

2017 ACTIVITY REPORT OF THE COMPLIANCE COMMITTEE OF CODERE, S.A.

1.- INTRODUCTION

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

"That listed companies which prepare the reports listed below, whether mandatory or voluntary, publish them on their website in advance of the ordinary general meeting, although their dissemination is not mandatory:

- a) Report on the independence of the auditor.*
- b) Performance reports of the audit and appointment and remuneration commissions.*
- c) Report of the audit committee on related-party transactions.*
- d) Report on corporate social responsibility policy".*

This Annual Report on the Activities of the Compliance Committee of Codere, S.A., corresponding to the year 2017, was approved by the Committee at the meeting held on 27 February 2018. The Compliance Committee will propose to the Board of Directors that this Report be made available to the shareholders of the Company on the occasion of the call of the Ordinary General Shareholders' Meeting.

In application, therefore, of the best principles of transparency in corporate governance, since 2015, the Annual Report on Activities of the Compliance Committee of Codere, S.A. is made available to shareholders simultaneously with the convening of the Ordinary General Shareholders' Meeting, and can be consulted both on the corporate website and a hard copy can be requested with free delivery by mail.

2.- COMPOSITION OF THE COMPLIANCE COMMITTEE AND MEETINGS IN 2017

During 2017, the composition of the Compliance Committee has not been modified, remaining stable since 5 May 2016. Since then, and up to the date of this report, the components of the Compliance Committee have been the following:

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

In its composition, the Committee complies with the requirements of Article 15 of the Regulations of the Board of Directors of Codere S.A., which states that:



"The Compliance Committee shall be made up of a minimum of three and maximum of six members appointed by the Board of Directors. All members of said committee must be external directors.

The Chairperson of the Compliance Committee shall be preferably an Independent Director. In the case whereby the Chairman is not an Independent Director, the specific reasons for the appointment shall be given in the Corporate Governance Annual Report.

The Secretary of the Committee is the Secretary of the Board of Directors, in accordance with the provisions of article 13.4 of the Regulations of the Board of Directors of "Codere, S.A.".

During fiscal year 2017, the Compliance Committee has held a total of 6 meetings, on the dates and with the Agendas that are indicated below.

MEETING DATE	AGENDA
26/01/2017	<ol style="list-style-type: none">1. Approval, if appropriate, of the minutes of the previous meeting.2. New compliance plan3. Global Anti-Corruption and Prevention of Misconduct Manual.4. Annual Activity Report 20165. Plan of actions of the Committee for 20176. Activities and matters of interest. Compliance with B.U.7. Sundry matters, requests and questions.
23/03/2017	<ol style="list-style-type: none">1. Approval, if appropriate, of the minutes of the previous meeting.2. New Compliance Plan3. 2016 Annual Report of the Compliance and Security Department.4. 2017 Action Plan of the Compliance and Security Department.5. Activities and matters of interest. Compliance of the B.U.6. Sundry matters, requests and questions.
10/05/2017	<ol style="list-style-type: none">1. Approval, if appropriate, of the minutes of the previous meeting.2. Annual report of the External Expert on money laundering and terrorist financing of the Codere Group.3. Activities and matters of interest. Compliance of the B.U.4. Sundry matters, requests and questions.
06/09/2017	<ol style="list-style-type: none">1. Approval, if appropriate, of the minutes of the previous meeting.2. Analysis of the company "Doble Seguridad Privada S.A. de C.V." for the provision of security services in Mexico.3. Sundry matters, requests and questions.
03/11/2017	<ol style="list-style-type: none">1. Approval, if appropriate, of the minutes of the previous meeting.2. Global Plan for the Evaluation and Analysis of Money Laundering Risks.3. Sundry matters, requests and questions.

11/12/2017	<ol style="list-style-type: none"> 1. Approval, if appropriate, of the minutes of the previous meeting. 2. Compliance Committee Action Plan for 2018 3. Compliance of the B.U. Criminal complaint filed in Colombia. 4. Update on the situation of security services in Mexico. 5. Sundry matters, requests and questions.
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3.- ACTIVITY REPORT 2017

As provided in article 15 of the Rules of Procedure of the Board of Directors, the Audit Committee has among its functions the following:

- (a) *The monitoring of compliance by the Company and the Group of Spanish or foreign regulations applicable to it in matters of gaming.*
- (b) *Evaluate the internal control systems of the Company and of the Codere Group in relation to their reporting and transparency obligations in matters of gaming, and make those proposals for introduction and improvement which it deems necessary or advisable.*
- (c) *The monitoring of compliance and control systems by the Company and the Group of the regulations regarding the prevention of money laundering, and the proposals for introduction and improvement which it deems necessary or advisable.*
- (d) *Establish and supervise a mechanism which allows employees, customers, suppliers and other third parties with which contractual relations exist, to communicate confidentially and if it deems it appropriate, anonymously, any potentially significant irregularities, especially financial and accounting irregularities, which they may note within the company.*
- (e) *Monitor the security systems and measures applied in carrying out Company and Group business, being informed periodically by the managers in charge of said matter.*

The main issues that have been discussed and analysed by the Committee during 2017, and that have shaped its main areas of supervision, are the following:

a) New Compliance Plan

During 2016, the Compliance Committee was duly informed about the contents of Circular 1/2016 of the State Attorney General's Office on the criminal liability of legal entities pursuant to the reform of the penal code carried out by organic law 1/2015.

Said Circular gave instructions to assess the effectiveness of *compliance* plans, demanding, among others, the express creation of the position of a Compliance Officer. The publication of this Circular, as well as the fact that more than ten years have elapsed since Codere approved its Compliance Plan, motivated the Compliance Committee to analyse the possibility of modifying said text.

During 2016, several meetings were held in which the introduction of the improvements that the practice of recent years advised, as well as the adaptation to the latest legislative and regulatory changes, were discussed. During fiscal year 2017, the work for the approval of a new Compliance Plan continued, and during the meeting held in March 2017, the Compliance Committee agreed to submit the proposal for approval of the General Compliance Plan to the Board of Directors. The Board of Directors approved the New General Compliance Plan of Codere, S.A. in its meeting of 30 March 2017.

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

The Compliance Committee in development of article IV.8 of the Code of Ethics and Professional Conduct of the Codere Group, agreed at its meeting held in January 2017 to propose the approval of the Global Anti-Corruption and Prevention of Misconduct Manual, which includes and regulates conflicts of interest, the treatment of donations and sponsorships, trips, meals and invitations, as well as specific action measures from the complaints channel, up to special control measures. The Board of Directors approved the aforementioned Manual in its meeting of 27 February 2017.

c) Actions in the field of the Prevention of Money Laundering and Terrorism Financing:

In the scope of its competences in this matter, in the meeting of May 2017, the Compliance Committee received the Annual Follow-up Report of the External Expert on Money Laundering and Terrorist Financing of the Codere Group, in accordance with the provisions of art. 26 of Law 10/2010, in Royal Decree 304/2014 and in OHA/2444/2007 prepared by the Independent External Expert. The Committee was informed of each of the conclusions and recommendations contained in the report and in particular the importance of finalising the risk assessment of the Codere Group. The Board of Directors of Codere S.A. agreed in a meeting on 10 May 2017 to accept the said report as received, in compliance with the provisions of article 38.2 of Law 10/2010 on Prevention of Money Laundering and Terrorist Financing.

Additionally, in the Committee meeting held in November 2017, it was agreed to favourably report to the Board of Directors on the Global Plan for the Evaluation and Analysis of Money Laundering Risks, which aims to be a reference framework that allows integrated management in all gaming activities and in all the markets in which the group operates, in accordance with the best international practices and in compliance with the legislation in force in each of the seven countries contemplated. The Plan provides a high-level methodology to prepare the risk matrices that will be implemented in each of the countries in which the company operates.

c) Analysis of the company "Doble Seguridad Privada S.A. de C.V." for the provision of security services in Mexico.

In the meeting held in June 2017, the Committee analysed the report on the merits and the suitability of the proposed split of the current Security and Compliance Area into two different departments, also integrating that project of the outsourcing of the security function initially in Mexico, a company who which the current Director of Security and Compliance of the Codere Group is a shareholder. Given the possible conflict of interest arising from the ownership of the capital of the company that intends to manage security in Mexico, the Committee agreed to propose to the Board that, prior to authorising the operation, two or more updated proposals from third-party companies with comparable services by submitted to the usual procedures of contracting with the Company.

In December, the Committee was again informed about the evolution of the project of outsourcing of security activities in Mexico, concluding that the best offer was the one corresponding to “Doble Seguridad privada”, nevertheless, a more detailed analysis was necessary, prioritizing the supervision and security of the main establishments. It is expected that these conclusions will be presented to the Board of Directors in the 2018 financial year.

d) Handling of the compliance situation in each business unit:

The Compliance Committee was informed of the reports regularly submitted by the Compliance Department, detailing the compliance situation in each of the business units, with information on the functioning of the whistle blower channel enabled for the Company and its Group, as well as the main detected risks in terms of compliance, in each of the countries, to later transfer said information to the Board of Directors.

Madrid, 27 February 2018