

REPORT OF THE AUDIT COMMITTEE FOR THE MEETING TO BE HELD ON 24 FEBRUARY 2021

A. INTRODUCTION

Section 4 of Article 529R of the Capital Companies Act, introduced by the Fourth Final Provision of Law 22/2015, of 20 July, on auditing, provides, without prejudice to other functions attributed or pursuant to the Bylaws, the Regulations of the Board of Directors, the audit committee shall have at least the following competence:

*"e) Establish appropriate relations with the external auditor to receive information on any issues that may pose a threat to their independence, for consideration by the committee, and any others related to the development process of the audit, and, when appropriate, authorization of services other than those prohibited under the terms set out in article 5, sections 4 and 6.2.b) of Regulation (EU) No 537/2014 of 16 April, and 3rd section of chapter IV of Title I of Law 22/2015, of 20 July, on auditing, on the regime of independence, as well as other communications provided for in audit legislation and auditing standards. In any case, **the Audit Committee shall receive annually from the external auditors written confirmation of their independence from any directly or indirectly related entity or entities thereof,** as well as detailed and individualized information of any additional services of any class provided to said entities by said external auditors or by persons or entities linked to them in accordance with applicable legislation on account auditing.*

*f) **Annually issue, prior to issuance of the audit report, a report which will express an opinion on the independence of the auditors or audit firms.** This report shall contain, in any case, reasoned assessment of the performance of each and every one of the additional services referred to in the previous paragraph, considered individually and collectively, other than the statutory audit and in connection with the independence or the regulations of the audit activity".*

These obligations are incorporated in the Bylaws of Codere, S.A. in Article 26 and in the Regulations of the Board of Directors under Article 14.

Specifically, Article 14, paragraph 3 2nd g) of the Regulation of the Board of Directors of Codere, S.A. provides that it is the duty of the Audit Committee to:

"Annually issue, prior to issuance of the audit report, a report which will express an opinion on the independence of the auditors or audit firms. This report shall, in any case, report on the provision of additional services as referred to above".

In addition, the said article 14.3. in paragraph c) provides that the Committee is required to ensure the independence of the external auditor, and to this end shall:

i) That the company communicate the change in auditor as a relevant fact to the Spanish Securities and Market Commission (CNMV), together with a statement on the eventual existence of disagreements with the outgoing auditor and, if such disagreements had existed, what they consisted of;

- ii) Ensure that the company and the auditor respect the regulations in force regarding the provision of services other than auditing services, the limits to the concentration of the auditor's business and, in general, all other norms established to ensure the independence of the auditors;*
- iii) That in the event that the auditor should choose to resign, the Committee shall examine the reasons why.*

Accordingly, the Audit Committee of Codere, S.A. in the meeting on 24 February 2021, resolved to test the independence of the auditor of the company the group, issuing the opinion that the law and internal company regulations so requires.

B. REVIEW OF AUDITOR INDEPENDENCE.

The Annual General Meeting held on June 30, 2016 approved, at the proposal of the Board, and with the proposal of the Audit Committee, approved the appointment of Ernst & Young S.L. (EY) as audit firm for the Company and its Group for FY 2016, 2017 and 2018. Subsequently, the AGM held on June 26 2019 resolved to extend the appointment for FY 2019, 2020 and 2021. Accordingly, FY 2020 is the fifth year audited by EY.

As already mentioned in the preceding section, Article 14 of the Regulation of the Board of Directors of Codere, S.A. indicates that for the purpose of ensuring the independence of the external auditor, the Audit Committee must check or ensure certain points, specifically:

b.1.) Ensure that the company and the auditor respect the regulations in force regarding the provision of services other than auditing services, the limits to the concentration of the auditor's business and, in general, all other norms established to ensure the independence of the auditors.

In order to ensure the independence of the external auditor, the Audit Committee has monitored within 2020, compliance by the Company and by the audit firm, with the current regulations on non-audit services engagements.

In accordance with the internal procedure approved by the Audit Committee, the Head of Internal Audit is authorized to pre-approve non-audit services with fees below 30.000.-€, always with the prior check of an independence letter issued by EY, and notifying to the Audit Committee those pre-approvals for its ratification, in the first meeting held after they took place. When costs of those engagements are above 30.000.-€ the Audit Committee needs to approve them, prior to start developing the services.

Accordingly, within 2020 the Audit Committee has approved or ratified the engagement of several non-audit services with EY, and has received the appropriate independence letters in each case.

With regard to the receipt of fees billed by the audit firm and its related companies to the Codere Group, said fees amounted in 2020 to a total of 2.431.459 euro, of which 1.457.622 euro correspond to audit, and rest, amounting to 973.963 euro for services other than auditing (verification services, tax advice...) as per the following breakdown:

	CODERE SA	REST GROUP	TOTAL
EY Audit Fees	207.874	1.249.622	1.457.496
Other services connected with auditing	217.800	367.969	585.769
Tax services	0	355.194	355.194
Other services	16.500	16.500	33.000
Total Payment to EY	442.174	1.989.285	2.431.459

“Other services connected with auditing” includes those services mandatory to be engaged with the auditors, in accordance with regulations in each jurisdiction, as per the following:

- In Codere S.A. limited reviews (ISRE 2410) for Q1, Q2 and Q3 2020.
- In the rest of the Group, limited reviews (ISRE 2410) for Q1, Q2 and Q3 2020; limited review of the Italian subsidiary Codere Network SpA; Limited Assurance on prospective financial information in Italy, and certificates for the Panamamian Gaming Control Board on the review of internal handbooks.

In order to assess the volume of fees paid by Group Codere to the auditor in relation with its total incomes, the Audit Committee has taken into account the Annual Transparency report 2020 disclosed by EY Spain (published on its website [https://www.ey.com/Publication/vwLUAssets/ey-informe-anual-de-transparencia-2019-de-ey-espana/\\$File/ey-informe-anual-de-transparencia-2019-de-ey-espana.pdf](https://www.ey.com/Publication/vwLUAssets/ey-informe-anual-de-transparencia-2019-de-ey-espana/$File/ey-informe-anual-de-transparencia-2019-de-ey-espana.pdf)) on its revenues in the year ended 30 June 2020 (last published):

**Revenues of Ernst & Young S.L.
Year ended 30 June 2020**

	Revenues (in thousands of euro)	Percentage
Audit work for EIPs	39.009	22%
Audit work for non EIPs	68.546	39%
Other services	68.040	39%
TOTAL	175.595	100%

Given that the total amount invoiced to the Codere Group by E&Y Spain amounted to 807.399 euros, we can conclude that this figure represents 0,45% of the revenues of the auditing firm in Spain during the year ended 30 June 2020.

As for EY global revenues for the year ended 30 June 2020, the company has published on its website (https://www.ey.com/en_gl/news/2020/09/ey-reports-global-revenues-of-us-37-2b-in-2020). Total revenue reached 37.234 million dollars (equivalent to €26.932 million¹) in all markets and for all services. Accordingly, the amount billed to the Codere Group in 2020 for audit work and other services, would for the EY Group represent 0'009% of their worldwide income.

Based on the information disclosed above, the Audit Committee concludes that there are

¹ Exchange rate at 23 February 2020.

no objective reasons to question the independence of the Auditor.

b.2.) In the event that the auditor should choose to resign, the Committee shall examine the reasons why.

Since the resignation of the external auditor has not occurred, the Audit Committee has nothing to report on this matter.

b.3.) The Audit Committee shall receive annually from the auditors or audit firms written confirmation of their independence from any directly or indirectly related entity or entities thereof, and information of any additional services of any class provided to said entities by said auditors or audit firms.

The Audit Committee of Codere S.A. received in the meeting of 24 February 2021 written confirmation from the external auditors of their independence, formalized by letter dated 24 February 2021 signed by the Partner responsible for the account of Codere S.A. and its consolidated group in which he states:

“The engagement audit team, the auditor or the audit firm and, where applicable, other persons belonging to the audit firm, in addition to other network firms, where applicable, as well as any other applicable persons, have fulfilled the independence requirements established by Audit Law 22/2015 of July 20 and Regulation (EU) No 537/2014, of April 16.

We have implemented internal policies and procedures designed to provide you reasonable assurance that the audit firm, its personnel and where applicable, other persons subject to independence requirements (including persons from EY network firms) maintain independence when required by applicable regulations. These procedures include procedures aimed at identifying and evaluating threats that can arise from circumstances related to audited entities, including those that can represent incompatibility and/or require that safeguard measures be taken to reduce threats to an acceptably low level.

This declaration of independence implies that the auditor of the Company during 2020 has not incurred any of the grounds of incompatibility contained in the Law on Auditing that prevent them from exercising their duties with due independence.

C. CONCLUSIONS

The Audit Committee of Codere S.A., in view of the circumstances set out above and all applicable legislation, believes that there is no reason to doubt the independence of the ERNST & YOUNG S.L. during the year 2020 and so hereby declares.

D. DISCLOSURE OF THE REPORT

This report on the independence of the external auditor of Codere S.A and its Group, corresponding to FY 2020 shall be published in the corporate website www.grupocodere.com, at the same time in which the rest of the documents for the AGM are to be disclosed.

In Madrid, on 24 February 2021