

## **REPORT OF THE OPERATIONS OF THE NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE DURING 2016**

### **1.- PREAMBLE.-**

The Good Governance Code of Listed Companies, states in its Recommendation 6 that:

*“Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not obligatory:*

- a) Report on auditor independence.*
- b) Reviews of the operation of the audit committee and the nomination and remuneration committee.*
- c) Audit committee report on third-party transactions.*
- d) Report on corporate social responsibility policy”.*

This Report of the operations of the Nomination, Remuneration and Corporate Governance Committee during 2016, has been approved by the Committee in its meeting held on February 21<sup>st</sup> 2017. The Nomination, Remuneration and Corporate Governance will propose to the Board that this Report will be published on Codere’s website well in advance of the annual general meeting.

Therefore, since 2015, and applying the best transparency principles in corporate governance, this Report is published on Codere’s website so the shareholders may consult it or request its free delivery.

### **2.- MEETINGS AND COMPOSITION OF THE NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE.**

Within 2016 the Nominations, Remuneration and Corporate Governance Committee (previously named Corporate Governance Committee) has met 10 times, and in one occasion voting has taken place in writing without a meeting.

Within 2016 and as a result of the restructuring process successfully finalized by Codere, the composition of the Board of Directors was changed, and the number of members was reduced to 9. This modification was reflected in the Nominations, Remuneration and Corporate Governance Committee, and all the members of the Committee have been changed.

Therefore, until April 28th 2016, the composition of the Committee was:

D. Juan Junquera Temprano	Independent	Chairman
D. Eugenio Vela Sastre	Other external	Member
D. Juan José Zornoza Pérez	Other external	Member
D. José Ignacio Cases Méndez	Proprietary	Member
Masampe S.L (D <sup>a</sup> Cristina Martínez Soria)	Proprietary	Member

The new Board of Directors of Codere S.A. met on May 5th 2016, and among other issues, approved to change the composition of the Nominations, Remuneration and Corporate Governance Committee and to appoint new members. Since then the composition hasn't been modified, and at the date is the following.

D. Norman Sorensen Valdez	Independent	Chairman
D. Matthew Turner	Independent	Member
D. David Reganato	Proprietary	Member
Masampe S.L (D. Pio Cabanillas Alonso)	Proprietary	Member

The composition of the Committee complies with the legal requirements and with article 16 of the Regulations of the Board, which states:

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

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

The Secretary of the Committee is the Secretary of the Board of Directors, as stated in article 13.4. of the Regulations of the Board of Codere S.A.

During 2016, Regulations of the Board of Directors have been amendment, amongst others, to modify the name of the Committee from “Corporate Governance Committee” to “Nominations, Remuneration and Corporate Governance Committee”, and to include new competences, that the Spanish Companies Act states for this Committees.

### **3.- 2016 ACTIVITY REPORT.**

According with art. 16 of the Regulations of the Board of Codere S.A., the Nominations, Remuneration and Corporate Governance Committee hold at least the following competences:

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

- (a) To examine compliance with the Internal Rules of Conduct in relation to Securities Markets and to make the necessary proposals for improvement, as well as to ensure compliance with any corporate governance rules applicable in the matter.*
- (b) To present reports and proposals to the Board on any decisions to be adopted in conflict of interest situations.*
- (c) To present to the Board, for its approval, the Annual Corporate Governance Report and Report on Directors' Remuneration Policy.*

- (d) To make the proposals foreseen in these Regulations, with respect to remuneration of the members of the Board of Directors.*
- (e) To evaluate the competences, knowledge and experience required of the Board and, consequently, to define the necessary duties and skills for any candidates to each vacancy and to evaluate the time and dedication required to adequate exercise its tasks; to regularly evaluate the adequacy of the company's corporate governance system, taking into account the company's corporate interest and the legitimate interests of the different target groups.*
- (f) To make proposals to the Board in relation to its duties (for appointment or proposal), regarding the composition of the Board and its Committees and particularly with respect to the appointment of independent directors by co-option, or to be proposed to the General Shareholders Meeting, as well as proposals with regards to the re-appointment or removal of such directors by the General Shareholders Meeting. To inform of any proposals for appointment of all other directors for their nomination by co-option or for their submission to the shareholders' general meeting's decision, in addition to proposals for the re-election or dismissal of said directors, by the shareholders' general meeting.*
- (g) To inform of any appointments and removals of senior executives proposed to the Board by the leading executive.*
- (h) To inform the Board, as necessary, of any issues on gender diversity foreseen in Article 1.12.*
- (i) To make a proposal to the Board of Directors on the remuneration of the Chairman-Executive Director as leading executive of the company, or of the other executive directors, regardless of those received as Directors under the By-laws, including on the other conditions established in their contracts; to examine and manage the succession of the Chairman of the Board of Directors and of the company's chief executive officer, and to submit a succession proposal plan to the Board which guarantees, if applicable, that such succession is carried out in an orderly manner.*
- (j) To propose to the Board a general remuneration policy for senior executives of the Company or its subsidiaries or investee companies, as well as the basic terms of senior executive contracts.*
- (k) To establish guidelines and supervise any steps taken as regards the appointment, selection, career, promotion and dismissal of executives in order for the Company to have the necessary highly qualified staff for its management.*
- (l) To make proposals to the Board and to prepare an examination of the matters it should be aware of, in those matters not specifically entrusted to another Committee, if deemed necessary.*
- m) Establish a target for representation of the under-represented gender on the board of directors and develop guidance on how to achieve the goal.*
- n) Propose to the Board of Directors the remuneration policy for directors and general managers and those who perform senior management functions under the direct*

*supervision of the board or the CEO, as well as the individual remuneration and other contractual conditions of executive directors and ensuring compliance therewith.*

- o) To monitor and review the Company's corporate social responsibility policies and practices, proposing any amendments in its structure and development to the Board of Directors required to ensure its focus on creating value. Periodically evaluating the degree of compliance with such policies and practices.*
- p) Coordinating the reporting process with respect to non-financial and diversity information, and generally, information of any kind as long as it does not concern matters within the specific duties of another Committee.*

The main tasks which have been discussed and analyzed by the Committee within 2016, may be divided in five main areas:

**1) To make proposals to the Board in relation to its duties (for appointment or proposal) regarding the composition of the Board and its Committees (art. 16.2.f Regulations of the Board).**

Within 2016 the Committee has worked in this issues in the meetings held on January 19th, March 28th, May 12th and August 17th, and in one occasion voting has taken place in writing without a meeting. In all, the Committee has discussed and agreed decisions regarding this issue in 5 occasions.

This number of meetings is due to the end (during 2016) of the restructuring process. Previously to the change ( by co-optation) of the structure and composition of the Board and Committees which took place on May , the Committee informed and proposed to the Board those appointments.

Later, and for the AGM which should ratify and appoint those new Directors, the Committee executed again its competences regarding this issue, and informed the appointment of the proprietary Directors, and proposed the appointment of the Independent Directors.

**2) Annual evaluation of the Board, Committees and Chairman functioning; proposal of an Action Plan to correct any deficiencies noted and monitoring of the Action Plan (art. 12 Regulations of the Board).**

Within 2016 the Nominations, Remuneration and Corporate Governance Committee has discussed and analyzed this issue in three occasions, specifically in meetings held on January 19<sup>th</sup>, May 12<sup>th</sup>, and December 12<sup>th</sup>.

On January 19th meeting, the Committee analyzed the results of the self-assessment of th Board, Committees, Chairman and Directors, and based on it, it prepared an Action Plan correcting deficiencies noted, and submitted to the Board the results of the self-

assessment and proposed to approve the Action Plan. The Board approved it on February 2<sup>nd</sup>.

In the following meetings, the Committee was informed of the evolution of the implementation of the measures included in the Action Plan, to inform to the Board and to monitor the functioning of the measures, and if they fulfilled the objectives established in the Plan.

**3) To make proposals with respect to remuneration of the members of the Board (art. 16.2.d); to make a proposal to the Board of Directors on the remuneration of the Chairman-Executive Director or of the other executive directors (art. 16.2.i); to propose to the Board of Directors the Remunerations Policy of Directors and senior executives:**

Within 2016 the Nominations, Remuneration and Corporate Governance Committee has discussed these issues in 4 different occasions, specifically in meetings held on February 12<sup>th</sup>, June 29<sup>th</sup>, August 17<sup>th</sup> and November 8<sup>th</sup>.

In the meeting held on February, the Committee, in the framework of the finance restructuring, analyzed the contract that would govern the provision of services between the executive directors and the Company, and favourable reported to the Board for their approval. The Board approved them on February 12<sup>th</sup>.

In the rest of the meetings, the Committee analyzed and discussed the Directors Remuneration Policy, the proposal of issuance of warrants for Executive Directors and Senior Management of Codere Group and the specific proposal of remuneration for each Director.

Regarding the Directors Remuneration Policy, the Committee proposed to the Board the amendment of the remuneration system, as well as the subsequent amendment of the bylaws to be adapted to the new Policy. The Board agreed and those decisions were approved in the Extraordinary General Meeting held on November 10<sup>th</sup>. The Board, based on the approved Policy agreed the specific amounts to be paid to each director, taking into account the different responsibilities, functions and duties assigned to him or her.

Regarding the proposal of issuance of warrants for Executive Directors and Senior Management of Codere Group, the Committee took as a reference point, the agreements set in the Shareholders Agreement signed during the restructuring process. The Committee discussed, analyzed and proposed to the Board the issuance of warrants for executive Director and warrants for senior management. Those issuances were approved by the EGM held on November 10<sup>th</sup> 2016.

**4) To examine compliance with the Internal Rules of Conduct in relation to Securities Markets, and to make the necessary proposals for improvement,**

**as well as to ensure compliance with any corporate governance rules applicable in the matter (art. 16.2.a):**

Regarding this competence, the Committee has discussed this issue in 4 different occasions.

In view of the entry into force of the new UE Regulation on Market Abuse, the Committee was informed about the regulatory modifications, and reviewed the new text of the new Code of Conduct in the Securities Market in its meeting held on November 8<sup>th</sup>. The Committee proposed to the Board of Directors the approval of the new Code, and the Board did it on November 10<sup>th</sup>.

Additionally, within 2016 the Committee monitored the compliance with Codere's obligations in this area.

**5) Other business which are under the competence of the Committee.**

Finally, the Nominations, Remuneration and Corporate Governance Committee has studied, analyzed and discussed other issues within 2016:

First of all, the Committee continued with the works started in 2015, to define a Corporate Social Responsibility Policy. The final text was proposed by the Committee to the Board (art.16.2.o). The Board approved said Policy on March 31<sup>st</sup> 2016.

Second, and in line with art. 16.2.g), the Committee analyzed in its meeting held on February 25<sup>th</sup> 2016, the appointment of a Senior Executive for Panama, and informed later to the Board.

The Committee also analyzed, to submit its approval to the Board, the Annual Corporate Governance Report, and the Report on Directors' Remuneration Policy for 2015 (art. 16.2.c).

Finally, the Nominations, Remuneration and Corporate Governance Committee also analyzed and discussed the amendment of the Regulations of the Board of Directors, to adapt it to some of the Recommendation of the Good Governance Code of Listed Companies, to the required legal name of the Committee, and to the competences stated in the Spanish Companies Act.

**Madrid, February 21st 2017**