

## APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE REPORT TO CODERE'S S.A. BOARD OF DIRECTORS ON THE PROPOSED RESOLUTION FOR THE AMENDMENT OF THE DIRECTOR'S COMPENSATION POLICY.

### 1. Competent body to issue the report.

Section 529 novodecies Companies Act, states that the directors' remuneration policy shall be approved by the shareholders' general meeting at least every three years. The board of directors' proposal for the remuneration policy shall be motivated and must be accompanied by, a specific report from the appointments and remuneration committee (Appointments, Remuneration and Corporate Governance Committee in Codere S.A.).

In this regard, the purpose of this report is to explain the criteria adopted by the Committee to amend the Directors Compensation Policy, which shall be submitted, as a separate agenda item, (as obliged by the Law) in the General Shareholders Meeting.

This Compensation Policy shall include not only the executive directors' policy, but also the remuneration to be paid to directors for the exercise or termination of their role or for the fulfilment of their executive duties. This report shall be published in Codere's website since the date of the call for the General Shareholder Meeting.

According to section 529 novodecies.1 Companies Act, the directors' remuneration policy shall be adjusted in accordance with the remuneration system established in the bylaws (art. 24.5).

### 2. Appointments, Remuneration and Corporate Governance Committee: Composition and duties regarding the Compensation Policy.

#### a) Composition:

Currently, half of the members of the Corporate Governance Committee are Independent Directors, which ensures autonomy and freedom of judgement in the exercise of their duties. The Chairman of the Committee is an Independent Director, as obliged by law. All the members of the Committee have the experience and knowledge required to carry out their duties.

As of the date of this report, the Corporate Governance Committee is comprised as follows:

| Cargo    | Miembro   | Categoría de consejero |
|----------|---|------------------------|
| Chairman | Mr. Norman Sorensen Valdez                        | Independent            |
| Member   | Mr. Matthew Turner                                | Independent            |
| Member   | Mr. David Reganato                                | Proprietary            |
| Member   | Masampe S.L. (represented by Mr. Pío Cabanillas). | Proprietary            |

#### b) Duties regarding the Compensation Policy:

The Corporate Governance Committee has the following competences, regarding remuneration (as provided by section 16.2 of the Regulations of the Board of Directors of Codere S.A.):

*“(c) To make the proposals foreseen in these Regulations, with respect to remuneration of*

English version for information purposes. Spanish version shall prevail.

*the members of the Board of Directors.*

*(...)*

*(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.*

*(...)*

*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."*

### **3. Rationale for the proposed amendment.**

The current Remuneration Policy of Codere S.A. was approved by the General Shareholders Meeting last June 26, 2019, seeking the sustained generation of value in the Codere Group, and the transparency and competitiveness of said Policy.

Said Remuneration Policy establishes that the maximum remuneration for all the directors in their capacity as such, in the aggregate, is two million euros (also according to the resolution adopted by the Shareholders' Agreement on June 26, 2019), and refers to article 24.5 of the Articles of Association, which establishes that the remuneration payable to the directors will consist of a fixed amount.

In addition to the above, the Company may arrange a civil liability insurance for its directors, pursuant to article 24.9 of the Articles of Association in force. Also, the Remuneration Policy specifically establishes that the aforementioned limit of two million euros does not include, among other items, payments of the civil liability insurance premiums that the Company has arranged or may arrange in future for its directors.

The Board of Directors intends to propose to the Shareholders' Meeting, the amendment of article 24.9 of the Articles of Association of the Company in order to provide adequate coverage for an eventual liability of the directors, as long as the current economic situation, the uncertainties arising from the COVID 19 health crisis and the particular current litigation circumstances of the Company have rendered it impossible for the Company to renew, on reasonable conditions of coverage and economic cost, the D&O liability policies.

Basically, the Bylaws will allow the Company to arrange a civil liability insurance for its Directors, in addition to other systems alternative or supplementary thereto. The Company may also afford liability coverage to the Directors, excluding in any case from such coverage any actions that the Directors may perform in gross negligence or to the detriment of the corporate interest of the Company, excluding in such cases also the expenses or costs incurred for such actions.

The amendment of article 24.9 of the Bylaws will also state (if approved by the AGM) that the maximum amount of the coverage to be afforded by the Company for such items shall have to be approved by the Shareholders' Meeting.

For the above reason, the establishment of a maximum amount of coverage to be afforded by the Company if the liability coverage contemplated by article 24.9 as restated is activated, is submitted to the Shareholders' Meeting.

For similar reasons, it is considered necessary to amend the current provisions of sections 4 and 5 of the Remuneration Policy for it to reflect adequately the new wording of article 24.9 of the Articles of Association to be proposed to the Shareholders' Meeting.

The proposal for amendment of sections 4 and 5 of the Remuneration Policy will differentiate, firstly, the maximum annual remuneration of the directors in their capacity as such and for holding office, consisting of a fixed amount and, secondly, a maximum annual amount for eventual payments if the coverage of liability is used, to cover only contingencies, in any case within the strict limits established by article 24.9 of the Articles of Association, the amount whereof will be used only to cover such contingencies and related expenses, when and should they occur.

Based on the above, the following is proposed:

1. To amend article 4 of the Remuneration Policy which, if approved, will be worded as set out below:

**"4. MAXIMUM ANNUAL REMUNERATION OF THE DIRECTORS IN THEIR CAPACITY AS SUCH**

Pursuant to article 529 septdecies.2 of the Spanish Companies Law, the maximum annual remuneration of the directors in their capacity as such, shall be established by the Shareholders' Meeting, in the Remuneration Policy that it may have approved.

For such purposes, in accordance with the limits established by the Annual Shareholders' Meeting of July 24 2020, the maximum amount of the remuneration of all the directors of the Company in their capacity as such, for holding office, consisting of fixed amounts, shall be two million euros in the aggregate.

Subject to said limit, the Board of Directors shall establish the remuneration of the non-executive Chairman and of each Director in his capacity as such, taking into account the functions and duties attributed to each one of them, whether or not they are members of Board committees, the offices that they hold and other objective circumstances that the Board may consider relevant.

Said limit does not include payments of civil liability insurance premiums that the Company may have arranged or may arrange in future for its directors, provided that such premiums are arranged on customary market terms, or the refund of current expenses that may be incurred by the Directors to attend meetings of the Board or its Committees, or to discharge their duties as Directors, provided that such expenses are duly evidenced to the Company.

Notwithstanding the above, pursuant to the resolution adopted by the Annual Shareholders'

Meeting of July 24 2020, a maximum annual limit of twenty million euros is also established to meet eventual payments if the coverage of liability contemplated in article 24.9 of the Articles of Association is used, to cover only the contingencies contemplated in said article, such amount to be used only to cover such contingencies of liability and the related expenses, only when and should they occur”.

2. To amend article 5 of the Remuneration Policy which, if approved, will be worded as follows:

## **“5. STRUCTURE OF THE DIRECTORS’ REMUNERATION FOR THEIR ACTIVITY AS DIRECTORS**

Article 24.5 of the Articles of Association of Codere, S.A., establishes:

*“The remuneration receivable by the Directors in their capacity as such shall consist of a fixed amount.*

*The remuneration policy for the Directors shall necessary contemplate the maximum annual remuneration payable to all the Directors in the aggregate in such capacity.*

*The Board shall establish the remuneration of each Director in his capacity as such, taking into account for such purpose the functions or activities performed by the Directors in the scope of the actions of the Board and its Committees and other objective circumstances that it may consider relevant.*

*The remuneration policy for the Directors shall be approved by the Shareholders’ Meeting every three years at least, as a separate item on the Agenda.*

*The remuneration of the Directors shall in any case be reasonably proportional to the relevance of the Company, its economic situation from time to time and to the amount paid in peer companies. The established remuneration system shall seek to promote the long-term profitability and sustainability of the Company.”*

**In addition, article 24.9 of the Articles of Association of Codere, S.A., establishes:**

**“The Company may arrange a civil liability insurance for its Directors, *in addition to other systems alternative or supplementary thereto. The Company may also afford liability coverage to the Directors, excluding in any case from such coverage any actions performed by the Directors in gross negligence or to the detriment of the corporate interest of the Company, excluding also the expenses or costs related to such actions in gross negligence or to the detriment of the Company.***

***In any case, the amount of the coverage to be afforded by the Company shall be included in the maximum annual approved by the Shareholders’ Meeting and established in the Directors’ remuneration policy.”***

Thus, in compliance with the Articles of Association, a remuneration policy is established for the directors in their capacity as such based on a fixed annual amount **acknowledging that the Company may afford the Directors liability coverage.**

**In respect of the fixed annual amount,** it shall differ depending on the Committee(s) of which

each Director may be a member, and the different offices that each one of them may hold, and the degree of devotion to the work or responsibility that each one of them may have (such as the position of non-Executive Chairman of the Board). In particular, the Board of Directors, at the proposal of the Appointments, Remuneration and Corporate Governance Committee, shall take into account the following issues when establishing the respective remuneration, limited always and in any case by the maximum annual limit of the remuneration of the directors in their capacity as such in the aggregate established in section 4 above **as the annual fixed amount**.

|              | Purpose  | Items to be remunerated   |
|--------------|--|---|
| Fixed Amount | <p>Sufficient to compensate the qualifications, responsibility and dedication but not so high that it may compromise independence.</p> <p>Remunerate the functions of the offices and duties assumed by each Director.</p> | <ul style="list-style-type: none"> <li>- For belonging to the Board.</li> <li>- For belonging to the Audit Committee, differentiating between the office of Chairman and the office of member.</li> <li>- For belonging to the Appointments, Remuneration and Corporate Governance Committee, differentiating between the office of Chairman and the office of member.</li> <li>- For belonging to the Compliance Committee, differentiating between the office of Chairman and the office of member.</li> <li>- Non-executive Chairman.</li> </ul> |

Pursuant to article 24.7 of the Articles of Association, the aforementioned remuneration for each director shall be deemed to accrue monthly in arrears, in a manner such that the remuneration of each Director shall be proportional to the time for which the director in question held office in the year.

The Remuneration Policy applied to the Directors in their capacity as such contemplates the absolute absence of variable components in their remuneration, to encourage their absolute independence from the remuneration payable to senior executives.

In addition, the non-executive Directors may receive the remuneration to which they may be entitled for belonging to certain managing bodies of subsidiaries or investees of Codere S.A. The amount received in the latter companies may not exceed 50,000 euros per annum and director.

In respect of the coverage that the Company may afford to the Directors, it may be the same or different for each of the Directors. In particular, the Board of Directors shall take into account the following issues when establishing the respective coverage and in any case the maximum annual remuneration established in section 4 above for the coverage of liability.

|                           | <u>Purpose</u>  | <u>General exclusions</u>  |
|---------------------------|---|--|
| <u>Liability coverage</u> | <p><u>Sufficient to cover any liability on conditions similar to the D&amp;O liability policies that Codere, S.A. arranged in past.</u></p> <p><u>Satisfy, with the general exclusions and any others that the Board may establish in accordance with the particular circumstances, the expenses for defense and the compensation imposed on the Directors.</u></p> | <ul style="list-style-type: none"> <li>- <u>Bad faith or gross negligence.</u></li> <li>- <u>Damages caused to Codere S.A. by the directors' management.</u></li> <li>- <u>Expenses for expenses and costs related to the above exclusions.</u></li> </ul> |

The Company shall only afford such coverage if this becomes necessary due to expenses for defense that may be incurred or compensation that may be imposed on the Directors and the Board of Directors considers, after a non-binding consultation to the Appointments, Remuneration and Corporate Governance Committee, that the necessary conditions are met to grant the limited reimbursement in question. Thus, it may not accrue should it not be necessary.

Notwithstanding the approval by the Board of Directors of the appropriateness of a limited reimbursement in a certain event, any of the Directors may waive the right to benefit from it by serving notice to such effect in writing to the Board of Directors.

Madrid, June 2020.