

REPORT OF THE OPERATIONS OF THE NOMINATION, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE DURING 2017

1.- PREAMBLE.-

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

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

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

This Report of the operations of the Nomination, Remuneration and Corporate Governance Committee during 2017, has been approved by the Committee in its meeting held on March 21st 2018. The Nomination, Remuneration and Corporate Governance will propose to the Board that this Report will be published on Codere’s website well in advance of the annual general meeting.

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

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

Within 2017 the Nominations, Remuneration and Corporate Governance Committee (previously named Corporate Governance Committee) has met 10 times, and in one occasion voting has taken place in writing without a meeting.

Within 2017 the composition of the Committee has remained unchanged, and at December 31st 2017 was:

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

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

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

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

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

3.- 2017 ACTIVITY REPORT.

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

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

- (a) To examine compliance with the Internal Rules of Conduct in relation to Securities Markets and to make the necessary proposals for improvement, as well as to ensure compliance with any corporate governance rules applicable in the matter.*
- (b) To present reports and proposals to the Board on any decisions to be adopted in conflict of interest situations.*
- (c) To present to the Board, for its approval, the Annual Corporate Governance Report and Report on Directors’ Remuneration Policy.*
- (d) To make the proposals foreseen in these Regulations, with respect to remuneration of the members of the Board of Directors.*
- (e) To evaluate the competences, knowledge and experience required of the Board and, consequently, to define the necessary duties and skills for any candidates to each vacancy and to evaluate the time and dedication required to adequate exercise its tasks; to regularly evaluate the adequacy of the company’s corporate governance system, taking into account the company’s corporate interest and the legitimate interests of the different target groups.*
- (f) To make proposals to the Board in relation to its duties (for appointment or proposal), regarding the composition of the Board and its Committees and particularly with respect to the appointment of independent directors by co-option, or to be proposed to the General Shareholders Meeting, as well as proposals with regards to the re-appointment or removal of such directors by the General Shareholders Meeting. To inform of any proposals for appointment of all other directors for their nomination by co-option or for their submission to the shareholders’ general meeting’s decision, in*

addition to proposals for the re-election or dismissal of said directors, by the shareholders' general meeting.

- (g) To inform of any appointments and removals of senior executives proposed to the Board by the leading executive.*
- (h) To inform the Board, as necessary, of any issues on gender diversity foreseen in Article 1.12.*
- (i) To make a proposal to the Board of Directors on the remuneration of the Chairman-Executive Director as leading executive of the company, or of the other executive directors, regardless of those received as Directors under the By-laws, including on the other conditions established in their contracts; to examine and manage the succession of the Chairman of the Board of Directors and of the company's chief executive officer, and to submit a succession proposal plan to the Board which guarantees, if applicable, that such succession is carried out in an orderly manner.*
- (j) To propose to the Board a general remuneration policy for senior executives of the Company or its subsidiaries or investee companies, as well as the basic terms of senior executive contracts.*
- (k) To establish guidelines and supervise any steps taken as regards the appointment, selection, career, promotion and dismissal of executives in order for the Company to have the necessary highly qualified staff for its management.*
- (l) To make proposals to the Board and to prepare an examination of the matters it should be aware of, in those matters not specifically entrusted to another Committee, if deemed necessary.*
- m) Establish a target for representation of the under-represented gender on the board of directors and develop guidance on how to achieve the goal.*
- n) Propose to the Board of Directors the remuneration policy for directors and general managers and those who perform senior management functions under the direct supervision of the board or the CEO, as well as the individual remuneration and other contractual conditions of executive directors and ensuring compliance therewith.*
- o) To monitor and review the Company's corporate social responsibility policies and practices, proposing any amendments in its structure and development to the Board of Directors required to ensure its focus on creating value. Periodically evaluating the degree of compliance with such policies and practices.*
- p) Coordinating the reporting process with respect to non-financial and diversity information, and generally, information of any kind as long as it does not concern matters within the specific duties of another Committee.*

The main tasks which have been discussed and analyzed by the Committee within 2017, may be divided in these main areas:

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

Within 2017 the Committee has worked in this issues in the meeting held on December 1st 2017. In this meeting, the Committee informed favorably the appointment as Chairman of the Board of Directors of Codere S.A. of Mr. Norman Sorensen Valdez. This appointment was later agreed in the Board meeting held on January 12th 2018.

- 2) **To inform the appointments of the Senior Management and the basic terms of their contracts [art. 16.2.g) and j) of the Regulations of the Board).**

The Committee has analyzed this issue twice within 2017, particularly in the meetings held on September (when the Committee analyzed and informed favorably the appointment of the Corporate Development Director) and December (when the Committee discussed and informed favorably the appointment of the General Manager of the Company and its Group, as well as the basic terms of his contract).

The Board of Directors agreed both appointments, in its meetings held on September 2017 and January 2018.

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

Within 2017 the Nominations, Remuneration and Corporate Governance Committee has discussed and analyzed this issue in four occasions, specifically in meetings held on February 21st, May 10th, September 6th and November 8th.

On February 21st meeting, the Committee analyzed the results of the self-assessment of th Board, Committees, Chairman and Directors, and based on it, it prepared an Action Plan correcting deficiencies noted, and submitted to the Board the results of the self-assessment and proposed to approve the Action Plan. The Board approved it on February 27nd.

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

- 4) **Report over the amendment of the Regulations of the Board (art. 18 Regulations of the Board):**

Within 2017 the Nominations, Remuneration and Corporate Governance Committee has discussed these issues in one occasion, specifically in meeting held on December 1st 2017. In this meeting it was analyzed and discussed the amendment of the Regulations of

the Board to adapt it to some recommendations of the Good Governance Code of Listed Companies, and to give the board more flexibility in terms of its internal organization and, particularly regarding the possibility of the board chairman and chief executive not necessarily being the same person.

5) To examine compliance with the Internal Rules of Conduct in relation to Securities Markets, and to make the necessary proposals for improvement, as well as to ensure compliance with any corporate governance rules applicable in the matter (art. 16.2.a):

Regarding this competence, the Committee has discussed this issue in 3 different occasions.

Within 2017 (meeting held in May 10th) the Committee analyzed the protocol which develops the procedures for the processing of privileged information and updating or registers, which was proposed for approval. The Board approved it in its meeting held on May 10th 2017.

Additionally within 2017 the Committee monitored the compliance with Codere's obligations in this area in 3 different times, being informed on the variations in the Register of Affected Persons, Personal Transactions or Treasury shares transactions.

6) To monitor and review the Company's corporate social responsibility policies, evaluating the degree of compliance with such policies and practices (art. 16.2.o):

In the meeting held on May 10th 2017 the Committee analyzed the annual report on Corporate Social Responsibility Policy that for the first time, Codere S.A. was preparing according to its Corporate Social Responsibility Policy approved on 2016. The report was favorably informed to the Board of Directors, which approved it. The report was published on the website well in advance of the annual general meeting.

Regarding the periodic evaluation on the degree of compliance with the policies and practices in corporate social responsibility, the Committee in its meeting held on November 2017, was informed on the report that included the evolution of the activities in this area. The Board was later informed.

7) To propose to the Board a general remuneration policy for general managers and those who perform senior management functions under the direct supervision of the Board or the CEO (Art. 16.2.n.):

In its meeting held last June, the Committee analyzed the possibility of approving an Incentive Plan for Senior Management, to align their interests and the stockholders'. It was discussed how to calculate the incentive wage, different situations and degrees of compliance or the beneficiaries of the Plan, and finally agreed to propose to the Board the



approval of the Incentive Plan, which was approved by the Board in a subsequent meeting.

8) Other business which are under the competence of the Committee.

Finally, the Nominations, Remuneration and Corporate Governance Committee has studied, analyzed and discussed other issues within 2017:

First of all, the Committee analyzed, to submit its approval to the Board, the Annual Corporate Governance Report, and the Report on Directors' Remuneration Policy for 2016 (art. 16.2.c).

Additionally, and regarding the three general shareholders meeting held on 2017 (2 of them extraordinary meetings), the Committee favorably informed to the Board the agenda, proposed agreements and the mandatory documents.

Finally, and according to the Action Plan approved by the Board, the Committee has reviewed three times within 2017 the conflicts of interest (meetings on June, September and November). Additionally on June, the Committee was informed on a potential conflict of interest, and after analyzing it, the Board was duly informed.

Madrid, March 21st 2018