

## APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED PUBLIC COMPANIES
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IDENTITY OF THE ISSUER
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DATE OF CLOSE OF THE YEAR OF REFERENCE	31/12/2016
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CIF (TAX REGISTRATION NUMBER)	A-82110453
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REGISTERED OFFICES
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AVENIDA DE BRUSELAS, 26 (ALCOBENDAS), MADRID
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## A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
13/04/2016	505,942,912.20	2,529,714,561	2,529,714,561

Indicate whether there are different kinds of shares with different rights associated:

Yes                      No      X

A.2 Detail the direct and indirect holders of significant holdings in the Company at the close of the year:

Name or Company name of the shareholder rights	Number of direct voting rights	Number of indirect voting rights	%of total voting rights
MR DAVID ABRAMS	0	222,317,639	1.73%
ACPII EUROPE S.A.R.L.	178,625,789	0	7.06%
ALDEN GLOBAL CAPITAL LLC	0	172,988,582	0.00%
AGBPI FUND LTD	28,217,975	0	1.12%
TURNPIKE LIMITED	56,527,253	0	2.23%
ALDEN GLOBAL OPPORTUNITIES MASTER FUND L.P.	88,243,354	0	3.49%
MR EDWARD ARNOLD MULE	0	590,922,076	1.56%
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	551,354,883	0	21.80%
MR JON R. BAUER	0	183,996,037	7.27%
PRUDENTIAL PLC	0	271,761,974	10.74%
INVESCO LIMITED	0	92,023,087	3.64%
VR GLOBAL PARTNERS L.P.	62,780,491	0	2.48%

Name or Company name of the indirect holder of the stake	Through: Name or Company name of the direct holder of the stake	Number of voting rights
MR DAVID ABRAMS	ACPII EUROPE S.A.R.L.	178,625,789
MR DAVID ABRAMS	ABRAMS CAPITAL MANAGEMENT LP	43,691,850
ALDEN GLOBAL CAPITAL LLC	AGCPI FUND LTD	28,217,975
ALDEN GLOBAL CAPITAL LLC	ALDEN GLOBAL OPPORTUNITIES MASTER FUND LP	88,243,354
ALDEN GLOBAL CAPITAL LLC	TURNPIKE LIMITED	56,527,253
MR EDWARD ARNOLD MULE	SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	551,354,883
MR EDWARD ARNOLD MULE	SPCP GROUP III LLC	39,567,193
MR JON R. BAUER	CONTRARIAN CAPITAL MANAGEMENT LLC	183,996,037
PRUDENTIAL PLC	DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	132,615,405
PRUDENTIAL PLC	M&G DEBT OPPORTUNITIES FUND II LIMITED	84,691,010
PRUDENTIAL PLC	M&G INVESTMENT MANAGEMENT LIMITED	54,455,559
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	92,023,087

Indicate the most significant movements in the shareholder structure during the year:

Name or Company name of the shareholder	Date of the operation	Description of the operation
ACPII EUROPE S.A.R.L.	13/04/2016	Exceeded 5% of the share capital
MR DAVID ABRAMS	13/04/2016	Exceeded 5% of the share capital
ALDEN GLOBAL CAPITAL LLC	13/04/2016	Exceeded 5% of the share capital
ALDEN GLOBAL OPPORTUNITIES MASTER FUND LP	13/04/2016	Exceeded 3% of the share capital
AGBPI FUND LTD	08/06/2016	Exceeded 1% of the share capital (tax havens only)
TURNPIKE LIMITED	13/04/2016	Exceeded 1% of the share capital (tax havens only)
TURNPIKE LIMITED	07/10/2016	Exceeded 2% of the share capital (tax havens only)
MR EDWARD ARNOLD MULE	13/04/2016	Exceeded 20% of the share capital
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	13/04/2016	Exceeded 20% of the share capital
MR JON R. BAUER	13/04/2016	Exceeded 5% of the share capital
VR GLOBAL PARTNERS LP	20/04/2016	Exceeded 2% of the share capital (tax havens only)
INVESCO LIMITED	13/04/2016	Exceeded 3% of the share capital
PRUDENTIAL PLC	11/08/2016	Exceeded 10% of the share capital
M&G DEBT OPPORTUNITIES FUND II LIMITED	17/06/2016	Exceeded 3% of the share capital
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	19/08/2016	Exceeded 5% of the share capital
DEBT INVESTMENT OPPORTUNITIES III DESIGNATED ACTIVITY COMPANY	11/08/2016	Exceeded 3% of the share capital
PRUDENTIAL PLC	13/04/2016	Exceeded 5% of the share capital
MR GERT JAN KOOMEN	13/04/2016	Exceeded 3% of the share capital
MR GERT JAN KOOMEN	10/08/2016	Fell under 3% of the share capital
MR GERT JAN KOOMEN	20/09/2016	Fell under 2% of the share capital (tax havens only)
MR GERT JAN KOOMEN	07/10/2016	Fell under 1% of the share capital (tax havens only)
M&G DEBT OPPORTUNITIES FUND LIMITED	13/04/2016	Exceeded 3% of the share capital
M&G DEBT OPPORTUNITIES FUND LIMITED	11/08/2016	Fell under 3% of the share capital
P CONTRARIAN EM LIMITED	13/04/2016	Exceeded 1% of the share capital (tax havens only)
P CONTRARIAN EM LIMITED	28/06/2016	Fell under 1% of the share capital (tax havens only)
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	13/04/2016	Exceeded 3% of the share capital
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	10/08/2016	Fell under 3% of the share capital
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	20/09/2016	Fell under 2% of the share capital (tax havens only)
SOTHIC CAPITAL EUROPEAN OPPORTUNITIES MASTER FUND LTD	07/10/2016	Fell under 1% of the share capital (tax havens only)

MASAMPE HOLDING B.V.	13/04/2016	Fell under 50% of the share capital
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A.3 Fill in the following tables about members of the company's board of directors who hold voting rights to company shares:

Name or company name of the Director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR JOSE ANTONIO MARTINEZ SAMPEDRO	67,187	358,406,557	14.17%
MR LUIS JAVIER MARTINEZ SAMPEDRO	61,821,194	1,396,035	2.50%
MASAMPE, S.L.	358,406,557	0	14.17%
MR JOSEPH ZAPPALA	278,738	0	0.01%

Name of Company name of the indirect stakeholder	Through: Name or company name of the direct stakeholder	Number of voting rights
MR JOSE ANTONIO MARTINEZ SAMPEDRO	MASAMPE, S.L.	358,406,557
MR LUIS JAVIER MARTINEZ SAMPEDRO	RECREATIVOS METROPOLITANO S.L.	100,000
MR LUIS JAVIER MARTINEZ SAMPEDRO	M GLOBAL SOLUTIONS – GLOBAL ASSETS BRISA	1,296,035
<b>Total % of voting rights in possession of the Board of Directors</b>		16.68%

Fill in the following tables about the members of the company board of directors who hold rights over company shares

A.4 Indicate the relations of a family, commercial, contractual or corporate nature, if any, between holders of significant stakes, insofar as the company knows them, unless they are hardly relevant or arise from ordinary commercial traffic:

Name or Company name of related party
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO

**Kind of relations:** Family

**Brief description:**

Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro are brothers.

Name or Company name of related party
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MASAMPE S.L.

Kind of relations: Corporate

Brief description: Mr José Antonio Martínez Sampedro is the Sole Director and majority shareholder in Masampe S.L.

A.5 Indicate the commercial, contractual or corporate relations, if any between holders of significant stakes and the Company and/or its group, unless they are hardly relevant or arise from ordinary commercial traffic:

Name or company name of related parties
MASAMPE S.L.
CODERE S.A.

**Kind of relations:** Corporate

Brief description:

Masampe S.L., significant shareholder in the Company, is Director of the Company.

Name or company name of related party
SILVER POINT LUXEMBOURG PLATFORM SARL
CODERE FINANCE (LUXEMBOURG) S.A.

**Kind of relations:**

Contractual

#### **Brief description**

The contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as the significant shareholder Silver Point Luxembourg Platform SARL) and Codere Finance (Luxembourg) S.A. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2<sup>nd</sup> 2016, before this Company become a significant shareholder of Codere S.A.), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be responsible for paying to these consultants or advisors, but Codere would be obliged to reimburse the costs to the Monitor Committee. Based on that agreement, Codere has reimbursed to Silver Point the costs that said Company paid to the consultants and advisors that the Monitor Committee has hired.

Name or company name of related party
SILVER POINT LUXEMBOURG PLATFORM SARL
CODERE NEWCO S.A.U.

**Kind of relations:**

Contractual

#### **Brief description**

The contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as the significant shareholder Silver Point Luxembourg Platform SARL) and Codere Newco S.A.U. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2<sup>nd</sup> 2016, before this Company become a significant shareholder of Codere S.A.), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be responsible for paying to these consultants or advisors, but Codere would be obliged to reimburse the costs to the Monitor Committee. Based on that agreement, Codere has reimbursed to Silver Point the costs that said Company paid to the consultants and advisors that the Monitor Committee has hired.

A.6 Indicate if any shareholder agreements have been reported to the Company that affect it pursuant to articles 530 and 531 of the Capital Enterprises Act (*Ley de Sociedades de Capital*). If so, describe them briefly and the shareholders bound by the agreement:

Participants in the shareholders' agreement
MASAMPE, S.L.
MR LUIS JAVIER MARTÍNEZ SAMPEDRO
SILVER POINT FINANCE LLC
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

**Percentage of share capital affected:** 97.00%

**Brief description of the agreement:**

Concerning the agreement reached by the Company to restructure the Group debt and capital, shareholder agreements were signed on the 6th of April 2016 (Relevant Event 237,456), duly reported to the National Securities Market Commission (CNMV) and published on the corporate web site, with a view to regulating relations between the Company and its shareholders, including the principles of governance of the Company and the terms and conditions governing the transmission of shares and the exit mechanisms that could be activated at the time.

Indicate whether the Company knows of the existence of concerted actions among its shareholders. If so, describe them briefly:

Yes                      No X

If there has been any modification or breach of said covenants or agreements or concerted actions during the year, indicate expressly:

Not applicable

A.7 Indicate whether there is any physical person or legal entity that exercises or could exercise control over the Company pursuant to article 4 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify them:

Yes                      No X

A.7 Indicate whether there is any physical person or legal entity that exercises or could exercise control over the Company pursuant to article 4 of the Securities Market Act (*Ley del Mercado de Valores*). If so, identify them:

Yes                      No X

Remarks
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A.8 Complete the following tables about the company's treasury shares portfolio:

**At the close of the year:**

Number of direct shares	Number of indirect shares(*)	Total % of share capital
306,733	0	0.01%

**(\*) Through:**

Detail the significant variations, pursuant to Royal Decree 1362/2007, made during the year:

Explain the significant variations
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## A.9 Detail the conditions and the term of the valid mandate of the general meeting of shareholders to the board of directors to issue, buy back or transfer of treasury stock.

The General Meeting of Shareholders held on the 27th of June 2013 adopted the following as item four of the agenda:

1. Leaving null and void, the unused part, authorisation to acquire treasury stock conferred under item nine of the agenda of the General Meeting of Shareholders held on the 10th of May 2012, authorise, pursuant to the applicable legislation, the re-purchase, at any time and as many times may be deemed fit, by Codere, S.A., either directly or through any subsidiary company to which it is the parent company, of treasury stock, totally paid up, through purchase and sale or by any other legal title involving the payment of a fee.

The minimum acquisition price or consideration will be the nominal value of the treasury stock acquired and the maximum, the result of increasing the listed value on the date of acquisition by 20 percent.

This authorisation is granted for a term of five years from the date of this General Meeting, and it is expressly subject to the limitation that the nominal value of the treasury stock acquired by virtue of this authorisation, plus the value of the stock that Codere, S.A. already holds, along with any held by any of its subsidiary companies, may not, at any time, exceed the maximum permitted by law.

The minutes will expressly show that this authorisation can be used partially or in full for acquiring treasury stock to be delivered to or transferred to workers or directors of the Company, or as a consequence of exercising the option rights that these hold.

2. Authorise the Board of Directors, in the broadest possible terms, to exercise the authorisation covered by this resolution and to carry out all the other provisions contained therein. The Board of Directors in any Director, the Secretary or Deputy Secretary or any other person that the Board of Directors may empower expressly for the purpose, may delegate said powers.

### A.9.bis Estimated free-float capital:

	%
Estimated Free-Float Capital	20.18

## A.10 Indicate whether there is any restriction on the transferability of securities and/or any restriction on the right to vote. In particular, the existence of any kind of restriction that could impede taking control of the company by acquiring its shares in the market will be reported.

Yes X

No

Description of the restrictions
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Article 11 of the Corporate By-laws establishes that "each share will entitle the holder to one vote, although a single shareholder, the companies belonging to the same group or whomsoever may act in a concerted fashion with the former may not under any circumstances, issue a number of votes that is greater than the number corresponding to shares representing a percentage of 44% of the share capital at a General Meeting of Shareholders, even if the number of shares that said party or parties possess exceeds said percentage of the share capital, notwithstanding article 527 of the Capital Enterprises Act.

This limitation does not affect the votes of the shares over which the shareholder holds the proxy as a consequence of article 13 below, although the aforementioned limitation shall be applicable to the number of votes held by each shareholder represented".

The Corporate By-laws do not include any restrictions on the transferability of securities. The shareholders' agreements mentioned in reply to question A.6 however, do include certain obligations between the parties in Chapter 10, concerning the transfer of securities (obligation whereby the acquirer has to stick to the shareholder pact and a prohibition preventing any person or group of people from acting in a concerted manner to hold a proportional holding greater than 44% before the 1st of January 2017).

## A.11 Indicate whether the general assembly has resolved to adopt measures to neutralise a takeover bid by virtue of Act 6/2007.

Yes

No X

If so, explaining the measures adopted and the terms under which the restrictions will be rendered inefficient:

## A.12 Indicate whether the Company has issued securities that are not traded on a regulated EU market.

Yes

No X

If so, indicate the different kinds of shares and the rights and obligations conferred by each kind of share.

## B GENERAL MEETING

B.1 Indicate whether there are differences from the minimum regime established in the Capital Enterprises Act (LSC, as is known in Spanish) concerning the quorum for constituting the general meeting, and if so detail.

Yes No X

B.2 Indicate whether there are differences from the regime established in the Capital Enterprises Act (LSC) for adopting corporate resolutions, and if so detail:

Yes X No

Describe the difference from the regime established in the LSC.

	Reinforced majority different from the one established in article 201.2 LSC for cases covered by article 194.1 LSC	Other instances of reinforced majority
% established by the entity for adopting resolutions	50.10%	50.10%

### Describe the differences

Article 21 of the Corporate By-Laws establishes that, in general, resolutions shall be adopted by absolute majority of the votes cast by the shareholders present in person or by proxy.

The following resolutions however, shall be adopted by an absolute majority of the votes of all the shares into which the Company's share capital is divided (instead of an absolute majority of the share capital present in person or by proxy established in the LSC):  
i) the resolutions referred to in article 19 of the Corporate By-Laws (increase or reduction of capital, any modification to the Corporate By-Laws, the issue of convertible debentures or bonds that attribute the holders with a share in the corporate profits, the suppression or limitation of the preferential right to acquire new shares and the global transformation, merger, carve-out or the transfer of assets and liabilities, and the transfer of the registered office abroad) and ii) the adoption of the annual accounts, the appointment of auditors, the voluntary dissolution and liquidation and reactivation. In any event, the majority required for exercising responsible action against directors (article 238 of the Capital Enterprises Act), the quorum and the majority required for the purposes of winding up the Company (article 364 of the Capital Enterprises Act) and also any other majority classed as imperative, are safeguarded.

B.3 Indicate the rules applicable to the modification of the Company's corporate by-laws. In particular, the majorities established for modifying the by-laws and the rules, if any, regarding safeguarding shareholders' rights in the modification of the by-laws, shall be reported.

Article 19 of the Corporate By-Laws establishes: "However, for the Ordinary or Extraordinary General Meeting to be able to validly adopt an increase or reduction in capital, and in general, any modification of the Corporate By-Laws, the issue of convertible debentures or bonds that attribute the bond-holder a share in corporate profits, the suppression or limitation of the preferential right to acquire new shares, and the global transformation, merger, carve-out or cession of the assets and liabilities and the transfer of the registered offices abroad, the presence of shareholders, in person or by proxy, in possession at least 50% of the share capital taken up with voting rights shall be necessary at the first call to order. At the second call to order, the presence of 25% of said capital shall be sufficient". This same provision is established in article 20.2 of the Codere S.A. General Meeting Regulations.

Furthermore, article 21 establishes that resolutions to modify the corporate by-laws shall be adopted by an absolute majority of the votes of all the shares into which the Company's share capital is divided.

Article 7 of the Company Regulations for the General Meeting of Shareholders, in turn, establishes that the following are the competence of the General Meeting: "h) The transformation, merger, carve-out, global cession of the assets and liabilities, the transfer of the registered offices abroad and the dissolution of the Company and, in general, any modification of the Corporate By-Laws".

As for voting resolutions, article 24.3. b) of the General Meeting Regulations establishes that the General Meeting will vote separately on "In the case of modification of the by-laws, each article or group of articles that are substantially independent".

B.4 Indicate the attendance data for the general meetings held in the year referred to in this report and those of the previous year:

	Attendance data				
			% remote vote		
Date of General Meeting	% physically present	% by proxy	Electronic vote	Others	Total
27/04/2015	16.75%	57.55%	0.00%	0.30%	74.60%
25/06/2015	13.48%	53.71%	0.00%	2.45%	69.64%
04/12/2015	15.38%	8.59%	0.00%	51.55%	75.52%
30/06/2016	19.49%	20.60%	0.00%	43.75%	83.84%
10/11/2016	19.46%	0.16%	0.00%	69.85%	89.47%

B.5 Indicate whether there is any statutory restriction establishing a minimum number of shares required to attend the general meeting:

Yes X

No

Number of shares required to attend the general meeting	100
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B.6 Section repealed

B.7 Indicate the address and means of access to the Company web site and the information on corporate governance and other information about general meetings that must be made available to shareholders on the Company web site.

The address of the Company web site is [www.codere.com](http://www.codere.com).

From this site, clicking on the link "Shareholders and Investors" deploys multiple options. Select "Corporate Governance". If you click on this link, a range of information about Codere SA Corporate Governance appears, such as its Corporate By-Laws, the Regulations for the General Meeting, the composition of the Board of Directors, the Regulations of the Board of Directors and specific information about General Meetings. All the information on the General Meetings of Shareholders held since the day it was listed on the stock exchange and information on the Shareholders' Electronic Forum is published in this tab.

## C ADMINISTRATIVE STRUCTURE OF THE COMPANY

### C.1 Board of directors

C.1.1 Maximum and minimum number of shareholders established by the corporate by-laws:

Maximum number of directors	15
Minimum number of directors	5

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

Name or company name of representative of the director	Representative	Category of the director	Office on the Board	Date first appointment	Date last appointment	Election procedure
MR JOSE ANTONIO MARTÍNEZ SAMPEDRO		Executive	CHAIRMAN	07/05/1999	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MR LUIS JAVIER MARTÍNEZ SAMPEDRO		Executive	DEPUTY CHAIR	07/05/1999	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MASAMPE S.L.	MR PÍO CABANILLAS ALONSO	Proprietary	DIRECTOR	07/05/2008	25/06/2014	RESOLUTION AGM SHAREHOLDERS
MR DAVID ANTHONY REGANATO		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR TIMOTHY PAUL LAVELLE		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ		Proprietary	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR JOSEPH ZAPPALA		Independent	DIRECTOR	20/11/2002	25/06/2015	RESOLUTION AGM SHAREHOLDERS
MR MATTHEW CHARLES TURNER		Independent	DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS
MR NORMAN RAUL SORENSEN VALDEZ		Independent	INDEPENDENT LEAD DIRECTOR	28/04/2016	30/06/2016	RESOLUTION AGM SHAREHOLDERS

Total number of directors	9
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Indicate any directors that have left the board of directors during the reporting period:

Name or Company name of the Director	Category of director at time of termination	Date of termination
MRS ENCARNACIÓN MARTÍNEZ SAMPEDRO	Executive	28/04/2016
MR JOSÉ IGNACIO CASES MÉNDEZ	Proprietary	28/04/2016
MR JOSÉ RAMÓN ROMERO RODRÍGUEZ	Proprietary	28/04/2016
MR JUAN JUNQUERA TEMPRANO	Independent	28/04/2016
MR EUGENIO VELA SASTRE	Another External	28/04/2016
MR JUAN JOSÉ ZORNOZA PÉREZ	Another External	28/04/2016

C.1.3 Complete the following tables about members of the board and their different categories:

#### **EXECUTIVE DIRECTORS**

Name or Company name of the director	Office in the organizational chart of the Company
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CHAIRMAN
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	GENERAL MANAGER CODERE AMÉRICA

Total number of executive directors	2
% of the total Board	22.22%

#### **EXTERNAL PROPRIETARY DIRECTORS**

Name or Company name of the director	Company name of the significant shareholder who represents them or has proposed their appointment
MASAMPE, S.L.	MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO
MR DAVID ANTHONY REGANATO	SILVER POINT LUXEMBOURG S.A.R.L.
MR TIMOTHY PAUL LAVELLE	SILVER POINT LUXEMBOURG S.A.R.L.

MR MANUEL MARTÍNEZ FIDALGO VÁZQUEZ	ABRAMS CAPITAL MANAGEMENT LP
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Total number of proprietary directors	4
% of total Board	44.44%

### **EXTERNAL INDEPENDENT DIRECTORS**

**Name or company name of the director:**

MR JOSEPH ZAPPALA

**Profile:**

Ambassador of the USA in Spain from 1989 to 1992. Chairman of Joseph Zappala Investments, holding of real estate, health, gambling and entertainment assets.

**Name or company name of the director:**

MR MATTHEW CHARLES TURNER

**Profile:**

Director of Arcapita. He previously held key offices at Kaupthing Bank and Bank of America Merrill Lynch.

**Name or Company name of the director:**

MR NORMAN RAUL SORENSEN VALDEZ

**Profile:**

Director of Insperity INC. and Encore Capital Group Inc. He previously held key offices at Principal International, AIG and Citigroup.

Total number of independent directors	3
% of total Board	33.33%

Indicate whether any director considered independent receives any amount or benefit from the Company for from the same group, for any reason other than director's remuneration, or maintains or has maintained a business relationship with the Company or with any Company of its group during the last year, either on his own behalf or as a significant shareholder, director or senior manager of an entity that maintains or had maintained said relationship.

NO.

If so, a reasoned declaration from the board will be included, including the reasons why the board considers that said director can perform his duties as an independent director.

### **OTHER EXTERNAL DIRECTORS**

The other external directors will be identified and details will be provided on the reasons why they cannot be considered proprietary or independent directors and their ties, either with the Company, its senior management or its shareholders:

Indicate the variations in the category of each director, if any, that have occurred during the period:

C.1.4 Complete the following table with information on the number of female directors during the last 4 years and the character of such directors:

	Number of female directors				% of total No. of directors of each type			
	2016	2015	2014	2013	2016	2015	2014	2013
<b>Executive</b>	0	1	1	1	0.00%	10.00%	10.00%	10.00%
<b>Proprietary</b>	0	1	0	0	0.00%	10.00%	0.00%	0.00%
<b>Independent</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Other External</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	0	2	1	1	0.00%	20.00%	10.00%	10.00%

C.1.5 Explain the measures, if any, that have been adopted in an attempt to include a number of women on the board of directors that will enable the board to attain a balanced presence of women and men.

#### Explanation of measures

The Director Selection Policy adopted by the Board of Directors at their meeting of the 10th of November 2016, establishes the objective of "making every effort such that the number of female directors represents at least 30% of the total number of members of the Board of Directors by 2020", and regarding the selection process, it established that "a woman shall be included, at least as a candidate at each and every one of the selection processes, until such time as the aforementioned objective of 30% is attained in 2020".

Moreover, the Ethical Code of Conduct of the Codere Group indicates in section IV point 1 that "The Codere Group will promote equal treatment between men and women with regard to access to employment, training and to the promotion of professionals and to working conditions, along with access to goods and services and their supply. Point 5 of the same section indicates, "The Codere Group will maintain the most stringent and objective selection process, based exclusively on the academic and professional merits of the candidates and the needs of the Group".

C.1.6 Explain the measures, if any, that the appointments committee may have agreed upon to prevent the selection process from suffering implicit biases that put obstacles in the path of selecting female directors and enable the Company to deliberately seek and include women with the right professional profile among potential candidates:

#### Explanation of measures

The Codere S.A. Board of Directors' Regulations establish as an obligation of the Appointments, Remunerations and Corporate Governance Committee, to ensure, on producing new vacancies on the Board, that the selection procedures do not suffer any implicit biases that impede the selection of female directors and in order for the Company to deliberately seek, and include among potential candidates, women with the right professional profile.

The Regulations of the Board of Directors of the Company attributes the Appointments, Remunerations and Corporate Governance Committee with the responsibility for ensuring the competences, know-how and experience necessary on the Board and the definition of the functions and aptitudes necessary in candidates that must cover each vacancy and assess the time and dedication required to perform their duties well. Furthermore, one of its competences is to establish a representation objective for the less represented gender on the board of directors and to draw up guidelines on how to attain the objective.

In this context, the Appointments, Remuneration and Corporate Governance Committee analysed and presented a favourable report to the Board, the Codere S.A. Director Selection Policy, adopted at the Board meeting of the 10<sup>th</sup> of November 2016. This Policy establishes that gender and age equality will also be promoted as far as possible and that the candidate selection process will always avoid the existence of implicit biases that could entail discriminations, and priority shall be given to meritocracy as the main principle and the search for the best candidate for the position to be covered.

If the number of female directors is low or non-existent, despite the measures, if any, that have been adopted, explain the reasons for this:

## Explanation of the reasons

During the long and difficult process of financial restructuring embarked upon by the Company over the last three years, the Company agreed upon the future composition of the Board with its creditors. Each of the new shareholders entitled to appoint members of the Codere S.A. Board of Directors, pursuant to the agreements reached, carried out their own diversity-friendly selection processes, which exclude any kind of bias or discrimination.

However, given that, pursuant to the Codere S.A. Corporate By-Laws, the duration of the term of director is two years, the Board will initiate a process of selecting candidates pursuant to the Selection Policy adopted in 2018, in order to determine the need to bring in new directors. This process will bear in mind the policies and principles adopted in matters of gender diversity and selection of directors.

**C.1.6 bis Explain the conclusions of the appointments committee with respect to verifying compliance with the director selection policy. In particular, on how this policy is promoting the objective of having women representing at least 30% of the total number of members of the board of directors by 2020.**

## Explanation of the conclusions

As the Codere S.A. Director Selection Policy was adopted in November 2016, the Appointments, Remuneration and Corporate Governance Committee has not verified compliance thereof in 2016.

**C.1.7 Explain how shareholders with significant holdings are represented on the board.**

Jose Antonio Martínez Sampedro, Executive Director and Chairman of the Board of Directors, holder of 14.171% of the Company's shares, is also represented on the Board of Directors by Masampe, S.L., Proprietary Director, which in turn, is represented by Pío Cabanillas Alonso.

Directors David Anthony Reganato and Timothy Paul Lavelle represent silver Point Luxembourg S.A.R.L., holder of 21.795% of the Company's shares, on the Board of Directors.

Director Manuel Martínez-Fidalgo Vázquez represents Abrams Capital Management, L.P. (8.788%) and Contrarian Capital Management L.L.C. (7.27%) on the Board of Directors.

**C.1.8 Explain the reasons, if any, why proprietary directors have been appointed at the request of shareholders whose holding is less than 3% of the capital:**

Indicate whether formal requests for presence on the board made by shareholders whose holding is equal to or greater than those others at whose request proprietary directors have been appointed, have been denied. If so, explain the reasons for denying their request:

Yes

No X

**C.1.9 Indicate whether any director has left the board before the termination of his or her mandate, whether he or she has explained the reasons for this and, if this were done in writing to the whole board, explain at least the reasons given:**

**Name of the director:**

ENCARNACIÓN MARTÍNEZ SAMPEDRO

**Reason for resignation:**

Encarnación Martínez Sampedro sent a letter to the Board dated the 28th of April 2016, presenting her resignation as Director before the termination of her mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

**Name of the director:**

JUAN JOSÉ ZORNOZA PÉREZ

**Reason for resignation:**

Juan José Zornoza Pérez sent a letter to the Board dated the 28th of April 2016, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

**Name of the director:**

JOSÉ IGNACIO CASES MÉNDEZ

**Reason for resignation:**

José Ignacio Cases Méndez sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

**Name of the director:**

EUGENIO VELA SASTRE

**Reason for resignation:**

Eugenio Vela Sastre sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

**Name of the director:**

JOSÉ RAMÓN ROMERO RODRÍGUEZ

**Reason for resignation:**

José Ramón Romero Rodríguez sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible, which included a new composition of the Board.

**Name of the director:**

JUAN JUNQUERA TEMPRANO

**Reason for resignation:**

Juan Junquera Temprano sent a letter to the Board dated the 28th of April, presenting his resignation as Director before the termination of his mandate, in order to facilitate compliance with the agreements that have allowed for the economic and financial restructuring of the Company as far as possible.

C.1.10 Indicate the faculties, if any, delegated in the CEOs:

C.1.11 Identify the members of the board, if any, who hold posts as directors or senior management positions in other companies that form part of the listed Company group:

<b>Name or Company name of the director</b>	<b>Name of the group entity</b>	<b>Position</b>	<b>Executive duties?</b>
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	COLONDER, S.A.U.	CHAIRMAN AND JOINT CHIEF EXECUTIVE OFFICER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F8 S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTIBUCIONES S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE ESPAÑA S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE AMÉRICA S.A.U.	CHAIRMAN AND JOINTN CHIEF EXECUTIVE OFFICER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	NIDIDEM S.A.U.	CHAIRMAN	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE INTERACTIVA S.L.	CHAIRMAN OF THE BOARD	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE LATAM S.A.U.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	IMPULSORA DE CENTROSDE ENTRETENIMIENTO LAS AMÉRICAS SAPI DE CV	CHAIRMAN DIRECTOR	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE MÉXICO SA DE CV	CHAIRMAN DIRECTOR	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CARRASCO NOBILE S.A.	DIRECTOR	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERMAR BINGOS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE ARGENTINA S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS DEL OESTE S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	IBERARGEN S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS PLATENSES S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	SAN JAIME S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERBAS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	ITAPOAN S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERJUEGOS S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	ALTA CORDILLERA S.A.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	HÍPICA DE PANAMÁ S.A.	CHAIRMAN BOARD OF DIRECTORS	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	COMPAÑÍA DE RECREATIVOS DE PANAMÁ S.A.	CHAIRMAN BOARD OF DIRECTORS	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE CHILE LIMITADA	PRESIDENT	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	INTERSARE S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	BINGOS CODERE S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	COLONDER S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE COLOMBIA S.A.	CHAIRMAN BOARD OF DIRECTORS	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL DOS S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE AMÉRICA S.A.U.	JOINT CHIEF EXECUTIVE OFFICER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE INTERNACIONAL S.A.U.	GENERAL MANAGER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	NIDIDEM S.A.U.	DIRECTOR	NO

MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE LATAM S.A.U.	GENERAL MANAGER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE MÉXICO S.A. DE C.V.	BOARD MEMBER	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	PROMOCIONES RECREATIVAS MEXICANAS S.A. DE C.V.	SUB DIRECTOR	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE NEWCO S.A.U.	CHAIRMAN	YES
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE NEWCO S.A.U.	DIRECTOR	YES
MR DAVID ANTHONY REGANATO	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR JOSEPH ZAPPALA	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
MASAMPE S.L.	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR MATTHEW CHARLES TURNER	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR NORMAL RAUL SORENSEN VALDEZ	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR TIMOTHY PAUL LAVELLE	CODERE NEWCO S.A.U.	DIRECTOR	NO
MR LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE LATAM COLOMBIA S.A.	CHAIRMAN OF THE BOARD	NO
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	C-F8 S.L.	GENERAL MANAGER	YES
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	CODERE DISTRIBUCIONES S.L.U.	GENERAL MANAGER	YES

C.1.12 List the Company directors, if any, who are members of the boards of other entities listed on official securities markets than those of their group, who have been reported to the company:

<b>Name or company name of the director</b>	<b>Company name of the group entity</b>	<b>Position</b>
MR NORMAL RAUL SORENSEN VALDEZ	INSPERITY INC	DIRECTOR
MR NORMAL RAUL SORENSEN VALDEZ	ENCORE CAPITAL GROUP INC	DIRECTOR

C.1.13 Indicate whether the Company has established rules about the number of directors that form part of its boards, and if so, explain:

Yes X

No

**Explanation of the rules**

Article 4.1.b) of the Board of Directors' Regulations establishes that Directors cannot form part of more than 8 boards, not including (i) the Boards of Companies that form part of the same group as the Company, (ii) the Boards of Companies belonging to relatives or of the equity of Directors or their relatives and (iii) the Boards that they belong to because of their professional relations, without the express authorisation of the Board, after receiving a report from the Appointments, Remuneration and Corporate Governance Committee

C.1.14 Section repealed.

C.1.15 Indicate the overall remuneration of the board of directors:

Remuneration of the board of directors (€000s)	2,337
Sum of the rights accumulated by the current directors in pensions (€000s)	0
Sum of the rights accumulated by the former directors in pensions (€000s)	0

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

Name or Company name	Position
MR PEDRO CARLOS ECHEVARRIA ARNAIZ	ASSISTANT DIRECTOR TO THE CHAIRMAN
MR RAFAEL LÓPEZ ENRÍQUEZ CHILLÓN	DIRECTOR OF HUMAN RESOURCES
MR SERAFÍN GÓMEZ RODRÍGUEZ	DIRECTOR OF SECURITY AND COMPLIANCE
MR BERNARDO CHENA MATHOV	GENERAL MANAGER ARGENTINA
MR FELIPE LUDEÑA MUÑOZ	DIRECTOR INFORMATION SYSTEMS
MR ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER
MR ADOLFO CARPENA MANSO	DIRECTOR OF INTERNAL AUDIT
MR FERNANDO ORS VILLAREJO	DIRECTOR OF BUSINESS DEVELOPMENT
MR DAVID JIMÉNEZ MÁRQUEZ	DIRECTOR CORPORATE LEGAL AREA
MR ALEJANDRO PASCUAL GONZÁLEZ	DIRECTOR OF OPERATIONS EUROPE
MR ITALO DURAZZO	DIRECTOR OF MARKETING AND COMMUNICATION
MR LUCAS RAUL ALEMAN HEALY	GENERAL MANAGER PANAMA
MR DIEGO FELIPE NOVARRO	DIRECTOR GENERAL COLOMBIA
MR ANDRE GELFI	DIRECTOR GENERAL BRAZIL
MR RODRIGO GONZÁLEZ CALVILLO	DIRECTOR GENERAL MEXICO

<b>Total remuneration Senior Management (€000s)</b>	5,020
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C.1.17 Indicate the identity of the members of the board, if any, that are, in turn, members of the board of directors of companies of significant shareholders and/or entities in their group:

Name or company name of the director	Company name of the significant shareholder	Office
MR JOSÉ ANTONIO MARTÍNEZ SAMPEDRO	MASAMPE S.L.	SOLE MANAGER

List the relevant relations, if any, of those mentioned in the previous section, of the members of the board of directors that relate them to the significant shareholders and/or entities of their group:

**Name or Company name of the related director:**

LUIS JAVIER MARTÍNEZ SAMPEDRO

**Name or Company name of the related significant shareholder:**

JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

**Description of relations:**

Family relations (brothers)

**Name or Company name of the related director:**

MASAMPE, S.L.

**Name or Company name of the related significant shareholder:**

JOSÉ ANTONIO MARTÍNEZ SAMPEDRO

**Description of relations:**

MASAMPE, S.L. is a Company with a controlling stake held by Jose Antonio Martínez Sampedro, who is also the General Manager.

C.1.18 Indicate whether there has been any change in the board regulations during the year:

Yes X

No

Description of modifications
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The Board of Directors' Regulations were modified at a Board of Directors meeting held on the 25th of August 2016.

Thus, articles 1.1., 1.13, 10.5, 7.2 and 14.2 of the Regulations for the Board of Directors were modified to introduce new standards that bring the best practises to the Company in the area of Good Governance, including certain mentions of the Code of good governance of listed companies, adopted in February 2015.

Article 12 of the Regulations was modified, not only to bring it in line with Recommendation 31 of Good Governance, but also so that the text were coherent with the Corporate By-Laws.

With respect to the process of financial restructuring, and the agreements reached by the parties, the resolution to reserve a series of new competences for the Board was adopted, which were

included in article 7 of the Board Regulations.

Finally, article 16 was modified so that the terminology of the Board Regulations coincided with the legally established terminology, changing the denomination of the Corporate Governance Committee to "Appointments, Remuneration and Corporate Governance Committee" and expressly including the minimum functions established by law among its functions.

#### C.1.19 Indicate the procedures for selection, appointment, re-election, assessment and removal of directors. List the competent bodies, the steps to be followed and the criteria to be used in each of the procedures.

##### - Selection:

The Company Board of Directors' Regulations attributes the competence of putting proposals to the Board in relation to this, to the Appointments, Remuneration and Corporate Governance Committee - with regard to appointments or proposals concerning the composition of the Board and of its Committees. To such end, the Board Regulations charge the previously mentioned committee with the function of assessing the abilities, know-how and experience necessary on the Board and with defining the functions and aptitudes necessary in the candidates to cover each vacancy and to assess the time and dedication necessary to perform their duties well. In particular, the Appointments, Remuneration and Corporate Governance Committee shall make every attempt to ensure that the selection procedures do not suffer from implicit biases that impede the selection of female directors on presenting new candidates. (Arts. 1.12 and 16.2.m of the Board of Directors Regulations) and it will set a representation objective for the less-represented sex on the board of directors and draft guidelines on how to attain the objective. Furthermore, the Board of Directors adopted the Directors Selection Policy in 2016, the objective of which is to strike a suitable balance of diversity in the composition of the Board. This Policy establishes a series of general requisites for candidates in the selection process and how the selection process will be conducted. The starting point for the selection or re-election process for directors will be for the Board of Directors, having received the preliminary report from the Appointments, Remuneration and Corporate Governance Committee, to conduct an analysis of the needs of the Company and its Group.

After said analysis, the Appointments, Remuneration and Corporate Governance Committee shall initiate the process of selecting candidates, in which, implicit biases that could entail discrimination will always be avoided, and the main criterion to be used shall be meritocracy and the search for the best candidate to cover the post.

One woman will be included in each and every one of the selection processes, at least as a candidate, until such time as the aforementioned objective of 30% is attained in 2020.

##### - Appointment:

The designation of the members of the Board of Directors is the responsibility of the General Meeting of Shareholders (art. 24.1 of the Corporate By-Laws), notwithstanding the Board's authority to designate, from among shareholders, the people to cover any vacancy that occurs, until the first General Meeting of Shareholders is held (art. 24.16 of the Corporate By-Laws).

Individuals affected by any incompatibility, disability or legal prohibition established in any geographical area that affects the Company, either general in nature or those applicable for reasons of the purpose and activities of the Company, may not be Directors nor represent Directors that are legal entities (art. 24.4 of the Corporate By-Laws).

For everything else, the persons designated as Directors will also have to comply with the conditions, apart from those required by law and by the Corporate By-Laws, the conditions set in the Regulations of the Board of Directors, and they must formally commit to complying with all the obligations and duties established therein at the time of taking possession, highlighting the fact that when the Board of Directors makes its proposals for appointments of Directors to the General Meeting and when it makes the proper appointments under a co-optation scheme, it will do so at the proposal of the Appointments, Remuneration and Corporate Governance Committee, in the case of Independent Directors, and after receiving a report from said Committee, in the case of all other Directors (art. 2 of the Board of Directors Regulations).

##### - Re-election:

Directors shall exercise their functions during a term of two years, and may be re-elected for new terms of the same duration (art. 24.3 of the Corporate By-Laws).

As in the case of appointments, re-election shall be preceded by a proposal from the Appointments, Remuneration and Corporate Governance Committee (in the case of Independent Directors), or by a report from the previously mentioned Committee (in the case of other Directors).

##### - Assessment:

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, the Board assesses its own performance once a year, along with the performance of the Committees and the Chair of the Board and, based on these results, it shall propose an action plan to correct any deficiencies

detected. The result of the assessment shall be written into the minutes of the meeting (art. 12 of the Board of Directors Regulations).

- Termination:

Directors will step down under the circumstances and for the causes established by law or by the by-laws (art. 3.1 of the Board of Directors Regulations).

**C.1.20 Explain to what extent the board's annual assessment has given rise to important changes in its internal organisation and the procedures applicable to its activities:**

<b>Description of modifications</b>
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On the 2nd of February 2016, the Board of Directors heard the results of the self-assessment of the Board, which was reason for more satisfaction than the previous year.

At the proposal of the Appointments, Remuneration and Corporate Governance Committee, (known as the Corporate Governance Committee at the time), the Board adopted the Action Plan at the same meeting to correct the deficiencies detected.

The objectives of the Plan focused mainly on improving the following aspects: dealing with Company strategy; dealing with the appointment and termination of the senior management, the composition of the Board and on improving the points included in the Agenda of the Board's meetings.

After identifying the objectives, the Plan established a series of improvement Actions, and a deadline for implementing each of the actions.

Finally, once all the above had been done, the Appointments, Remuneration and Corporate Governance Committee was charged with monitoring the Action Plan adopted, and to such end, it was resolved that said Committee shall include an item on the agenda of its meetings every quarter, dealing with appraising the degree of compliance and progress of the Action Plan.

**C.1.20.bis Describe the assessment process and the areas assessed by the board of directors, with the help of an external consultant, if any, regarding the diversity of its composition and competences, its performance and the composition of its committees, the performance of the chairman of the board of directors and the first executive of the Company and the performance and contribution of each director.**

The annual assessment process of the Board is conducted internally with the help of an external consultant.

The process is initiated by sending a questionnaire to each of the directors, who are given a deadline for filling it in and returning it to the Board Secretary's Office. Filling in the form is voluntary for directors and the confidentiality of their answers is guaranteed.

The questionnaire is divided into five sections or areas:

1) First, questions are asked about the Board of Directors, using 13 different questions in an attempt to assess how the different aspects of the administration body work. These questions include one on whether the composition of the Board is adequate with regard to the suitability of the directors and the mix of knowledge and skills.

2) Section two asks about the Board of Directors' Committees in four different questions, in an attempt to assess whether they are adequate in their composition and functions to advise the Board and prepare their resolutions and other features concerning their performance.

3) Section three is a block of questions about the Chair and first executive, regarding his/her performance at the head of the Board. There are 8 questions in this section that assess different aspects of the job.

4) Section four of the questionnaire briefly analyses the job done by the Board Secretary in four

questions.

5) Finally, the last section concerns the individual assessment of each director, including questions on the performance and skill building of each member of the board.

After receiving the questionnaires, the company Secretary analyses the answers and a report is drafted with the results, highlighting the areas where there is room for improvement and proposing a range of actions to correct any deficiencies detected.

The Appointments, Remuneration and Corporate Governance Committee then meets for the Secretary to present the work done and the Committee approves a report on the results of the self-assessment and an Action or Improvement Plan.

These documents are then revised at a Meeting of the Board of Directors, which, in the event of considering them adequate, adopts them.

#### C.1.20.ter Breakdown of the business relations between the consultant, or any Company of its group, and the Company or any Company of its group, if any.

Not applicable

#### C.1.21 Indicate the circumstances under which directors are obliged to resign

Proprietary Directors must resign if the shareholder that they represent sells its corporate holding in full or if said shareholder reduces its shareholding to a level that requires a reduction in the number of its Proprietary Directors (art. 3.3 of the Board of Directors Regulations).

The Board should not propose the removal of any Independent Director before completing the statutory period for which he or she had been appointed, unless there is just cause, appreciated by the Board after receiving a report from the Corporate Governance Committee. Just cause will be understood to exist if the Director had failed to comply with any of the duties inherent to the office or has incurred any of the circumstances that would impede him or her from being considered Independent (art. 3.4 of the Board of Directors Regulations).

The removal of Independent Directors can also be proposed as the result of Public Take Over Bids, mergers or other similar corporate operations that represent a change in the Company's capital structure if such changes in the structure of the Board are propitiated by the proportionality criterion indicated in article 1.9 of these Regulations (art. 3.5 of the Board of Directors Regulations).

Directors are obliged to resign in those circumstances that may bring the Company's credit and reputation into disrepute (art. 3.6 of the Board of Directors Regulations).

If a Director steps down from office before the end of his or her term of office, either because he/she resigns or for any other reason, he/she must explain the reasons in a letter that he/she will send to all the members of the Board (art. 3.7 of the Board of Directors Regulations).

#### C.1.22 Section repealed

#### C.1.23 Are reinforced majorities required, other than the legally established ones, in any kind of resolution?

Yes

No X

Describe the differences, if any

#### C.1.24 Explain whether there are specific requirements, other than those concerning directors, to be appointed chair of the board of directors.

Yes

No X

C.1.25 Indicate whether the chair has a casting vote:

Yes                      No X

C.1.26 Indicate whether the corporate by-laws or the board regulations set any limit on the age of directors:

Yes                      No X

C.1.27 Indicate whether the by-laws or board regulations establish a limited term of office for independent directors, other than the one established in the legislation:

Yes                      No X

C.1.28 Indicate whether the by-laws or the board of directors regulations establish specific rules for delegating votes at meetings, how this is done and, in particular, the maximum number of proxies that a director can hold and whether any limit has been established regarding the categories in which it is possible to delegate, beyond the limits imposed by the legislation. If so, give brief details of such rules.

Article 24.13 of the Corporate By-Laws states that Directors may delegate their attendance and vote in any other Director in writing, except for non-executive directors, who may only name another non-executive director as their proxy.

Article 4.1.d. of the Board of Directors Regulations, in turn, while establishing the duty of Directors to attend the meetings of the bodies they form part of, also states that absences must be reduced to the absolutely necessary cases and, in these cases, directors must confer their representation in another member of the Board, in writing and addressed to the Chair of the Board, with instructions and as a special case for each meeting. Non-executive directors may only name another non-executive director as a proxy.

Apart from the above, there are no rules about proxy votes, as the Company has not considered it necessary to regulate this matter, as there have been practically no proxy votes in recent years.

C.1.29 Indicate the number of meetings that the Board of Directors has held during the year. Indicate the number of times that the board has met without the attendance of its chair, if any. The calculation will consider proxies made with specific instructions as attendances.

<b>Number of board meetings</b>	13
<b>Number of board meetings without the attendance of the chair</b>	0

If the chair is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead director.

<b>Number of meetings</b>	0
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Indicate the number of meetings of the different board committees held in the year:

Committee	No. of meetings
COMPLIANCE COMMITTEE	6

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	10
AUDIT COMMITTEE	15

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with the attendance of all its members. Proxies granted with specific instructions will be considered attendances in the calculation:

<b>Number of meetings with attendance of all directors</b>	<b>11</b>
<b>% of all votes in attendance during the year</b>	<b>96.72%</b>

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the board for adoption are previously certified:

Yes    ☒    No

Identify the person/s, if any who has/have certified the company's individual and consolidated annual accounts, for filing by the board:

<b>Name</b>	<b>Office</b>
MR ANGEL CORZO UCEDA	CHIEF FINANCIAL OFFICER

C.1.32 Explain the mechanisms put in place by the Board of Directors, if any, to prevent the individual and consolidated accounts filed by it from being presented to the general meeting with qualifications in the auditor's report.

Pursuant to article 26.5 of the Corporate By-Laws and article 14.2.e. of the Board of Directors Regulations, one of the competences of the Audit Committee is to maintain relations with the external auditor to receive information on issues that could put the external auditor's independence at risk, and any other issues relating to the process of auditing the accounts, and to receive information and maintain the communications with the auditor established in the legislation.

Article 9.4 of the Board Regulations also states that the Board's relations with the company's external auditors, which shall be channelled through the Audit Committee, will be based on criteria of loyal collaboration and respect for their independence. Every effort will be made to ensure that the annual accounts filed by the Board will have been verified and receive an unqualified report from the auditors. If qualifications cannot be avoided, the Board, the Chairperson of the Audit Committee and the auditors will clearly explain the content and scope of the reservations or qualifications to the shareholders.

C.1.33 Is the board secretary a director?

Yes                      No ☒

If the secretary is not a director, fill in the following table:

Name or Company name of the secretary	Representative
MR LUIS ARGÜELLO ALVAREZ	

#### C.1.34 Section repealed

#### C.1.35 Indicate the mechanisms put in place by the company, if any, to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies

##### - External auditors:

Article 9.4 of the Board of Directors Regulations states that the Board's relations with the external auditors, which shall be channelled through the Audit Committee, will be based on criteria of loyal collaboration and respect for their independence and article 14.2 e) of the same text specifies as the competence of the Audit Committee, maintaining relations with the external auditors to receive information about issues that could put the independence of said external auditors at risk.

The Board Regulations also establishes as one of the functions of the Audit Committee, putting proposals to the Board for the selection, appointment, re-election and replacement of the external auditor and the conditions of its contract and to regularly receive information from the external auditor concerning the audit plan and the results of its implementation, and to verify that the senior management bears in mind its recommendations (art. 14.3.2º, a) and b)).

Finally, article 14.3.2º.c) of the Board Regulations states that it is the responsibility of the Audit Committee to ensure the Independence of the external auditor and, to such end, it must ensure that the Company reports the change of auditor to the Securities Exchange Commission as a relevant event, accompanied by a declaration about the eventual existence of disagreements with the outgoing auditor and, if this were the case, their content. The Committee must also ensure that the Company and the auditor respect the rules in effect regarding the provision of services other than auditing services, the concentration limits of the auditing business and, in general, all other rules established to ensure the Independence of auditors, and, in the event of the resignation of the external auditor, examine the circumstances that have given rise to it.

##### - Independence of financial analysts, investment banks and rating agencies:

Article 9.2 of the Internal Regulations on Behaviour in Securities Markets establishes that general meetings with analysts, investors or the media must be previously planned such that the people taking part in them do not reveal privileged information that has not previously been disclosed to the market.

The investor relations department will channel communications with institutional shareholders and financial analysts covering the Company's share, taking care to ensure that they are not given information that could represent a privilege or an advantage for them, compared with other shareholders, and thus also complying with article 11 of the Internal Rules of Conduct in Securities Markets, which establishes as a prohibited behaviour recommending that third parties conduct transactions (acquisitions, transmissions or transfers of the securities affected) with Privileged Information or induce them to do so.

#### C.1.36 Indicate whether the Company has changed external auditor during the year. If so, identify the outgoing and incoming auditor:

Yes X

No

Outgoing auditor	Incoming auditor
PricewaterhouseCoopers Auditores, S.L.	Ernst & Young S.L.

In the event of disagreements with the out-going auditor, explain their contents:

Yes

No X

C.1.37 Indicate whether the firm of auditors does any other work for the Company and/or its group, other than auditing and if so, state the amount of the fees received for said work and the percentage that this represents of the fees billed to the Company and/or its group:

Yes X

No

	Company	Group	Total
<b>Sum of work other than auditing (€000s)</b>	307	799	1,106
<b>Sum of work other than auditing/ Total amount billed by Firm of auditors (as %)</b>	60.57%	35.88%	40.17%

C.1.38 Indicate whether the auditor's report on last year's annual accounts presented reservations or qualifications. If so, indicate the reasons given by the chairperson of the audit committee to explain the content and scope of such reservations or qualifications.

Yes

No X

C.1.39 Indicate the number of years that the current firm of auditors has been auditing the Company and/or its group's annual accounts without interruption. Indicate also the percentage the number of years the accounts have been audited by the current firm represents of the total number of years in which the annual accounts have been audited:

	Company	Group
<b>Number of years without interruption</b>	1	1
<b>Number of years audited by current firm of auditors/ number of years the company has been audited (as %)</b>	61.11%	61.11%

C.1.40 Indicate whether there is a procedure to provide directors with external advisory services, and if so, provide details:

Yes X

No

#### Details of the procedure

By virtue of article 5.1 of the Codere, S.A. Board of Directors Regulations, apart from having access to the company's services and to be able to compile the information and advice they may need to perform their duties, they will have the power to propose to the Board of Directors the hiring of external advisors, be they financial, legal, commercial or any other kind they may consider necessary for the interests of the company. External advice shall be sought if a majority of the Independent Directors agree in deeming it necessary.

Pursuant to article 13.6 of the previously mentioned Regulations, the Committees may propose external advisory services, apart from the assistance and collaboration of the senior managers and employees of the Company, and the Chairperson of the Board will be required to hire them. Senior managers, employees and external advisors will present their reports directly to the Committee that had asked for them.

C.1.41 Indicate whether there is a procedure to ensure that directors have the necessary information to prepare the meetings of the administration bodies in time:

Yes X

No

<b>Details of the procedure</b>
---------------------------------

Article 12 of the Codere S.A. Board Regulations establishes that ordinary meetings will be convened by letter, fax, telegram or electronic mail, and this will be authorised by the signature of the Chairperson or the Secretary or Deputy Secretary on the orders of the Chair. The meeting notice will be sent out with sufficient notice for all Directors to receive it no later than five days before the date of the meeting. The meeting notice will always include the agenda for the meeting and it will be accompanied by whatever written information is suitable in accordance with the Regulations. Exceptionally, when for reasons of urgency, the chairperson wishes to put decisions or resolutions that do not appear on the agenda to the board for approval, the express and prior consent of a majority of the directors present will be required, and this fact will be recorded in the minutes.

However, if, in the opinion of the Chair, exceptional circumstances so require, a Board meeting can be convened by telephone, fax or electronic mail, without observing the aforementioned notice period (but at least 24 hours' notice shall be given) and this will not be accompanied by the aforesaid information, having advised Directors of the possibility of examining it in the office.

Notwithstanding the above, for Board meetings dealing with modifications to the Regulations, article 18 increases the aforementioned notice period, indicating that any proposal to modify the Regulations of the Board of Directors must be included in the meeting agenda, which will be convened with at least ten days' notice to facilitate their study and appraisal.

C.1.42 Indicate whether the Company has established rules obliging directors to report and resign in circumstances that may bring the credit and reputation of the Company into disrepute, and if so, provide details:

Yes X

No

<b>Explain the rules</b>
--------------------------

Article 3.6 of the Board Regulations indicates that Directors are obliged to resign in situations that may bring the Company's credit and reputation into disrepute, and they are required to inform the Board of any criminal cases they are involved in as defendants and of all and any later vicissitudes in these actions. Should a Director be tried or a court order against him be handed down for a court hearing to be held concerning any of the offences listed in article 213 of the Capital Enterprises Act, the Board will examine the case as soon as possible and, in light of the specific circumstances, will decide whether or not it is fitting that the Director continue in office. The Board will explain all of this in a reasoned manner, 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 indicted or tried for any of the offences indicated in article 213 of the Capital Enterprises Act:

Yes

No X

Indicate whether the board of directors has analysed the case. If the answer is affirmative, explain, with grounds, the decision taken as to whether or not it is fitting for the director to continue in office, or explain that actions taken by the board of directors up to the date of this report, or the actions they propose taking.

C.1.44 List the significant agreements signed by the Company that come into effect, are modified or conclude in the event of a change of control over the Company due to a take-over bid, and their effects.

1. Super senior revolving facilities agreement of the 24th of October 2016 amounting to EUR 95,000,000. In the event of a change in Control, any of the lenders can cancel their financing commitments under the credit contract, within certain deadlines, and declare due all their loans and down payments, along with the interest accrued, and

any other amounts accrued that they may be entitled to under the agreement. The Company will be entitled to replace any lender who opts to cancel its financing commitments under the agreement and declare due all amounts described above provided that it complies with a series of deadlines and requisites.

2. Bond issue of the 8th of November 2016 in US dollars maturing in 2021 at an annual interest of 7.625% amounting to 300 million, and in Euros maturing in 2021 at an annual interest of 6.75% amounting to 500 million. In the event of a change in control, each bond holder would be entitled to require Issuer Codere Finance 2 Luxembourg SA (or the Guarantor Codere S.A. in the event of this Company making the buy-back offer mentioned below) to buy-back all or part thereof (in the bonds denominated in dollars equal to \$200,000 or any multiple of \$1,000 in excess of said sum, in the bonds in euros equal to €100,000 or any multiple of €1,000 in excess of said sum) of the series of Bonds that correspond to said holder in accordance with an offer (a "Change of Control Offer") under the terms of the issue contract. In the Change of Control Offer, the Issuer or Guarantor will offer a payment in cash equivalent to 101% of the total sum of the corresponding series of re-purchased Bonds, plus the interest accrued and not paid and other additional amounts, if any, up to the date of purchase. The Issuer and the Guarantor will not be obliged to make a Change of Control Offer in the event of a change of control (i) if this is made by a third party in its place, provided that the offer is made in accordance with the terms of the issue contract and said third party buys all the Bonds duly offered and not withdrawn under the Change of Control Offer, or (ii) if, prior to the change of control, the Issuer notified the amortisation of all the Bonds in accordance with the terms of the issue contract and then amortises all the Bonds in accordance with said notification.

Furthermore, there is a series of contracts with service providers that contemplate their termination in advance in the event of a change in control of ownership of Codere S.A. (or of the provider) without the prior consent in writing of the other party, although we consider the importance of these agreements to be relative.

C.1.45 Identify in an aggregated fashion and indicate, in detail, the agreements between the Company and its administrative officers and senior management and employees who have compensation, guarantee or ring-fenced clauses, if they resign or are dismissed unfairly or if the contractual relationship comes to an end because of a take-over bid or other kind of operation.

#### **Number of beneficiaries: 4**

##### **Kind of beneficiary:**

Executives

##### **Description of the Agreement:**

In three contracts, the ring fencing consists of paying compensation for dismissal of one year's salary. In the last case, the compensation for dismissal is 18 months.

Indicate whether these contracts have 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 that authorises the clauses</b>	Yes	No

	<b>Yes</b>	<b>No</b>
Is the general meeting informed of the clauses?		X

## **C.2 Board of director committees**

C.2.1 List all the board of director committees, their members and the proportion of executive, proprietary, independent and other external directors comprising them:

## **COMPLIANCE COMMITTEE**

<b>Name</b>	<b>Office</b>	<b>Category</b>
MR JOSEPH ZAPPALA	CHAIRMAN	Independent
MASAMPE, S.L.	MEMBER	Proprietary
MR MANUEL MARTÍNEZ-FIDALGO VÁZQUEZ	MEMBER	Proprietary

<b>% of proprietary directors</b>	66.67%
<b>% of independent directors</b>	33.33%
<b>% of other externals</b>	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and how it works and summarise its most important actions during the year.

The functions of this Committee are set out in article 15 of the Board Regulations. Notwithstanding any other duty that may be assigned by the Board of Directors, the Compliance Committee will have the following competences:

- (a) To monitor compliance of the Company and the Group with domestic and foreign regulations that are applicable in the area of gaming.
- (b) Assess the internal control systems of the Company and the Group, regarding their reporting and transparency obligations in the area of gaming, and make proposals to put in place and improve whatever they may deem necessary or advisable.
- (c) To monitor compliance by the Company and the Group of the regulations on money laundering and their control systems and propose putting in place and improving whatever it may deem necessary or advisable.
- (d) Establish and supervise a mechanism that allows employees, customers, suppliers and other third parties with contractual relations to communicate confidentially and anonymously if they consider this appropriate, any irregularities of potential importance, especially financial and accounting irregularities, which they see within the company.
- (e) To monitor the security systems and measures applied in doing the business of the Company and its Group, and it will be informed periodically by the executives responsible for these matters.

The Compliance Committee will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. Most of the members of this Committee must be external Directors.

Every effort will be made to ensure that the Chairperson of the Compliance Committee is an Independent Director. If a Director that was not an Independent Director be designated Chairperson, the Annual Corporate Governance Report will include a section explaining the specific reasons for this situation.

Operation: The Compliance Committee will meet every time that the Board of Directors asks for a report or the approval of a proposal in the area of its competences and provided that, in the opinion of the Chairperson of the Committee, it is advisable for attaining its purposes.

The most important actions taken during 2016 include the work done to approve a new General Compliance Plan for the Group (which is set to be adopted in early 2017), actions to improve and up-date the Group's Code of Ethics and Conduct and the analysis of the measures adopted to reinforce compliance processes in the area of Prevention of Money Laundering and the Financing of Terrorism.

## **APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE**

<b>Name</b>	<b>Office</b>	<b>Category</b>
MR NORMAN RAUL SORENSEN VALDEZ	CHAIRMAN	Independent
MR MATTHEW CHARLES TURNER	MEMBER	Independent
MR DAVID ANTHONY REGANATO	MEMBER	Proprietary
MASAMPE, S.L.	MEMBER	Proprietary

<b>% of proprietary directors</b>	50.00%
<b>% of independent directors</b>	50.00%
<b>% of other externals</b>	0.00%

Explain the functions assigned to this committee, describe the procedures and rules of organisation and how it works and summarise its most important actions during the year.

Notwithstanding any others that may be assigned to it by the Board, the functions of this Committee are set out in article 16 of the Regulations of the Board of Directors as follows:

- (a) To examine compliance of the Internal Regulation on Conduct with respect to Securities Markets and to make the necessary proposals to improve them and to supervise compliance of the applicable rules of corporate governance in said matters.
- (b) To put reports and proposals to the Board about what decisions to adopt in the event of conflicts of interest.
- (c) To put the Annual Corporate Governance Report to the Board for its approval, along with the Report on the Policy of Remunerating Administrators.
- (d) To make the proposals provided for in these Regulations regarding the remuneration of the members of the Board of Directors.
- (e) To assess the competences, knowledge and experience necessary on the Board, and consequently, define the functions and skills necessary in candidates to cover each vacancy and assess the time and dedication necessary to perform their duties properly; to periodically assess the suitability of the Company corporate governance system, paying attention to promoting the corporate interest and considering the legitimate interests of the different stakeholders.
- (f) To make proposals to the Board with respect to its functions – appointments or proposals – concerning the composition of the Board and its Committees, and specifically, propose appointments of independent directors to be designated by co-optation, or to be put to the General Meeting of Shareholders for a decision, together with proposals for re-election or removal of said directors by the General Meeting of shareholders; Inform of the appointment of the other directors, to be designated by co-optation or to put the decision to the general meeting of shareholders, together with proposals for their re-election or removal by the general meeting of shareholders.
- (g) To inform of appointments and terminations of senior executives that the first executive proposes to the Board.
- (h) To inform the Board, when fitting, about issues of gender diversity set out in article 1.12.
- (i) To put proposals to the Board of Directors regarding the remuneration of the Executive Chairperson as the company's first executive officer, or of the other executive directors, irrespective of the remuneration they receive as Directors pursuant to the By-Laws, and regarding all other conditions of their contracts; to examine and organise the succession of the Chairperson of the Board of Directors and of the Company's first executive, and propose a succession plan to the Board of Directors that ensures that it will unfold in an orderly fashion.
- (j) Propose a general policy for the remuneration of senior management of the Company and its subsidiary and portfolio companies to the Board, along with the basic conditions of the contracts of the senior management.
- (k) Establish guidelines and supervise actions taken regarding the appointment, selection, career path, promotion, dismissal of executives, so that the Company has the highly qualified staff that it needs for its management.
- (l) To put proposals to the Board and prepare the examination of the issues that this must know about, in areas that are not the specific competence of one of the other Committees, provided that this is deemed necessary.
- (m) Set a representation target for the least-represented sex on the board of directors and draft guidelines on how to attain the target.
- (n) Propose the remuneration policy for directors and general managers, or whosoever may be responsible for their senior management duties, reporting directly to the board or C.E.O. to the board of directors and covering the individual remuneration and other contractual conditions of executive directors and ensure these are observed.
- (o) To supervise and revise the corporate social responsibility policy and practises of the Company, and propose the necessary modifications to its structure and implementation to the Board of Directors, to ensure its orientation and value creation; periodically assess the degree of compliance of said policy and practises.
- (p) To co-ordinate the process of financial and non-financial reporting and on diversity and, in general, any kind not expressly assigned to other Committees.

The Appointments, Remunerations and Corporate Governance Committee, which also integrates the character and functions that the Unified Code of Good Governance of listed companies recommends for the Appointments and Remuneration Committee, will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. All the members of said Committee must be external Directors and at least two must be Independent Directors.

The Chairperson of the Appointments, Remuneration and Corporate Governance Committee shall be designated from among the Independent Directors.

The most important actions over the year can be summarised in five areas: proposals put to the Board regarding the composition of the Board and its Committees; annual assessment of how the Board, its Committees and the Chairperson of the Board work, and proposing and monitoring an Action Plan to correct any deficiencies detected; put proposals to the Board concerning the Securities Markets with respect to remuneration of the members of the Board; to examine compliance of the Internal Rules of Conduct concerning Securities Markets and make the necessary proposals for improvement, and put proposals to the Board for adopting the Corporate Social Responsibility Policy.

## **AUDIT COMMITTEE**

<b>Name</b>	<b>Office</b>	<b>Category</b>
MR MATTHEW CHARLES TURNER	CHAIRMAN	Independent
MR NORMAL RAUL SORENSEN VALDEZ	MEMBER	Independent
MR TIMOTHY PAUL LAVELLE	MEMBER	Proprietary

<b>% of proprietary directors</b>	33.33%
<b>% of independent directors</b>	66.67%
<b>% of other externals</b>	0.00%

Explain the functions attributed to this committee, describe the organisation procedures and rules and how it works and summarise its most important actions during the year.

The competences of the Committee are set out in article 14 of the Regulations of the Board of Directors. By way of a summary, some of these are as follows:

- (a) To inform the general meeting of shareholders about issues brought up by shareholders in the area of competence of the Audit Committee
- (b) To propose to the Board of Directors, the appointment of external auditors, for the Board to put these to the general meeting of shareholders
- (c) To supervise the internal audit services.
- (d) To know the financial reporting process and the internal control systems.
- (e) To maintain relations with the external auditor to receive information about issues that could put said auditor's Independence at risk, and any other issues relating to the implementation of the audit process, and to receive information and maintain the communications with the auditor established in the legislation.
- (f) To inform about the annual accounts and about the issue brochures and about periodic quarterly or six-monthly financial reporting that must be filed with the regulating bodies, paying special attention to compliance with legal requirements and the correct application of generally-accepted accounting principles, and to the existence of internal control systems and their monitoring and compliance of internal audit.
- (g) Once a year, draft a succinct report on the activities carried out by the Committee
- (h) The supervision of the communications strategy and relations with shareholders and investors, including small and medium-sized shareholders.
- (i) The supervision and assessment of the processes of relations with the different stakeholders.

Furthermore, the Committee has a range of competences relating to information and internal control systems, external audit and information provided to the Board, after this has adopted the resolutions reserved for it pursuant to article 7.17 of the Regulations.

The Audit Committee will be comprised of a minimum of three and a maximum of six members designated by the Board of Directors. All the members of this Committee must be external Directors, and at least two of them must be independent directors.

Its members, and especially the Chairperson, will be designated bearing in mind his or her knowledge and experience in accounting, auditing and risk management.

The Chair of the Audit Committee must be an Independent Director, and must be replaced every two years, and may be re-elected one year after stepping down from his or her term in office.

Identify the member of the audit committee designated bearing in mind his/her knowledge and experience in accounting, auditing or both and report the number of years that the Chairperson of this committee has held the office.

<b>Name of director with experience</b>	MR MATTHEW CHARLES TURNER
<b>No of years chair in office</b>	

C.2.2 Complete the following table with information on the number of female directors on the board of directors' committees in the last four years:

	Number of female directors							
	2016		2015		2014		2013	
	Number	%	Number	%	Number	%	Number	%
COMPLIANCE COMMITTEE	0	0.00%	1	20.00%	0	0.00%	0	0.00%
APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE	0	0.00%	1	20.00%	0	0.00%	0	0.00%
AUDIT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section repealed

C.2.4 Section repealed

C.2.5 Indicate the existence of Board Committee regulations, if any, where they are available for consultation and the changes made to them during the year. State also if an annual report has been drawn voluntarily about the activities of each committee.

#### AUDIT COMMITTEE:

The organization and operation of the Audit Committee is regulated in detail in article 14 of the Board of Directors Regulation, and in article 26 of the Articles of Association. During 2016, the Board Regulations have been modified, including new roles for the Audit Committee. (The supervision of the communication strategy with shareholders and investors and the supervision and evaluation of the relations with the different stakeholders). These regulatory texts are available at the Codere website ([www.codere.com](http://www.codere.com)).

The Audit Committee prepares an annual report on the activities carried out during the year, and it is made available to shareholders at the General Shareholders' Meeting.

#### APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE

The organization and operation of the Appointment, Remuneration and Corporate Governance Committee is detailed in article 16 of the Board Regulations. The Board Regulation was modified during 2016, and regarding this Committee, not only its name was changed (formerly Corporate Governance Committee), but it took on new competences to adapt them to those indicated in the Law on Corporations (such as the periodic evaluation of the corporate governance system of the Company, or the examination and organization of the succession of the Chairman of the Board and the Company's CEO). The Board Regulation is available at the Codere website ([www.codere.com](http://www.codere.com)).

The Appointment, Remuneration and Corporate Governance Committee prepares an annual report on the activities carried out during the year, which is made available to shareholders at the General Shareholders' Meeting.

#### COMPLIANCE COMMITTEE:

The organization and operation of the Compliance Committee is regulated in detail on article 15 of the Board Regulation. This article has not been amended during 2016 and is available at the Codere website ([www.codere.com](http://www.codere.com)).

The Compliance Committee prepares an annual report on the activities carried out during the year, which is made available to shareholders at the General Shareholder's Meeting.

C.2.6 Section repealed.

## D RELATED PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain, if applicable, the procedure for the approval of related party and intra-group transactions.

### Procedure for reporting the authorization of related party transactions

Article 7 of the Board Regulations of Codere S.A. provides that the Board will be responsible for approving related party transactions, after receiving a favorable report from the Audit Committee (Art. 14.3.3º.c). The Directors affected by these transactions must not exercise or delegate their right to vote, and must leave the meeting room while the Board deliberates and takes a vote on these transactions.

However, the authorization of the Board will not be required for the related party transactions that meet all three conditions:

- (i) That are conducted according to contracts with standardized clauses and are applied indiscriminately to many clients;
- (ii) That are conducted at prices or rates established generally by the supplier of the good or service in question;
- (iii) Whose amount does not exceed 1% of the annual revenues of the Company.

D.2 Detail the most significant transactions carried out, whether for their amount or their materiality, between the company or entities of its group, and the core shareholders of the company:

Name or corporate name of the core shareholder	Name or corporate name of the company or entity of the group	Nature of the relationship	Type of transactions	Amount (thousand Euro)
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	CODERE NEWCO S.A.U.	Contractual	Others	457
SILVER POINT LUXEMBOURG PLATFORM S.A.R.L.	CODERE FINANCE (LUXEMBOURG) S.A.	Contractual	Others	442

D.3 Detail the most significant transactions carried out, whether for their amount or their materiality, between the Company and entities of its group, and the directors or managers of the Company:

Name or corporate name of the directors or managers	Name or corporate name of the related party	Relationship	Nature of the transactions	Amount (thousand Euro)
MRS. ENCARNACIÓN MARTÍNEZ SAMPEDRO	CODERE, S.A.	DIRECTOR	Financing agreements: loans	531
MR. LUIS JAVIER MARTÍNEZ SAMPEDRO	CODERE, S.A.	DIRECTOR	Financial agreements: loans	1,065
MR. PÍO CABANILLAS ALONSO	CODERE, S.A.	Pío Cabanillas Alonso is the private individual representing Masampe S.L., member of the Board of Directors of CODERE S.A. and	Service provision	291

		Codere S.A.U. Newco		
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	CODERE S.A.	DIRECTOR	Service provision	22
MR. JOSÉ RAMÓN ROMERO RODRÍGUEZ	COEDER MEXICO S.A. DE C.V.	DIRECTOR	Service provision	94

**D.4 Report the significant transactions carried out by the company with other entities of the group, provided that they are not deleted in the process of preparation of consolidated financial statements and are not part of the usual business of the company in their purpose or conditions.**

In any case, any intra-group transactions carried out with companies established in countries or territories considered as tax havens must be reported:

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

579 (thousand Euro).

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

Article 4 of the Board Regulations of Codere S.A. list among the duties of the Directors their loyalty to the social interest of the company and, to that end, section 4.d establishes that they must communicate to the Board of Directors any situation of conflict, either direct or indirect; they may have with the interests of the Company. In case of conflict, the Director concerned will abstain from intervening in the transaction the conflict refers to. conflict of interest situations shall be reported in the annual report.

Article 16 of said Regulations establishes the composition, operation and competences of the Appointment, Remuneration and Corporate Governance Committee must present reports and proposals to the Board about the decisions to be adopted in the alleged conflicts of interest.

Article 14.3.3º.c) of the Board Regulations establishes that it is the duty of the Audit Committee to report to the Board, before the Board adopts the decisions reserved to it according to article 7.17 on related party transactions.

Additionally, article 18 of Codere's Internal Code of Conduct in the Stock Market establishes that the persons concerned that may have access to privileged information must adapt their actions related to the conflict of interest not only to the provisions of said Regulation, but also to the Board Regulations, in as far as it is applicable.

When a situation arises that represents, or may potentially represent a conflict of interest, the person subject to the Internal Code of Conduct in the Stock Market must report it immediately to the Secretary or Under-Secretary of the Board, and provide him with all the information that they may request in order to evaluate the circumstances of the case, if applicable.

The Secretary or Under-Secretary will report to the Appointment, Remuneration and Corporate Governance Committee so that it can adopt the appropriate measures. The Appointment, Remuneration and Corporate Governance Committee must consult any doubt on the possible existence of a conflict of interest before adopting any decision that may be potentially affected by said conflict of interest.

The Secretary or Under-Secretary of the Board of Directors will report the conflict of interest to the person or persons concerned with managing the situation or adopting the decisions related to the conflict.

Anyone subject to the Regulation that is affected by a situation of conflict of interest will abstain from intervening or influencing, either directly or indirectly, in the transaction, decision or situation related to the conflict.

In case of a conflict of interests, and as a rule resulting from the duty of loyalty to the Company, the interest of the Company and its Group will prevail over that of the person concerned.

**D.7 Is there more than listed Company of the Group in Spain?**

Yes

No X

Identify the subsidiary companies listed in Spain:

**Listed subsidiary company**

Indicate whether the respective areas of activity and business relations between them have been publicly defined accurately, as well as those between the listed subsidiary and the rest of the companies of the Group;

**Define the business relations between the parent company of the group and the listed subsidiary, and between the latter and the rest of the companies of the group**

Identify the mechanisms contemplated to resolve possible conflicts of interest between the listed subsidiary and the rest of companies of the group:

**Mechanisms to resolve potential conflicts of interest**

## **E RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1 Describe the scope of the Risk Management System of the Company, including fiscal risks.**

There is a Risk Management System at business area or project level, but it does not consolidate information at the corporate or group level.

During 2012, the Board of Directors adopted the Risks Control and Management Policy, and the Risk Tolerance Document.

The Risk Control and Management Policy of the Codere Group seeks to establish the basic principles and the framework for action for the control and management of all the types of risks that the Group faces.

All the actions aimed at controlling and mitigating risks must respond at all times to some basic action principles, such as the integration of a risk-opportunity vision; operational segregation of the risk-taking areas and the areas responsible for their analysis, control and supervision; the guarantee of an appropriate use of the risk hedging instruments and the assurance of the correct compliance of the corporate governance rules and the values defined by the company in its Ethical Code.

The risk management and control policy and its basic principles are materialized through a risk control and management system, supported by a definition and assignment of roles and duties at operational level, and procedures and methodologies appropriate to the different phases and activities of the system. The main phases and activities include, among others:

- a. Definition of risk tolerance by the Board of Directors.
- b. Annual identification and analysis of relevant risks carried out by the heads of every Business Unit and/or department.
- c. Report of the main risks, especially those above the limits established by the Board of Directors.
- d. Implementation and compliance control of policies, guidelines and limits, through the appropriate procedures and systems necessary to mitigate the impact of the materialization of risks.
- e. Evaluation and periodic communication, at least annually, of the results of the monitoring of the risk control and management.
- f. System audit conducted by the Internal Audit Department.

Regarding the fiscal risk management system, the Board of Directors of the Group adopted on June 29 2015 the Corporate Fiscal Policy of the Codere Group. Through this policy, the fiscal policies that govern the course of action of the Group, adopting specific management measures to manage tax risk and an appropriate internal control system on fiscal issues.

Additionally, a specific procedure manual has been drafted for the control and management of fiscal risks, and for the monitoring of the internal fiscal information and control systems of the Group.

Close collaboration is established with the Internal Audit Department so that all necessary controls for the supervision of compliance with the monitoring and control of fiscal risks are incorporated to their action plans every year.

## E.2 Identify the bodies of the company responsible for the preparation and implementation of the Risk Management System, including fiscal risks.

Article 7 of the Board Regulations of Codere S.A. establishes a number of competences that the Board of Directors reserves for itself, including the risk management and control policy, including fiscal risks, and the periodic monitoring of the internal information and control systems.

Article 26 of the Corporate By-Laws establishes that the Audit Committee will be responsible, among other duties, of supervising the efficacy of the company's internal control, internal audit and, if applicable, risk management systems. Furthermore, article 14.3 of the Board Regulations establishes that it is the duty of the Audit Committee especially to review periodically the internal risk management and control systems, including fiscal risks, so that the main risks can be identified, managed and reported appropriately. Finally, the Board of Directors has granted the Audit Committee (which in turn has delegated on to the Internal Audit Committee) the responsibility of reviewing periodically the internal risk control and management systems, so that the main risks are identified, managed and reported appropriately. Additionally, at least once a year, the Audit Committee must report to the Board of Directors on matters related to risk control and the deficiencies detected, if any, by the internal audit reports or during the performance of their duties.

Additionally, during 2015, the Board of Directors adopted the Corporate Fiscal Policy of the Codere Group, which included the duty of the Board to ensure compliance of the principles and rules contained in said Policy. Furthermore, it established that the monitoring of said tax principles and good practices is the duty of the Chairman of the Board, CEO and Senior Managers, with the support of the Audit Committee, who will supervise the efficiency of the fiscal risk management and control systems, and will report periodically to the Board on some specific aspects of the policy.

## E.3 Indicate the main risks, including financial risks, which may affect the achievement of the business goals.

The Risk Control and Management Policy includes an identification and definition of the types of risks relevant for the Group, which are generally those listed below:

- Corporate Governance Risks: The Company assumes the strategy of maximizing in a sustained manner the economic value of the Company and its long-term goals, taking into account the legitimate interests, public or private, of the different stakeholders, communities and territories where the Group operates, and of its employees. To this end, it is essential to comply with the corporate governance systems of the Group inspired by the good governance recommendations generally recognized in financial markets.
- Operational and Loss of Income Risks: these are defined as the uncertainty about the behavior of key business variables, and those referred to direct or indirect economic losses caused by inappropriate internal processes, technological failures, human errors or errors resulting from external events, including their economic, social and reputational impact.
- Regulatory and Institutional Relations Risks: these are the risks stemming from regulatory changes established by the different regulators where the Group has a presence, mainly related to the conditions for the operation of the licenses granted, and which may have a negative effect on expected revenues. They also include risks resulting from delays, complications, and even the impossibility of undertaking projects, improvements, new product offerings, etc. due to difficulties in the relations with regulatory bodies.
- Fiscal Risks: derived from the different interpretations regulators may make of the fiscal criteria followed by the Group, in case of a tax inspection.
- Indebtedness Risk: Because of the size and characteristics of the indebtedness, the debt servicing obligations may represent an obstacle for the growth of the operations of the Group and restrain its evolution. Because of the obligations entered into in indebtedness operations, there are limits to additional indebtedness, possibility to grant new guarantees, to invest in some goods or to dispose of them, and the obligation to meet certain ratios and covenants.
- Country Risk: Risks stemming from the social and political situation of the countries in which it operates, especially in Latin American countries. This category also includes the risks derived mainly from the fluctuation of exchange rates against the Euro of the local currencies in the countries where the Group operates.
- Technological Risk: they refer to the negative impact to the Group of losses due to interruption, failure or damage of the IT and technological gambling platforms.
- Reputational Risk: Potential negative impact on the Group's value resulting from poor performance of the company, below the expectations generated by the different stakeholders.

## E.4 Identify whether the Company has a risk tolerance level, including fiscal risks.

The risks management and control policy of the Codere Group establishes that the Board of Directors of Codere, S.A. is responsible for the definition of the risk tolerance of the Group.

The definitions of the risk tolerance and risk level are updated periodically and communicated to the rest of the organization through the establishment of a structure of policies, guidelines and restrictions, and the corresponding mechanisms for their approval, which allows for an efficient risk management according to the risk tolerance of the Company.

To this end, a scale with five levels of risk tolerance has been established. Each of the types of risk that the Group is subject to is assigned a value in this scale, thus establishing the tolerance for each risk type.

On the other hand, it is the duty of the Board of Directors of Codere SA to authorize transactions of special fiscal relevance, i.e. those that due to their special characteristics, their strategic nature or their level of materiality may represent a significant fiscal risk for the Codere Group.

Risk analysis is decentralized to the heads of each Business Unit and/or department, who are responsible to know and manage each of the risks that affect them. According to these analyses, the main risks must be reported, especially those above the limits established by the Board of Directors.

## E.5 Indicate which risks, including fiscal risks, have materialized during the year.

Operational risks:

Circumstances that caused them: These are intrinsic risks to the business model, the Group's activity and the markets in which it operates; therefore, they exist and materialize during the fiscal year.

Operation of the control systems: The internal control systems established by the Group have operated during the year, and as a result, these risks have had no significant impact on the Group's financial statements.

Regulatory risks:

Circumstances that caused them: During the year, several exceptional factors have taken place, due to regulatory changes established by different regulators or by different administrative bodies in the countries where the Group is present. These include higher income taxes on gambling in some jurisdictions where the Group operates (Argentina, Italy, Colombia, Panama, etc.).

Operation of the control systems: As soon as these risks and threats are detected, the appropriate mitigation plans are implemented, either through the participation of the Group in the sectoral associations, or through institutional relations, and through the establishment of process optimization and improved operational efficiency plans in order to recover the margin levels expected.

Fiscal risks:

Circumstances that caused them: During 2016, concluded the tax inspection of the Mexican company Codere México and one of its subsidiaries for the years 2008 and 2009. As a result, the Mexican companies filed supplementary tax returns for those years for an amount of 59.5 Million Mexican Pesos. Additionally, due to a different interpretation of the tax rule, tax authorities filed a tax inspection for an amount of 66.7 Million Mexican Pesos, that the company will appeal against in court.

Finally, during 2016 the appeals filed by the Mexican subsidiaries (Codere México and Operadora de Espectáculos Deportivos) were resolved in favor of the subsidiaries. Nonetheless, new appeals have been lodged against the competent Court for a final defense of the Group's arguments against the tax assessments opened by Comercio Exterior in the case of Codere México and IEPS in the case of Operadora de Espectáculos Deportivos. As to Codere México's appeal of the 2008 Corporate Tax, the process is still ongoing, and the expert evidence was filed with the Court during 2016.

On the other hand, in the Appeal lodged by Impuestos Estatales de Distrito Federal in the case of Operadora Cantabria, the Court decided in favor of our subsidiary and the tax assessment report was declared void.

Operation of the control systems: The control mechanisms established had identified the main risks and contingencies existing, which allowed applying the corrective mechanisms contemplated.

Indebtedness Risk:

Circumstances that caused it: Due to the cash-flow tensions, the Group has suffered during the year, and due to several factors, the Group has found itself in a cash deficit situation, and was unable to pay the coupons of the bonds issued by the company, or the maturity of the senior SFA credit line.

Operation of the control systems: On 23 September 2014, a Lock-up agreement was entered into between Codere S.A., Codere Finance Luxembourg S.A. and some companies of the Codere Group with the holders, for approximately 96.45% of the Euro bonds and 97.47% of Dollar bonds.

During April 2016, the process of financial restructuring of the Codere Group was completed, during which the bonds issued so far were refinanced.

Later, in November 2016, the bonds restructured in April 2016 were refinanced. This refinancing entailed the issue of 500 Million Euros of total aggregated principal amount of senior covered bonds maturing on 1 November 2021, and 300 Million US Dollars of total aggregated principal amount of senior covered bonds maturing on 1 November 2021. Additionally, Codere S.A. as guarantor parent company and Codere Newco S.A.U. as borrower, among others, entered on 24 October 2016 a revolving super senior multicurrency loan agreement for 95 M€.

#### Country Risk:

Circumstances that caused it: The existing sociopolitical instability on Argentina created difficulties and restrictions to the repatriation of funds back to Spain; the impact of inflation and currency devaluation versus Euro.

Operation of control systems: Once the restrictions are identified, risk was managed through institutional relations and the search for alternative funding sources.

### E.6 Describe the response and oversight plans for the main risks of the Company, including fiscal risks.

At least once a year, at the start of the budgeting period, the heads of every Business Unit and/or department identify and report the main risks they are exposed to which prevent the fulfilment of the strategic goals defined by the Group.

On the other hand, the different Business Units prepare annually their Main Risk Maps, evaluating their likelihood of occurrence and the potential impact. These maps are consolidated and approved by the Audit Committee before their presentation to the Board.

Finally, the Fiscal Risk Map is also drawn up and reported to the Board of Directors.

Based on the information on risks received by the Board, it establishes different measures aimed at mitigating the impact of risks materializing.

Additionally, depending on whether the risks materialize, the appearance of new risks or changes in their likelihood or impact, Internal Audit plans are modified to adapt to these risks.

## F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS RELATED TO THE PROCESS OF ISSUANCE OF FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms that compose your risk management and control systems related to the process of issuance of financial information in your company.

### F.1 Control environmental of the entity

Indicate, listing their main characteristics, at least:

F.1.1 What are the bodies and/or functions responsible for (i) the existence and maintenance of a financial information control system; (ii) its implementation; and (iii) its supervision.

(i) The Board of Directors is responsible for the approval of the Risk Control and Management Policy, and for the periodic follow-up of the internal information and control systems, as provided on article 7 of the Board Regulations.

(ii) The implementation and maintenance of the Financial Information Internal Control System is the responsibility of the Corporate Economic Financial Senior Management, and the Economic and Financial Senior Management of the different Business Units. Furthermore, the different General Directorates are responsible for its effective implementation in their respective areas of activity.

(iii) The Audit Committee is responsible for the supervision of the Internal Control System. Its duties as a Committee of the Board of Directors, include the following:

- (a) Supervise the process of preparation and the integrity of the financial information of the Company or the group, where applicable, reviewing compliance of regulatory requirements, the correct definition of the consolidation perimeter and the appropriate application of accounting criteria.
- (b) Review periodically the internal risk control and management system, so that the main risks can be identified, managed and reported appropriately, including fiscal risks.
- (c) Protect the independence and efficacy of the internal audit function; to propose the selection, appointment, re-election and dismissal of the head of internal audit; to propose the budget for this service; to receive information periodically about its activities; and to check that the senior management takes into consideration the conclusions and recommendations included in their reports.
- (d) Report at least once a year to the Board of Directors on risk control issues and the deficiencies detected, if any, in the internal audit report or in the performance of the previously mentioned functions.

#### F.1.2 Are the following elements present, especially in relation to the process of preparation of financial information:

- Departments and/or mechanisms responsible: (i) for the design and review of the organizational structure, (ii) to define clearly the lines of responsibility and authority, with the right distribution of tasks and functions; and (iii) to see to it that there are enough procedures for their appropriate dissemination through the entity.

The Company has an organization structure that has developed the main lines of responsibility and authority in the different processes, for each business unit and each of the relevant geographic areas of the Group. The Human Resources Senior Management and the Operational Heads participate in their design and review. These lines of responsibility and authority are communicated at the required levels with different levels of formalization. Furthermore, the Company has a clear and up to date power policy that represents the highest expression of the lines of authority.

The Board of Directors, under proposal by the CEO of the Company, reserves itself the competence for the appointment and dismissal of the Senior Managers, while the Appointment, Remuneration and Corporate Governance Committee is additionally charged with reporting appointments and dismissals of senior managers proposed by the CEO to the Board, and to establish the guidelines and to supervise the actions related to the appointment, selection, career development, promotion and dismissals of managers (in order for the company to have the highly-qualified staff required for its management).

- Code of conduct, approving body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions to the record of transactions and the preparation of financial information), body in charge of analyzing non-compliances and to propose corrective actions and penalties.

The internal regulation of the Group regarding Conduct is summarized as follows:

- 1) Ethical and Conduct Code that includes corporate ethics and transparency principles in all areas of action (approved by the Board of Directors of Codere, S.A. in its 27 January 2011 session).

The Ethical and Conduct Code has been disseminated and communicated to the whole Group, and is available at the corporate website [www.codere.com](http://www.codere.com). Additionally, the local HR department in each country is responsible to facilitate a copy of the Ethical Code to every new employee joining the Codere Group.

Among the values described in the Ethical and Conduct Code, regarding those related to the Codere Group Environment (Section V of "The Codere Group Environment"), article 5.2 "Accurate, adequate and useful information", describes how the Codere Group must inform accurately, adequately and usefully of its policies and actions. Specifically, regarding the economic financial information, especially the Annual Statements, must reflect the economic, financial and equity reality, according to generally accepted accounting principles, and the applicable international financial information standards. To this end, no professional will conceal or distort the information in the accounting records and reports of the Codere Group.

Lack of honesty regarding the financial information is contrary to the Ethical and Conduct Code, and the delivery of incorrect information, the wrongful organization of information or the attempt to confuse the persons receiving the information is considered as dishonest.

The Board of Directors is the body responsible for the approval and dissemination of the Ethical Code, and the Corporate Security and Compliance Department is the area in charge of its compliance, and proposes corrective actions and the corresponding penalties.

When it is determined that a professional of the Codere Group has undertaken activities that violates the provisions of the Law or the Ethical Code, the appropriate disciplinary measures will be adopted according to the penalty system contemplated in the Collective Agreement of the Company they belong to and the applicable labor legislation. The bodies responsible in the Group's companies will adopt additionally whatever measures are appropriate to rectify the situation back to a full compliance with the law and the values, rules and criteria of the Ethical Code.

- 2) An Internal Code of Conduct related to stock markets that determines the criteria for the conduct to be followed in stock market transactions, in order to contribute to their transparency and investor protection. The Internal Code of Conduct in Stock Markets was favorably reported by the Appointment, Remuneration and Corporate Governance Committee in its session held on 8 November 2016, and later approved by the Board of Directors of Codere S.A. in its session held on 10 November 2016.

The Internal Code of Conduct includes the rules of conduct related to the transactions that managers conduct on the stock and financial instruments of the Company; rules of conduct related to Privileged Information; rules of conduct to avoid market manipulation; and rules about conflicts of interest

- Whistleblowing channel, that allows the communication to the audit committee of financial and accounting irregularities, and potential violations of the code of conduct and irregular activities in the organization, reporting them if they are of a confidential nature.

Article 15.2.d) of the Board Regulations grants the Compliance Committee the power to establish and supervise a mechanism that allows employees, clients, suppliers and other third parties with which contractual relations exist, to communicate in a confidential manner and, if appropriate, anonymous manner, violations of the ethical code of conduct and irregular activities in the organization.

In case of potentially relevant irregularities, especially of financial and accounting nature, detected in the Company, the professionals of the Codere Group can report them directly to the Audit Committee and the Compliance Committee through the procedures established for that purpose.

In application of the above, the Company established and offers a confidential Whistleblowing channel, available through an email address, regular post and a free telephone line. This channel has been communicated to the employees together with the Ethical Code and Code of Conduct of the Group.

The Whistleblowing channel has been implemented in all geographic areas, under the name of "Ethical Line", with the same standards and operability of the corporate whistleblowing channel. These channels are confidential and open to employees, clients and suppliers or other third parties with which there are commercial or business relations with, are exclusively operated by the local Compliance Offices, under the permanent supervision of the Corporate Compliance Department.

The body responsible for its operation is the Corporate Security and Compliance Department, which is in charge of analyzing the complaints received confidentially, to propose corrective actions and, where appropriate, the corresponding penalties. It will also report to the Compliance Committee so that the latter can perform its supervisory function.

- Training and refreshment programs for the personnel involved in the preparation and review of financial information, and the evaluation of the Internal Financial Information Control System, that cover at least accounting rules, audit, internal control and risk management.

The staff involved in the preparation and review of financial information, and the evaluation of the internal financial information control system will receive, according to their duties, periodic training on accounting standards, audit and internal control.

According to the organization structure of the Group, the Internal Audit and Economic-Financial Departments are directly related to these functions.

## F.2 Financial information risk evaluation

Report, at least:

F.2.1 What are the main characteristics of the risk identification process, including error or fraud risks, reporting:

- If the process exists and is documented.

The Codere Group has a process for the identification of the main risks that may affect the Group, including the specific risks related to financial information. The result of this process is a Risk Map that shows the residual risks with the greatest impact and likelihood in the Codere Group. This Map is updated annually, reviewed by the Audit Committee, and reported to the next session of the Board of Directors.

For critical processes and significant companies, taking into account that the processes in different units or locations must be assessed individually, there are risk and control matrices that document the critical processes, identifying the main risks affecting these processes, and the key controls existing to mitigate material risks that affect financial information.

- If the process covers all the objectives of financial information (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.

In the process of Financial Information risk identification, in order to ensure the reliability and accuracy of financial information, the potential impact on the following categories is assessed:

- Existence and occurrence: The transactions, facts and other events exist and have been recorded in due time.
- Integrity: The information reflects all the transactions, facts and events of which the entity is a party.
- Assessment: Transactions, facts and other events are recorded and assessed according to the applicable regulation.
- Cut-off of transactions: Transactions are recorded in the appropriate period, according to their accrual.
- Presentation, breakdown and comparability: Transactions, facts and other events are classified, presented and revealed in the financial information in accordance with the applicable regulation.
- Rights and obligations: Financial information reflects the rights and obligations, as of the corresponding date, through the corresponding assets and liabilities.

The purpose is to determine the possibility of a given risk occurring and in this case, the impact on the financial statements, so that they can be prioritized and the mitigation plan can be prepared.

This process allows the improvement of the design and efficiency of controls, and minimizes the risks related to the financial report. The process of financial information risk identification is periodically reviewed and updated.

- The existence of a process of identification of the consolidation perimeter, taking into account, among other aspects, the possible existence of complex corporate structures, or special purpose entities.

The consolidation perimeter of the Company is clearly identified and updated monthly, which makes possible to know all the subsidiaries of the Codere Group, their percentage of effective ownership and their degree of influence.

Any changes in the structure of the Group are communicated monthly to all the parties involved in the process of preparation of the financial information that need to know.

- If the process takes into account the effects of other risk types (operational, technological, financial, legal, reputational, environmental, etc.) in as far as they affect the financial statements.

The Risk Control and Management Policy of the Codere Group includes an identification and definition of the different types of risks that it faces and are considered as relevant for the Group, and is composed of:

- Corporate Governance Risks
- Operational and Loss of Income Risks
- Regulatory and Relation with Institutions Risks
- Fiscal Risks
- Indebtedness Risk
- Country Risk
- Technological Risk

• What is the body of the entity that oversees the process?

- Eventually, it is the Board of Directors, which, through the Audit Committee, as provided in article 14 of its Regulations, has the duty to “review periodically the internal risk control and management systems, including fiscal risks, so that the main risks are identified, managed and adequately reported”.
- The Audit Committee is responsible for the management of the Risk Control and Management Policy, which will identify at least the different types of risks, the measures contemplated to mitigate the impact of the identified risks in case they materialize, and the information and internal control systems that will be used to control and managed them, including the contingent liabilities or off-balance risks.

### F.3 Control activities

Report, indicating their main characteristics, if there are at least:

F.3.1 Procedures for the review and authorization of the financial information and description of the financial information internal control system to be published in stock markets, indicating the persons responsible, and descriptive documentation on the flows of activities and controls (including those related to fraud risk) of the different types of transactions which may have material impact on financial statements, including the procedure of closing of accounts and the specific review of judgements, estimates, valuations and relevant forecasts.

The company has review and approval procedures of the financial information to be published at the stock markets. These procedures refer to:

- Procedures for the review and approval of individual financial statements of every subsidiary in the Group.
- Procedures for the review and approval of the consolidated financial statements.
- Procedure for the review and preparation of the information submitted to stock markets.
- For each significant process, there is descriptive documentation of the flow of activities carried out, produced by the Economic Financial Management and the rest of the areas involved in the financial information.

These processes of financial information review and approval include those related to the reviews of judgements, estimates, valuations and relevant forecasts that are part of the monthly closure procedure applied by the Codere Group.

F.3.2. Internal control policies and procedures on information systems (including, among others, on Access security, change control, their operation, operational continuity and segregation of functions) supported by the relevant processes of the entity related to the preparation and publication of financial information.

The Company has guidelines and rules of action to manage information security. These guidelines are applied to the systems involved in the production of financial information and refer to the use of IT resources, access to systems and user management, network protection, systems, databases and applications and the management of back-ups.

The IT Management is responsible for the definition and proposal of security policies, except in respect to the

physical security of the Data Process Center, which is the responsibility of the Security and Compliance Management.

F.3.3. Internal control policies and procedures aimed at supervising the management of activities outsourced to third parties, as well as those aspects related to evaluation, calculation or valuation commissioned to independent experts, which may have a material impact on financial statements.

There are no relevant areas of activity outsourced to third parties that may affect the financial information, and therefore it has not been deemed necessary to draft a selection procedure for the selection on these activities.

However, in the case of outsourcing of some IT services, the contract with the supplier sets forth the service levels, which are supervised by IT Management.

## F.4 Information and communication

Report, indicating their main characteristics, if there is at least:

F.4.1. An specific function in charge of defining and updating accounting policies (account policy area or department) and resolving queries or conflicts resulting from their interpretation, maintaining a smooth communication with the persons in charge of operations in the organization, and an updated accounting policy manual that is communicated to the units through which the entity operates.

Within the Economic Financial Division, there is a specific function in charge of responding to all queries related to the interpretation of the rules. There is an Accounting Policy Manual for the whole Group applicable to all Business Units. This Manual is periodically reviewed and updated.

F.4.2. Mechanisms for the acquisition and preparation of the financial information in standard formats, applicable and used by all the units of the Company or group, supporting the main financial statements and their notes, as well as the information detailed on the Financial Information Internal Control System.

The Company has a standard financial information report for all the units of the Group that allows the Company to perform full monthly closures. This report contains all the necessary information to prepare the main financial statements and their notes. Additionally, a high percentage of the financial information of the Group is incorporated into the Corporate Information Systems.

## F.5 Supervision of the system operation

Report, indicating its main characteristics, at least:

F.5.1. The Financial Information Internal Control System supervisory activities performed by the Audit Committee, and whether the company has an internal audit unit that includes among its competences supporting the committee in its internal control supervisory role, including the Financial Information Internal Control System. Additionally, the scope of the Financial Information Internal Control System conducted during the year will be reported, as well as the procedure used by the person responsible for the evaluation to communicate the results, whether the company has an action plan detailing possible corrective measures, and whether its impact on the financial information has been considered.

According to article 14 of the Board Regulations, the Audit Committee has the following duties, among others:

- Supervise the internal audit services and monitor the independence and efficacy of the internal audit function; to propose the selection, appointment, re-election and dismissal of the head of internal audit service; to propose the budget for this service; to receive information periodically about its activities; and to check that the senior management takes into consideration its conclusions and recommendations.
- Review periodically the internal risk management and control systems, so that the main risks are identified, managed and reported appropriately.
- Supervise the process of preparation, presentation and the integrity of the financial information of the Company or the group, when applicable, reviewing compliance with the regulatory requirements, the appropriate demarcation of the consolidation perimeter and the correct application of accounting criteria.
- Report at least once a year to the Board on the subject of risk control and the deficiencies detected, if any, in the internal audit reports or during the performance of the duties described above.
- Draft an annual report containing the activities carried out by the Committee.

#### A. Internal Audit Function

The Codere Group has an Internal Audit Division reporting directly to the Board of Directors through the Audit Committee, which supervises the internal audit function.

The duties of the Audit Division include the supervision of the compliance, efficacy and efficiency of the internal control systems, as well as the reliability and quality of the financial and operational information.

This is a corporate Division and is present in all the main countries where the Group operates. Its entire staff is full-time, and do not perform any other functions other than those corresponding to internal audit.

The Audit Committee approves annually the audit plans submitted by the Audit Division, and at least once a year, is informed about the result of the work done. In the performance of its duties, the Audit Committee is periodically informed about the internal audit activities and checks that the Senior Management takes the recommendations and conclusions of its reports into consideration.

#### B. Scope of evaluation of the Financial Information Internal Control System.

The Internal Audit Department, according to its Annual Plan approved by the Audit Committee, performs a continuous supervision of the Codere Group's internal control system, to ensure control over the reliability of financial information and operational procedures.

The Internal Audit Department has a multi-annual supervision plan approved by the Audit Committee. This plan contemplates the review of all critical business processes in all companies and geographic locations of the Group (including IT systems) during a three-year period, with the exception of some areas and processes that are reviewed annually, due to their special relevance.

Additionally, an Action plan has been designed to evaluate the operation and effectiveness of the controls identified, that can help supervise the entire Financial Information Internal Control System.

#### C. Communication of results and corrective measures action plans.

The Audit Committee is informed quarterly of the main conclusions and recommendations of the Internal Audit Department reports, and of the corrective measures action plans committed. It is also informed about the compliance with these action plans.

**F.5.2. Whether a discussion process exists through which the account auditor (according to the requirements of the NTA), the internal audit function and other experts can communicate to the senior management, the audit committee or the directors of the entity the significant internal control weaknesses identified during the processes of revision of annual accounts, or any other processes they have been commissioned to perform. Additionally, it will inform whether it has an action plan that attempts to correct or mitigate the weaknesses observed.**

The Audit Committee meets a minimum of once every three months (before the publication of regulated information) in order to procure and analyze the information required to comply with their duties. During these meetings, the Annual and Half-Yearly Accounts are reviewed, as well as the quarterly accounts of the Group, and the rest of the information made available to the market.

Also attending these meetings are the Economic and Financial Division (responsible for the preparation of

financial information), the Internal Audit Division (with the periodic information about its activities), and the external auditor that presents the result of their work and is consulted about any aspect related to the preparation of financial information, for the purpose of ensuring the correct enforcement of the applicable accounting standards and the reliability of the financial information.

In all cases, and always before the end of the year, the external auditor holds a meeting with the Audit Committee to discuss the main issues of interest identified and all the issues detected by the auditor before year-end.

The account auditor of the Group, in turn, has a direct access to the Senior Management of the Group, and holds periodic meetings to acquire the necessary information to perform their work and to communicate the control weaknesses detected. Regarding the latter, the external auditor presents annually a report to the Audit Committee detailing the internal control weaknesses detected. This report includes the comments from the Group's Senior Management and the action plans, if any, initiated to correct the internal control deficiencies detected.

## F.6 Additional relevant information

The relevant information has been provided in the previous paragraphs.

## F.7 External auditor report

Report whether:

F.7.1. The Financial Information Internal Control System sent to the markets has been subject to review by the external auditor, in which case the entity must include the corresponding report as an attachment. Otherwise, explain the reasons why it was not included.

The Codere Group has not requested a specific report from the external auditors about the Financial Information Internal Control Systems sent to the markets, since it considers that the internal control function has already performed an internal control review, conducted according to technical audit rules, during the process of account audit review.

## G DEGREE OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the Company of the Good Governance Code recommendations of listed companies.

In case one of the recommendations is not followed or partially followed, a detailed explanation of the reasons must be included, so that the shareholders, investors and the market in general have sufficient information to value the performance of the company. General explanations will not be accepted.

1. The Corporate By-Laws of listed companies do not limit the maximum number of votes that one shareholder can cast, or contain any other restrictions that hinder the takeover of the Company through the acquisition of its shares in the market.

Compliant

Explain X

As a consequence of the financial restructuring process undertaken by the Company during recent years, and in order to ensure its continuity, the Company accepted some conditions, including, among others, the amendment of its By-Laws, in order to include the condition that in no case the same shareholder, the companies belonging to the same group or anyone acting in coordination with them, can cast in a General Meeting a number of votes

higher than that corresponding to shares representing a percentage of 44% of the share capital, even when the number of shares they own is higher than the aforementioned percentage of share capital, notwithstanding the provisions of article 527 of the Corporations Law.

This limitation does not affect the votes corresponding to the shares represented by a shareholder as a consequence of the provisions of article 13 of the Articles of Association; however, the limitation described above will also apply in relation to the number of votes corresponding to the shares of each shareholder represented.

2. In case the parent Company and one subsidiary are listed companies, both of them must publicly define accurately:

a) Their respective areas of activity and business relations between them, as well as those of the listed subsidiary with the rest of the companies of the group.

b) The mechanisms contemplated to resolver potential conflicts of interest that may arise.

Compliant	Partially compliant	Explain	N/A X
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3. During the general shareholder's meeting, as a complement to the publication of the annual corporate governance report, the Chairman of the Board verbally reports to shareholders with sufficient detail of the most relevant aspects of the corporate governance of the company, and especially:

a) The changes that have taken place since the previous general meeting.

b) The specific reasons why the Company does not follow any of the recommendations of the Corporate Governance Code and of the alternative rules applied in this area, if any.

Compliant	Partially compliant	Explain X
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The Company plans to disclose all the information referred to in this Recommendation during the next general shareholders' meeting to be held in June 2017.

4. The Company defines and promotes a communication policy and contacts with shareholders, institutional investors and voting advisors that is fully respectful with the rules against market abuse and provides equal treatment to shareholders in the same situation.

The Company must publish this policy in its website, including information about how it has been implemented and identifying the interlocutors or individuals responsible for its implementation.

Compliant	Partially compliant X	Explain
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Even though the Company currently has no explicit communication and relation with shareholders policy, it has developed a communication line with them that meets all the market abuse prevention rules and promotes equal treatment for all shareholders. This communication line covers several areas, such as public telephone calls that any investor can connect to (details of this connection are previously published at the company website and sent to investors in our mailing list), and the phone communication with both institutional and individual shareholders, or the email address created for that purpose [inversor@codere.com](mailto:inversor@codere.com), that can be found at the website. Similarly, the presentations used in meetings with investors and all public information shared with any investor are published at the website.

Even though there is no communication policy with shareholders in our corporate website, this includes both the media (email or phone number) to communicate with the Investor Relations department, such as the department identified as the right interlocutor, as well as all the public financial information of the company (results, relevant events, presentations, guidance). Similarly, before General Shareholders' Meetings, the Electronic Shareholders Forum is made available to shareholders so that they can exercise their rights as shareholders and ask questions to the company. Additionally, the website includes a link to the "Corporate Governance" information that includes several documents on this topic, such as the texts of the Articles of Association, the Board Regulations, the General Shareholders' Meeting Regulations, the Ethical Code and Code of Conduct, the Internal Code of Conduct in Stock Markets, information about

each and every one of the General Shareholders' Meetings held by the company since its initial listing, or information about the members of the Board of Directors and the members of the different committees of the Board.

5. The board of directors must not submit to the general meeting a proposal for the delegation of powers, to issue shares or convertible bonds excluding preferential subscription rights, for an amount higher than 20% of the share capital at the time of delegation.

Additionally, when the board of directors approves any issuance of shares or convertible bonds excluding preferential subscription rights, the Company must publish immediately on its website the reports on said exclusion referred to in mercantile law.

Compliant X

Partially compliant

Explain

6. Listed companies that draft the following reports, either mandatorily or voluntarily must publish them on their website well in advance of the general shareholders' meeting, even if their dissemination is not mandatory:

- a) Report on the auditor's independence.
- b) Reports on the performance of the audit committee and the appointment and remuneration committee.
- c) Audit committee's report on related party transactions.
- d) Corporate responsibility policy report.

Compliant

Partially compliant X

Explain

On the General Shareholders' Meeting of 30 June 2016, the company published on its corporate webpage at the time of the call, the Reports of the Audit, Corporate Governance (currently Appointment, Remuneration and Corporate Governance Committee) and Compliance Committees, as well as the auditor's independence report published annually by the Audit Committee.

During 2016, the Board of Directors approved the Corporate Social Responsibility Policy, whose report will be published coinciding with the General Shareholders' Meeting to be held in 2017.

Regarding the report from the audit committee on related party transactions, this has been issued for the first time in 2017, and will be disclosed on the General Shareholders' Meeting of 2017.

7. The Company broadcasts the general shareholders' meeting live on its website.

Compliant

Explain X

The percentage of shareholders present or represented at the General Shareholders' Meeting held during 2016 (3) ranged between a minimum of 83.84% and a maximum of 92.127%, the average participation for the year being 88.48%.

The company believes that, given its size, its economic and financial capacity, and the high participation of shareholders in General Meetings, it is not necessary to broadcast its general meetings through its website.

8. The audit committee must ensure that the board of directors submits the accounts to the general shareholders' meeting without limitations or qualifications in the audit report and that, in the exceptional cases where there are qualifications, both the chairman of

the audit committee and the auditors explain clearly to the shareholders the content and scope of said limitations or qualifications.

Compliant X                      Partially compliant                      Explain

9. The Company must publish permanently on its website the requirements and procedures accepted to certify share ownership, the right of attendance to the general shareholders' meeting and the exercise or delegation of the voting rights.

Such requirements and procedures must promote the attendance and the exercise of their rights to shareholders and are applied in a non-discriminatory manner.

Compliant X                      Partially compliant                      Explain

10. When an entitled shareholder has exercised before the general shareholders' meeting, the right to propose new items to the agenda or submit new proposals for agreement, the company:

- a) Must immediately disseminate the additional items and new proposals for agreement.
- b) Publishes the attendance card form of proxy form or distance vote form with the corresponding modifications so that the new items and alternative proposals can be vote don the same terms than those proposed by the board of directors.
- c) Submits all these items or alternative proposals to a vote and applies to them the same voting rules as those formulated by the board of directors including, especially, the assumptions or deductions about the sense of the vote.
- d) After the general shareholders' meeting, it must communicate the breakdown of votes on those additional items or alternative proposals.

Compliant                      Partially compliant                      Explain                      N/A X

11. In case the company plans to pay meeting attendance premiums at the general shareholders' meeting, it must establish beforehand a general policy on these premiums and that policy must be stable.

Compliant                      Partially compliant                      Explain                      N/A X

12. The board of directors must perform its duties with unity of purpose and independent judgement, treat all shareholders in the same situation equally and be guided by the interest of the company, that being understood as the achievement of a profitable a long-term sustainable business, and to maximize the economic value of the company on an ongoing basis.

In the pursuance of its interests, the company, apart from respecting the law and regulations and a behavior based on good faith, ethics, and respect for commonly accepted uses and good practices, must conciliate its own interests with the legitimate interests of its employees, suppliers, clients and the rest of stakeholders that may be affected, as well as the impact of its activities on the community and the

environment.

Compliant X	Partially compliant	Explain
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13. In the interest of maximum efficiency and participation, the board of directors should ideally be comprised of no less than five and no more than fifteen members.

Compliant X	Explain
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14. The board of directors must approve a selection policy for directors that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based on a prior analysis of the needs of the board of directors.

c) Promotes the diversity of knowledge, expertise and gender.

That the result of the prior analysis of the needs of the board of directors is included in the appointment committee report published at the time of calling the general shareholders' meeting to which the ratification, appointment or re-election of each director is submitted.

The directors' selection policy promotes the goal that by 2020, the number of female directors represents a minimum of 30% of the total number of members of the board of directors.

The appointments committee will annually verify the compliance with the director selection policy and will report it in the annual corporate governance report.

Compliant	Partially compliant X	Explain
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At the end of 2016, the Board of Directors approved a Directors Selection Policy that meets this Recommendation.

However, since no appointment, ratification or re-election has occurred since then, no analysis has been performed or published.

15. Proprietary or independent directors must represent a great majority of the board, and the number of executive directors should be the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of executive directors in the company's capital.

Compliant X	Partially compliant	Explain
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16. The percentage of proprietary directors over the total of non-executive directors must not be higher than the proportion existing between the capital of the company represented by those directors and the rest of the capital.

This criterion can be reduced:

a) In highly capitalized companies with few stockholders holding significant stakes, according to the legal definition of a significant stake.

b) In case of companies in which there are many shareholders represented in the board of directors with no links between them.

Compliant X	Explain
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17. The number of independent directors represents a minimum of one-half of the total number of directors.

However, when the Company is not highly capitalized or even in that case, it has one or several shareholders who act in concert, who control more than 30% of the capital, the number of independent directors represents at least one third of the total number of directors.

Compliant X	Explain
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18. The companies must publish in their website, and keep up to date, the following information about its directors:

a) Personal and professional profiles.

b) Other boards of directors they are members of, irrespective of whether they are listed companies or not, and other remunerated activities that they perform, whatever their nature.

c) Their category of director; in the case of proprietary directors, mentioning the shareholder they represent or are related to.

d) Date of their first appointment as director of the Company, and dates of subsequent re-appointments.

e) Shares of the company, and stock options, that they hold.

Compliant X	Partially compliant	Explain
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19. The annual corporate governance report, after its verification by the appointment committee, explains the reasons why proprietary directors have been appointed at the request of shareholders whose shareholding stake is lower than 3% of the capital; also, the reasons must be explained for not attending to formal requests for board membership from shareholders whose stake is equal or higher than that of others at whose request proprietary directors have been appointed.

Compliant	Partially compliant	Explain	N/A X
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20. Proprietary directors must resign when the shareholder they represent transfers its shareholding stake in full. They must also resign when said shareholder reduces its stake down to a level that requires the reduction in the number of proprietary directors.

Compliant	Partially compliant	Explain	N/A X
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21. The board of directors should not propose the removal of any independent director before the completion of the term of office specified in the bylaws for which the director was appointed, except when the board finds that there is just cause after a report from the appointment committee. Specifically, a just cause exists when the director takes on new positions or acquires new obligations that prevent him from dedicating enough time to perform his duties as a director, fails to perform the duties inherent to his position, or incurs in any of the circumstances that would make him lose his independence, according to the provisions of the applicable legislation.

It is also possible to propose the removal of independent directors as a result of takeover

bids, mergers or similar corporate operations that entail a change in the capital structure of the company, when such changes in the structure of the board of directors are a result of the proportionality criterion described in recommendation 16.

Compliant X Explain

22. The companies should establish rules that make it mandatory for directors to inform and, if applicable, to resign in the cases in which they can harm the credit and reputation of the Company and especially, obliges them to report to the board of directors of any criminal charges brought against them, and of any subsequent court or legal proceedings.

If a director is indicted or tried for any of the crimes indicated in the Corporations Act, the board should examine the matter as soon as possible and in view of the particular circumstances, decide whether he should resign. The board should report all this in a reasoned manner in the annual corporate governance report.

Compliant X Partially compliant Explain

23. All directors clearly express their opposition when they feel that any proposed resolution submitted to the board might be contrary to the best interest of the company. Independent directors and directors not affected by the potential conflict of interests should do the same in the case of decisions that might be contrary to the shareholders not represented in the board.

When the board adopts significant or repeated decisions about which the director has expressed serious reservations, the director must draw the appropriate conclusions and if he decides to resign, he should explain the reasons in the letter to which the following recommendation refers.

This recommendation is applicable to the secretary of the board, even if he is not a director.

Compliant X Partially compliant Explain N/A

24. Directors who give up their positions before their tenure expires, through resignation or otherwise, should explain their reasons in a letter to all the members of the board. Without prejudice to such withdrawal being communicated as a relevant fact, the reason for the resignation is explained in the annual corporate governance report.

Compliant X Partially compliant Explain N/A

25. The appointment committee must ensure that non-executive directors have enough time available for the correct performance of their duties.

The board regulations should establish the maximum number of corporate boards of which their directors can be members.

Compliant X Partially compliant Explain

26. The board should meet as frequently as needed to carry out its functions properly and a minimum of eight times a year, following a pre-established schedule of meetings and issues drawn up at the beginning of the year, allowing each director to propose the inclusion of initially unforeseen items on the agenda.

Compliant	Partially compliant X	Explain
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The Board meets more than eight times a year, and normally tries to follow the pre-established Schedule of meetings drawn up at the beginning of the year. However, the restructuring process carried out over the last two years has led to the holding of meetings initially unforeseen.

Moreover, the situation described made it difficult to establish a list of issues for discussion during the year.

Notwithstanding the above, a schedule of meetings and issues to discuss in 2017 was drawn up in December 2016.

27. Director absences should be kept to a minimum and quantified in the annual corporate governance report. When they occur, proxies with instructions should be granted.

Compliant	Partially compliant X	Explain
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The percentage of director absences during the year was quite low (5). In one of these five occasions, a proxy with instructions was granted.

28. Whenever the Secretary or directors express concerns about a specific proposal or, in the case of directors, on the progress of the Company and such concerns are not resolved within the board, the person expressing them may request that they be recorded in the minutes.

Compliant X	Partially compliant	Explain	N/A
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29. The Company provides suitable channels for the directors to seek advice on the performance of their duties including, in special circumstances, may include external advice at the company's expense.

Compliant X	Partially compliant	Explain
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30. Regardless of the knowledge demanded from directors to perform their functions, companies must also offer their directors knowledge refreshment courses when the circumstances warrant it.

Compliant X	Explain	N/A
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31. The agenda of the sessions must clearly indicate the items on which the board must make a decision or an agreement, so that directors can study them or gather the necessary information for their adoption in advance.

Whenever exceptionally for reasons of urgency, the chairman wants to submit to the approval of the board decisions or agreements not included in the agenda, it will be necessary to have the prior explicit consent of the majority of the directors present, which must be duly recorded in the minutes.

Compliant	Partially compliant	X	Explain
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While it is true that the agenda does not identify or distinguish explicitly the items of a purely informative nature from those on which the board must adopt a decision or an agreement, normally the agenda is drafted with sufficient clarity

and is accompanied by enough documentation for the directors to know what items will be subject to a vote.

The Board Regulations were modified in 2016 to include the requirement of a prior explicit consent from the majority of directors present so that, exceptionally, the chairperson may subject to the approval of the board agreements not included in the agenda.

32. Directors should be periodically informed about the movements in the shareholding structure and the opinion that significant shareholders and rating agencies have on the Company and its group.

Compliant Partially compliant Explain X

In 2016, the shareholding structure of Codere S.A. has changed substantially, and since then some movements in that structure have taken place that had not occurred before.

The company plans to fulfil this Recommendation during 2017.

33. The chairman, as the person responsible for the effective operation of the board, apart from performing the duties attributed to him by the law and the bylaws, must prepare and submit to the board a Schedule of dates and issues to discuss; organize and coordinate the periodic evaluation of the board and, where applicable, of the chief executive officer of the Company; is responsible for the management of the board and its effective operation; ensures that enough time for discussion is allocated to strategic issues, and agrees and reviews the knowledge refreshment programs for each director, when the circumstances warrant it.

Compliant Partially compliant X Explain

The Coordinating Director and Chairman of the Appointment, Remuneration and Corporate Governance Committee is responsible for the organization and coordination of the periodic evaluation of the board and the chief executive officer of the company.

34. Whenever there is a coordinating director, the bylaws or the board regulations, apart from the powers invested on him by law, should grant him the following powers: to chair the board in absence of the chairman or vice chairmen, if any; to convey the concerns of non-executive directors; to hold contacts with shareholders and investors to find out their views in order to be aware of their concerns, especially regarding the corporate governance of the company; and to coordinate the chairman's succession plan.

Compliant X Partially compliant Explain N/A

35. The secretary of the board must ensure that the actions and decisions of the board reflect the good governance recommendations included in this code of good governance applicable to the company.

Compliant X Explain

36. The full board must evaluate once a year and, where applicable, adopt an action plan that corrects the deficiencies detected related to:

- a) The quality and efficiency of the operation of the board.
- b) The operation and composition of its committees.
- c) The diversity in the composition and competencies of the board.
- d) The performance of the chairperson of the board and of the chief executive officer of the company.
- e) The performance and contribution of each director, paying special attention to the chairpersons of the different committees of the board.

The basis for the evaluation of the different committees will be the report these committees submit to the board. In the case of the board evaluation, the basis shall be the report submitted by the appointment committee.

Every three years, the board will be assisted by an external consultant in this evaluation, whose Independence will be verified by the appointment committee.

The business relations that the consultant or any of the companies of its group holds with the Company or any of the companies of its group must be described in detail in the annual corporate governance report.

The evaluation process and the areas evaluated will be described in the annual corporate governance report.

Compliant

Partially compliant X

Explain

No external consultants have participated in this annual evaluation.

The evaluation process is carried out sending each of the directors a questionnaire that they respond to anonymously, about the deficiencies detected on issues related to the topics described on paragraphs a. b. d. and e. The Appointment, Remuneration and Corporate Governance Committee analyses (and modifies if necessary) the questionnaire before it is sent to the directors. Later, once the directors have sent their answers to the Secretary or vice-secretary, a report is drafted with the result of the evaluation, as well as the Improvement Plan on the deficiencies identified, which is analyzed in a meeting of the committee and, where applicable, submitted to the board for approval.

Regarding the content of the questionnaire, it analyses the following subjects: directors must respond to 13 questions on the quality and efficiency of the operation of the board; 4 questions on the operation and composition of their committees; 8 questions on the performance of the chairman and the chief executive officer; and 7 questions on the performance and contribution from every director.

Additionally, there is a section in the questionnaire containing 4 questions related to the performance of the secretary of the board, and 2 more questions (included in the section on the operation of the board and its committees) related to the diversity and suitability of the composition of the board and the committees.

37. When there is an executive committee, the structure of participation of the different categories of directors must be similar to that of the board itself, and the secretary of such committee must be the secretary of the board.

Compliant

Partially compliant

Explain

N/A X

38. The board must be informed at all times of the matters discussed and the decisions adopted by the executive committee, and all the board members must receive a copy of the minutes of the executive committee sessions.

Compliant

Partially compliant

Explain

N/A

39. The members of the audit committee, especially its chairperson, are appointed taking into consideration their knowledge and expertise in the areas of accounting, audit or risk

management, and most of the members must be independent directors.

Compliant X	Partially compliant	Explain
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40. Under supervision from the audit committee, a unit must exist that takes on the internal audit function that ensures the good operation of the information and internal control system and that reports functionally to the non-executive chairperson of the board or the chairperson of the audit committee.

Compliant X	Partially compliant	Explain
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41. The head of the unit that takes on the internal audit function must submit its annual action plan to the audit committee, reports directly the incidences that occur and submits an activity report at the end of each year.

Compliant X	Partially compliant	Explain	N/A
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42. Apart from those contemplated by law, the audit committee must have the following functions:

1. Regarding the information and internal control systems:

a) Supervise the process of preparation and the integrity of the financial information of the Company and, where applicable, the group, reviewing the compliance with regulatory requirements, the correct demarcation of the consolidation perimeter and the correct application of accounting standards.

b) Ensure the Independence of the internal audit unit; to propose the selection, appointment, re-election and dismissal of the head of the internal audit service; to propose the budget for this service; to approve its approach and working plans, making sure that its activity is mainly focused on the relevant risks for the company; to receive information periodically about its activities; and to check that the senior management takes into account the conclusions and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees to communicate confidentially and, if possible and considered as appropriate, anonymous, potentially relevant irregularities detected in the company, especially of an accounting or financial nature.

2. Regarding the external auditor:

a) In case of resignation of the external auditor, to examine the circumstances that prompted it.

b) To ensure that the remuneration of the external auditor for his work does not compromise its quality or its independence.

c) To monitor that the Company communicates to the CNMV (Stock Market Authority) as a relevant event the change of auditor, accompanied by a statement on the existing disagreements with the outgoing auditor, if any, and on its content.

d) To ensure that the external auditor holds an annual meeting with the full board to report on the work carried out and the evolution of the situation of the company in the areas of accounting and risk.

e) To ensure that the Company and the external auditor follow the applicable rules on the provision of services other than audit, limits to the auditor's business concentration and, in general, the rest of the rules about the Independence of auditors.

Compliant	Partially compliant X	Explain
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Regarding the establishment and supervision of a mechanism that allows employees confidentially and, if possible and appropriate, anonymously, potentially relevant irregularities detected within the Company, especially accounting and financial, in Codere S.A. this function is assigned to the Compliance Committee (article 15 of the Board Regulations),

with the system known as "Whistleblowing channel" (national and international), which is reported to the Committee periodically.

The Board Regulations of Codere S.A. do not include ensuring that the external auditor holds an annual meeting with the full board to report on the work done and the evolution of accounting and Company risks as one of the functions of the Audit Committee. Notwithstanding the above, in each of the cases in which the external auditor appears before the Audit Committee, the chair of the committee reports its conclusions to the Board at the next Board meeting.

43. The audit committee may call upon any employee or manager of the company, or even arrange for their appearance without any other manager present.

Compliant X	Partially compliant	Explain
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44. The audit committee must be informed about the corporate and structural modification operations planned by the Company for their analysis and report to the board of its economic conditions and accounting impact and especially, where applicable, about the proposed exchange ratio.

Compliant X	Partially compliant	Explain	N/A
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45. The risk control and management policy must identify at least:

- a) The different types of risks, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational) that the company faces, including contingent liabilities and other off-balance risks among the economic or financial risks.
- b) The establishment of the risk level considered as acceptable by the company.
- c) The measures planned to mitigate the impact of the risks identified, in case they materialize.
- d) The information and internal control systems used to control and manage these risks, including contingent liabilities or off-balance risks.

Compliant X	Partially compliant	Explain
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46. Under the direct supervision of the audit committee or, where applicable, a specialized board committee, there must be an internal risks control and management function fulfilled by an internal unit or department of the company that has the following functions assigned:

- a) Ensure the good operation of the risk control and management systems and, especially ensures that all the main risks affecting the Company are properly identified, managed and quantified.
- b) Participate actively in the drawing up of the risk strategy and the relevant decisions on its management.
- c) Ensure that the risk control and management systems mitigate risks adequately within the framework of the risk policy defined by the board.

Compliant X	Partially compliant	Explain
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47. The members of the appointment and remuneration committee (or the

appointment committee and the remuneration committee, if the functions are split) are appointed taking care that they have the right knowledge, skills and expertise for the functions they must fulfil and that most of the members are independent directors.

Compliant X Partially compliant Explain

48. Companies with high capitalization must have an appointment committee and one separate remuneration committee.

Compliant Explain N/A X

49. The appointment committee must consult with the chairperson of the board and the chief executive officer of the Company, especially in matters related to executive directors.

Any director may request from the appointment committee to consider potential candidates to fill director vacancies, to decide whether they are suited for the position.

Compliant X Partially compliant Explain

50. The remuneration committee must perform their functions with Independence and, apart from the functions assigned to it by law, should have the following duties:

- a) Propose to the board the basic conditions of the senior management contracts.
- b) Check the compliance with the remuneration policy established by the company.
- c) Periodically review the remuneration policy applied to directors and senior managers, including stock remuneration systems and their application, and to ensure that their individual remuneration is proportional to that paid to the rest of directors and senior managers of the company.
- d) Ensure that potential conflicts of interest do not harm the independence of the external advice provided to the committee.
- e) Verify the information about the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant Partially compliant X Explain

As provided in article 16 of the Board Regulations, most of the functions in this Recommendation are assigned to the Appointment, Remuneration and Corporate Governance Committee.

Paragraph d) is not applicable, since as previously reported, the evaluation of the Board is conducted internally, with no external advice.

51. The remuneration committee must consult with the chairperson and the chief executive officer of the Company, especially on matters related to executive directors and senior managers.

Compliant X Partially compliant Explain

52. The rules of composition and operation of the supervision and control committees must be described in the board regulations, and must be consistent with those applicable

to the mandatory committees, according to the previous recommendations, including:

- a) They must be composed exclusively by non-executive directors, with a majority of independent directors.
- b) Their chairpersons must be independent directors.
- c) The board must appoint the members of these committees taking into account the knowledge, skills and expertise of the directors and the purposes of each committee, deliberate on their proposals and reports; and reports in the first meeting of the board after their meetings, of its activity, and they vouch the work carried out.
- d) The committees may seek external advice when they consider it necessary to fulfil their functions.
- e) Minutes must be drawn up of its meetings and made available to all directors.

Compliant	Partially compliant	X	Explain	N/A
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The Compliance Committee of Codere S.A. meets the recommendations, except in that there is not a majority of independent directors on the board.

53. Supervision of compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy is assigned or distributed among several board committees, such as the audit committee, the appointments committee, the corporate social responsibility committee, if any, or a special committee that the board decides to create for that purpose, as part of its self-organization purview, that are specifically assigned the following minimum duties:

- a) Oversight of compliance of the internal codes of conduct and corporate governance rules of the Company.
- b) Oversight of the communication strategy and shareholder and investor relations strategy, including small and medium shareholders.
- c) Periodic evaluation of the suitability of the corporate governance system, to ensure it fulfils its purpose of promoting social interest and takes into account, as the case may be, the legitimate interests of the rest of stakeholders.
- d) Reviewing the corporate responsibility policy of the Company, ensuring that it is oriented toward the generation of value.
- e) Monitoring the strategy and corporate social responsibility practices and evaluating its degree of compliance.
- f) Supervision and evaluation of the processes of relations with the different stakeholders.
- g) Evaluation of all aspects related to non-financial risks of the company –including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process of non-financial information reporting and diversity, according to the applicable legislation and internationally accepted standards.

Compliant	Partially compliant	X	Explain
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The Company has assigned the Appointment, Remuneration and Corporate Governance Committee the functions described in paragraphs a), d) and e). The Audit Committee is responsible for the functions described in paragraphs b), f) and g).

As to the rest of the functions described in the remaining paragraphs, these have not been assigned explicitly to any of the Committees of the Board. However, the body responsible would be the Appointment, Remuneration and Corporate Governance Committee, according to article 16.2.j) which states that this Committee is responsible for “formulating proposals to the Board and the preparation of the review of the matters that the Board must review, in the subjects that are not the specific competence of another Committee, whenever it is deemed necessary”.

54. The corporate social responsibility must include the principles or commitments voluntarily assumed by the Company in its relations with the different stakeholders, and must identify at least:

- a) The goals of the corporate social responsibility and the development of supporting instruments.
- b) The corporate strategy on sustainability, the environment and social issues.
- c) Specific practices on issues related to: shareholders, employees, clients, suppliers, social issues, environment, diversity, fiscal accountability, respect for human rights and prevention of illegal practices.
- d) The methods or systems for monitoring the results of the application of the specific practices listed on the previous paragraph, the associated risks and their management.
- e) The supervision mechanisms of the non-financial risk, ethics and corporate conduct.
- f) The channels for communication, participation and dialog with stakeholders.
- g) The responsible communication practices that avoid manipulation of information and protect integrity and honor.

Compliant	Partially compliant	X	Explain
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During 2016, the Board of Directors, on the motion of the Appointment, Remuneration and Corporate Governance Committee, approved a Corporate Social Responsibility that identifies:

- Its purposes.
- The specific principles of action.
- The principles of action related to: Shareholders and Investors; Clients; Employees; the Communities; Suppliers; and the Environment.

55. The Company must report, in a separate document or in the management report, on some matters related to corporate social responsibility, using some of the internationally accepted methodologies.

Compliant	Partially compliant	Explain	X
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Given that the Corporate Social Responsibility was approved in 2016, the first report on this issue is scheduled to be drawn up in 2017, and distributed to shareholders before the General Shareholders' Meeting.

56. The remuneration of directors must be adequate to attract and retain the directors with the profile desired and to remunerate their dedication, qualifications and the responsibility of the position, but not as high to compromise the independent judgement of non-executive directors.

Compliant	X	Explain
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57. Performance-related and personal performance-related variable remuneration should be limited to executive directors; this also applies to remuneration through

company stock, stock options or instruments referenced to share value, and long-term savings schemes such as pension schemes, retirement schemes or other social security systems.

Shares can be used as remuneration to non-executive directors when subject to the condition that they keep them until the end of their term as directors. This will not apply to the shares that the director may need to sell to pay the costs of their acquisition.

Compliant X	Partially compliant	Explain
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58. In the case of variable pay, remuneration policies must incorporate the necessary technical restrictions and guarantees to ensure that variable pay is related to the professional performance of its beneficiaries and not just to the general evolution of the markets or the sector of activity of the company or other similar circumstances.

Specifically, the variable component of remuneration must:

- a) Be linked to pre-determined and measurable performance criteria; these criteria must take into account the risk taken to obtain a result.
- b) Promote the sustainability of the Company and include non-financial criteria adequate to long-term value creation, such as compliance with the internal rules and procedures of the Company and its risks management and control policies.
- c) Is calculated on the basis of a balance between the short, medium and long-term fulfilment of objectives, that allow to compensate for a continuous performance during a long enough period of time to appreciate its contribution to sustainable value creation, so that the criteria to measure this performance does not rely solely on one-off, occasional or extraordinary events.

Compliant	Partially compliant	Explain	N/A X
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59. Payment of a relevant part of the variable components of remuneration is deferred for a minimum period in order to verify that the performance requirements previously established have been met.

Compliant	Partially compliant	Explain	N/A X
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60. Remuneration linked to the company's results must take into account the possible qualifications included in the external auditor report and reduce those results.

Compliant	Partially compliant	Explain	N/A X
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61. A relevant percentage of variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to share value.

Compliant	Partially compliant	Explain	N/A X
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62. Once the shares, options or stock options have been assigned to the remuneration systems, directors cannot transfer the property of a number of shares

equivalent to twice their annual fixed remuneration, nor can they exercise their options or rights until at least three years have elapsed since their assignment.

This will not apply to the shares that the director may need to sell to pay the costs of their acquisition.

Compliant	Partially compliant	Explain	N/A X
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63. Contractual arrangements must contain a clause that allows the Company to demand the refund of the variable components of remuneration when the payment has not been adjusted to performance or when it was made based on data whose inaccuracy was later proved.

Compliant	Partially compliant	Explain	N/A X
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64. Payments for contract termination must not exceed a pre-established amount equivalent to two years of total annual remuneration, and are not paid until the Company has verified that the director has fulfilled the previously established performance criteria.

Compliant	Partially compliant	Explain	N/A X
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## H OTHER INFORMATION OF INTEREST

1. If there is a relevant aspect in the subject of corporate governance in the company or the entities of the group that has not been included in this report, but must be included for a more complete and reasoned information on the governance structure and practices in the entity or its group, please detail them briefly.

2. This section may also include any other information, clarification or qualification related to the rest of sections of this report, inasmuch as they are relevant and not repetitive.

Specifically, mention must be made if the Company is subject to a corporate governance legislation other than the Spanish, in which case the information that must be provided other than that required by this report must be included.

3. The Company may also indicate if it has voluntarily signed other ethical principles or good practice international sectoral or other codes. If applicable, the corresponding code and date of signing must be identified.

Regarding section A.6., the list that includes all the parties to the covenants indicated is publicly available at the "Shareholder Agreements" section on the website [www.codere.com](http://www.codere.com), as well as in the Relevant Event sent to the CNMV on 15 April 2016 (Schedule 1).

Regarding section C.1.2., the date of the first appointment of Mr. Joseph Zappala reported (20/11/2002), corresponds to his first appointment as Director of Codere S.A. However, on 31 of August 2.004, Mr. Zappala resigned as a Director, and was not appointed Director again until 21 June 2005. Since that date, he has been a Director of Codere S.A. continuously.

Regarding section C.1.3., Mr. Manuel Martínez-Fidalgo Vázquez also represents Contrarian Capital Management L.L.C.

Regarding section C.1.4., two female directors were members of the Board during 4 months of 2016 (until 28 April 2016).

Regarding section C.1.29, apart from the 13 sessions mentioned, the Board adopted written agreements with no board meetings on 6 occasions.

Regarding section C.1.15., the amount indicated includes the remuneration received by Directors José Antonio Martínez, and Mr. Javier Martínez for the performance of executive functions, and the remuneration received by Mrs. Encarnación Martínez Sampedro, as executive director until her resignation.

Regarding section C.1.45., the total value of the compensations of the four contracts indicated in response to this question, if applicable, would amount as of 31 December 2015, to 1.1 million Euros. Even though the Board Regulations reserves to the Board the power to agree on compensation clauses for Senior Managers and the conditions of the contracts of Executive Directors, out of the four contracts mentioned with guarantee or ring-fenced clauses, three of them were not authorized by the Board of Directors, since they corresponded to contracts entered into before the Board Regulations came into force, whereas the fourth was duly authorized during 2011.

Regarding section C.2.3., the establishment and supervision of a mechanism that allows employees to communicate confidentially and, if considered necessary, anonymously, potentially relevant irregularities, especially financial and accounting, detected within the Company, is the duty of the Compliance Committee, according to article 15 of the Board Regulations.

Regarding section D.2 the contractual relationship arises between Silver Point Finance LLC (a Company included in the same Group as she significant shareholder Silver Point Luxembourg Platform SARL) and Companies of the Codere Group. During the restructuring process, it was agreed (and authorized by the Board of Directors on February 2nd 2016, before this Company become a significant shareholder of Codere SA), that a Monitor Committee composed by the major creditors of the Company will monitor the performance of the Company post-restructuring. For that purpose, the Monitor Committee could hire consultants and advisors. The Committee would be the responsible of paying to those consultants or advisors but Codere would be obliged to reimburse the costs to the Monitor Committee. Based in that agreement, Codere has reimbursed to Silver Point the costs that said Company payed to the consultants and advisors that the Monitor Committee has hired.

Regarding section D.3.:

1) Mrs. Encarnación Martínez Sampedro was Director until 28 of April 2016; however, the authorization of the extension of her loan contract took place when she was no longer a Director. Nonetheless, she is related to Directors Mr. José Antonio Martínez Sampedro and Mr. Luis Javier Martínez Sampedro; they are all siblings.

2) The service provision contractual relation exists between the Company of the Codere Group, Codere Newco S.A.U. and the company Pro TV S.A. of which Mr. Pío Cabanillas Alonso is a majority shareholder.

3) The service provision contractual relation between Codere S.A. and Codere México S.A. de C.V. and Mr. José Ramón Romero Rodríguez, is with the Law firm Loyra SCP Abogados, of which Mr. José Ramón Romero is one of the Partner Directors

Regarding recommendation 24, the six directors who resigned in April 2016 sent a letter stating that the reason for their resignation was to facilitate compliance with the agreements that made the financial restructuring of the Company possible.

The Board of Directors of the Company has approved this annual corporate governance report in its 27/02/2017 session.

Please indicate whether some directors voted against or abstained in the adoption of this Report.

Yes

No X

