

codere





Letter from the Chairman



Dear Readers:

Codere has recently embarked upon a new stage. A new beginning, in which we seek to take the Company towards the highest standards of professionalism, excellence, transparency and profitability. A road which we can only travel equipped with professional ethics and a special commitment to responsible gaming, the fundamental pillar of Corporate Social Responsibility (CSR). Hence, the need to involve the various instances of the Company in monitoring CSR activity.

In addition, this year we have gone one step further in transparency, by starting up the Fundación Codere website (www.fundacioncodere.org), in which can be seen a large part of the work carried out over the ten-year history of this Foundation. We believe that, in time, this website will become a platform of reference for the entire sector with respect to data, analysis and opinions regarding the industry.

We are a global Company, having a presence in a good number of markets in Europe and America. This is why it has become necessary to broaden the horizons of our CSR activity. In this respect, we are already working on the extension of the sociological report which we have traditionally prepared in Spain and Italy. Specifically, we wish to take this report to the Latin American market, and the initial work is already underway to develop this in Mexico, a key country for Codere.

In this regard, we must highlight the important contribution of our Company to the performance of the entire sector through the various publications which we have promoted. Among these, mention must be made of the *Spanish Gambling Directory*. This past 29 November 2017, the Company presented its sixth edition, which has come to corroborate the reality which has been noted for some time in the various Spanish gaming environments. It is now possible to confirm a change in trend in the wake of the crisis, with the increase recorded in the amounts played, especially in gaming halls and in sports betting, which rose in inter-annual terms by 24% and 19.5%, respectively. As could only be expected, this Directory also reflects the performance of online gaming, an area which concentrates 57% of the sports bets, and to which great attention must be paid and resources dedicated in the coming years, given its high potential.

Owing to this increase, the contribution of the gaming sector to the Spanish public coffers likewise rose, to 1,674 million euros in taxes, and employs 83,870 persons in the country.

Moreover, the solid commitment of Codere to regulatory compliance must be highlighted. We have anticipated the new European Data Protection regulation, and have consequently made significant organizational changes in order to adapt ourselves to it. In addition, we have already developed training tasks with various collaborators through a cybersecurity course which remains open in 2018. Lastly, the 2017 accounts are the first to include the section on non-financial information, which is now required by law in Spain, in the wake of the transposition of European Community regulations by the Spanish Government in the final weeks of 2017.

The fight against fraud is another area on which we have been having an impact for some time now. Among other aspects, mention must be made of the work carried out by the Codere Board of Directors, which in February of 2017 approved the *Global Anticorruption and Irregular Conduct Prevention Manual*, in conjunction with a *Practical Guide to Anticorruption*, an essential and necessary initiative in any company.

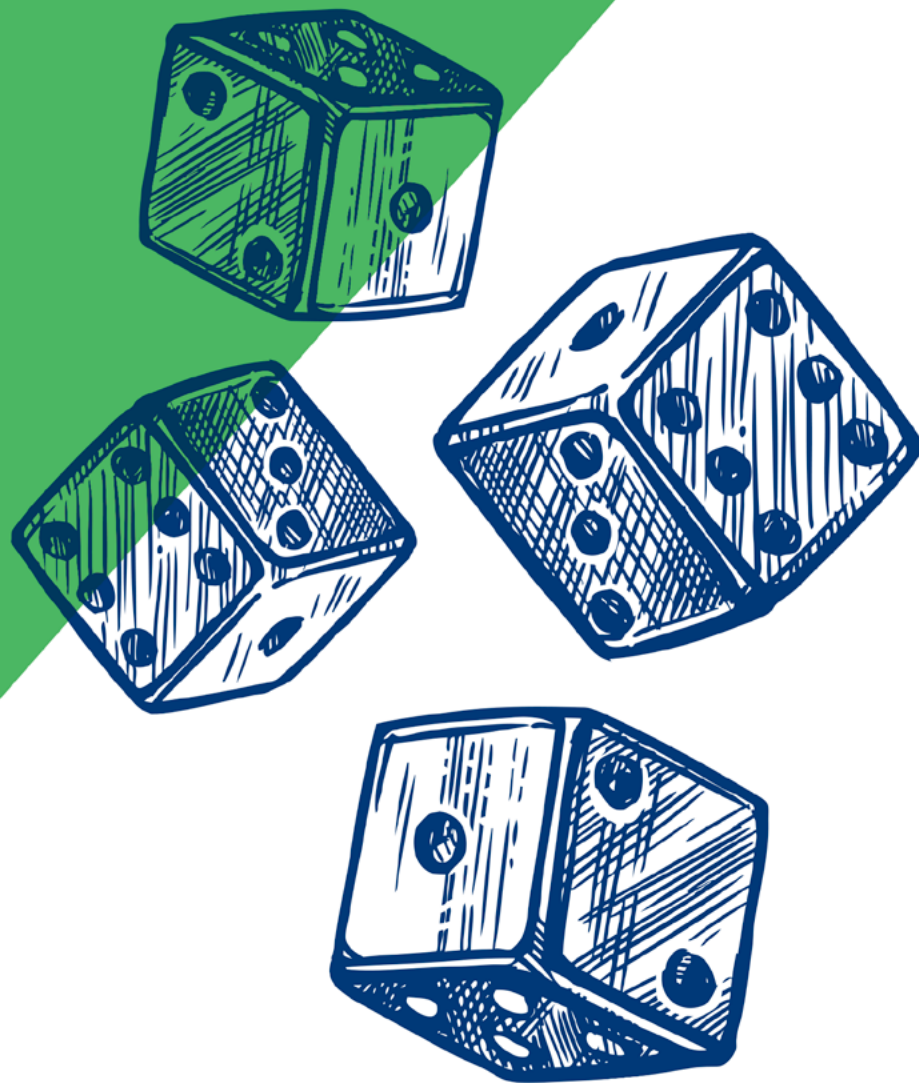
Lastly, at Codere we are convinced that the development of our activity is compatible with the defense of the rights and interests of the communities and groups with which we work. This commitment can be seen through solidary and educational actions with the most underprivileged communities, but also through training programs which seek to make certain groups more employable, and provide young people with their first job opportunity. Along the same lines, the values of our CSR policy also permeate our human resources work. Special mention must be made of the high rate of indefinite contracts existing in the Group, a guarantee of stability which promotes decent living conditions for its workers, whose training is also one of the commitments of Codere.

In short, CSR in Codere is not merely a report or a limited series of activities. It is a spirit integrated into the culture of all of us who, day to day, build this organization. The future is promising, and it is only with ethics and values that we will be able to conquer it.

Sincerely,
Norman Sorensen



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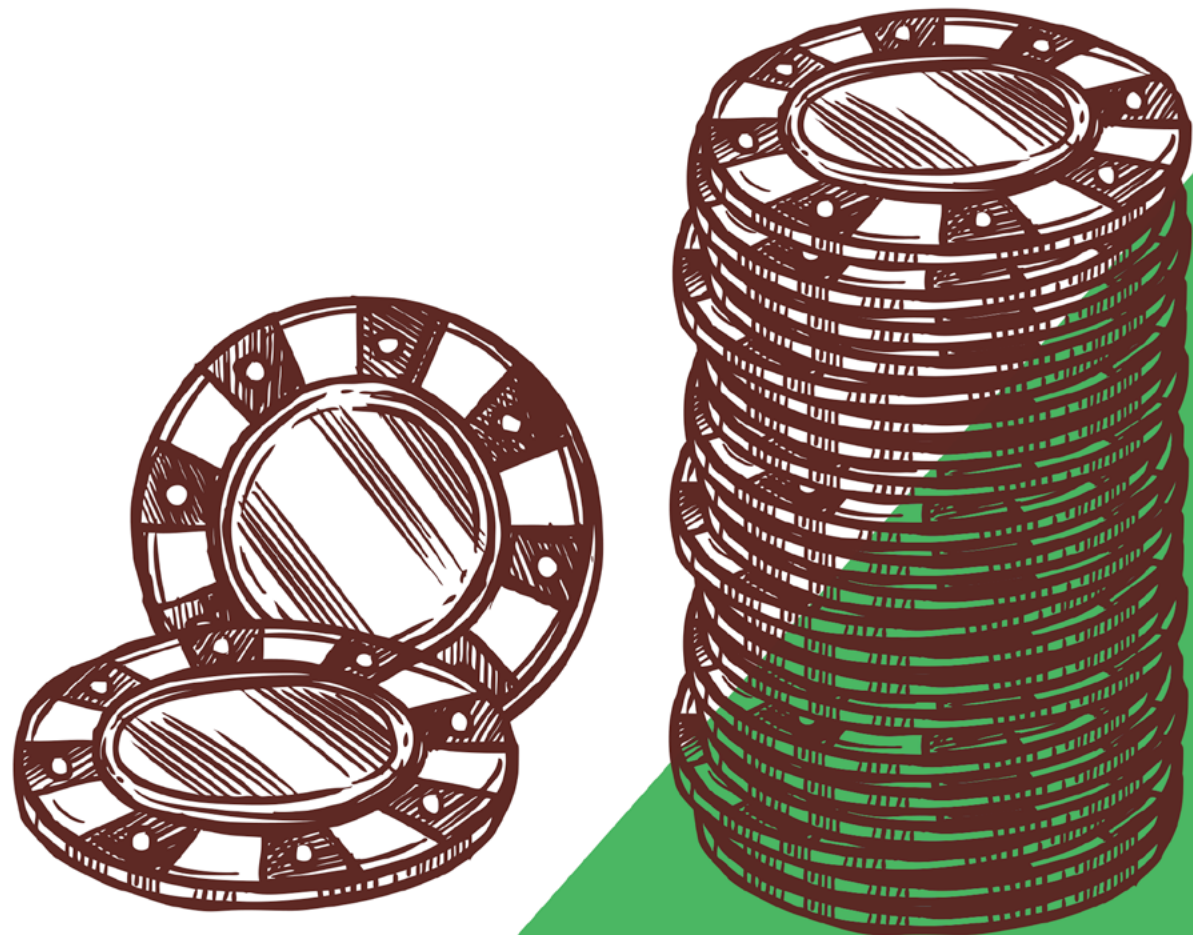
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Codere and Corporate Social Responsibility



1.1. The priority of socially responsible action

Responsible Gaming, which is the central focus of Codere work, has been a part of the Company DNA from the time it began operating in Spain

From the start of its activity, Codere has pursued socially responsible growth, in a commitment to the environments in which it works. For the past two years, the Company has included the actions in which this axiom is materialized in this CSR report.

Responsible Gaming, which is the central focus of Codere work, has been a part of the Company DNA from the time it began operating in Spain, in 1980. A commitment which therefore began nearly four decades ago, and which has been reinforced and extended in tandem with the Group itself, throughout Europe and Latin America, to the degree where it is present in seven other countries (Italy, Mexico, Argentina, Uruguay, Panama, Colombia and Brazil).

Eight legal, economic and social environments in which the Codere Group confirms its deepest conviction: the maximization of value of an organization is not at odds with the global objective of contributing to the well-being of society. The quest for economic profit must always take place in the context of respect and defence of the law, Fundamental Rights, social interest, and the moral and ethical principles which guarantee human dignity, sustainable growth and the protection of the surrounding environment.

This action principle is what moves the Codere Group to develop a socially responsible and, in short, committed activity, with its stakeholder groups. The Company identifies in those interest groups not only its shareholders and investors, its suppliers or its customers, but also the Public Administrations (the gaming sector is a sector regulated like few others), its own human capital, the mass media, the environment, and, especially, society. For this reason,

the Codere Group seeks to give back to the environment in which and with which it operates, part of the profit which it obtains from its activity, through initiatives, projects and programs which, on many occasions, are materialized through intangibles, such as research and analysis, areas which have been promoted with particular interest by the Codere Foundation for the past ten years.

Responsibility is, therefore, one of the values which defines the action of the Codere Group. To this must be added **professionalism** and **transparency**, in a perfect triad which has made our Company an international reference, a fundamental interlocutor for the various political authorities and players when establishing the gaming industry regulatory framework. In this respect, Codere sees CSR as taking on special importance in the gaming sector, given its highly regulated nature. We believe that the companies in this sector must comply with the highest standards of professionalism, responsibility and financial solvency so as to be able to guarantee a balanced management of the sector which maximizes tax collection by the Public Administrations, at the same time that it minimizes any possible negative effects of the activity on society.

These three values define the vision which the Codere Group has of the gaming business, and likewise determine the attainment of its objectives, which are focused on developing its role as a reference for professional management, transparency and responsibility in games of chance, principally for market regulators and its own customers, but also for the mass media and society.

Our mission is to attend to society's demand for entertainment by offering games in which chance plays a role. A growing demand, with the opening of markets and segments which until now were not regulated, and which takes on new forms with the ever greater presence of online activity, which the Group wishes to attend to with the experience of its nearly four decades of activity.

The commitment of the Codere Group to CSR is transversal, and involves all of the players making up its organization. This commitment materialized on 31 March 2016 with the approval by the Company Board of Directors of the Corporate Social Responsibility Policy, a document which is available on the corporate webpage (www.grupocodere.com) section dedicated to CSR the preparation of which is the responsibility of the Group maximum management body, by virtue of article 7.2 of its Regulations.

In this regard, the Appointments, Remuneration and Corporate Governance Committee of Codere has, throughout 2017, monitored compliance with the Company CSR Policy, evaluating and analyzing said compliance even before the required general review of the developments taking place during the entire year. Article 16.2 of the Regulations of the Board of Directors of Codere SA recognizes the power of this Committee to do so.

The Codere Corporate Social Responsibility Policy aims, in short, to favor a global culture which contributes to creating sustainable value for society, citizens, customers, shareholders and the communities in which the Group carries out its activities, to remunerate fairly all of the groups contributing to the success of its business project, and to take on new investments in consideration of their social return.

1.2. New year, new Codere CSR milestones

The year 2017 marked an important milestone in the Codere Group Corporate Social Responsibility

Coinciding with the tenth anniversary of the Company Board of Directors' resolution which gave rise to it, the Fundación Codere has given new impetus to its activity through two principal lines: communication, with the launching of its own webpage -providing significant support to making its disseminating activity more visible- and international projection, with the publication in Italy for the first time of the report on the *Social Perception of Gambling* which is published annually in Spain in collaboration with the Carlos III University of Madrid (UC3M), with 2018 being the year of the launching of the Mexican version.

The Codere Group has redoubled its commitment to CSR through the institution which, until now, has been the principal catalyst of its activity in this sphere, pursuing three fundamental objectives: to make the gaming industry more transparent; to promote and collaborate on initiatives to develop public policies in regard to Responsible Gaming; and to promote the development of local communities in which to carry out its activities.

This activity has been carried out by the various Institutional Relations Divisions of the business units, which have sought to integrate this area of action, giving it an identity of its own, reflecting the importance which Codere has historically given to CSR.

The outline of the principal Company novelties in Corporate Social Responsibility over the past year must also make mention of two initiatives in the organizational and functional sphere of the Corporation, as the result of significant regulatory changes in the areas in which the Codere Group operates. These two new developments likewise affect two matters of critical importance for the Company, in the framework of the materiality assessment made in early 2018 by the consultancy firm of Ernst & Young (EY), which has come to confirm the focus by Codere in recent years on Corporate Social Responsibility matters.

The first of these new areas is that of **Personal Data Protection**. During 2017, Codere started up an organizational project aimed at anticipating the changes which the European Data Protection Regulation will bring as from 25 May 2018, directly applicable to the Corporate headquarters, given their location in Madrid, as well as to the business units in Spain and Italy. Since early 2017 and up until the present, an analysis has been conducted of the Company situation in order to plan the actions required to implement all of the legal, technical and organizational changes required by the European Regulation. Among the first measures are the organizational changes required in order to conform to the new regulation. In this respect, a working team was set up in June, headed by the corporate Information Systems officer (as the head of technical affairs or CTO) and a representative of Corporate Legal Consultancy Department, or CLO). The importance of this initiative -both externally as well as internally- requires that Codere dedicate special section to this project in its CSR report this year.

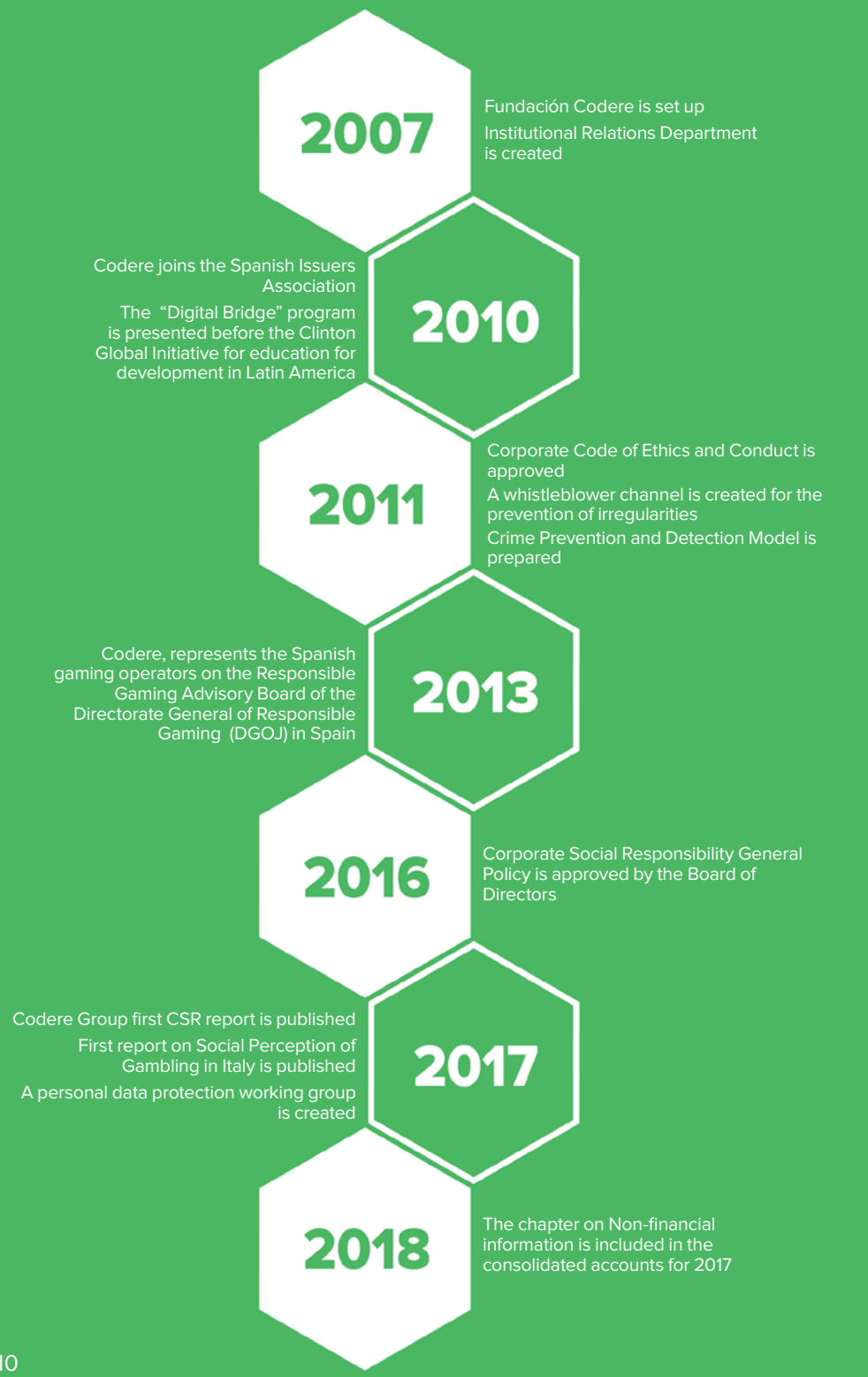
The second CSR novelty is related to the approval by the Spanish government, at the end of 2017, of Royal Decree Law 18/2017, of 24 November, amending the Commercial Code, the revised text of the Capital Companies Act approved by Legislative Royal Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit of Accounts, in matters of non-financial and diversity information. This Decree-Law transposes the European Union Regulation on **disclosure of non-financial and diversity**

information by certain large companies and business groups, in an aim to identify risks, improve sustainability and increase the confidence of investors, consumers and society in general.

In compliance with these new requirements, Codere already included a chapter in its 2017 annual accounts, published at the end of February 2018, dealing with the "non-financial information" statement, a new exercise in transparency by the company in regard to its action in areas which, until now, were not reported on the annual balance sheet, and which is an added improvement to both internal and external confidence. The idea is that, from now on, this chapter in the Codere Group consolidated accounts will serve as an advance of the annual Corporate Social Responsibility report.

Significant CSR Areas and Novelties of the Codere Group in 2017





1.3. Corporate Social Responsibility in the framework of its own CSR Policy

The activity of the Codere Group Corporate Social Responsibility is carried out in accordance with a series of general action principles

On 31 March 2016, the Board of Directors of Codere SA approved the *Company Social Responsibility Policy*. This gave shape and uniformity to an action which the Codere Group has been developing for decades, in an aim to have an effect on the areas in which it operates, based on its benefit and on minimizing any possible negative pact of its activity.

The activity of the Codere Group Corporate Social Responsibility is carried out in accordance with a series of general action principles, applicable in all of the companies comprising the Group, including its subsidiaries, with the particularities which may be established in each case. Specifically, these are:

1. Comply with the laws in force, adopting additionally and voluntarily, international commitments, standards and guidelines in those instances in which there are no adequate or sufficient laws, basing their relationships with the competent public authorities in each jurisdiction, on loyalty, trust, professionalism, collaboration, reciprocity, and good faith.
2. Support the integration of international principles, especially in the areas of Human Rights, labor practices, the environment and the fight against corruption.
3. Bring its action in line with the principles contained in the Mission, Vision, and Values of the Codere Group, and follow the guidelines contained in all other Corporate Governance regulations especially in the *Code of Ethics and Conduct*, which regulates the responsible conduct of all of the Group professionals in carrying out their activity.
4. Favor free market practices, rejecting any type of illegal or fraudulent practice, implementing effective mechanisms for the prevention, overseeing and sanctioning of irregularities. In particular, the commitment is taken on to pursue and denounce any corrupt practice or action deemed fraudulent which is revealed in the Group in any of the territories in which it operates.
5. Adopt advanced Corporate Governance practices, in line with the recommendations of Good Governance in international markets, based on business transparency and mutual trust with the stakeholders.
6. Promote channels of communication and dialog, and likewise favor Group relationships with its shareholders, investors, employees,

customers, suppliers, and, in general, with all of its stakeholders, in order to bring business values in line with social expectations, and adapt, to the extent possible, Group policies and strategies to society's interests, concerns and needs, using all communication instruments within its reach, such as direct contact, the company corporate webpage and other Group webpages, as well as any new communication or interaction channels which may be established.

These general action principles are those which allow the various Codere Group business units to prepare their own Corporate Social Responsibility action plans around the same core principles. These CSR lines of activity determine the structure of this report with respect to reporting on the principal actions carried out in 2017, namely: Responsible Gaming, development of human capital and transparency, as well as society and the environment.

These four central concepts will, on this occasion, be accompanied by a **specific new chapter, i.e., the Defence of Fundamental Rights**, putting special emphasis on the importance taken on, since the year 2017, by personal data protection as a guarantee of the right to privacy, developed in **article 12 of the United Nations Universal Declaration of Human Rights** and rights which are contained in the constitutions of the countries in which the Company operates.



Codere Group

2.1. Institutional profile

Professionalism, responsibility, and transparency are the values guiding Codere Group activity in the eight countries in which it operates in Europe and the American continents

MISSION

People want to entertain themselves by playing games and placing bets in which chance and their skill play a part. In present day society there is an ever-growing demand for this type of activity. Codere has defined its mission to be that of attending to this demand with professionalism and transparency, so as to be able to generate sustainable economic growth.

VISION

To be a reference for the professional, transparent and responsible management of gaming, for regulators and customers of the markets in which we have a presence.

VALUES



Professionalism

Doing things well requires, in our opinion:

- Qualified teams undergoing continual training and development.
- Customer-oriented, creating appreciable competitive advantages.
- Innovation which takes advantage of technological evolution.
- Respect and adaptation to the diversity of cultures and sensibilities of our markets.



Transparency

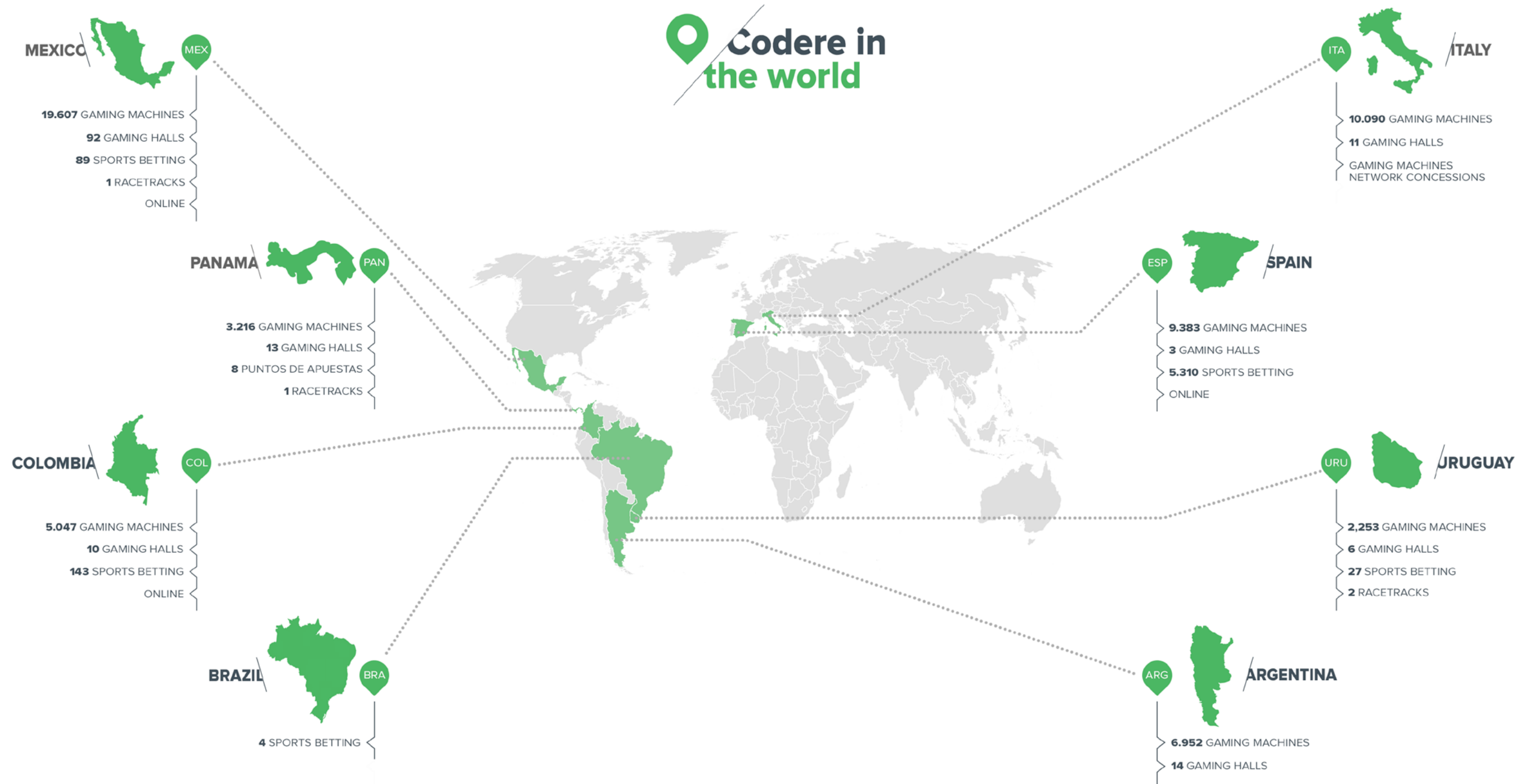
Our activity demands that we handle a large amount of outside resources, such as prizes for winners and special taxes. This characteristic imposes and justifies large-scale administrative intervention. Transparency is the only way to earn the trust and credibility of customers and regulators. We are the first Spanish gaming company to be listed on the stock exchange.



Responsibility

Excessive gambling may have socially worrisome effects on the most vulnerable groups. By helping regulators and Public Administrations, and advising and warning our own customers in order to reduce that potential social impact to a minimum, we are helping ourselves.

Codere in the world

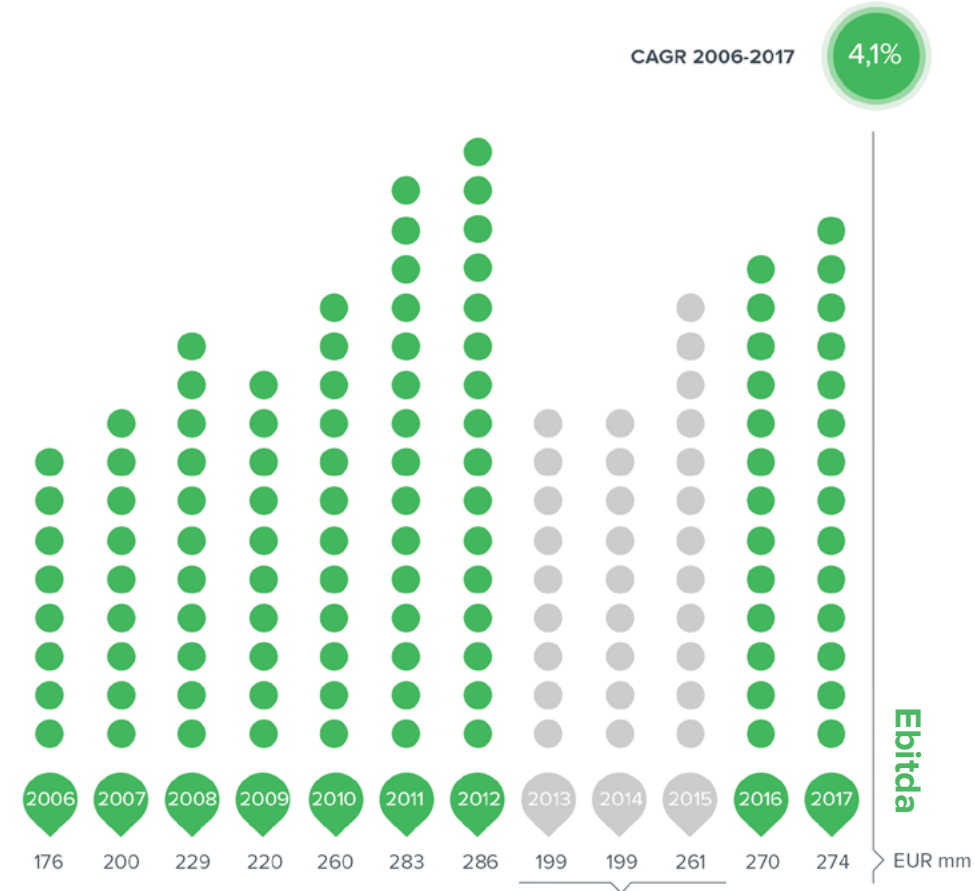
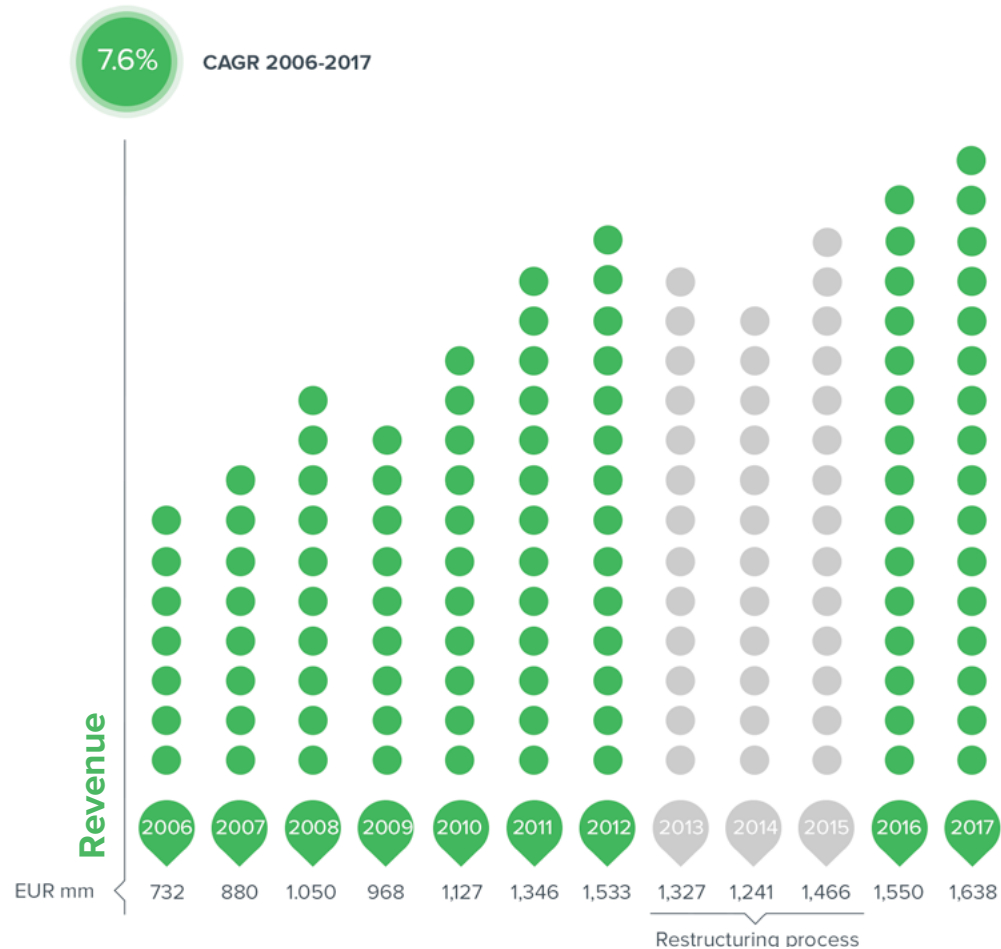


NOTES:

Gaming Machines: Includes all Codere operated AWP, VLTs, electronic bingo terminals and other gaming machines; excludes 3rd party operated slots. **Gaming Halls:** Includes all gaming venues with > 50 slot machines. **Sports Betting:** Figures for Spain reflects self-service terminals (SSTs); in other markets figure reflects number of sports books/betting shops.

2.2. Principal magnitudes

Codere is a leading private gaming operator, having a professional history which spans nearly 40 years. With over 13,000 employees, it carries out its activity in eight countries in Europe and Latin America -Spain, Italy, Argentina, Mexico, Colombia, Panama, Uruguay and Brazil-, in various business areas: gaming terminals, gaming halls, sports betting outlets, horse racetracks and online activity



Codere is the only Spanish gaming sector company which is listed on the Madrid Stock Exchange, going public on 19 October 2007, and it carries out its activity in this complex sector with total transparency and responsibility.

A long professional history

Codere started its activity in 1980 in the Autonomous Community of Madrid (Spain) as a gaming machine

operator, and has gradually diversified its business in the gaming industry, becoming a Company of reference in the various markets in which it operates. Codere has built positions of leadership in the majority of its markets sustainably over time.

From the time it started its business, the Company has not stopped growing, and holds a notable position in the principal business areas and countries in which it is present.

Currently, it is one of the leading AWP (Amusement With Prize) operators in Spain. It is the leading company in gaming hall operation in the Province of Buenos Aires, in Mexico and in Uruguay, and has noteworthy activity in Italy, in addition to being the principal casino operator in Panama.

CAGR: Compound Annual Growth Rate. 2004-2008: Excludes discontinued operations. 2008-2009: Excludes the gains or losses on assets disposals. 2012-2015: The results reflect the contribution of the Argentine business to the unofficial or blue exchange rate. 2013-2015: Restructuring Process.

Operating Data 2017



Tax Contribution to the Public Administrations

The Company contributes actively to the creation of economic value for the Public Administrations of the areas in which it operates, by means of the payment of direct and indirect taxes. The Codere Group generated a total tax contribution of 894 million euros in 2017.

2.3. Corporate Governance

With the intention of protecting the interests of the Company and of its principal stakeholders, the Codere Group is committed to establishing Good Corporate Governance standards essential for the efficient use of its resources, Group growth, and the creation of sustainable value

In this way, the Codere Group focuses its Good Corporate Governance practices on three basic aspects:

- Control and Procedures System:** this aims to provide the Group with a common organizational structure and culture, applicable to all of the entities, regardless of their area of influence, setting up formal action mechanisms, which tend not to bureaucratize but rather to establish guidelines for controlled delegation, in order to consolidate a culture of effective management, thus attaining the strategic coherence of the Group.

The principal tool of this system is the Contracting Committee, which provides the purchases and contracting processes with a specific structure, establishing an action mechanism which encourages transparency, ensures the concurrence of suppliers, and redounds in the reduction of acquisition costs for the Company, at the same time that it promotes Good Corporate Governance. From the time it came into being, in mid-2009, the Contracting Committee has managed over 650 significant purchase transactions at the corporate level alone, cutting purchasing costs. The year 2011 marked the culmination of the incorporation of this Contracting Committee in the various geographical areas in which the Company operates, and by 2018 a new joint Purchases and Contracting Committee is expected to be reformulated and introduced into the business unit in Spain and the corporate departments on a technological platform coupled with the Company management systems, which will make it possible to attain high efficiencies in all processes and procedures.
- Compliance Standards:** these are an essential piece which shows the special commitment the Group has to good business practices, in a sector as regulated and sensitive as is the gaming sector.

The Codere Group strategy goes beyond what the specific regulations and laws call for, and has an impact on the true spirit of fair and responsible gaming: specifically, the Group is especially involved in strict compliance with all laws regarding money laundering and terrorist financing, as well as with applicable gaming regulations.

To supervise these aspects, the Company has the Security and Compliance Division, which, among other tasks, takes charge of monitoring and controlling the application of the Ethics and Conduct Code, managing and supervising the Whistleblower Channel, a mechanism created to communicate the commission of irregularities or all types of acts in violation of the law or which go against the regulations of the Code of Ethics. In 2017 the Codere Group in addition reinforced its fight against corruption, as one of the principal risks which the Company must face. Committed to prevention, in an aim to become more intensely involved in the fight against this problem, on 27 February 2017 the Board of Directors approved a Global Anti-Corruption and Irregular Conduct Prevention Manual.

- **Good Corporate Governance Standards:** within the Codere Group, as set out in its articles of association, the Board of Directors, as the central focus of its mission, is in charge of approving the organization strategy for its implantation, and likewise, of supervising and controlling Management so that it complies with the objectives set out, and respects the Company purpose and interests.

For the purpose of facilitating a knowledge of the Good Corporate Governance standards by its shareholders and investors, and likewise of complying with the requirements imposed by the regulations in said regard, the Codere Group disseminates on its webpage (www.grupocodere.com) all of the documentation it has in relation to its Good Corporate Governance.



During 2017, Codere S.A. continued to look closely into Good Governance best practices. In the wake of the approval in 2016 of the new Internal Regulation on Conduct in the Securities Markets, in 2017 the Board approved the protocol required for the adequate procedure for updating records on affected parties and confidential transactions.

In addition, for the first time, in 2017, on the occasion of the Ordinary General Meeting, Codere S.A approved and made available to the shareholders the *Corporate Social Responsibility Report*, previously approved by the Board of Directors.

GOOD CORPORATE GOVERNANCE STANDARDS, INTERNAL REGULATIONS AND POLICIES	
Company articles of association	
Regulation of the General Meeting of Shareholders	
Regulation of the Board of Directors	
Code of Ethics and Conduct	
Internal Regulation on Conduct in Securities Markets	
General Compliance Plan	
Corporate Fiscal Policy	
Corporate Social Responsibility Policy	
Directors' Remuneration Policy	
Director Selection Policy	



A professional and transparent Board of Directors

In accordance with its Articles of Association, Codere S.A. is governed and administered by a Board of Directors comprised of no less than four and no more than fifteen members, elected by the General Meeting. At the Ordinary General Meeting held on 30 June 2016, the number of members of the Board of Directors of Codere S.A. was established at nine. The composition of the Board reflects a diversity of know-how, experience and nationalities, required in order to carry out its functions objectively and independently.

During 2017, the Codere Group Board of Directors maintained the same number of members and distribution of offices:

Executive chairman	José Antonio Martínez Sampedro
Deputy chairman	Luis Javier Martínez Sampedro
Nominee directors	Masampe SL (represented by Pío Cabanillas Alonso) Manuel Martínez-Fidalgo Vázquez David Reganato Timothy Lavelle
External director	Joseph Zappala
Independent directors	Norman Sorensen Valdez Matthew Turner



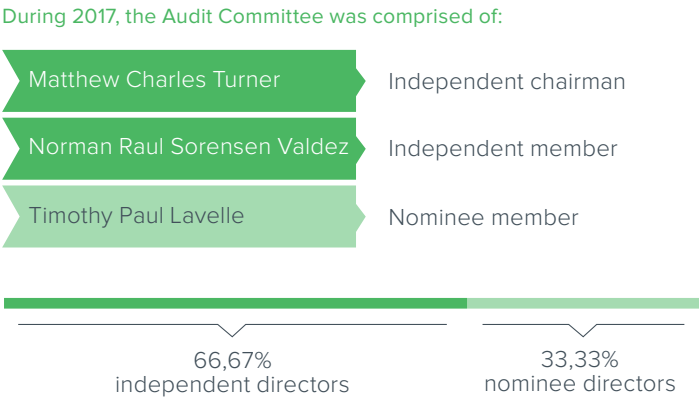
Nevertheless, on 12 January 2018, the Board of Directors, the non-director secretary of which is Luis Argüello Álvarez, approved a change to its composition, which resulted in the following:

Independent chairman	Norman Sorensen Valdez
Nominee directors	José Antonio Martínez Sampedro Luis Javier Martínez Sampedro Masampe SL (representado por Pío Cabanillas Alonso) Manuel Martínez-Fidalgo Vázquez David Reganato Timothy Lavelle
External director	Joseph Zappala ¹
Independent director	Matthew Turner

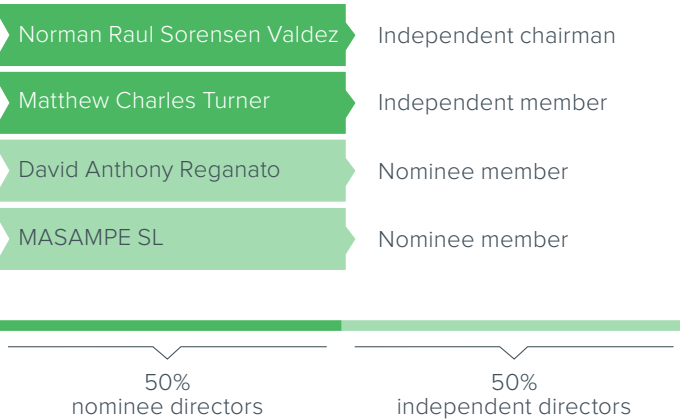
¹ D. Joseph Zappala was a member of the Board until the 10th of May 2018

In accordance with the laws in force, and particularly with the recommendations contained in the Listed Companies' Code of Good Corporate Governance approved by the Spanish National Securities Commission (CNMV), the work of the Board of Directors is structured additionally through three committees having specific functions:

1. The **Audit Committee** the main task of which is to serve as support to the Board of Directors in its financial and risk supervisory functions, and, among other duties, that of supervising the functioning of the Company Audit Department, establishing the Codere Group financial processes and control regulations, and reporting on the annual accounts and other financial statements of the Group.



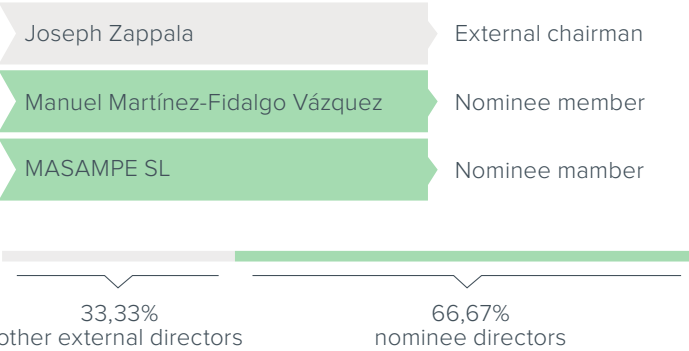
During 2017, the Appointments, Remuneration and Corporate Governance Committee was comprised of:



2. The **Appointments, Remuneration and Corporate Governance Committee**, mandatory for listed companies in accordance with the Capital Companies Act, has not only the functions required by the Act, but also other ones related to Good Corporate Governance. Some of the functions of this Committee are: to evaluate the competence, knowledge, and experience of the directors, and report on their appointments and resignations, and do likewise in regard to Company senior executives; to propose and oversee the company remuneration policy, and to examine compliance with the Internal Regulations for Conduct with the Securities Markets –making proposals for its improvement- and supervising compliance with the Corporate Governance Rules applicable in said regard.

3. The **Compliance Committee**, created in accordance with the freedom established in the Capital Companies Act enabling the Board of Directors to set up specialized committees from among its members. Among the principal functions of this committee is that of controlling compliance by the Group with national or foreign gaming regulations, as well as evaluating the company internal control systems in relation to gaming and anti-money laundering regulations. For the greatest part of 2017, this committee has been made up as reflected in the following table, given that in the first two months of the year its chairman was an independent director, a status which he lost in February since he had held said office continually for over twelve years.

For the greatest part of 2017, this committee has been made up as reflected in the following table:



Improved results in Board of Directors self-evaluation

In 2017, as in previous years, the Board of Directors conducted a self-evaluation of its functioning, committees, chairman and chief executive, the Board members and the Secretary during the year 2016, consequently complying with the legal obligations to do so, and with the Good Governance regulations. On 27 February 2017, the Board of Directors reported on the result of said self-evaluation, in which 100% of the directors participated, and which revealed a higher degree of satisfaction than that of the preceding year. In addition, and at the proposal of the Appointments, Remuneration and Corporate Governance Committee, at said meeting the Board approved the *Action Plan* to correct the deficiencies detected.

The *Action Plan* for 2017 has given rise, to the following changes, among others, in internal organization and applicable procedures:

- Change in the way of distributing documentation on Board and Committee meetings. Instead of being sent by email, a system is now used in which the documentation is loaded in a *Virtual Data Room* which the directors are able to access by means of passwords.
- A quarterly review of related transactions has been included by the Audit Committee.
- A quarterly review of all other conflicts of interest has been included by the Appointments, Remuneration and Corporate Governance Committee.
- Training conferences have been organized for the directors.

The Appointments, Remuneration and Corporate Governance Committee reviewed the self-evaluation form, after which it was sent to the directors to be filled in by each. The questionnaire is divided into five sections or areas:

1. Evaluation of the functioning of the Board of Directors: thirteen questions, including one on the suitability of the directors, taking into account their training and experience.
2. Evaluation of the composition and functions of the various committees of the Board of Directors with respect to their objective of providing consultancy and preparing decisions.
3. Evaluation of the performance of the then chairman and chief executive at the head of this administration body.
4. Evaluation of the work carried out by the Board secretary.
5. Individual evaluation of each one of the directors.

During 2017, no changes were made to the *Remuneration Policy*; however, on 12 January 2018 the Board of Directors decided to terminate the service contracts which Codere S.A. had entered into with the executive directors José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro, and, consequently, during 2018 there are not expected to be any executive directors in the Company.

Said resolution entailed payment, on 26 January 2018, to José Antonio Martínez Sampedro of the amount of 2,113,642.55 euros, an amount equivalent to three months' remuneration (fixed and in kind) for three months' advance notice and the indemnity stipulated in the contract. On that same date, payment in the amount of 1,188,651.31

euros was made to Luis Javier Martínez Sampedro for these same items.

The Remuneration Policy, approved by the Extraordinary General Meeting of Shareholders held on 10 November 2016, is based on a fixed annual compensation payable to the directors (with the elimination of all types of fees for attending Board and committee meetings). Said annual compensation varies in terms of the committee or committees of which each director is a member, as well as in terms of the various offices which each director may hold, and the degree of dedication or responsibility entailed by each.



Board of Directors' Compensation Table

NAME	COMPENSATION ACCRUED IN THE COMPANY				COMPENSATION ACCRUED IN GROUP COMPANIES				TOTAL		
	TOTAL CASH REMUNERATION	AMOUNT OF SHARES GRANTED	GROSS PROFIT OF OPTIONS EXERCISED	TOTAL YEAR 2017 COMPANY	TOTAL CASH REMUNERATION	AMOUNT OF SHARES GRANTED	GROSS PROFIT OF OPTIONS EXERCISED	TOTAL YEAR 2017 GROUP	TOTAL 2017	TOTAL 2016	CONTRIBUTION TO SAVING SYSTEMS DURING THE YEAR
José Antonio Martínez Sampedro	1,012	0	0	1,012	0	0	0	0	1,012	971	0
Luis Javier Martínez Sampedro	100	0	0	100	660	0	0	660	760	723	0
MASAMPE S.L.	195	0	0	195	0	0	0	0	195	87	0
David Reganato	150	0	0	150	0	0	0	0	150	51	0
Timothy Lavelle	150	0	0	150	0	0	0	0	150	57	0
Manuel Martinez-Fidalgo Vazquez	198	0	0	198	0	0	0	0	198	52	0
Norman Raul Sorensen Valdez	190	0	0	190	0	0	0	0	190	60	0
Matthew Turner	190	0	0	190	0	0	0	0	190	60	0
Joseph Zappala	200	0	0	200	0	0	0	0	200	73	0
TOTAL	2,385	0	0	2,385	660	0	0	660	3,045	2,134	0

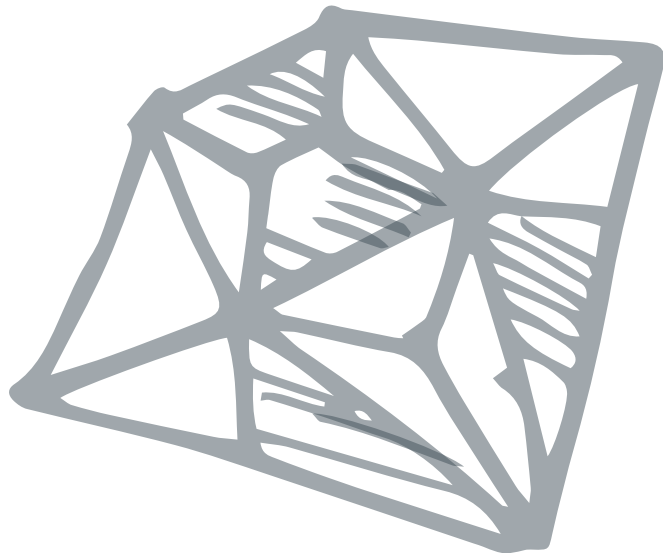
In thousands of euros

Shareholders’ Meeting Management Endorsement

As in the previous year, in 2017 Codere held three General Shareholders’ Meetings, the extraordinary ones held in May and October, and the ordinary meeting held at the end of June, at which the annual accounts for 2016 were approved.

- **11 May 2017:** it was resolved to increase the share capital by means of a credit offset, in the amount of three million seven hundred and seventy-one thousand eight hundred and eighty-nine euros and sixty euro cents (3,771,889.60 €), by means of the issue of eighteen million eight hundred and fifty-nine thousand four hundred and forty-eight (18,859,448) new ordinary shares of Codere S.A. each having a par value of 0.20 euros, with an issue premium of 0.0651191 euros per share, of the same class and series as those already in circulation. Full payment of the par value and issue premium of each new share subscribed was made by offset of the credit which Houlihan Lokey Emea LLP held with respect to Codere S.A., derived from the agreements adopted during the financial restructuring process which the Codere Group finalized in 2016. This General Meeting was attended, in person or by proxy, by 85.96% of the share capital.
- **29 June 2017:** in addition to the ordinary matters regarding approval of the annual accounts, the application of income, and the management of the Board of Directors, all of the foregoing with respect to the year 2016, a consultative vote was taken on the *Directors’ Remuneration Annual Report*, likewise with respect to 2016, this being approved by 99.8% of the voting share capital present or represented by proxy. This General Meeting was attended, in person or by proxy, by 92.48% of the share capital.

- **16 October 2017:** it was resolved to merge and cancel the shares into which the share capital was divided, exchanging these for newly issued shares, in the proportion of two new shares for every forty-three pre-existing shares, and raising the par value of the shares from 0.20 euros to 4.3 euros, without changing the share capital amount.
- In the wake of the resolution of the General Meeting of Shareholders and the merge of the shares, the number of resulting shares was 118,538,326. Attendance at this General Meeting was the highest of the year, with 93.38% of the share capital being present or represented by proxy.



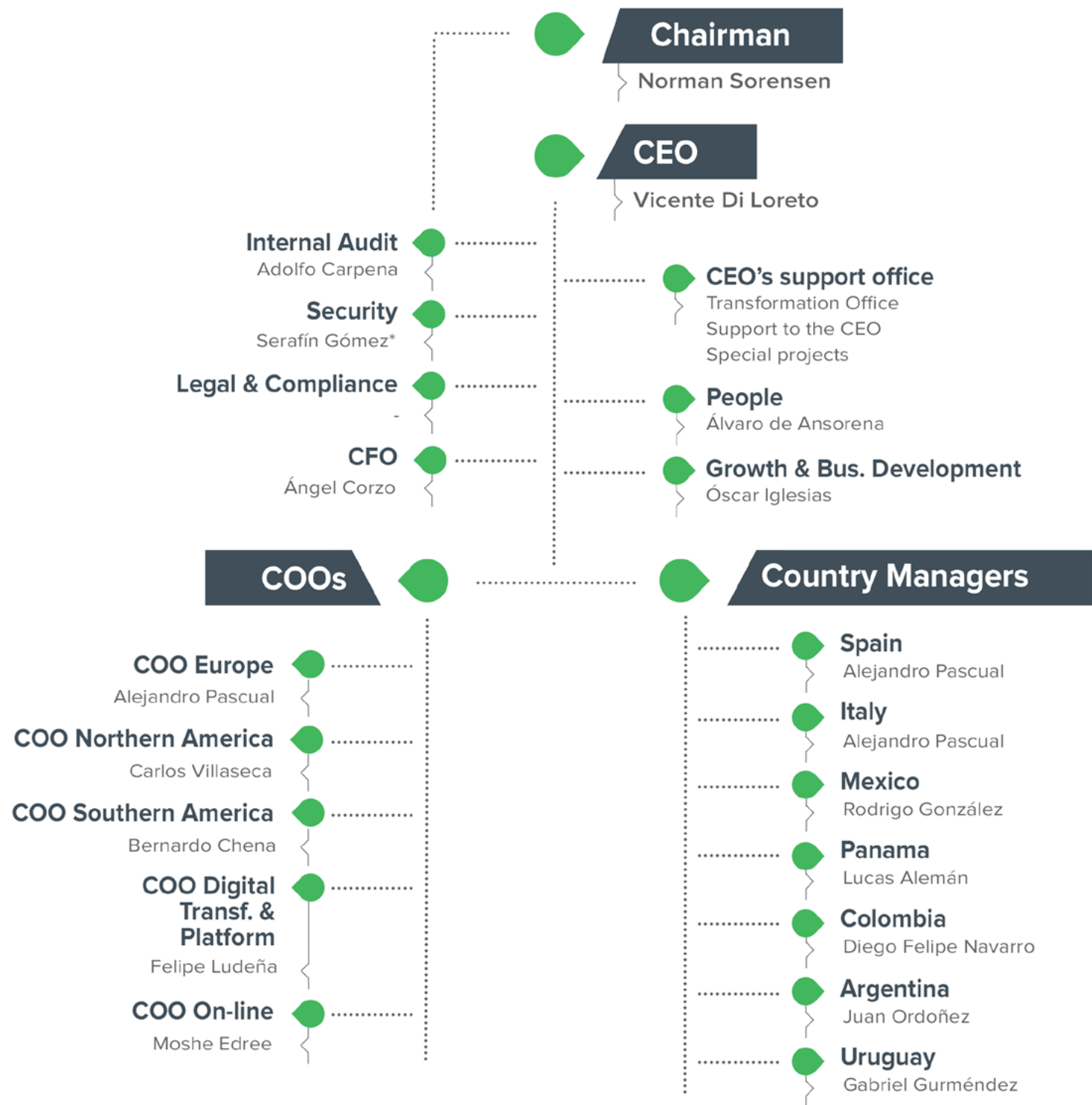
Attendance Data for General Shareholder Meetings held in 2017 and in the preceding year.

DATE OF GENERAL MEETING	% OF THOSE PHYSICALLY PRESENT	% OF PROXY HOLDERS	% ATTENDANCE DATA		
			ELECTRONIC VOTE	OTHER	TOTAL
30/06/16	19.49%	20.6%	0.0%	43.75%	83.84%
10/11/16	19.48%	0.32%	0.0%	72.64%	92.44%
15/12/16	19.46%	0.16%	0.0%	69.85%	89.47%
11/05/17	16.64%	0.64%	0.0%	68.68%	85.96%
29/06/17	16.51%	0.63%	0.0%	75.34%	92.48%
16/10/17	16.54%	2.91%	0.0%	73.93%	93.38%

2.4. Organization Chart

Codere carries out its activity on two continents: Europe and the Americas. Codere Europe encompasses the activities of Spain and Italy, whereas in the Latin American region Group business takes place in Argentina, Mexico, Uruguay, Colombia, Panama and Brazil.

The Company headquarters and central services are located in Madrid, and are responsible for global strategy and corporate policies, institutional relations, the management of ordinary activities, and the coordination of the activity of the geographical business units.



2.5. Company structure

Codere S.A. is the head of the Group. The Company was incorporated in Madrid, on 28 July 1998, and became a listed company on 19 October 2007, trading on the Madrid Stock Exchange, and is currently present in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia. Its registered office is located at Avenida de Bruselas, number 26, in Alcobendas (Post Code 28108 Madrid). As the Group parent, Codere S.A. is required to prepare, in addition to its annual accounts, the consolidated annual accounts of the Group.

Subsidiary companies

The subsidiary companies are those over which Codere S.A. has the capacity to exercise effective control. Said capacity is made manifest by the direct or indirect ownership of over 50% of the voting rights of the subsidiaries, or at least 50% and control over the strategic and operating decisions of the Company.

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS
SPAIN		
CARTAYA, S.A.U.	GI	100%
C-F8, S.L.	GI	75%
CODERE ALICANTE, S.L.	GI	59%
CODERE APUESTAS, S.A.U.	GI	100%
CODERE APUESTAS ANDALUCIA, S.A.U.	GI	100%
CODERE APUESTAS ARAGÓN, S.L.U.	GI	100%
CODERE APUESTAS ASTURIAS, S.A.U.	GI	100%
CODERE APUESTAS BALEARES, S.A.U.	GI	100%
CODERE APUESTAS CANTABRIA, S.A.U.	GI	100%
CODERE APUESTAS CASTILLA LA MANCHA, S.A.U.	GI	100%
CODERE APUESTAS CASTILLA Y LEÓN, S.A.U.	GI	100%
CODERE APUESTAS CATALUÑA, S.A.U.	GI	100%
CODERE APUESTAS CEUTA, S.L.U.	GI	100%
CODERE APUESTAS ESPAÑA, S.L.U.	GI	100%
CODERE APUESTAS EXTREMADURA, S.A.U.	GI	100%
CODERE APUESTAS GALICIA, S.L.	GI	51%
CODERE APUESTAS MELILLA, S.A.U.	GI	100%
CODERE APUESTAS MURCIA, S.L.U.	GI	100%
CODERE APUESTAS NAVARRA S.A.U.	GI	100%
CODERE APUESTAS LA RIOJA, S.A.U.	GI	100%
CODERE APUESTAS VALENCIA S.A.U.	GI	100%
CODERE AMÉRICA, S.A.U.	GI	100%

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS
CODERE CASTILLA Y LEÓN, S.L.U.	GI	100%
CODERE DISTRIBUCIONES, S.L.U.	GI	100%
CODERE ESPAÑA, S.A.U.	GI	100%
CODERE GIRONA, S.A.	GI	66.67%
CODERE GUADALAJARA, S.L.	GI	50%
CODERE HUESCA, S.L.	GI	51.02%
CODERE INTERNACIONAL, S.A.U.	GI	100%
CODERE INTERNACIONAL DOS S.A.U.	GI	100%
CODERE INTERACTIVA, S.L.	GI	90%
CODERE LATAM S.A.	GI	100%
CODERE LOGROÑO, S.L.	GI	75.03%
CODERE LUXEMBOURG 1, S.A.R.L.	GI	100%
CODERE LUXEMBOURG 2, S.A.R.L.	GI	100%
CODERE ONLINE S.A.U.	GI	100%
CODERE NAVARRA, S.A.U.	GI	100%
CODERE NEWCO, S.A.U.	GI	100%
CODERE SERVICIOS S.L.U.	GI	100%
COLONDER, S.A.U.	GI	100%
COMERCIAL YONTXA, S.A.	GI	51%
DESARROLLO ONLINE JUEGOS REGULADOS, S.A.U.	GI	100%
EL PORTALÓN, S.L.	GI	50%
GARAIPEN VICTORIA APUSTUAK, S.L.	GI	85.19%
CODERE OPERADORA DE APUESTAS, S.L.U.	GI	100.00%
RECREATIVOS JUVASA S.L.	GI	100.00%
IPM MÁQUINAS S.L.U.	GI	100.00%
BINIPATRIMONIAL S.L.U.	GI	100.00%
SPORT BET EXTREMADURA S.L.	GI	51.00%
J.M. QUERO Y ASOCIADOS, S.A.U.	GI	100%
JOLUGAR 41, S.L.	GI	100%
JPVMATIC 2005, S.L.U.	GI	100%
MISURI, S.A.U.	GI	100%
NIDIDEM, S.A.U.	GI	100%
OPERADORES ELECTRÓNICOS DE ANDALUCÍA, S.A.	GI	51%

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS
OPERIBÉRICA, S.A.U.	GI	100%
OPEROESTE, S.A.	GI	50%
OPERSHERKA, S.L.U.	GI	100%
RECREATIVOS ACR, S.L.	GI	50%
RECREATIVOS OBELISCO, S.L.	GI	60.61%
RED AEAM, S.A.U.	GI	100%
RESTI Y CIA, S.L.	GI	50%
SIGIREC, S.L.	GI	-
MILLENNIAL GAMING, S.A.	GI	51%
JOLUGAR 41, S.L.U.	GI	100%
ARGENTINA		
BINGOS DEL OESTE, S.A.	GI	100%
BINGOS PLATENSES, S.A.	GI	100%
CODERE ARGENTINA, S.A.	GI	100%
IBERARGEN, S.A.	GI	100%
INTERBAS, S.A.	GI	100%
INTERJUEGOS, S.A.	GI	100%
INTERMAR BINGOS, S.A.	GI	80%
ITAPOAN, S.A.	GI	81.80%
SAN JAIME, S.A.	GI	100%
BRAZIL		
CODERE DO BRASIL ENTRETENIMIENTO Ltda.	GI	100%
SIMULCASTING BRASIL SOM E IMAGEM, Ltda.	GI	100%
CHILE		
CODERE CHILE, Ltda.	GI	100%
COLOMBIA		
BINGOS CODERE, S.A.	GI	99.99%
CODERE COLOMBIA, S.A.	GI	99.99%
INTERSARE, S.A.	GI	59.89%
CODERE LATAM COLOMBIA S. A.	GI	100.00%
ENGLAND AND SCOTLAND		
CODERE FINANCE (UK)	GI	-

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS
ITALY		
BINTEGRAL, S.P.A.	GI	-
CODERE GAMING ITALIA, S.R.L.	GI	100%
CODERE ITALIA, S.P.A.	GI	100%
CODEMATICA, S.R.L.	GI	98%
CODERE NETWORK, S.P.A.	GI	98%
CRISTALTEC SERVICE, S.R.L.	GI	51%
DP SERVICE S.R.L	GI	60%
FG SLOT SERVICE S.R.L.	GI	55%
GAME OVER, S.R.L.	GI	-
GAMING RE S.R.L.	GI	75%
GAP GAMES S.R.L.	GI	51%
G.A.R.E.T., S.R.L.	GI	51%
GESTIONI MARCONI, S.R.L.	GI	100%
GIOMAX, S.R.L.	GI	100%
KING SLOT S.R.L.	GI	85%
KING BINGO, S.R.L.	GI	85%
OPERBINGO ITALIA, S.P.A.	GI	100%
PALACE BINGO, S.R.L	GI	100%
ROYAL JACKPOT, S.R.L.	GI	51%
SE.BI.LOT, S.R.L.	GI	51%
NORI GAMES SERVICES, S.R.L.	GI	51%
CODERE SCOMMESE, S.R.L.	GI	51%
SEVEN CORA SERVICE, S.R.L.	GI	60%
VASA & AZZENA SERVICE, S.R.L.	GI	51%
VEGAS, S.R.L.	GI	100%
FLORIDA		
CODERE INTERACTIVE, INC	GI	100%
LUXEMBOURG		
CODERE FINANCE (LUXEMBOURG), S.A.	GI	100%
CODERE FINANCE 2 (LUXEMBOURG), S.A.	GI	100%
CODERE LUXEMBOURG 1 S.A.R.L.	GI	100%
CODERE LUXEMBOURG 2 S.A.R.L.	GI	100%

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS
MÉXICO		
ADMINISTRADORA MEXICANA DEL HIPÓDROMO, S.A. de C.V	GI	84.8%
ASOCIACIÓN EN PARTICIPACIÓN	GI	84.8%
ADMINISTRADORA MEXICANA DEL HIPÓDROMO II, S.A. DE C.V	GI	84.8%
ADMINISTRADORA MEXICANA DEL HIPÓDROMO III, S.A. de C.V	GI	84.8%
CALLE DE ENTRETENIMIENTO LAS AMERICAS, S.A. de C.V.	GI	84.8%
CODERE MÉXICO, S.A. DE C.V.	GI	100%
COMERCIALIZADORA SORTIJUEGOS, S.A. DE C.V.	GI	84.8%
ENTRENIMIENTO RECREATIVO, S.A. DE C.V.	GI	84.8%
ENTRETENIMIENTO VIRTUAL, S.A. DE C.V.	GI	84.8%
GRUPO CALIENTE S.A. DE C.V.	GI	-
GRUPO INVERJUEGO, S.A. DE C.V.	GI	-
IMPULSORA RECREATIVA DE ENTRETENIMIENTO AMH, S.A. DE C.V.	GI	84.80%
IMPULSORA CENTRO DE ENTRETENIMIENTO LAS AMÉRICAS, S.A.P.I. de C.V.	GI	84.80%
JUEGAMAX DE LAS AMÉRICAS S.A. DE CV	GI	84.80%
JOMAHARHO S.A. DE C.V.	GI	-
MIO GAMES, S.A. DE C.V.	GI	100.00%
LIBROS FORANEOS S.A. DE C.V.	GI	100.00%
OPERADORA CANTABRICA S.A. DE C.V.	GI	100.00%
OPERADORA DE ESPECTÁCULOS DEPORTIVOS S.A. DE C.V.	GI	100.00%
PROMOCIONES RECREATIVAS MEXICANAS, S.A. DE C.V.	GI	100%
PROMOJUEGOS DE MÉXICO, S.A. DE C.V.	GI	100.00%
RECREATIVOS CODERE, S.A. DE C.V.	GI	100%
RECREATIVOS MARINA, S.A. DE C.V.	GI	100%
SERVICIOS COMPARTIDOS EN FACTOR HUMANO HIPÓDROMO,	GI	84.80%
SERVICIOS ADMINISTRATIVOS DEL HIPÓDROMO, S.A. DE C.V.	GI	84.80%
CODERCO, S.A. DE C.V., SOFOM, E.N.R.	GI	100.00%

Associate Companies

These are companies over which Codere S.A. has the capacity to exercise significant influence (which is presumed when the shareholding is at least 20%) without having control over them.

NAME	INTEGRATION METHOD	% OF VOTING RIGHTS	COUNTRY
HIPPOBINGO FIRENZE, S.R.L.	PI	34%	ITALY
NEW JOKER S.R.L.	PI	30%	ITALY
CALLE ICELA S.A.P.I. DE C.V.	PI	49%	MEXICO
CENTRO DE CONVENCIONES LAS AMÉRICAS S.A de C.V	PI	49%	MEXICO
HOTEL ENTRETENIMIENTO LAS AMÉRICAS, S.A. DE C.V.	PI	49%	MEXICO
HOTEL ICELA S.A.P.I. DE C.V.	PI	49%	MEXICO
BINGOS DEL OESTE S.A.–BINGO DEL PUENTE S.A. Unión Transitoria de Empresas	PI	-	ARGENTINA

2.6. Shareholder structure

The Codere Group is faithfully committed to creating value for its shareholders and investors through a management style which is transparent and accessible

As owners of the Company, the shareholders and investors cast light on the strategy which will allow for company development in all areas and geographical locations. At year-end 2017, the Coder Group share capital amounted to 509,714,801.80 euros, fully subscribed and paid up, and represented by 118,538,326 shares, each having a par value of 4.3 euros, represented by book entries.

This figure is the result of the share merge and exchange operation approved by the Extraordinary General Meeting of Shareholders held on 16 October 2017.

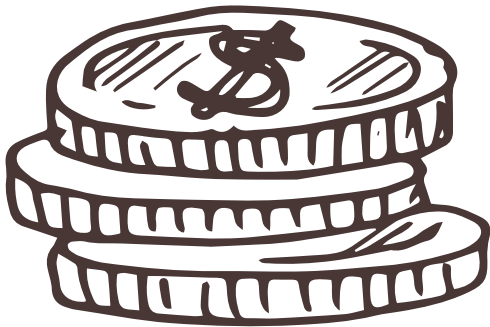
This operation, which is known as a reverse stock split consisted in merging and cancelling the 2,548,574,009 shares into which the share capital of Codere S.A. was divided up until said time, to exchange these for 118,538,326 newly issued shares, in the proportion of two new shares for every 43 old shares, raising the par value of the shares from 0.20 euros to 4.30 euros, without changing the share capital amount, and consequently reducing the number of shares representing the share capital which are in circulation.

Share Capital Distribution



The new shares are represented by means of book entries, with the accounting corresponding to the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.U.* (Iberclear), which is the Spanish Central Securities Depository, and to its participating entities. GVC Gaesco Beka, S. V., S. A. acted as the agent of the share merge, cancellation and exchange process. The 118,538,326 ordinary new shares were listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges,

and in the Spanish Stock Exchange Interconnection System (SIBE) on 17 November 2017, with the shares which were previously in circulation having been first cancelled.



Significant Shareholders

SHAREHOLDER	NUMBER OF SHARES	2017	2016
FAMILIA MARTÍNEZ SAMPEDRO	19,621,690	16.6%	16.7%
JOSÉ ANTONIO MARTINEZ SAMPEDRO	16,681,354	14.1%	14.2%
LUIS JAVIER MARTÍNEZ SAMPEDRO	2,940,336	2.5%	2.5%
SILVER POINT CAPITAL MANAGEMENT, LLC.	27,484,746	23.2%	23.4%
M&G INVESTMENT MANAGEMENT LIMITED (PRUDENTIAL PLC)	12,640,090	10.7%	10.7%
ABRAMS CAPITAL MANAGEMENT LLC	10,340,354	8.7%	8.8%
CONTRARIAN CAPITAL MANAGEMENT LLC	8,557,954	7.2	7.3%
ALDEN GLOBAL CAPITAL LLC	8,045,979	6.8%	6.1%
EVERMORE GLOBAL ADVISORS LLC	6,169,162	5.2%	-
INVESCO LIMITED	3,511,770	3.0%	3.6%
VR GLOBAL PARTNERS L.P.	2,920,022	2.5%	2.5%
FREE FLOAT	19,246,559	16.2%	20.9%
TOTAL	118,538,326	100%	100%

2.7. Risk Management System

In the Codere Group, all actions aimed at controlling and mitigating risks are in accordance with the basic action principles established by the Board of Directors in the Risk Control and Management General Policy, as well as in the Risk Tolerance Document, such as:

- Integration of the risk-opportunity vision
- Segregation at the operating level of the risk-taking areas and the areas responsible for the analysis, control and supervision of these risks
- Guarantee of the proper use of risk hedging instruments
- Assurance of adequate compliance with the Corporate Good Governance regulations, and the values established for the company in its Code of Ethics

The principal stages and activities of the Codere Group risk control and management system are the following:

- Definition of risk tolerance by the Board of Directors
- Annual identification and analysis of the significant risks, made by the head of each business unit and/or department

- Report on the principal risks, especially those which may exceed the limits established by the Board of Directors.
- Introduction and control of compliance with the policies, guidelines and limits, through adequate procedures and systems which are required in order to mitigate the impact of the materialization of such risks; periodical evaluation and communication (at least annually) of the results of the monitoring of risk control and management.
- Audit of the system by the Internal Audit Division.

In 2017, and on an annual basis, the Audit Committee and the Board of Directors of the Codere Group approved the update of the corporate risk map, and were informed of the relevant risks which materialized during the year.

With respect to the fiscal risk management system, on 29 July 2015 the Board of Directors approved the *Group Corporate Fiscal Policy*, by means of which the fiscal policies governing its form of acting were approved and published, adopting specific fiscal risk management measures and introducing an appropriate internal system of control over tax aspects.

A description of the Codere Group risk management mechanisms is contained in the *Annual Corporate Governance Report*, also published on the corporate website.

2.8. An anti-corruption manual and guide as novelties for facing risks

The Codere Group, through its *Risk Control and Management General Policy*, includes the identification and definition of the typology of relevant risks for the Group. Among these are regulatory and institutional relations risks, reputational risks and Corporate Governance risks

The Codere Group, through its *Risk Control and Management General Policy*, includes the identification and definition of the typology of relevant risks for the Group. Among these are regulatory and institutional relations risks, reputational risks and Corporate Governance risks.

Corruption is among the principal risks faced by the Company in carrying out its activity. In an aim to further the fight against this problem, and from a perspective which promotes the prevention of corruption, on 27 February 2017 the Board of Directors approved a *Global Manual on Anti-corruption and the Prevention Irregular Conduct*, also accessible through www.grupocodere.com.

This document is conceived of as the internal framework to promote a culture of ethical conduct among all persons working in the Company or related to it, and includes mandatory precepts promoted by the Group Compliance Committee and validated by the maximum administration body of Codere: its Board of Directors.

Along parallel lines, the material objective of the manual is to manage to state clearly the types of conduct which are prohibited, procedures and techniques for minimizing

risks, the promotion of a culture of ethical conduct, laying the foundation for a specific type of conduct to eliminate doubts and for consultation, and lastly, the monitoring and investigation of types of conduct which could question Company policies, and any corresponding consequences.

The *Global Manual on Anti-corruption and the Prevention of Irregular Conduct* specifically seeks to:

- Prohibit bribery and any other act of corruption by managers and employees of the Codere Group and the persons who directly or indirectly act in representation thereof, whether as active or passive subjects.
- Demand compliance with anticorruption laws and avoid conflicts of interest which may harm the Company in all of the jurisdictions in which it carries out its activity.
- Record its accounting so that it reflects payments, expenses, transactions and asset disposal by the Company, clearly and accurately.
- Train and advise Company employees in regard to corruption modalities and repercussions when carrying out their functions.
- Promote values of transparency and a culture of ethical conduct in the Company, aimed at strengthening the reputation of Codere as a legal and transparent company.
- And, in general, establish clear norms of conduct, encourage the culture marked by the example set by Senior Management, capacitate, advise, monitor and implement adequate monitoring actions and investigation bodies.

This manual is accompanied by a *Practical Guide to Anticorruption*, which identifies the principal forms of corruption which may affect Codere activity, as well as a series of measures in regard to prevention, among which is the Whistleblower Channel and the Due Diligence procedures with respect to suppliers, business partners and own personnel.

During 2017, a series of regulatory risks materialized in relation to certain exceptional factors motivated by regulatory changes introduced by various regulators, or by actions taken by a number of administrative entities in the countries in which Codere is present. Among these factors, mention must be made of the increase in gaming taxes and the limitation on capacity in certain jurisdictions in which the Group operates, principally in Argentina, Italy and Uruguay.

As soon as these types of threats and risks are detected in the Company, adequate mitigation plans are established to allow for recovery of the margin levels initially forecasted, through:

- Group participation in the corresponding associations in the sector
- The corresponding institutional relations activity
- The establishment of process optimization and improved operating efficiency plans

CONDUCT STANDARD
TABLE INCLUDED IN THE
PRACTICAL GUIDE TO
ANTI-CORRUPTION

The cost of the courtesy should undoubtedly be REASONABLE

You must OBEY THE LAW and local policies

You MUST NOT BE, or appear to be, INAPPROPRIATE

Never accept any cash gifts

Courtesies must be owing to a BUSINESS REASON

Courtesies received must be duly RECORDED in the company accounting

Courtesies must be in line with SOCIALLY ACCEPTABLE LOCAL PRACTICES

Courtesy value must never exceed 100 USD/€

At all times put the GOOD REPUTATION and TRANSPARENCY of the Company before anything else, recording courtesies received and notifying Compliance of any reasonable doubt.



Responsibility in gaming



3.1 Responsible Gaming

Codere understands that, as one of the principal players in the private gaming sector, it is obliged to dedicate time and effort to research, dissemination, and application of **Responsible Gaming Policies**, in order to minimize any negative effect on society which its business might have, and to maximize tax collection by the public administrations, as well as the creation of jobs, maintaining the economic viability of the Company

Fundación Codere: Greater analysis and dissemination

A central pillar of the Group's Corporate Social Responsibility action, the Fundación Codere has materialized its commitment to Responsible Gaming throughout 2017, in the analysis of its activity, the dissemination of data and conclusions, the promotion of transparency in processes and international expansion, one of the principal challenges for the institution a decade after it was created.

In the year 2017, the Foundation continued its commitment, sponsoring congresses which have an effect on the development of adequate public policies in regard to gaming, which safeguard the stability of the regulatory framework, allow users to access an offer which favors Responsible Gaming and at the same time guarantee the viability of the business, the maintenance of jobs, and tax collection by the administrations. In addition, there were two important novelties in the year: the launching of the Fundación Codere own website, and the publication of the first sociological report on gaming in Italy, whose replica with respect to the Mexican reality (expected to be published in 2018) was brought to fruition in the year 2017, in collaboration with the National Autonomous University of Mexico (UNAM).

In 2017, the Foundation's action materialized in the following milestones:

1. Launching of own webpage: www.fundacioncodere.org

On 3 April 2017 the Fundación Codere launched its own webpage, with the idea of having its own digital showcase. This digital space has been planned with the idea of becoming a meeting point for the dissemination of information and analysis of the gaming industry. The webpage includes press releases by the Foundation, as well as a section containing events in which the institution is present.

Another of its sections, La videoteca, recovers the most significant audiovisual contents of recent years. The website also facilitates the executive summaries of the more than thirty publications which the Foundation has promoted from the time of its creation, as well as the online version of practically all of these publications.

With the launching of the webpage, a new channel of communication with public opinion and the principal players of the industry has been opened, called ***The Foundation Blog***, a space which aims to serve to project the opinion of authorized voices, in the areas of law, business or science, who collaborate with the Foundation objectives, so as to contribute to the development of adequate public policies on gambling and to favor Responsible Gaming.

2. Publications:

Report on Percezione sociale del gioco d'azzardo in Italia
11th May

Prepared by the Bruno Visentini Foundation (FBV), at the request of the Fundación Codere, this is the first sociological study to analyze the social perception Italian people have of gambling, both on-site and online. It offers a scientific detailed analysis at the national level, by gender, age group and social class, conducted on a total sample of some 1,600 people surveyed, ranging in age from 18 to 75.

VIII Report on the Social Perception of Gambling in Spain 2017
12th June

Prepared by the Bruno Visentini Foundation (FBV), at the request of the Fundación Codere, this is the first sociological study to analyze the social perception Italian people have of gambling, both on-site and online. It offers a scientific detailed analysis at the national level, by gender, age group and social class, conducted on a total sample of some 1,600 people surveyed, ranging in age from 18 to 75.

Gambling Code (3rd edition)
26th June

Editada por Thomson Aranzadi y patrocinada por la Fundación Codere, la tercera edición de Código del juego viene a actualizar esta obra de codificación con las nuevas disposiciones aprobadas desde diciembre de 2012, fecha de la anterior edición. Esta publicación incluye la legislación actualizada del juego presencial (competencia esencialmente de las comunidades autónomas) y del juego online. Como complemento, la publicación incorpora un conjunto de diversas disposiciones europeas, así como la más destacada jurisprudencia del Tribunal de Justicia de la Unión Europea.

Diagnosis of the Regulatory and Fiscal Framework of Gambling in Mexico
24th July

The first in-depth study of the Mexican gaming sector, published by the Fundación Codere and the National Autonomous University of Mexico (UNAM). In this study, a detailed analysis is made in two volumes, dealing with the regulatory as well as the tax aspects which affect this activity. The publication places special emphasis on the form in which the Mexican regulation on this sector has been surpassed, especially in relation to online gaming.

Spanish Gambling Directory 2016/2017
29th November

The Spanish Gambling Directory 2016/2017, the most complete study conducted on the Spanish gaming industry, which contains the various tendencies recorded in this market both in the public as well as private sphere, is now in its sixth edition, with data showing how the sector has consolidated its recovery in the wake of the crisis, with nearly 8,900 million euros played in 2016, and how it has returned to the job levels of six years back. This study, in collaboration with the Institute of Policy and Governance (IPOLGOB) of the Carlos III University of Madrid (UC3M), reflects an industry which in 2016 consolidated the change in tendency following the crisis, with an increase in the amounts played in all aspects, and an increased contribution to public coffers.

3. Participation/Sponsorship of events:

VI Ibero-American Gaming Summit
Cartagena de Indias (Colombia), 6th April

The Foundation was represented at this act by its vice-president, José Ignacio Cases, who took part in the roundtable on “Promotion of Responsible Gaming”. The event had as its title “Towards the Consolidation of Legal and Responsible Gaming” with a program which focused on four main themes: regulation, internationalization, opportunities and innovation.

V Congreso X1RedMásSegura, la ciberseguridad es cosa de todos y para todos
Madrid, 20-21th May

For yet another year, the Fundación Codere sponsored the encounter “X1RedMasSegura” (for a Safer Internet) in Madrid, under the theme La ciberseguridad es cosa de todos... y para todos (cybersecurity is about everyone... and for everyone). The main objective of this initiative is to extend to the general public an adequate and responsible use of the internet, in order to prevent people from becoming victims of the numerous dangers on the internet because they don't have the necessary knowledge.

II Biennial Congress on Legal Certainty and Democracy in Ibero-America, sponsored by the Codere Foundation
Buenos Aires, 12-14th September

As a member of the Board of Trustees of the Chair of Legal Culture of the University of Girona, the Fundación Codere once again sponsored the “Biennial Congress on Legal Certainty and Democracy in Ibero-America” which, in its second edition, was held in Buenos Aires after the success of the first edition in Spain. In this encounter, jurists, academics, and public authorities -among these, the Minister of Justice of Argentina, Germán Garavano, the Spanish judge Pablo Ruz, and the Italian prosecutor Antonio di Pietro-, formed a common front in favor of legal certainty as way to prevent and fight against corruption and poverty.

Regulated Entity Compliance Officers Conference of the Regulatory Compliance Association (ACN) Madrid, 19th October

The Fundación Codere sponsored this conference organized by the ACN. The holding of this encounter shows the interest of the Fundación Codere in promoting regulatory compliance in all sectors of the economy, particularly in the gaming sector; this institution works in favor of gaming transparency as part of the commitment of the Codere Group to legality in the eight countries in which it operates in Europe and Latin America.

Experts in the gaming, telecommunications and pharmaceutical sectors participated in this conference: Esther Gutiérrez, *compliance officer Spain* of Codere; Luis Álvarez-Sala, *compliance officer and CR manager* of Novomatic; María de la Torre, *chief compliance officer* of the Másmóvil Group, and Vicente Morales, *ex general secretary and former director of the Legal and Compliance division* of Pfizer. The debate served to identify best practices to be applied in companies and to insist on the fact that the quest for maximum profit is compatible with compliance with the law, the development of fair competition and socially responsible business activity.

Local commitment to responsible gaming

In the clear commitment of the Codere Group to Responsible Gaming, the various business units play a fundamental role, carrying out a series of actions which follow the line of action set by the *Corporate Social Responsibility Policy*, in accordance with the specific requirements of each local set of laws. The local commitment to Responsible Gaming revolves around four central points, with which Codere seeks to reach customers as well as partners and workers of the Company, not to mention society in general.

1. Information:

Codere is aware of the need to convey the pertinent information directly to its customers in regard to the risks related to gaming, as well as gaming best practices. This is one of the essential pillars sustaining its commitment to Responsible Gaming, and is basically reflected in the preparation and distribution of printed matter which include these warnings.

The campaign against usury which Codere Italy launched in October is developed along this line, and entailed the distribution of informative material to customers and collaborators in all of its gaming halls, with the theme of *L'usura non è un gioco* (Usury is not a game). This action is part of the continuation and extension of *Codere Training*, a training platform for operators developed with the consultancy of experts, and launched in Italy by the Company over a year ago.

In addition to printed matter, in Argentina the figure of **Responsible Gaming Advisor** was created. This personality exists in all of the Company gaming halls (there are currently over 80 persons doing this work), with these persons being in charge of informing and providing support to customers requesting their service, distributing brochures containing indications regarding problems which gambling may entail.

2. Training:

Training is another central focus of the Company local action for Responsible Gaming. Codere continues with its long-term commitment to the development of players in the organization who have direct contact with customers, offering the required training to new Company recruits. Apart from this, in 2017 Codere Italy has maintained active its **Codere Training** platform for operators, with online training regarding the legal framework and problematic gambling, and also now, regarding usury.

Moreover, the Company has participated in **training courses offered by the Italian Higher Health Institute** for gaming operators, providing 208 hours of training in total.

3. Dissemination:

The pillar of dissemination sustains an activity of commitment to analysis and debate, which is materialized in the organization or sponsorship of conferences and roundtables.

In regard to lectures and conferences, Codere has actively participated in the roundtable discussions on the sector which have been held in Colombia so far, organized by Coljuegos, the company which administers, operates and issues regulations on the games which form part of the state monopoly. At these roundtables, representatives have participated from civil society and the industry in order to analyze the needs of Colombia when it comes to promoting Responsible Gaming.

In Italy, the Company continued with the itinerant workshop it created in 2011 to promote respect for the law, called *In the Name of the Law 2.0*, a new edition of which was held in March of 2017. The complicated regulatory situation surrounding gambling activity in Italy, with the announcement of a new regulation which never materialized before the general elections of March 2018, and with significant regional and local regulatory dispersion, have caused this initiative to slow down its pace. Codere remains highly attentive to the resolution of the new regulation agreed upon by the central government and the regional and local administrations, so as to have greater legal guarantees with regard to the short-term regulatory scenario.

Promotion of the Foundation social networks

The accounts of the Fundación Codere social networks, created in 2016, have served in the year 2017 as the principal digital support for the launching of the Foundation's own website, contributing to the dissemination of its contents, especially the articles of the Foundation Blog, which in one of its latest publications has reached nearly 5,500 personas through Facebook.



4. Self-exclusion:

The last central focus of action in regard to Responsible Gaming at the local level is being carried out in active collaboration with the player, wherever the law so permits. Codere promotes player self-exclusion systems in the various countries in which it operates. Customers who have a gambling problem, and also their families, are offered the possibility to put their names voluntarily in a registry which will prevent their access to gambling after their identity is verified in the Group gaming halls. This is being done in a particularly active way in Argentina and Panama, thanks to the collaboration offered by the local authorities to develop this prevention system. By way of illustration, in the Panamanian operation, at year-end 2017 there were more than 300 persons in the self-exclusion registry.

In fact, among the strategic objectives of the Codere *Compliance Policy* are the identification, evaluation and control of the principal compliance risks, these being understood to be risks which may give rise to legal sanctions, material financial loss, or harm to reputation, as the result of possible breaches of regulations or codes of conduct.

Codere is aware that it carries out its activity in an especially sensitive sector. This is an industry which has gone through many different degrees of public perception throughout its history, ranging from the strictest prohibition, with the resulting negative consequences, to the highest levels of regulation, and going through intermediate periods of “legal limbo” and a regulatory vacuum.

With the introduction of its *Compliance Policy*, which integrates the highest international standards for the prevention of money laundering and ethical conduct requirements, the Codere Group shows its stakeholders that Compliance is an integral part of its business culture, not only renouncing business which would only be possible by breaking the law, but also business which violates our own corporate values.

The Company has taken as a standard of compliance the framework established by the Basilea Committee in 2004, as well as all of the FATF recommendations and the highest models of international Best Practices and Ethical Conduct. In this way, Codere assumes the entire scope of the function of compliance as an independent commitment which identifies, advises, alerts, monitors and reports compliance risks in organizations, that is, the risk of receiving sanctions for legal or regulatory breaches, of suffering financial loss, or loss of reputation for failure to comply with the applicable laws, regulations, codes of conduct and best practices standards (laws, regulations and standards).

3.2. Anti-fraud and money laundering policies

The fight against fraud and money laundering forms part of the Codere commitment to Responsible Gaming, and is the focus of the work of the heads of Company Security and Compliance

This activity comes under the provisions of the Group Compliance Policy and Code of Ethics and Conduct, with any breaches thereof being able to communicate through the Whistleblower Channel which the Company makes available to shareholders, employees, customers, suppliers, partners and society.

Action in matters of policies against fraud and money laundering includes the management of international anti-money laundering policies, codes of ethics and conduct, and the Whistleblower Channel, as well as the Compliance Information System called for by the Codere *Compliance Plan*. The framework of these areas includes prize identification and control of suspicious transactions (STR); the reconciliation of reports to control and/or gaming authorities with the contribution of evidence on fraudulent payments or transactions; mandatory training plans in Money Laundering for Codere Group employees; and likewise how to put an internal control policy into practice through the requirement and control of Due Diligence of management or key personnel, and an external control policy of Know Your Customer (KYC) through previous Due Diligence control of natural and legal persons related with Codere, especially suppliers of gaming terminals, as well as the movements and mode of operating of said persons.

The materiality analysis conducted by Codere to identify and prioritize the most important internal and external non-financial information indicates, in fact, that money-laundering prevention and anti-organized crime policies are critically important to the Company. In this regard, and in relation to risk-evaluated transactions related to corruption during 2017 the Codere Group conducted controls and reported prizes and transactions to the competent authorities. This control activity took place in 62,805 transactions, 11.34% more than with respect to the previous year, with 91 reports of suspicious transactions having been made.

In addition, Codere provides its employees with anti-money laundering and counter-terrorist financing manuals in the majority of the Group’s internal networks. And in 2017, it provided mandatory anti-money laundering training to 4,087 employees, both on site and online.

Specifically, various initiatives were carried out in Mexico to promote awareness of anti-money laundering and anti-corruption regulations and of the *Company Code of Ethics and Conduct*. Over 1,500 workers of the Mexican

subsidiary took part in these courses with specialists from the Compliance area, where special emphasis has been placed on the Codere Group commitment to strict compliance with the law.

Moreover, this past 16 October, Codere organized a conference on money-laundering in Italy, at the headquarters of the employers’ confederation Confindustria in Rome, on the occasion of the coming into force of the Italian transposition of the European Union’s *Fourth Anti-Money Laundering Directive*. For Codere, this regulation highlights, in the case of Italy, the need to continue to promote control initiatives against the gambling mafias, and to work together from within to attain a more transparent and cleaner legal industry in Italy. According to data published by the FIU (Financial Intelligence Unit), the number of suspicious transactions reported has grown considerably in recent years in Italy, from 34 suspicious transactions recorded in 2010 to nearly 1,075 in the first half alone of 2017, highlighting the degree of awareness and control of the operators in this period.

Through its Whistleblower Channel, in 2017 Codere received 95 denouncements, 97% of which it had already resolved by year-end (the rest are still being processed). The bulk of the cases reported, nearly 60%, are external, and 33% of the total are anonymous.

Whistleblower Channels
Cases reported 2017 vs 2016

COUNTRY	REPORTED BY							
	ANONYMOUS	IDENTIFIED	INTERNAL	EXT-CUSTOMERS	SUPPLIERS	RESOLVED	IN PROCESS	UNRESOLVED
SPAIN + CORP	15	7	6	16	0	22	0	0
ARGENTINA	5	14	10	8	1	17	2	2
COLOMBIA	1	9	4	4	2	7	1	2
ITALY	0	0	0	0	0	0	0	0
MEXICO	6	24	14	13	3	30	0	0
PANAMA	1	8	3	4	2	9	0	0
URUGUAY	3	2	3	2	0	5	0	0
TOTAL 2017	31	64	40	47	8	90	3	4
TOTAL 2016	26	98	62	59	0	116	6	2

Cases reported 2017 vs 2016





Guarantee of Fundamental Rights: Data Protection



4. Guarantee of Fundamental Rights: Data Protection

As part of its Corporate Social Responsibility, the Codere Group also looks to defend and protect Fundamental Rights, from an external as well as internal perspective

As part of its Corporate Social Responsibility, the Codere Group also looks to defend and protect Fundamental Rights, from an external as well as internal perspective. The year 2017 has been significant in this regard, as important steps have been taken in organizational terms, especially in matters of personal data protection as a fundamental European right, recognized as such in the Charter of Fundamental Rights of the European Union (Article 8). By virtue of this fundamental right, natural persons are entitled to have control over their personal data, as recognized by the principal western democracies; consequently, data protection has taken on greater importance within the Codere organization.

During 2017, the Codere Group took the first steps in advance of the changes to be introduced, as from 25 May 2018, by Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016, on Data Protection, directly applicable to the Corporate area, as well as the business units of Spain and Italy. The European Regulation, the application of which is direct throughout the EU and takes precedence over the national laws of each of the EU Member States, creates new subjective rights and reinforces other already existing ones for the individuals affected by the processing of their data, imposing very severe sanctions (up to 20 million euros or 4% of the total global annual business of the preceding financial year, as well as reputational sanctions, requiring that the affected persons be personally notified) on the companies violating said rights.

THE SUBJECTIVE RIGHTS GUARANTEED BY REGULATION 2016/679 ARE THE FOLLOWING:

- Right to express consent to the processing of personal data
- Right to be informed of the data processing
- Right to licit, fair and transparent processing of personal data
- Right to access the data being processed
- Right to rectification
- Right to be forgotten or erasure of personal data
- Right to data portability to a third party
- Right to restriction of personal data processing, with the data only being able to be processed for the purpose for which it was collected.
- Right to personal data minimization, limiting the processing to what is strictly necessary to carry out the purpose for which it was processed.
- Right to limit the time for which the data is stored: data may only be retained for the time required for the purpose for which it was obtained.
- Right to personal data integrity and confidentiality, including protection against unauthorized processing.

From the start of the year, an analysis has been conducted of the Company situation in order to establish the planning of actions so as to implement effectively all legal, technical and organizational changes called for by the European Regulation. Among the first measures developed are the organizational changes required in order to come into line with the new regulations, for which purpose an internal working team was set up in June, headed by the corporate Information Systems Security officer (as the head of technical matters, or CTO) and a representative from Legal Consultancy Department (as the head of legal affairs, or CLO) heading the project.

The European Data Protection Regulation establishes the figure of the Data Protection Officer (DPO), as one of the principal novelties and one of the main focuses of the principle of proactive responsibility which must be taken by the companies and institutions required to guarantee and to be able to demonstrate compliance with the regulation. Moreover, the Bill on the Reform of the Spanish Data Protection Act establishes that, among other entities, those dealing in online gambling will be required to appoint their own DPO.

In Codere, the role of the DPO is taken on by the Information Security Department representative, who will carry out the functions related to the technical aspect, and by a representative from the Legal Consultancy Department, who will take on the functions related to the legal side. Both of these, then, take on the organizational functions related to their respective areas of experience.

Once the project for the introduction of the European Regulation has finalized, the principal functions of the DPO will be to do as follows:

- Inform and advise the organization and its members of the obligations which Codere has under the European and Spanish regulations.

- Supervise compliance with the provisions of the European Data Protection Regulation and those of the Spanish Data Protection Act, among other applicable measures.
- Participate in training the members of the organization and promoting their awareness of the principles and obligations set out in the European and Spanish regulations.

During 2017, the internal working team set up to anticipate these new regulatory developments has dedicated its efforts to promoting changes in procedures and fostering the work philosophy of the Codere Group with respect to the processing of personal data, developing a series of initiatives, which include the following:

- An online training course in cybersecurity (1,519 hours in total) for all Codere employees using computer equipment, with three modules having been given in 2017.
- A series of awareness raising meetings for the various areas of the Codere Group in Spain.
- An inventory of activities and records to be analyzed and adapted to the new European Regulation.



- The review of all of the contracts the object of which is personal data processing, whether with respect to employees or customers, intercompany or with third parties, which are required to be formalized in writing and brought in line with the new European regulations; likewise, the review of the Codere Group technical security with regard to the prevention of data leaks and the protection and control of the information.
- The review of procedures for notification and communication of security breaches, and the internal management thereof, as well as action protocols in the face of requests for information from control agencies and/or authorities.

The plan prepared by the new team for the processing of the personal data of the Codere Group includes a series of initiatives as part of the review stage of the activities concerned with the management of this data and security systems, to be subsequently introduced first in Spain and in Italy, owing to the European Regulation requirement, and later on extended to the rest of the Codere Group:

- Proof of concept using data discovery and leak prevention tools, including DLP (Data Loss Prevention) tools which prevent data loss, responding to the requirements of the European Union Regulation.
- Introduction of the IRM (Information Rights Management) information protection and control tool, which makes it possible to control who accesses the files and with what permission, and also to block or destroy the document so that it cannot be accessed by a user or by anyone.
- Analysis of masking tools

- SIEM(Security Information Event Management): introduction of a platform for information security and events management in order to monitor more efficiently and conduct an analysis to detect threats related to the European Regulation.
- Selection of software to aid in the process of adaptation to the new European regulations through a simple, agile, automated and traceable process.

A regulation which goes beyond the European Union

The European Data Protection Regulation is applicable to all of the European Union (EU) countries; however, it extends its radius of action to also include companies which, although they are not established in the EU, carry out processing activities with EU citizens.

In 2017, in order to make compatible the transfers of personal data to the countries of the American continents in which it operates, as well as to third countries in the EU, the Codere Group undertook a review of the data protection regulations in Mexico, Colombia, Panama, Argentina and Uruguay. In this way, the Codere Group has given special attention to personal data protection standards for the Ibero-American States approved by the Ibero-American Data Protection Network (IDPN).



People Development



5. People Development

A priority asset for Codere, the Group employees are both the active and passive subjects of the Company's Corporate Social Responsibility, key players in its development and beneficiaries of its implementation

The Codere personnel are young, multinational and equivalent with respect to gender. At year-end 2017, the Codere Group was made up of 13,339 employees (579 fewer than on the last day of 2016). Nearly three out of every four workers (74.5%) are under the age of 40, a sign that the Codere workforce is getting younger, given that last year this percentage was around 74%.

Codere Corporate Social Responsibility in the workplace is reflected in respect and encouragement of stable hiring, which promotes gender equality and non-discrimination. In this regard, the Company understands that diversity has a positive impact on the general development of the business, on innovation and on competitiveness. This commitment is reflected in the following data:

NON-DISCRIMINATION ON THE BASIS OF GENDER

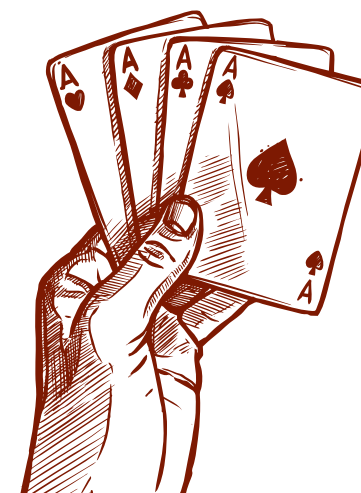
In 2017 the same balance was maintained in the proportion between men and women employed with respect to 2016. At year-end 2017, 40.59% were women (5,414 units) and 59.41% were men (7,925 units).

NON-DISCRIMINATION ON THE BASIS OF NATIONALITY

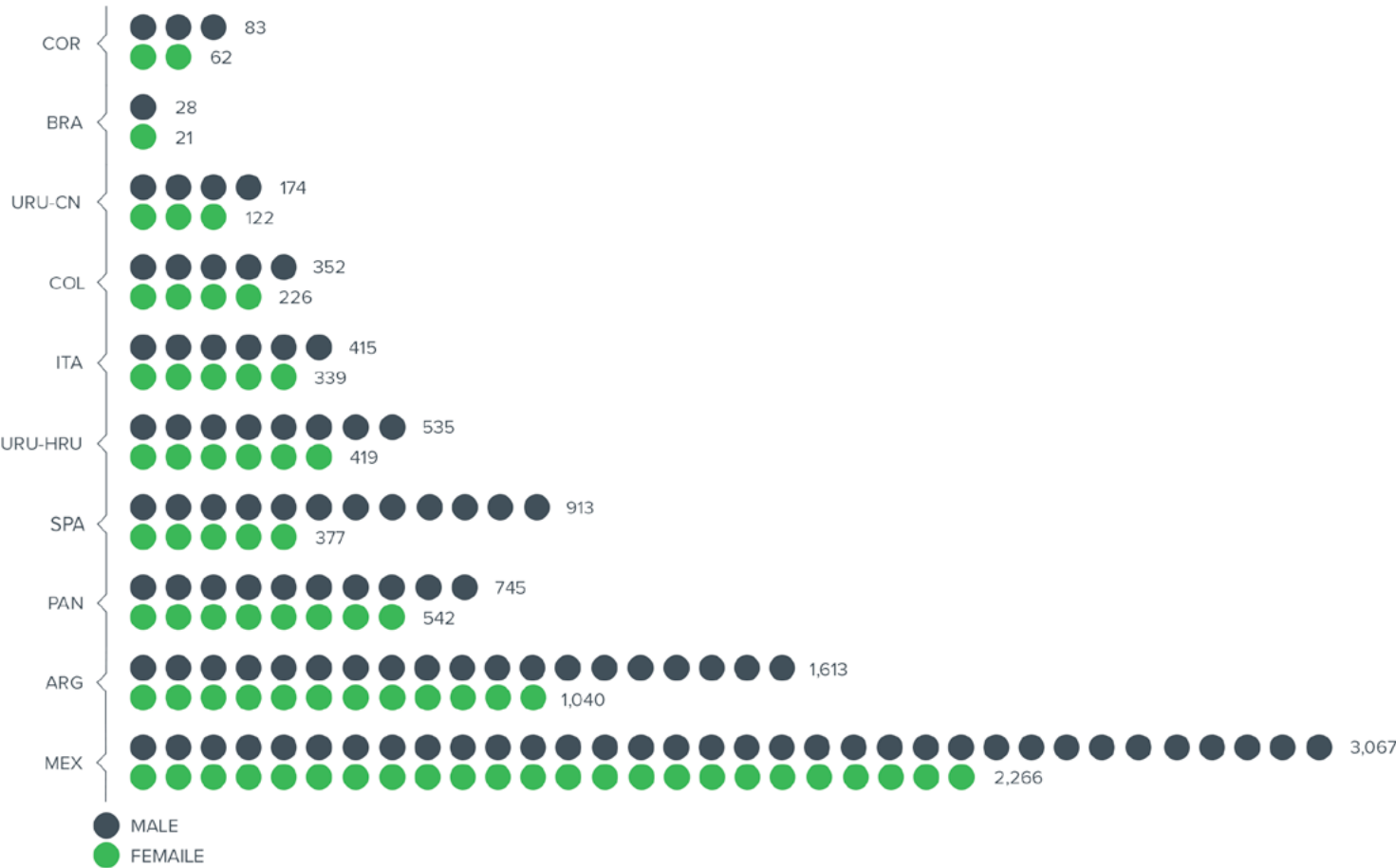
The Codere staff is comprised of workers of 41 nationalities, of which more than ten reach or exceed 20 employees.

COMMITMENT TO STABLE EMPLOYMENT

The Company continues to show signs of its commitment to stability in its contract relations with its collaborators. In 2017 Codere maintained the level of indefinite contracts with respect to 2016, and at year-end 91.75% of contracts were indefinite as opposed to 8.25% of temporary contracts. This is a very high average among the various business units of the Group, in which the proportion of indefinite contracts does not fall below 80.54% (Spain data).

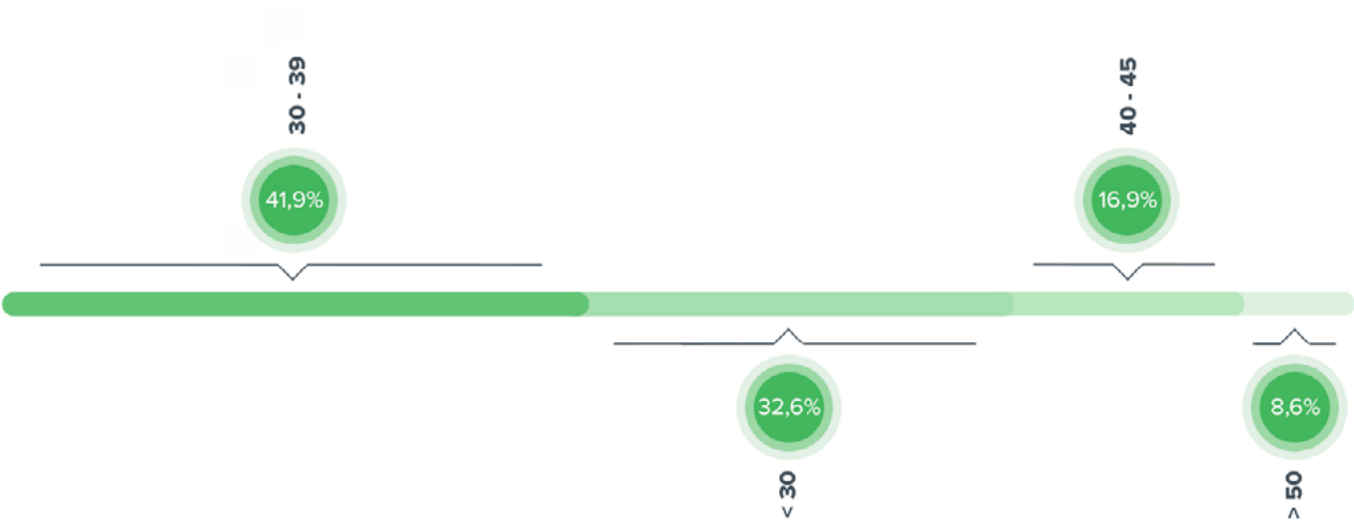


Gender, Age and Seniority



NOTES: As of the 31st of December 2017

Age's distribution of Codere's Employees



NOTES: As of the 31st of December 2017

Employee development, well-being and training

Development, well-being and training are the pillars which sustain the work carried out by the various Codere People departments (the name given to the Human Resources areas in 2018) for their collaborators. These are three columns which show the interest which the Company has for the present (well-being) and future projection (development and training) of its employees. Well-being is reflected in initiatives such as flexible work hours, facilities for getting to and from the workplace, areas

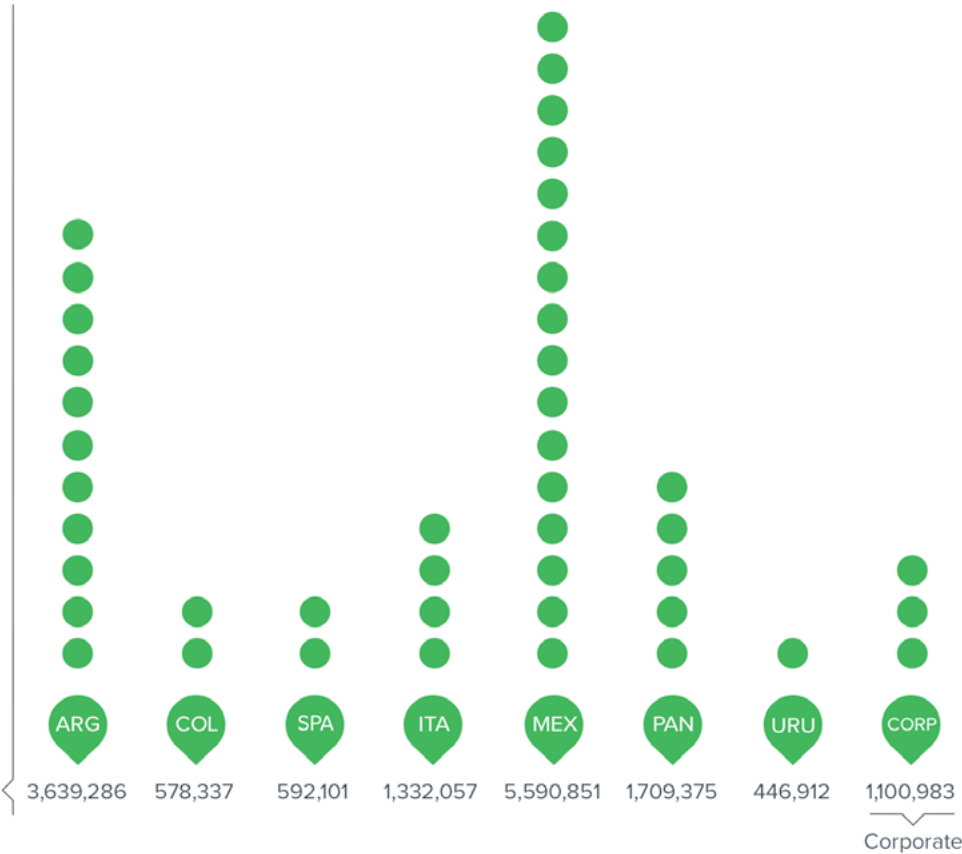
for employees at the various head offices with cafeteria service, or life insurance coverage for 100% of the staff, as occurs in Mexico.

Training and development are materialized through initiatives such as courses offered during working hours, at the head office itself -among these courses, the latest new developments in digitization-, the implementation of programs aimed at detecting workers' aptitudes, and the offer of the preparation required to develop their future potential.

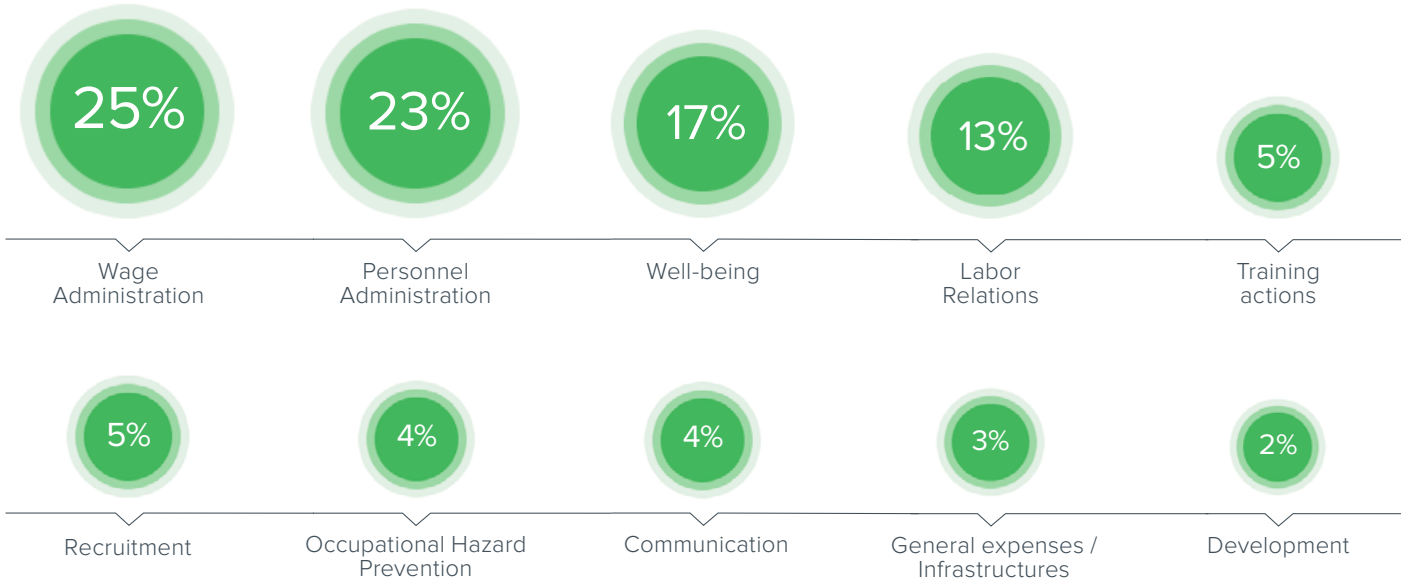
Excluding the allotment for wages and all matters related to the business units of Brazil and Uruguay (countries which lack the data required for comparison purposes), the People Divisions had a budget of 14,542,988 euros for 2017, a budget equivalent to 1,221 euros per employee. This has meant a considerable increase (+15%) with respect to the 12.6 million euros budgeted in 2016. This positive trend is also seen in the expense accumulated during 2017, which increased by 10% with respect to the previous year (from nearly 11.4 million euros in 2016 to 12.56 million euros in 2017). 15% of the expense in the People area during 2017 went to well-being actions.

The year 2017 was particularly intense with respect to initiatives in this area in the Group People departments. From Corporate headquarters, the 2017 Corporate Training Plan was launched and executed, combining technical training with the development of Critical Success Factors and languages, in an aim to provide employees with the knowledge they require in order to respond to the needs of the various countries.

Budget Distribution for People Management by Country



Budget Distribution for People Management by Item



In the Spanish business unit, Codere made a special commitment in 2017 to favor the development of its workers, starting up the *Contamos contigo* (We count on you) project. This procedure for the internal promotion of its collaborators is facilitated through the launching of its own portal which allows employees to propose themselves for any vacancies arising in the Company, encouraging the worker commitment and motivation.

With respect to the operation, the People Division of Spain during the year developed three important training projects for employees, which focus on customer service, a matter which is so important to Codere activity. The *Commercial School* project in 2017 started is *Itinerary 0*

for all of the groups participating in this program: commercial advisors, sales outlet managers, own network operators, and own network coordinators and managers. At all times aiming to improve the commercial experience of the Codere operation in Spain, this program has made itself available to a group of 266 persons, and has had an attendance rate of 93%.

To this must be added the *Smile Codere* initiative, a training program aimed at Customer Service operators, intended to focus all of our actions on our customers, offering them personalized service, and filling all of their needs. Along this line is the *Verbal Defense and Persuasion* workshop which, in collaboration with the Security Department, has sought to develop communication skills, encouraging internal self-control and an emotive response to conflictive situations with customers.

In seeking the well-being and “full attention” of its workers, in 2017 Codere organized at its central headquarters in Madrid the *Mindfulness business* program, which met with great acceptance.

It was sought, in addition, to take maximum advantage of the benefits of the sponsorship agreement between Codere Apuestas and Real Madrid C.F. through discounts to the Madrid Football Club summer camp for children of employees.

In Spain, the *Flexible Remuneration* program likewise remains active as part of the Codere commitment to optimizing remuneration, to which the *Suma+* program also contributes, developing an application in 2017 for employees to be able to manage tax benefits related to Personal Income Tax efficiently and quickly.

Likewise in 2017 the Company conducted an analysis of travel insurance policies at the global level, thereby guaranteeing the security of its employees when traveling abroad.

A clear commitment to Latin America: the regionalization of the People departments

Codere’s commitment to its workers entailed an important change in 2017 in organizational terms in the region of Latin America. In April of 2017, Deysi Liñán, People Director in Panama, also took charge of the People Division in Mexico. As a result, since 2017, Mexico and Panama share their Director and *People Business Partner*, where, through their PBP team, constant meetings are held with the Operations Division of the region (which also includes Colombia) in order to detect needs and carry out actions to align their respective strategies.

The objective is to standardize processes and initiatives for workers in these three countries, and in this regard an analysis has already been made of employee policies and procedures, to set up a common policy in Mexico, Colombia and Panama in order to prevent unequal treatment of workers.

In this context, in 2017 the People Divisions of these three business units created the *Visión 2018* project, in an aim to strengthen the integral development of employees and prepare them to take on the challenges which await the region starting next year. This initiative revolves around three main aspects:

Moreover, continuing along the line of the action taken in Mexico in 2016, Panama and Colombia in 2017 have been planning the development of the Capacity Evaluation System (CES) for the purpose of identifying talent in the organization which, in turn, makes it possible to design a training plan in line with the employee needs. Early in 2018, Spain, Italy and Uruguay have also gradually joined.

TRAINING AND DEVELOPMENT

This pillar of regional action with respect to People in Colombia, Mexico and Panama is built through the 2018 *Growth and Development Program*, with initiatives which aim to add value to the operation, generating improvements in the productivity, management and professional development of employees. In this regard, a new edition of the initiative has been started whereby managers and operating officers of Codere Mexico exchange positions with Panama and Colombia, to continue in this way to acquire a more in-depth knowledge of the competitive tools of the Mexican team, and to exchange best practices.

WELL-BEING

in this area of action we can highlight the *Warrior Spirit* program, started in 2017 in Mexico, and which seeks to reward employees for attaining business objectives.

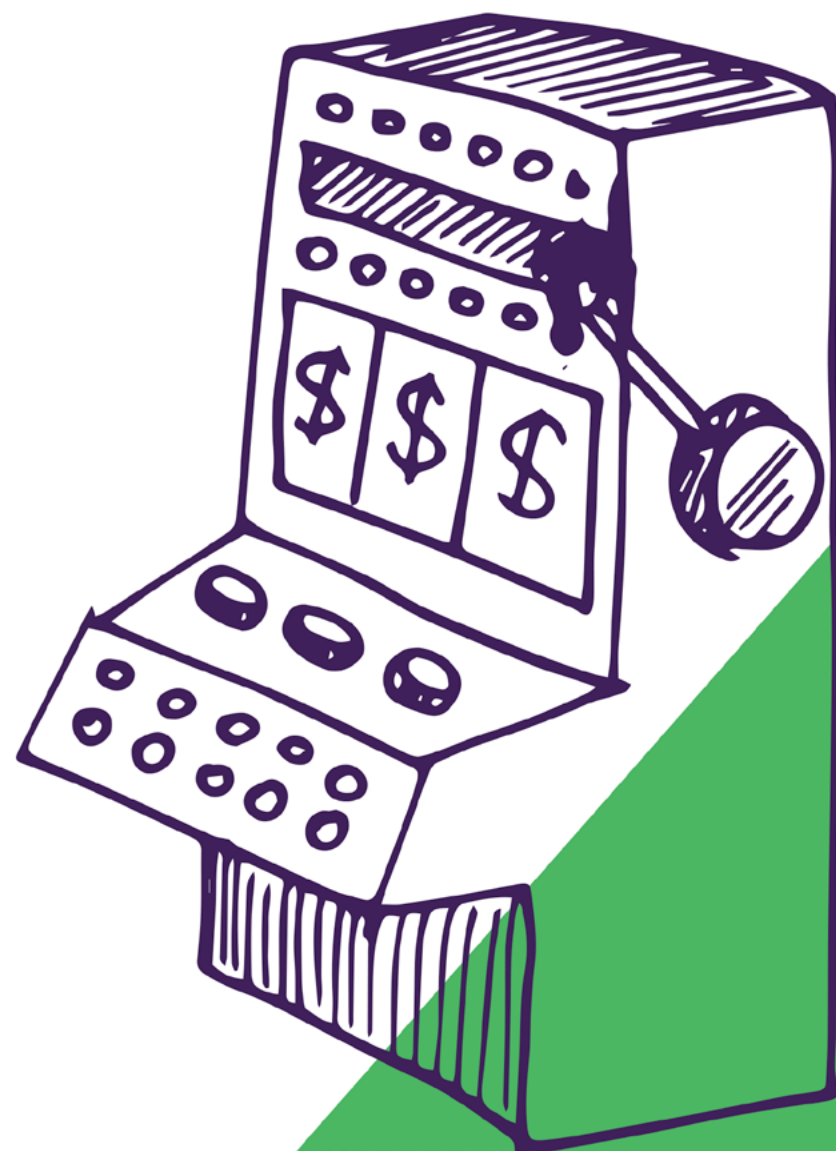
COMMITMENT AND RESULT

This pillar is based on an adjustment of the results remuneration system which makes it possible to improve productivity in the region.





Transparency



6.1. External transparency

Codere is committed to transparency in its management as one of the principal assets of its Social Responsibility action, going beyond the minimum requirements called for by the regulations

Apart from the administrative control to which our company is subject, given that it operates in regulated markets and, in addition, is the only Spanish company in the sector which trades on the Stock Exchange, Codere is committed to transparency in its management as one of the principal assets of its Social Responsibility action, going beyond the minimum requirements called for by the regulations.

Transparency in Codere action is projected at an internal level, creating an atmosphere of trust among its workers, as well as externally, responding to the concerns of its customers and investors. In this regard, Codere has worked with particular intensity in 2017 with respect to its relationship with investors, striving to improve its reporting, which has been met with approval by investors and analysts.

In the area of its relationship with investors, Codere has been present at fixed income conferences of the various financial institutions in London during 2017. There it was able to meet with several dozen investors:

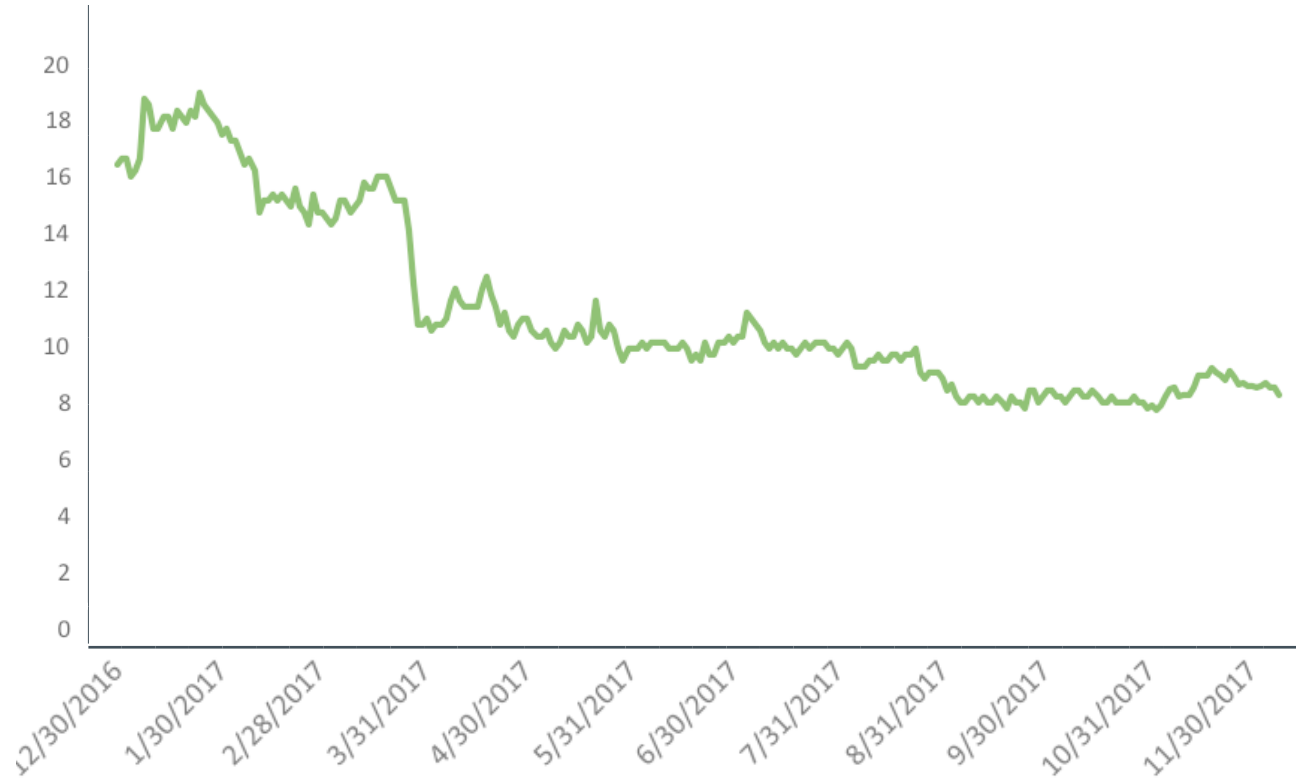
- **DEUTSCHE BANK'S 21st ANNUAL LEVERAGED FINANCE CONFERENCE** (15 June).
- **BANK OF AMERICA'S EUROPEAN CREDIT CONFERENCE 2017** (13 September).

- **BARCLAYS' EUROPEAN HIGH YIELD AND LEVERAGED FINANCE CONFERENCE 2017** (14 September)

The year 2017 has been marked by a series of events which have had a determining effect on the performance of the Company share price:

- **JANUARY:** Increased taxation in Argentina, implemented at a stepped rate during the rest of the year.
- **FEBRUARY:** coming into force of the new tax structure in Carrasco Nobile.
- **MARCH:** purchase of the minority holding in Caliente.
- **APRIL:** increases in taxation of AWP and VLT machines in Italy.
- **JUNE:** issue of 18.8 million shares as consideration for Houlihan Lokey for its services provided during the financial restructuring.
- **AUGUST:** increased taxation in Uruguay, coming into force in January of 2018.
- **SEPTEMBER:** approval of a decree to reduce the number of machines in Italy; renewal of licenses for eight casinos in Panama, until 2038; earthquake in Mexico, with the temporary closure of fourteen gaming halls.
- **OCTOBER:** renewal of the Hipódromo Presidente Remón Racetrack in Panamá, including the 50 associate agencies for horse race bets.
- **NOVEMBER:** merge and exchange (*reverse stock split*) of shares, in the proportion of two new shares for every 43 old shares.

Performance of Codere Shares in 2017 (pro forma owning to the reverse stock split)



Credit ratings

RATING

AGENCY	CORPORATE	OUTLOOK	EVALUATION DATE
MOODY'S	B2	Stable	21/11/2017
STANDARD & POORS	B	Stable	24/10/2017

STANDARD & POOR'S

On 24 October 2017 this agency ratified the corporate credit rating at “B”, with a stable outlook. The same rating was given to the senior guaranteed bonds, with an unchanged recovery rating of 3 (60%).

MOODY'S

On 21 November 2017 this agency ratified the corporate credit rating at “B2”, with a stable outlook. The same rating was given to the senior guaranteed bonds, with a recovery rating of 50%.

6.2. Internal transparency

The Company makes a special effort to see to it that its employees are informed of everything taking place both in the Group as well as in the sector

In this regard, *Codere Actualidad*, the newsletter sent from the Corporate Head Office to over 5,000 workers, has continued striving to offer transparent, agile and comprehensible information to its employees.

The audiovisual contents of this publication, in turn, have been dynamized by the transformation of the format in which the analysis of the financial results is offered. At present, this is a short video containing highly illustrative graphics and combining the locution with comments by those in charge of disseminating this information to investors. This change was first introduced on the occasion of the publication of the economic results for Q1 2017.

In 2017 sports betting played a major role as did the presence of the Codere Foundation, with the audiovisual synergies being used to the benefit of the contents of Codere Foundation website. In 2017 a total of sixteen editions of *Codere Actualidad* were published, both in Spanish as well as Italian, with each issue including the usual survey on the climate of the organization, and offering the possibility of raising any doubts or making any consultations with the Group Presidency. The digital version, by email, is accompanied by a printed edition of each publication, which is sent to the various operations in order to be distributed in the gaming halls to employees who do not have access to email.

All of the above is a reflection of the interest of the Company in getting its employees to become more involved in the organization, making them participants in

the most important information produced in the Company, and endeavoring to dynamize communication between the organization and its employees. This communications flow is promoted in an upward direction -making available to the workers a number of channels to contact the organization- and also in a downward direction. In this latter case, mention must be made of the ever increasing activity of information dissemination through *Codere Informa*, the corporate employee information email reserved for specific occasion need-to-know communications with workers.

The internal Communications area obtains feedback on the results of these communications, particularly from *Codere Actualidad*, through a statistical analysis of openings and other data which serve as indicators of the general climate of staff, no longer only in the offices, but also in the gaming halls, since the publication is sent to personnel who do not have a work computer, through a personal email address should the worker choose to provide one.

In this respect, in 2017 *Codere Actualidad* had an average of 1,153 readers, accounting for nearly a quarter (around 23.35%) of all recipients. In 2017 the most visited section, the editorial which communicates the most significant and far-reaching messages for workers, saw a slight increase in the average number of readers. The Corporate Communications area has among its objectives that of maintaining, as far as possible, the level of attention and interest of Codere workers with respect to important Company information.



Social Interest and the Environment



7. Social Interest and the Environment

The Codere operation also takes into account the environment and the social reality of its surrounding communities. Solidarity and the encouragement of education, in particular the reduction of illiteracy among the most underprivileged -in the understanding that education is the principal weapon in the fight against problematic gambling- are the two focal points of this area of action of the Group Corporate Social Responsibility

The action by Codere in this aspect of its CSR is materialized in these areas:

EDUCATION

The promotion of education, in particular among young people, is perhaps one of the strongest aspects of the Codere commitment to the social environment in which it operates. This clearly shows the Codere commitment to the sustainability of the activity, given that education is the most effective tool to ensure Responsible Gaming and prevent abusive conduct.

In 2017 a number of interesting initiatives were recorded in this aspect, especially in our operation in the region of Latin America. In this regard we can mention the start of the support program for students of Liceo-13 in Uruguay. In collaboration with the NGO Reaching-U, Hípica Rioplatense de Uruguay (HRU), a fully owned subsidiary of Codere, finances half of this education project offering support to 40 students of basic education at this high school, which is one of the secondary schools with the worst academic results in the country, and which is located in the same neighborhood as the Hipódromo Maroñas Racetrack. The total cost of the program, which is being carried out by the Cimientos Foundation, is 40,000 dollars (some 32,300 euros) annually for three years.

Likewise in Uruguay, support in infrastructure and equipment has been offered to various schools in the areas surrounding the racetracks, where over 950 young people study. In addition, in collaboration with the Secretariat of Sports of the Presidency of Uruguay, the gymnasium of the Maroñas Horse Racetrack opens its doors to two groups from the boxing school under the state program against drug addiction, Knock Out.

In Panama, two schools, República de Guatemala (Juan Díaz) and República de Sudáfrica (Colón), have benefitted from financing by Codere for some of their basic needs. In the case of the República de Guatemala school, the Company has contributed to renovating a multi-use sports field and a children's park with swings. In the República de Sudáfrica schoolwater fountains and hand sanitizers have been provided in an aim to promote awareness among students of the importance of hygiene to prevent disease.

TRAINING AND EMPLOYMENT

The Codere Group commitment to education also extends to training for the employability of the youngest. Codere is aware that this is the principal contribution which, as a company, it can make to society, and therefore it generates opportunities within the local communities in which it operates. In this way, in 2017 Codere Group has

been very active in this area, especially in Uruguay, through training plans for jockeys, trainers, and stable grooms, also offering the “first job” program, which benefits over one hundred young people each year in the customer service area. A similar initiative is the Riders’ School at the Hipódromo Presidente Remón racetrack in Panama, which this year gave a talk to students, entitled *Drug-Free Youth*, in the framework of collaboration with the Hogares Crea Foundation.

SOLIDARITY AND LOCAL DEVELOPMENT

During 2017, the Codere Group continued its solidarity work and its contribution to local development through donations, the organization of activities aimed at improving living conditions for the people, and the development of the communities in the proximity of the Group activity centers. The Company has shown during the year that it is capable of carrying out previously planned initiatives in this area, and that it is committed to solidarity, a commitment which can be seen even in the face of the most unexpected events.

In this way, we must highlight the cooperation between the Company and its collaborators to provide aid to the victims of the earthquakes which struck Mexico in September, especially in the Disaster Supply Collection Center set up in the Las Americas racetrack. During the nine days in which this aid center was in operation, over twelve tons of aid were collected, with 2,100 aid packages and 5,000 liters of water being prepared. In all, five truckloads of provisions were distributed to the State of Chiapas, Oaxaca, Morelos, Guerrero and Mexico City. Moreover, employees donated 10,000 Mexican pesos (465 euros), to the two employees of the business unit who had been directly affected by the earthquake. The Codere Group contributed 170,000 Mexican pesos in aid (7,900 euros) for these two families. The Company in addition, gave 250,000 pesos (11,630 euros) in foodstuffs and 580,000 pesos (27,000 euros) in collaboration with the Red Cross. In all, the Group donated one million pesos (46,500 euros) in aid to those suffering from the earthquakes.

In Argentina, the Company focused its socially responsible activity on donations to various entities and associations, such as the María Luisa Children’s Home, an orphanage which takes in underprivileged children, and to which the Group donated 100,000 Argentine pesos in 2017 (over 4,800 euros); also, to firefighters’ volunteer programs, to which the Group donated 21,000 Argentine pesos monthly (a little over 1,025 euros).

In Uruguay, the Codere Group has contributed funds to carry out the various activities for the promotion of culture and tourism in the local environments in which it operates, collaborating with the Pérez Scremini Foundation, dedicated to providing treatment and support to children with cancer, to which it donated 70,000 Uruguayan pesos (some 2,500 dollars), through the sale of tickets to the official VIP box seats in the Jockey Club Awards last 1 October at the Hipódromo Nacional de Maroñas racetrack.

Mexico and Panama have participated in various actions in order to combat malnutrition in children, in addition to other initiatives for toy and gift donations. In 2017 Codere Panama stated a campaign for blood donations, and has collaborated with the Foundation for Children with Leukemia and Cancer to raise funds through participation in a marathon in Panama City and in the province of Chiriquí.

In Colombia, the Codere Group commitment to the environment in which it operates has materialized, as usual, through the United for Colombia Foundation. The Company contributed to the program for the rehabilitation of victims of the Colombian armed conflict by paying the registration fees of 111 athletes in the latest edition of the Bogota Half Marathon, for charity.

In Codere Italy the bulk of the Group efforts have been focused on promoting the principles of transparency and Responsible Gaming. In 2017, the Company held three conferences in the context of the project *Innamòrati di te* (Love yourself), focused on promoting awareness of gender violence. In early October, Codere Italy donated to Civil Protection of Maddaloni, a locality near Naples, where it has one of its gaming halls, a total of forty sets of equipment with reflective clothing for work in the field. In addition, at Christmastime it raised funds in its gaming halls for research on rare diseases, and purchased products from local businesses hit by the earthquake in the center of the country to include these in the Christmas baskets of its employees.

ENVIRONMENT

The Company understands respect for the environment and sustainability in all aspects of its value chain as

key to its long-term success. In the regard, the Codere Group has committed itself to protection of the environment and the natural resources of the communities in which it has a presence.

In July of 2017 the Codere corporate headquarters obtained the LEED (*Leadership in Energy & Environmental Design*) efficiency certificate in the silver category, a quality seal issued by the US Green Building Council for efficient buildings, and held by some of the most important companies on the international scene. This certification is the most prestigious international quality seal in its area, and values the responsible use of buildings to maximize their operating efficiency and reduce their environmental impact.



The process which led to the obtainment of this certificate, with the collaboration of the Indra company as the approved coordination and supervision entity, dates back to early 2016 (lasting for some 18 months) and has allowed for the development of a series of actions for greater environmental efficiency at the Codere headquarters in Madrid, located on the northern outskirts of the Spanish capital city.

Among the measures carried out in this past year and a half: a more careful classification of waste for recycling, or the installation of efficient water faucet diffusers. In 2017 the greatest change to the headquarters was made to the lighting, with LED lighting being installed on all floors. The change in lighting makes it possible to save on electricity by around 48%, with the replacement of all incandescent and fluorescent lights, which totaled an installed wattage of 136,000 watts (the new led lights total 70,500 watts). This change has also brought an improvement to lighting levels, going from an average of 510lux to 850lux, improving conditions in all work positions. This is accompanied by a reduction in heat emissions and contaminants characteristic of the previous technology.

The certifying entity, which gave a score of 51 points on its scale to the Codere corporate head office, highlights how this achievement identifies the building as “an example of sustainability”, at the same time that it shows the “leadership” of the initiative to transform the architectural ambience. Still in its initial stage, this initiative seeks to replicate itself in the Canoe gaming hall, an area of 2,700 square meters owned by the Codere Group, and located right in the heart of the Paseo de la Castellana in Madrid (opposite the Santiago Bernabéu stadium), offering bingo, sports betting and also restaurant and hospitality service.

Canoe has, in addition, become the site chosen by Codere for a pilot test in view of the expansion of the *Energy Efficiency Project* prepared by the Infrastructure and Equipment Corporate Division, and approved during 2017, which is planned to be exported to the gaming halls in Latin America and Europe. This project proposes to the various Codere areas having the greatest consumption

the acquisition of the latest generation electrical autotransformers, capable of generating energy cost savings. A pilot program was conducted in Canoe using an autotransformer, which, after the pertinent tests were conducted, offered an energy savings of 11.5%. The idea is to conduct this type of test at the Madrid corporate headquarters as well, and to subsequently export this model to the Latin American gaming halls, starting with Mexico.

Green Codere Program

The environmental action of two of the Codere business units is channeled through two programs of the same name: **Green Codere**. In the case of Mexico, this program has benefitted from the new environmental legislation of the capital city of Mexico to implement a campaign in 2017 for waste separation and recycling. This initiative has promoted the dissemination to all workers of the new way to classify waste, and seeks a greater recycling volume and improved handling of biodegradable materials.

Recycling is also at the center of the environmental program activity of Codere in Argentina. Through *Green Codere*, the Company seeks to raise awareness among its workers to care for the environment, and focuses on three materials: paper, vegetable oil, and plastic. The gaming halls of Lomas de Zamora, Temperley, Lanús, San Martín, Ramón Mejía, San Justo, Morón and Lomas del Mirador collaborate with the Youth in Progress Cooperative of Lomas de Zamora in collecting and subsequently recycling paper from all Codere gaming areas. In total, during 2017 194,131 kilograms of paper and cardboard were collected.

RBA Ambiental is the entity which collaborates with Codere Argentina in collecting vegetable oil in all of the gaming halls in the country, and in the central office, for its subsequent conversion into biodiesel. Moreover, in 2017 an agreement was signed with the municipalities adhered to the BIO provincial plan. In total 7,835 liters of oil were collected from all of the gaming halls. And with regard to plastic, in 2017 over one hundred large bags of caps were collected from all of the gaming halls and the central office for a number of social causes.

On its part, the Codere Uruguay environmental commitment takes the form of the development of energy efficiency plans, an efficient use of water, and waste management. The Hipódromo Nacional de Maroñas racetrack has self-generating electrical power to light the tracks and buildings. In 2017 400 photovoltaic panels were installed, which generate 100KW, and a change was made to an intelligent lighting system in the VIP box. In Maroñas responsible management was undertaken of the five tons of solid waste generated each day, which makes it possible to care for the environment and keep the neighboring area clean. In addition, the Uruguayan horse racetracks managed by Codere use their own sources of water for cleaning and watering, as well as in the kitchens and in the showers.

