the Secretary will keep the Chairman informed of the information requested, without prejudice to certainly and in any case collecting and forwarding the same to the applicant Director.

Furthermore, Directors will be entitled to propose to the Board of Directors the hiring of external advisors, whether financial, legal, technical, commercial or other, which they consider necessary for the company's interests. External advice will be procured whenever the majority of Independent Directors agree that this is necessary.

The Company will establish an introductory programme in order to provide new Directors with fast and sufficient details of the company, including its rules of corporate governance. It may also offer refreshment courses to Directors if the circumstances so advise.

**2.- REMUNERATION:** Directors' remuneration will follow the provisions foreseen in the By-laws. The Appointments, Remuneration and Corporate Governance Committee will make proposals to the Board of Directors on any resolutions it is obliged by the by-laws to adopt in the matter.

Said proposals will take into account the Directors' effective dedication and the need to encourage such decision without affecting their unbiased position.

The Board, further to a report issued by the Appointments, Remuneration and Corporate Governance Committee, will approve an annual report on Directors' remuneration policy that will cover the following issues, amongst others, if the remuneration foreseen in the By-laws is applicable:

- a) The amount of all fixed components, including a breakdown, if any, of allowances for participation in the Board and its Committees and fixed payments for other items, as well as an estimate of the fixed annual remuneration applicable;
- b) Variable remuneration items, including the following in particular:

- i) The types of Directors to which they apply, including an explanation of the relative importance of variable remuneration items with respect to fixed items;
  - ii) Criteria for the evaluation of results that give rise to any right to payment in shares, share options or other variable component;
  - iii) Basic parameters and the grounds of any bonus system or other benefits not paid in cash; and
  - iv) An estimate of the total amount of variable remuneration resulting from the remuneration plan proposed, to the extent to which the reference hypotheses or objectives are fulfilled.
- c) The main characteristics of benefit systems (complementary pensions, life insurance and similar items), with an estimate of their amount or equivalent annual cost.

As a separate point of the agenda and on a consultative basis, the Board will subject to the General Shareholders' Meeting's vote a report on Directors' remuneration policy, in which case said report will be made available to the shareholders, whether separately or in any other manner deemed appropriate by the Company.

The Report will particularly focus on the remuneration policy approved by the Board for the ongoing year and, if applicable, on the one foreseen for future years. It will cover all necessary issues, except for those that could entail a disclosure of commercially sensitive information. It will highlight the most significant changes of such policies with respect to any applied during the previous year and referred to by the General Meeting. It will also include a global summary of how the remuneration policy was applied during the previous year.

The report will also explain the role played by the Appointments, Remuneration and Corporate Governance Committee in the drafting of a remuneration policy and, if external advice is used, will identify such external consultants.

The Board of Directors and the Appointments, Remuneration and Corporate Governance Committee will adopt any measures within its reach to ensure that the remuneration of External Directors is sufficient to remunerate the dedication, qualifications and responsibility demanded by the post, though not as high as to hinder their independence.

The remuneration derived from membership of the Board of Directors will be compatible with other professional or employment payments to which the Director or related companies are



entitled, for any other executive or consultive duties which, if applicable, may be exercised in the Company or in its group, further to the provisions of the By-laws.

The Company's Annual Report will explain each Director's individual remuneration during the year and will include, if applicable and further to the remuneration system foreseen in the By-laws:

a) An individualized breakdown of each Director's remuneration, to include as applicable:

- i) Attendance allowances or other fixed remuneration as Director;
- ii) Any additional remuneration for acting as the chairman or member of any Board commission;
- iii) Any remuneration paid for participation in profits or premiums, and the reason for the same;
- iv) Contributions in favour of the Director to pension plans based on defined contributions, or an increase in the Director's consolidated rights, in the case of contributions to plans based on defined benefits;
- v) Any indemnification agreed or paid in the event of termination of his duties;
- vi) Remuneration received as Director from other group companies;
- vii) Remuneration for the execution of senior executive duties by Executive Directors;
- viii) Any other type of remuneration not included in the foregoing, regardless of its nature or the group paying the same, particularly if treated as a related operation or if an omission were to distort the true image of the Director's total remuneration.

b) An individualized breakdown of future assignments to Directors of shares, share options or any other instrument referenced to the share value, indicating:

- i) The number of shares or options granted during the year, and conditions in which to exercise the same;
- ii) The number of options exercised during the year, indicating the number of shares affected and the strike price;
- iii) The number of options not yet exercised at the end of the year, indicating their price, date and other strike requirements;

- iv) Any change during the year in the strike conditions of options already granted.
- c) Information on the relationship, during the past year, between the remuneration obtained by Executive Directors and the Company's results or other performance measurements.

The Company may take out public liability insurance for its Directors.

## **TITLE II.- COMPETENCES OF THE BOARD OF DIRECTORS**

### **Article 6.- COMPETENCES OF THE BOARD OF DIRECTORS**

The Board of Directors, further to the Act and the By-laws, will be entrusted with the company's management and representation. Consequently, the Board of Directors will be competent to handle any matter related to the government, management and administration of the business and interests of the company, if not expressly reserved to the competence of the General Shareholders' Meeting.

The Board of Directors may designate an Executive Committee according to the provisions of the By-laws and may delegate powers to one or more Directors, as well as granting general or special powers of attorney with the scope it deems appropriate.

The Board of Directors, if an Executive Committee exists, will ensure that the participation system of the various types of Directors is similar to that of the Board and that its Secretary is the Board Secretary.

The Board will always be informed of the matters discussed and of any decisions adopted by the Executive Committee. All the Board members will receive a copy of the minutes of Executive Committee meetings.

### **ARTICLE 7.- POWERS RESERVED TO THE BOARD OF DIRECTORS**





Without prejudice to the powers of representation and execution held by the Chairman and the powers of attorney or delegations conferred by the Company, the Board, as its essential task, will approve the company's strategy and its precise organisation in order to be put into practice, and will supervise and ensure that the management fulfils the objectives established and upholds the Company's object and interest. To this effect, the plenary meeting of the Board is reserved the power to:

1. Present to the Ordinary General Meeting the annual statements and management report, both of Codere, S.A. and any consolidated documents, or any other proposal required by law from the Company directors.

2. Approve the Company's general policies and strategies, to include in particular:

- i) Its strategic or business plan, as well as the annual management objectives and budget;
- ii) Its general investment and financing policy;
- ii) A definition of the general structure of the company group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Remuneration policy and evaluation of Senior Executive performance;
- vii) Risk control and management policy, including tax risks, including a periodic follow-up on internal information and control systems;
- viii) Dividend and treasury stock policy, and its limits in particular.
- ix) Definition of the tax strategy of the company.
- x) The policy on general meeting attendance payments.
- xi) A director selection policy that shall: be concrete and verifiable; be based on a prior analysis of the board's needs; and favours a diversity of knowledge, experience and gender.

3.- The incorporation of new companies or holdings in already existing companies, if this entails a permanent and significant investment that exceeds the amount indicated in section 6 above or that is unrelated to the Company's main activity.



4. Mergers, absorptions, spin-offs or concentrations in which any of the companies held by Codere, S.A. has an interest, excluding those operations that exclusively take place within its company Group.

5. Disposals of participations in the share capital of companies or of other fixed assets with a value that exceeds three million euros (€ 3,000,000.00).

6. The approval of investment projects for an amount that exceeds three million euros (€ 3,000,000.00) or which are strategic or has a special tax risk due to their special characteristics, unless they need to be approved by the General Meeting.

7. The serial issue of promissory notes, obligations or other similar certificates by Codere, S.A. or subsidiaries in which it holds a majority stake.

8. The granting of guarantees to secure obligations of non-controlled entities, when their amount exceeds one million Euros (€ 1,000,000).

9. The assignment of rights over the business name or trademarks, including patents, technology and any form of industrial property owned by Codere, S.A. or its Group companies with economic relevance, if they exceed the ordinary business or activity of the Group.

10. The determination and supervised management of staff pension plans and any other commitment that entails long-term financial responsibilities for the Company.

11. The execution of long-term agreements, whether commercial, industrial or financial, of strategic importance.

12. Commencement of new activities or business, if they require investments for an amount that exceeds the one foreseen in section 6 above.

13. At the proposal of the company CEO, the appointment and eventual dismissal of Senior Management, as well as the basic contract conditions, including but not limited to remuneration and indemnity clauses.

14. Directors' remuneration and, in the case of executives, additional remuneration for their executive duties and other conditions of their contracts.

15. The financial information which, given that it is a listed company, the company is required to make public periodically.

16. The creation or acquisition of stakes in special purpose vehicles or entities domiciled in countries or territories with tax haven status, as well as any other transactions or similar operations which, due to their complexity, may harm the group's transparency.

17. Any operations carried out by the Company with Directors, significant shareholders or those that are represented on the Board, or with parties related thereto ("related operations"). The Board's authorisation, however, will not be considered necessary in those related operations that simultaneously meet the following three conditions:

- (i) Are carried out by virtue of agreements subject to standard conditions, applied *en masse* to many clients;
- (ii) Are carried out at prices or rates generally established by the party acting as supplier of the good or service in question;
- (iii) The amount of which does not exceed 1% of the Company's annual revenue.

18. All related operations will be approved by the Board, further to a favourable report issued by the Auditing Committee. The Directors affected by said operations, apart from not exercising or delegating their voting rights, will abandon the meeting room whilst the Board is discussing and delivering a vote on the operation.

19 Any loan, or advance made to directors, officers, employees or consultants of the Company or any Group Company for an amount that exceeds one hundred thousand Euros (€100.000).

20 The acquisition, disposal or contribution by any means, including by operation of law, of assets representing more than 25% of the total assets of the Company (except where such disposal constitutes an Exit under the Shareholders Agreement).

21. The approval of any dividend or the making of any other distribution (by way of capitalization, repayment or in any other matter) out of the distributable reserves of the Company.

22. The redemption or repurchase of shares.

23 The issuance of equity securities or convertible instruments representing less than 20% of the shares in issue at any time.

24 Issuances in Group members subscribed for by other members of the Group.

25. Rescue Issuances (as defined under the Shareholders Agreement).

The Chairman will enforce the resolutions adopted by the Board pursuant to this article, notifying the authorisation or approval in the relevant terms or processing the necessary instructions for what was agreed.

## **Article 8.- SECURITIES MARKET-RELATED DUTIES**

The Board's activity in relation to securities markets will comply with the provisions established in the Internal Rules of Conduct, in relation to securities markets, of Codere, S.A., which the Board of Directors will approve.

## **Article 9.- BOARD OF DIRECTORS' RELATIONS**

1. The Board will execute its duties with a single purpose and unbiased opinion, giving the same treatment to all the shareholders, except as otherwise provided by law, and will act further to the company's interest, understood as the sustained maximisation of the company's economic worth.
2. Relations between the Board and its members and the shareholders and the General Meeting will strictly follow a policy of rigour, impartiality and objectiveness, as well as duties of information and any others established in favour of the former in the Act and By-laws.
3. In its relations with stakeholders, the Board will ensure that the Company upholds all laws and regulations, that it fulfils its obligations and contracts in good faith, that it upholds usage and good practice in the sectors and territories where it exercises its activity, and that it observes any other additional principles of corporate responsibility that it has voluntarily accepted.

4. Relations between the Board and the company's external auditors, which will be channelled through the Auditing Committee, will follow criteria of loyal collaboration and respect for their independence. It will be ensured that the annual statements drawn up by the Board are verified by the auditors without exceptions. If exceptions are inevitable, the Board, the Chairman of the Auditing Committee and the auditors will clearly explain to the shareholders the content and scope of any such reservations or exceptions.

## **TITLE III.- ORGANISATION AND OPERATION OF THE BOARD OF DIRECTORS**

### **Article 10.- CHAIRMAN OF THE BOARD OF DIRECTORS**

1. The Chairman of the Board of Directors will be the company's leading executive.
2. The Chairman will ensure that the Board resolutions are enforced and will adopt as many measures he deems appropriate in the company's interests.
3. The Chairman will regularly present to the Board, with the help of any collaborators he deems necessary, information that is relevant or significant regarding performance of the company and its business, particularly in relation to its financial/economic and commercial aspects.
4. The Chairman, as the person in charge of effective operation of the Board, will ensure that the Directors previously receive sufficient information; he will stimulate debates and the active participation of Directors during the Board meetings, safeguarding their free positioning and opinions; and will arrange and coordinate with the chairman of the Appointments, Remuneration and Corporate Governance Committee e a periodic evaluation of the Board.
5. The Vice Chairman or, the Coordinator Director may request that the Board convene or that new points be included in the agenda in order to voice the concerns of the External Directors, and will direct the Board's evaluation of its Chairman. Additionally the Coordinator Director may chair the Board of Directors in the absence of the chairman or vice Chairman, maintain contacts with investors and shareholder to hear their views and

develop a balanced understanding of their concerns, especially those to do with the company's corporate governance, and coordinate the chairman's succession plan.

6. The Board of Directors, if it deems this appropriate, may appoint a Vice Chairman to replace the Chairman in the event of absence or illness. If a Vice Chairman is appointed, the latter will assist the Chairman in the performance of his duties and, in particular, in the supervision and coordination of corporate governance matters, notifying the Board and Chairman and making the proposals it deems appropriate to optimize said government and compliance with rules of conduct in securities markets.

## **Article 11.- SECRETARY OF THE BOARD OF DIRECTORS**

1. The Secretary of the Board of Directors need not be a Director.
2. The Secretary of the Board of Directors will exercise the duties entrusted to such position by corporate laws, the Company By-laws and these Regulations.
3. In particular, he will ensure that the Board's actions:
  - Follow the letter and spirit of laws and regulations, including those approved by regulatory authorities;
  - Conform to the Company's By-laws and the Regulations applicable to the General Meeting and Board and any others applied by the Company;
  - Take into account any recommendations on good governance that are accepted by the Company.
4. A practising lawyer of renowned prestige will be appointed Secretary of the Board of Directors.
5. A Vice Secretary may be appointed to replace and assist the Secretary of the Board of Directors.

6. In order to safeguard the Secretary's independence, impartiality and professionalism, and where appropriate his appointments and removals will be notified by the Appointments, Remuneration and Corporate Governance Committee and approved by the plenary meeting of the Board.

## **Article 12.- BOARD OF DIRECTORS' MEETINGS**

The Board of Directors will convene at the request of the Chairman, if this is necessary in the Company's interest or if applicable further to the Act or the By-laws and, at least, once quarterly. The calendar of ordinary meetings will be determined by the Board itself before the beginning of each year. This calendar may change by means of a resolution adopted by the Board or if decided by the Chairman, who will ensure that the modification is notified to the Directors at least five days before the date initially scheduled for the meeting, or before the new date determined to replace the same, if this latter date is earlier.

The announcement of ordinary meetings will be made by post, fax, telegram or e-mail and will be authorised with the signature of the Chairman or Secretary or Vice Secretary, by order of the Chairman. The announcement will be processed with sufficient advance notice so that the Directors receive it no later than five days before the date of the meeting. The announcement will always include the agenda of the meeting and will attach any applicable written information, pursuant to the provisions of these Regulations. When exceptionally and for urgent matters, the Chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Nevertheless if, in the Chairman's opinion, exceptional circumstances so require, the Board may be convened by telephone or e-mail without fulfilling the foregoing prior notice (but with at least 24 hours prior notice) and without attaching said information, advising the Directors of the possibility of examining it at the registered office. Any Director may propose other points in the agenda that were initially not foreseen, before the Board meeting is held, by duly informing the Secretary.

The Board will validly convene and adopt resolutions from within in accordance with the provisions foreseen in the Act and the By-laws. Maximum participation will be encouraged.

The Secretary will record in the minutes, a summary of the issues discussed, decisions approved and the voting results. If the Directors or Secretary were to manifest their concern about any proposal or, in the case of Directors, on the Company's progress, and such concerns are not resolved by the Board, at the request of the party manifesting the same, a record will be made of this in the minutes. Should the Director want his intervention to be

literally recorded in the minutes of the Board, he shall deliver the Secretary a written copy of his intervention, at the same time, or within 24 hours after the Board meeting. The Secretary shall include it in the minutes of the Board.

Once a year, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, the Board will evaluate its own functioning, as well as that of its Committees and that of the Chairman of the Board and based on the result thereof shall propose an action plan to correct any deficiencies noted. The result of the assessment shall be recorded in the minutes of the meeting.

### **ARTICLE 13.- BOARD OF DIRECTORS' COMMITTEES**

1. The Board may internally establish any Committees it deems appropriate for the better execution of its tasks.
2. The Auditing, Compliance and Appointments, Remuneration and Corporate Governance Committees will operate on a permanent basis.
3. Subject to any applicable legal rules and the provisions of the Company By-laws and these Regulations, the Board of Directors will determine the number of members of each Committee, starting with a minimum of three, and will appoint the directors who will belong to the same.
4. Committees will operate in conformity with the provisions of these Regulations, appointing a Chairman and Secretary from amongst their members, who need not hold member status, and will meet after being summoned by their respective Chairman; each year, they will draw up an action plan of which the Board will be informed. If not otherwise agreed, according to the specific duties of the Committee in question, the Secretary will be the individual holding said post on the Board of Directors.
5. Committees will be validly convened if assisted directly or through a proxy by at least half their members; resolutions will be adopted by a majority of those in attendance. In the event of a draw, the vote of the respective Chairman will be the decisive vote. Other non-member Directors, both external and executive, may be invited to attend Committee meetings, with a right to speak but not to vote, if the issues to be discussed make this necessary or appropriate. At each meeting, minutes will be raised by the respective Secretary. A copy of said minutes will be sent to all the members of the Board of Directors.



6. Committees may request assistance and collaboration from the Company's executives and employees, who will provide the necessary information and support. They may also require external advisors, the hiring of which will be requested from the Chairman of the Board. Executives, employees and external advisors will directly report to the Committee that hired them.
7. Committee members will be appointed by the Board, in light of the knowledge, skills and experience of the Directors and the tasks entrusted to each Committee.
8. The Board of Directors or its Chairman may request that any Committee discuss a certain issue or proposal presented, or that they issue a report on a specific point, after being examined by the plenary meeting of the Board.

## **Article 14.- AUDITING COMMITTEE**

- 1.- The Auditing Committee will consist of at least three and a maximum of six members designated by the Board of Directors. All Committee members will be External Directors, and at least two of them, must be Independent Directors.

Its members, and Chairman in particular, will be appointed based on their knowledge and experience in accounting, auditing or risk management matters.

The Chairman of the Auditing Committee will be an Independent Director and will be replaced every two years. He may be re-elected after one year elapses since he abandoned the post.

- 2.- Without prejudice to any other task that may be assigned by the Board of Directors, the Auditing Committee's main task will be to assist the Board of Directors in its financial supervision duties and, in particular, it will hold at least the following competences:
  - (a) To inform the General Shareholders' Meeting of any issues raised by the shareholders as regards the competences of the Auditing Committee.

- (b) To propose to the Board of Directors the appointment of external auditors, in order to be presented to the General Shareholders' Meeting.
- (c) To supervise any internal auditing services.
- (d) To be aware of the financial data process and internal control systems.
- (e) To maintain relations with the external auditor in order to receive information on any issues that could hinder its independence, and any others related to execution of the audit, and to receive information and maintain communication with the auditor as foreseen by law.
- (f) To inform about the annual statements, including any offering circulars and periodic financial data to be sent to regulatory authorities, on a quarterly or six-monthly basis, particularly complying with any legal requirements and the adequate application of generally accepted accounting standards, including any internal control systems, supervision and fulfilment of internal audits.
- (g) Each year, to draw up a brief report describing the activities carried out by the Committee.
- (h) To oversee the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
- (i) To monitor and evaluate the company's interaction with its stakeholder groups.

### 3.- The Auditing Committee will be particularly in charge of the following:

#### 1. In relation to information and internal control systems:

- a) Supervise the preparation, presentation and integrity of the financial data related to the Company and the group, as the case may be, reviewing compliance with regulatory requirements, the adequate definition of the consolidation perimeter and the correct application of accounting standards.
- b) To periodically review the internal control and risk management systems included tax risks, in order for the main risks to be identified, managed and adequately known.
- c) To safeguard the independence and effectiveness of internal auditing tasks; to propose a selection, appointment, re-election and removal of the head of the internal auditing service; to propose a budget for this service; to receive periodic information on its activities; and to verify that the senior management has taken the conclusions and recommendations into account in its reports.

- d) At least once a year, to inform the Board of Directors in relation to risk control and any irregularities detected, if any, in the internal audit reports or in the exercise of the foregoing duties.

2. In relation to the external auditor:

- a) To present the Board with proposals for the selection, appointment, re-election and replacement of the external auditor, including the terms of its contract.
- b) To regularly receive information from the external auditor on the audit plan and the outcome thereof, and to ascertain that the senior management has taken its recommendations into account.
- c) To assure the external auditor's independence and, to this effect:
  - i) To ensure that the Company notifies a change of auditor to the CNMV, as a relevant event, together with a statement on the possible existence of disagreements with the former auditor and content thereof, if any.
  - ii) To ensure that the Company and auditor uphold current regulations on the provision of services other than auditing services, limits on the auditor's business concentration and, in general, all other rules established to ensure the auditors' independence.
  - iii) In the event of abandonment by the external auditor, to examine the circumstances giving rise to the same.
- d) To encourage the group auditor, if any, to assume responsibility for the audits conducted on the member companies.
- e) Discuss with the auditors or audit firms any significant weaknesses in internal control identified in the performance of the audit.
- f) Establish appropriate relationships with the auditors or audit firms to receive information on any issues that might jeopardize their independence, for consideration by the Committee or any others related to the performance of the audit process, as well as other communications provided for in audit legislation and auditing standards. In any case, the Audit Committee shall receive annually from the auditors or audit firms written confirmation of their independence from any directly or indirectly related entity or entities thereof, and information on any additional services of any class provided to said entities by said auditors or audit firms, or by persons or

entities linked thereto in accordance with the provisions of Law 19/1988 of 12 July, on Account Auditing.

- g) Annually issue, prior to the issuance of the audit report, a report expressing an opinion on the independence of the auditors or audit firms. This report shall, in any case, report on the provision of additional services as referred to above.
3. To inform the Board, before it adopts the decisions reserved to it according to the provisions of Article 7.17 herein, about the following matters:
- a) Any financial data which, due to its listed status, the Company should publish periodically. The Committee will ensure that any intermediate statements are drawn up with the same accounting standards as the annual statements and, to this effect, will examine the suitability of carrying out a limited review of the external auditor.
  - b) The creation or acquisition of participations in special purpose vehicles or entities domiciled in countries or territories treated as tax havens, including any other transactions or operations of a similar nature which, due to their complexity, could be detrimental to the group's transparency.
  - c) Related operations.
- 4.- The Company's control and risk management policy will at least indicate:
- a) The various types of risk (operational, technological, financial, legal, reputational or others) faced by the Company, including, amongst financial or economic risks, any contingent liabilities and other risks outside the balance sheet;
  - b) Determination of the risk level that the Company deems acceptable.
  - c) The measures foreseen to mitigate the impact of any identified risks, if they eventually materialize.
  - d) Any information and internal control systems used to control and manage said risks, including contingent liabilities or risks outside the balance sheet.
5. The Company will have an internal auditing system which, under the supervision of the Auditing Committee, will ensure that the information and internal control systems adequately operate.

The person in charge of this internal audit will present the Auditing Committee with its annual work plan; he will directly notify any incidents that arise in its execution; and will present it with an activity report at the end of each year.

6. The Auditing Committee may summon any employee or executive of the company, and may even arrange a hearing of employees without the presence of any executive.
7. The Auditing Committee will meet at least once every quarter and as many times it deems necessary, after it is called by its Chairman, of its own choice or further to a request made by two of its members or the Board of Directors or its Chairman.

The Committee may require the Company's auditor to attend its meetings, as well as the person in charge of internal auditing.

## **Article 15.- COMPLIANCE COMMITTEE**

- 1.- The Compliance Committee will consist of at least three and a maximum of six members designated by the Board of Directors. The majority Committee members must be External Directors.

It will be ensured that the Chairman of the Compliance Committee is an Independent Director. If a non-independent Director is appointed Chairman, the specific reasons for this will be provided in the Annual Corporate Governance Report.

- 2.- Without prejudice to any other task assigned by the Board of Directors, the Compliance Committee will have the following competences:
  - (a) To follow up on compliance by the Company and the Group of any applicable national or foreign regulations in gaming matters.
  - (b) To evaluate the internal control systems of the Company and the Codere Group in relation to its duties of information and transparency in gaming matters, and to make any proposals for implementation and improvement that are deemed necessary or appropriate.

- (c) To follow up on compliance and the control systems by the Company and the Group of regulations in money laundering matters and any proposals for implementation and improvement that are deemed necessary or appropriate.
- (d) To establish and supervise a device that enables employees, clients, suppliers and other third parties with whom contractual relations are held, to inform of any irregularities that are potentially harmful, in a confidential manner and anonymously if deemed appropriate, particularly those of a financial and accounting nature, which may arise within the company.
- (e) To follow up on the security systems and measures applied in the performance of the Company and Group's business, with periodic information received from the competent executives.

3.- Operation: The Compliance Committee will meet each time the Board of Directors requests a report or the approval of proposals within its remit, provided that, in the Committee Chairman's opinion, this is appropriate for the adequate pursuit of its purposes.

## **Article 16.- APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE**

- 1.- The Appointments, Remuneration and Corporate Governance Committee, which also includes the characteristics and duties recommended by the Unified Code for Good Governance of listed companies for the Appointment and Remuneration Committee, will consist of at least three and a maximum of six members appointed by the Board of Directors. All Committee members will be External Directors and at least two of them must be Independent Directors.

The Chairman of the Appointments, Remuneration and Corporate Governance Committee will be appointed from amongst the Independent Directors.

- 2.- Without prejudice to any other task assigned by the Board of Directors, the Appointments, Remuneration and Corporate Governance Committee will have the following competences:

- (a) To examine compliance with the Internal Rules of Conduct in relation to Securities Markets and to make the necessary proposals for improvement, as well as to ensure compliance with any corporate governance rules applicable in the matter.
- (b) To present reports and proposals to the Board on any decisions to be adopted in conflict of interest situations.
- (c) To present to the Board, for its approval, the Annual Corporate Governance Report and Report on Directors' Remuneration Policy.
- (d) To make the proposals foreseen in these Regulations, with respect to remuneration of the members of the Board of Directors.
- (e) To evaluate the competences, knowledge and experience required of the Board and, consequently, to define the necessary duties and skills for any candidates to each vacancy and to evaluate the time and dedication required to adequate exercise its tasks; to regularly evaluate the adequacy of the company's corporate governance system, taking into account the company's corporate interest and the legitimate interests of the different target groups.
- (f) To make proposals to the Board in relation to its duties (for appointment or proposal), regarding the composition of the Board and its Committees and particularly with respect to the appointment of independent directors by co-option, or to be proposed to the General Shareholders Meeting, as well as proposals with regards to the re-appointment or removal of such directors by the General Shareholders Meeting. To inform of any proposals for appointment of all other directors for their nomination by co-option or for their submission to the shareholders' general meeting's decision, in addition to proposals for the re-election or dismissal of said directors, by the shareholders' general meeting.
- (g) To inform of any appointments and removals of senior executives proposed to the Board by the leading executive.
- (h) To inform the Board, as necessary, of any issues on gender diversity foreseen in Article 1.12.
- (i) To make a proposal to the Board of Directors on the remuneration of the Chairman-Executive Director as leading executive of the company, or of the other executive directors, regardless of those received as Directors under the By-laws, including on the other conditions established in their contracts; to examine and manage the

succession of the Chairman of the Board of Directors and of the company's chief executive officer, and to submit a succession proposal plan to the Board which guarantees, if applicable, that such succession is carried out in an orderly manner.

- (j) To propose to the Board a general remuneration policy for senior executives of the Company or its subsidiaries or investee companies, as well as the basic terms of senior executive contracts.
  - (k) To establish guidelines and supervise any steps taken as regards the appointment, selection, career, promotion and dismissal of executives in order for the Company to have the necessary highly qualified staff for its management.
  - (l) To make proposals to the Board and to prepare an examination of the matters it should be aware of, in those matters not specifically entrusted to another Committee, if deemed necessary.
  - m) Establish a target for representation of the under-represented gender on the board of directors and develop guidance on how to achieve the goal.
  - n) Propose to the Board of Directors the remuneration policy for directors and general managers and those who perform senior management functions under the direct supervision of the board or the CEO, as well as the individual remuneration and other contractual conditions of executive directors and ensuring compliance therewith.
  - o) To monitor and review the Company's corporate social responsibility policies and practices, proposing any amendments in its structure and development to the Board of Directors required to ensure its focus on creating value. Periodically evaluating the degree of compliance with such policies and practices.
  - p) Coordinating the reporting process with respect to non-financial and diversity information, and generally, information of any kind as long as it does not concern matters within the specific duties of another Committee.
3. The Appointments, Remuneration and Corporate Governance Committee will consult the Chairman and leading executive of the Company, particularly in the case of matters that affect Executive Directors and Senior Executives.



4. Any Company Director may request that the Appointments, Remuneration and Corporate Governance Committee take into consideration potential candidates presented to cover Director vacancies, in case it deems them suitable.
5. The Appointments, Remuneration and Corporate Governance Committee will meet each time the Board of Directors or Chairman requests a report or the approval of proposals within its remit and provided that, in the opinion of the Committee Chairman or at the request of any two of its members, this were appropriate for the adequate pursuit of its objectives.

## **TITLE IV.- FINAL PROVISIONS**

### **Article 17.- INTERPRETATION**

The Board of Directors will resolve any interpretation doubts that may arise from the application of these Regulations. When executing this task, the criteria will apply that best adjust to the Company's By-laws, which will prevail in the event of a difference.

### **Article 18.- VALIDITY**

These Regulations will come into force on the date they are approved.

The Board of Directors may modify them, at the proposal of or further to a report from the Appointments, Remuneration and Corporate Governance Committee, in order to introduce more appropriate rules and criteria in each case in the company's interests or to adapt them to any reform in the law or the by-laws. However, it may not refrain from applying any provisions whilst the Regulations are in force, without prejudice to the prevailing application of the law or By-laws. Any proposed modification of these Regulations will be included in the



agenda of the meeting examining the same, which will be announced at least ten days in advance for examination and valuation purposes.

The application of the rules contained in these Regulations will be conditional upon prior compliance with any applicable legal provisions in each case, particularly those governing shareholders' rights.