

REPORT OF THE OPERATIONS OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE DURING 2019

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 Appointments and remuneration committee.

c) Audit committee report on third-party transactions.

d) Report on corporate social responsibility policy”.

Additionally, the Technical Guide 1/2019 on Appointments and Remuneration Committees, published on February 20th 2019, develops said Recommendation of the Code of Good Governance of listed Companies, in its section 11, and suggests that the annual report of the Appointments and Remuneration Committee contains certain information regarding, its regulation, composition, functions and tasks performed over the year, the meetings held during the year, the evaluation of its functioning, or its conclusions.

This Report of the operations of the Appointments, Remuneration and Corporate Governance Committee during 2019, has been prepared by the Committee, and approved at the Board meeting held on January 14th 2020. The Appointments, 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. - REGULATION OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE.

The regulation of the Appointments, Remuneration and Corporate Governance Committee of Codere S.A. is established in article 16 of the Board Regulation of Codere S.A.

Said article states that the Appointments, Remuneration and Corporate Governance Committee shall consist of at least three and no more than six members, designated by the Board of Directors, all of whom must be external Directors and at least two Independent Directors

Likewise, and in compliance with the Law, it is established that the Chairman of the Committee must be an Independent Director. The Appointments, Remuneration and Corporate Governance Committee will meet each time the Board of Directors or its

Chairman requests the issuance of a report or the approval of proposals within the scope of its powers and whenever, in the opinion of the Chairman of the Committee or upon request of any two of its members, it is convenient for the proper development of its purposes.

Lastly, the above provisions establish the main duties to be discharged by the Committee, its power to call any employee or executive and the regularity of its meetings, established to be held at least once every quarter.

3. - COMPOSITION OF THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE.

Within 2019 the Appointments, Remuneration and Corporate Governance Committee the composition of the Committee was:

Members	Class	Seniority on the Committee	Position	Knowledge or experience in Corporate governance / Human Resources / Senior management functions / Remuneration policies
D. Matthew Turner	Independent	May 5, 2016	Chairman	✓
D. Norman Sorensen Valdez	Independent	May 5, 2016	Member	✓
D. David Reganato	Nominee	May 5, 2016	Member	✓
Masampe S.L. (D. Pio Cabanillas Alonso) ¹	Nominee	May 5, 2016	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”.

Members of the Committee have the necessary knowledge and expertise to perform their duties.

The Secretary of the Committee is the Secretary of the Board of Directors, pursuant to article 13.4 of the Board Regulation of “Codere, S.A.”.

The information on the members of the Appointments, Remuneration and Corporate Governance Committee may be found at corporate website www.grupocodere.com.

¹ The seniority in the Committee is referred to the date of the appointment of the current natural person representative of Masampe S.L., although this company has been part of the Committee since June 10, 2010.

4. - FUNCTIONS AND TASKS PERFORMED DURING THE YEAR.

According with art. 16 of the Regulations of the Board of Codere S.A., the Appointments, 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 to the Board, for its approval, the Annual Corporate Governance Report and Report on Directors’ Remuneration Policy.*
- (c) To make the proposals foreseen in these Regulations, with respect to remuneration of the members of the Board of Directors.*
- (d) 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.*
- (e) 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 Appointments 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.*
- (f) To inform of any appointments and removals of senior executives proposed to the Board by the leading executive.*
- (g) To inform the Board, as necessary, of any issues on gender diversity foreseen in Article 1.12.*
- (h) Draw up a proposal to the board on the remuneration of the executive directors, separate to that received as directors in accordance with the articles of association, and on the other terms of their agreements; consider and organize the succession of the board chairman and of the Company’s chief executive, and propose a succession plan to the board which ensures, where necessary, that this takes place on the terms arranged.*
- (i) 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.*
- (j) 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.*
- (k) 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.*
- (l) Establish a target for representation of the under-represented gender on the board of directors and develop guidance on how to achieve the goal.*
- (m) 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.

- (n) 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.*
- (o) 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 2019, may be divided in these main areas:

- a) To make proposals to the Board in relation to its duties (for appointment or proposal) regarding the composition of the Board and its Committees, as well as proposals for re-election or separation of Directors (art. 16.2.e. Regulations of the Board).**

Within 2019 the Committee has worked in this issue in several meeting. In May 2019 the Committee, analyzed the request made by certain shareholders, to re-elect two proprietary directors of CODERE S.A. deciding not to report favorably to the Board of Directors such re-election.

After that, and also on May, the Committee analyzed the request made by Mr. José Antonio Martínez Sampedro, Mr. Luis Javier Martínez Sampedro and Masampe S.L. (as Key Executive Parties of the Shareholders' Agreement signed on April 6, 2016) to appoint Mr. Alberto Manzanares Secades and Mr. Fernando Sempere Rodríguez as Proprietary Directors, deciding to give a favorable report to the Board on said appointments.

Likewise, as a result of the request made by the shareholder Masampe S.L. for the exercise of the corporate action of responsibility against Mr. Norman Sorensen Valdez (which would have led to his termination, if approved by the General Shareholders' Meeting), the Committee analyzed the concurrent circumstances, and unfavorably informed the Board of Directors about the proposed exercise of the aforementioned corporate responsibility action.

- b) 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 discussed this issue on several occasions during 2019, analyzing and informing favorably to the Board of Directors on the appointment and new contractual conditions of COO retail, the Head of Corporate Technology and Digitalization and the Head of Compliance and General Counsel.

It has also analyzed and proposed to the Board, the extension of the CEO's contract, for which the Committee commissioned an external consultant (Korn/Ferry International S.A) the preparation of a report on his qualification, being the only work done by this consultant for the entity, during the fiscal year 2019.

c) 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).

During 2019 the Committee has approved the evaluation report of the Board and its Committees for the year 2018, as well as the action or improvement plan for 2019, that corrects the deficiencies detected, agreeing to submit to the Board the results of the Self-evaluation, also proposing the approval of the Improvement Plan.

d) Propose to the Board of Directors the Directors Remuneration Policy (art. 16.2.m. of the Regulations of the Board of Directors) and make proposals regarding the compensation of the members of the Board of Directors (art. 16.2.c. of the Regulations of the Board of Directors).

As a result of the termination of the three-year term of the Directors Remunerations Policy approved in 2016, the Committee proposed to the Board of Directors the approval of the new Policy that, although maintaining the basic principles of the previous one, incorporated the necessary modifications to accommodate the main changes which had taken place in the structure of the Board of Directors.

Additionally, and after the approval of the new Director Remuneration Policy by the Annual General Shareholders Meeting, the Committee analyzed and proposed to the Board, the remuneration of each director, taking into account the functions and responsibilities attributed to each of them.

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

Finally, the Appointments, Remuneration and Corporate Governance Committee has studied, analyzed and discussed other issues within 2019:

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 2018 (art. 16.2.c of the Board Regulation of Codere S.A.).

In addition, during 2019, the Committee has analyzed and informed the Board for the first time about the document on the non-financial information that should be incorporated as part of the annual accounts of the Company, as well as the corresponding Integrated Report to 2018, following for its preparation, the principles of the IIRC (International Integrated Reporting Council) conceptual framework, as well as the guide for the preparation of sustainability reports of the Global Reporting Initiative (GRI Standards) and the guidelines on the presentation of non-financial reports of the European Commission (2017 / C215 / 01) derived from Directive 2014/95. For its preparation, we had the collaboration of Ernst & Young, being its engagement approved by the Audit Committee, within other services other than auditing, contracted with the audit company or companies of its group.

5. - NUMBER OF MEETINGS HELD IN THE YEAR AND NUMBER OF ATTENDEES, INCLUDING WHETHER OR NOT NON-MEMBER GUESTS WERE INVITED.

In FY 2019, the Appointments, Remuneration and Corporate Governance Committee held a total 12 meetings.

100% of the members of the Appointments, Remuneration and Corporate Governance Committee attended its meetings throughout the year.

In addition, within FY 2019 several members of the management of the Company, have attended the Committee as guests:

- General Counsel;
- Head of Human Resources;
- CFO;
- Manager of Corporate Communication.

6. - EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE APPOINTMENTSS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE; METHODS TO APPRAISE ITS EFFICACY

On an annual basis, as established by law, the functioning of the Board of Codere S.A. and of its committees is evaluated.

This evaluation is carried out without an external consultant, by the directors completing a form that contains eight questions on the functioning of the Committees, in addition to a section containing questions on the performance and contribution of each director, giving special attention to the Chairmen of the various board committees.

7. - NATIONAL OR INTERNATIONAL PRACTICAL GUIDES FOLLOWED BY THE COMMITTEE.

The preparation of this annual report of the Appointments, Remuneration and Corporate Governance Committee has been carried out based on the recommendations contained in Technical Guide 1/2019 on Appointments and Remuneration Committees prepared by the National Securities Market Commission (CNMV).

Some of the other recommendations of this Guide are followed by the Appointments, Remuneration and Corporate Governance Committee of Codere S.A., among which we can mention, the performance of certain competencies with regard to Senior Management, the review or verification of information on remuneration of the board that the company has to publish, or the participation of this Committee in the amendments of the Regulations of the Board of Directors.

8. - CONCLUSIONS

Within FY 2019, which is the subject of the current report, the Appointments, Remuneration and Corporate Governance Committee has developed its powers in a regular and

interference-free manner, applying the external and internal regulations in force.

To carry out its tasks, the Appointments, Remuneration and Corporate Governance Committee has been supported by the General Counsel, the Head of Human Resources and others, developing adequately its functions.

Members of the Appointments, Remuneration and Corporate Governance Committee consider that those functions, included in the Regulations of the Board of Directors, have been successfully fulfilled within 2019, focusing on its competences in relation with the composition of the Board of Directors, its remuneration, and the appointment of Senior Management.

9. - DATE OF PREPARATION OF THE REPORT BY THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE AND OF ITS APPROVAL BY THE BOARD OF DIRECTORS

This report has been prepared by the Appointments, Remuneration and Corporate Governance Committee at its meeting of January 14, 2020, and is expected to be approved at the meeting to be held on the same date by the Board of Directors, resolving its publication in the corporate website, sufficiently in advance of the date of the Annual Shareholders' Meeting.

Madrid, January 14, 2020