

REPORT ON THE ACTIVITIES OF CODERE S.A. COMPLIANCE COMMITTEE IN 2016

1. INTRODUCTION

The Good Governance Code of Listed Companies establishes in its Recommendation number 6:

"That listed companies drawing up the following reports on a voluntary or mandatory basis, should publish them on their website well in advance of their Annual General Meeting, even if their diffusion is not mandatory:

- a) Report on Auditor Independence.*
- b) Reports on the operation of the audit committee and appointments and remuneration committee.*
- c) Audit committee report on third-party operations.*
- d) Report on corporate social responsibility policy.*

This report on the activities of Codere S.A. Compliance Committee in the 2016 financial year has been approved by the Committee in its meeting held on 26th January 2017. The Compliance Committee shall propose to the Board of Directors that the Report is made available to company shareholders on the occasion of notice of the Annual General Meeting of Shareholders.

Applying best practices in regard to transparency in corporate governance, from 2015 onwards the Annual Report on the Activities of Codere S.A. Compliance Committee has been made available to shareholders on the occasion of notice of the Annual General Meeting. The report is posted on the corporate website for shareholders to consult or, at their request, can be sent to them free of charge.

2. COMPOSITION OF THE COMPLIANCE COMMITTEE AND MEETINGS HELD IN 2016.

During 2016 the composition of Board of Directors of Codere, S.A. was reduced to 9 members as a result of the Company successful reorganization. This modification in the composition of the Board of Directors was also reflected in that of Compliance Committee, with a complete change of all of its members.

Hence, up to 28 April 2016 the Committee was formed by the following members:

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| Mr José Ignacio Cases Méndez | Proprietary | Chairman |
| Mr José Ramón Romero Rodríguez | Proprietary | Member |
| Mr Joseph Zappala | Independent | Member |
| Mr Juan Junquera Temprano | Independent | Member |
| Masampe S.L. (Ms Cristina Martínez Soria) | Proprietary | Member |



The new Board of Directors of Codere S.A. met on 5 May 2016 and among other issues agreed to a change in the composition of the Audit Committee. The committee's composition has not changed since then and, at the date of issue of this report, it is as follows:

| | | |
|---|-------------|----------|
| Mr Joseph Zappala | Independent | Chairman |
| Mr Manuel Martínez-Fidalgo Vázquez | Proprietary | Member |
| Masampe S.L. (Mr Pío Cabanillas Alonso) | Proprietary | Member |

The committee's composition complies with the requirements of article 15 of the rules governing Codere S.A. Board of Directors, which indicates that:

"The Compliance Committee shall be formed by a minimum of three and a maximum of six members designated by the Board of Directors. The majority of members of the said Committee should be external Advisors.

The Committee Chairman should be an independent advisor. If the Advisor appointed as the Committee Chairman does not to have that status, the specific reasons for his/her appointment shall be indicated in the Annual Corporate Governance Report".

The Committee's Secretary is the Secretary of the Board of Directors, in accordance with the provisions of article 13.4 of the rules governing the Board of Directors of Codere, S.A.

During 2016 the Compliance Committee has held a total of 6 meetings on the dates and with the agendas indicated below.

| DATE MEETING | OF | AGENDA |
|-----------------|----|---|
| 02/02/2016 | | <ol style="list-style-type: none"> 1. Approval, as appropriate, of the minutes of the previous committee meeting. 2. Circular from the Attorney General's Office regarding compliance programmes. 3. New Compliance Plan. 4. Other business, motions and queries. |
| 25/02/2016 | | <ol style="list-style-type: none"> 1. Approval, as appropriate, of the previous committee meeting. 2. Compliance report on the appointment of the Managing Director for Panama. 3. Other business, motions and queries. |
| 31/03/2016 | | <ol style="list-style-type: none"> 1. Approval, as appropriate, of the previous committee meeting. 2. Modification of Codere Group's Code of Ethics and Conduct. 3. 2015 Annual Compliance Report. 4. 2016 Action plan; BU Compliance Officers. |

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| | 5. Mexico situation; exceptional measures to reduce Anti-money Laundering errors. 6. Other business, motions and queries. |
| 29/06/2016 | 1. Approval, as appropriate, of the previous committee meeting. 2. Codere Group annual external expert and FT monitoring report. 3. Codere Group Compliance Department policies and structure 4. Proposal for new 2016 Codere Group Compliance Plan 5. Other business, motions and queries. |
| 27/09/2016 | 1. Approval, as appropriate, of the previous committee meeting. 2. Agreement between FIU, TAS and Codere Mexico as a collegiate entity for reporting vulnerable activities. 3. Compliance situation in the rest of the BUs. 4. Other business, motions and queries. |
| 07/11/2016 | 1. Approval, as appropriate, of the minutes of the previous committee meeting. 2. Draft document to study "Gifts and Hospitality Policy" (Development of art. IV.8 C.E.C.) 3. Activities and issues of interest Compliance of BUs 4. Other business, motions and queries. |

3. 2016 ACTIVITIES REPORT

Pursuant to the provisions of article 15 of the rules governing the Board of Directors, the Compliance Committee has the following competencies:

- (a) *To monitor compliance by the Company and the Group with domestic or foreign regulations that are applicable to the gaming sector.*
- (b) *To evaluate the Company and Codere Group's internal control systems in regard to its information disclosure obligations and transparency in gaming matters and to make proposals for implementation or improvement that it deems necessary or appropriate.*
- (c) *To monitor the Company and the Group's control systems and compliance with the rules on anti-money laundering and to make the proposals for implementation or improvement it deems necessary or appropriate.*
- (d) *To set up and monitor a mechanism that allows employees, customers, suppliers, and other third parties with whom contractual obligations are held, to report confidentially and, if deemed appropriate, anonymously, any potentially significant breaches, especially financial and accounting irregularities, that they detect within the company.*
- (e) *To monitor and assess the security systems and measures applied in performing Company and Group business, of which the Directors responsible for the relevant areas shall be periodically informed.*

The main issues addressed and analysed by the Committee during the course of 2016, which have been the main areas it has monitored, are as follows:

a) New Compliance Plan:

During 2016 the Compliance Committee was duly informed of the contents of the 1/2016 Circular issued by the Attorney General's Office regarding the criminal liability of legal entities in compliance with the reform of the criminal code implemented by organic law 1/2015

The said circular gave instructions on evaluating the efficacy of compliance plans, requiring, among other aspects, the creation of the specific post of Compliance Officer.

The publication of this circular and the fact that it has been more than ten years since Codere approved its Compliance Plan, led the Compliance Committee to examine the possibility of modifying the text of its Compliance Plan. In the meeting held in February, the Committee agreed to put forward a proposal to the Board of Directors for the Plan to be partially modified, the said proposal being rejected by the Board of Directors that instead decided to proceed to study and review the Compliance Plan more thoroughly.

In the meeting held in June 2016, the Committee was informed that the Compliance Plan approved by Codere in 2005 would have to totally redone to include improvements that from practical experience over the years were advisable, as well as other points that needed to be adapted to the new modifications in the law and in regulations. An initial draft of the Plan was handed to the Committee members for them to analyse and comment on.

Codere's new Compliance Plan is expected to be approved in the first few months of 2017.

b) Actions in the area of Codere Group Code of Ethics and Conduct:

The Compliance Committee in its meeting held in March 2016, agreed to propose to the Board of Directors the partial modification of Codere Group's Code of Ethics and Conduct in order to include modifications relating to the Whistleblowing (Reporting) Channel that the Group has set up.

It was agreed to modify the Code of Ethics and Conduct to not only accept anonymous whistleblowing activities, but also to guarantee this anonymity and to provide telephone numbers and local (as well as corporate) electronic mail addresses to report possible misconduct.

Additionally, in the meeting held in November 2016, the Committee agreed to begin work on developing art. IV.8 of the Code of Ethics and Conduct by drafting a gifts and hospitality policy. It is expected that this work will be completed during the first months of 2017. After it has been reviewed and, if appropriate, approved by the Committee it will be forwarded to the Board of Directors for their consideration.

c) Activities in the area of Anti-money laundering and prevention of financing of terrorism:

Within the scope of its competence in this area, the Compliance Committee meeting held in March 2016 analyzed the situation in Mexico and was informed of the measures adopted to reinforce compliance processes, improving the completeness of the documentation in customer dossiers and reducing the possibility of committing errors in reports to authorities.

d) Signing of Agreement between the FIU (Financial Intelligence Unit of Mexico, TAS (Tax Administration Service of Mexico) and Codere Mexico for reporting vulnerable activities:

In the meeting held in September 2016, the Committee was informed that an agreement has been signed between the FIU, TAS and Codere Mexico. The said agreement allows this Group Company to report vulnerable activities through a collegiate entity.

The collegiate entity is an institution put in place by Mexican legislature to facilitate the process of reporting to authorities on customer operations in relation to prevention and identification of transactions with illicit resources. This agreement has brought the following benefits:

- Optimisation of the process of reporting vulnerable activities, which considerably reduces the risk of fines for inconsistencies in data, without violating the rules of confidentiality.
- Generation of savings due to not having to create in Mexico seven areas responsible for enforcing the law (one for each permit holder), given that compliance with such obligations is centralised in the collegiate entity.
- Building of market trust and value, since in the process of seeking authorisation and entering into the agreement, Codere Mexico underwent a scrupulous assessment of the profiles of the people involved in anti-money laundering services and of all its procedures and policies and the physical, administrative and technological security means in place in the Group to comply with regulations.



e) Dealing with the compliance situation in each business unit:

The Compliance Committee was kept informed of the reports presented regularly by the Compliance Department with details on the compliance situation in each of the business units, information on the operation of the whistleblowing channel set up by the Company and the Group, and the main compliance risks detected in each of the countries, forwarding this information to the Board of Directors.

Lastly and without seeking to be exhaustive, in its meeting in February 2016, the Compliance Committee analyzed and discussed the appropriateness of the appointment of the General Manager for Panama.

Madrid, 26 January 2017