

# Integrated Report

2019

A photograph of four people (three men and one woman) sitting around a poker table in a casino. They are all smiling and looking at their cards. The table is covered with a blue felt and has several stacks of colorful chips (red, green, yellow) and cards. The background shows the ornate interior of a casino with warm lighting and decorative elements. A diagonal graphic element consisting of several parallel lines runs from the bottom right towards the center of the image.

**codere**

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# Letter from the President

01



## Dear readers:

For the second consecutive year, Codere is presenting its Integrated Report, through which the company seeks to inform its stakeholders of the organization's performance during 2019, as well as the most noteworthy policies and actions implemented by the group during that time. This report, prepared in accordance with the strictest corporate reporting standards, is based on a materiality analysis that has identified the most relevant aspects of the company's business for different audiences.

For Codere, 2019 was both intense and complex. In most of our markets, the industry is currently facing increasing tax and regulatory pressure. In our case, this comes on top of the challenge of operating in countries with complicated macroeconomic difficulties, such as Argentina, or, to a lesser extent, Mexico—in a recession and dealing with growing competitive pressure.

That is why although our Adjusted EBITDA, at 319 million euros (249 million euros pre IFRS 16), was lower than a year earlier, we once again showed our company's capacity to adapt to change and generate efficiency. Beyond the important lessons learned, Codere has grown stronger in terms of risk, by diversifying the geographic structure of its portfolio, and has continued to implement its Strategic Plan with a series of important milestones.

2019 was a year in which we made significant progress in the profitability of our Spanish operation and achieved equally remarkable growth in our online business, with its relaunch in Mexico and Colombia.

We have globalized our organizational structure, making it simpler and more streamlined. Our new organizational structure concentrates operational and functional management in the retail and online COO positions, while external and institutional relations are the role of the regional managers and each country's country manager. Management is supported by management committees, centers of excellence, and shared services centers in order to promote synergies in the organization.

Based on this structure, we are carrying out a process of cultural transformation that has led us to clearly identify our vision, purpose, and values as a company. It has entailed greater responsibility to our stakeholders, to firmly and clearly develop and



Norman Sorensen Valdez | Chairman of the Codere Group

maintain that culture while making it visible in our daily reality.

We want to deepen our commitment to place our customers at the center of our strategy, to act ethically and transparently, to work in teams committed to excellence, to show an innovative attitude, to leverage technology, and to focus on efficiency.

These principles of action have been shown to be even more necessary in a year when our internal control mechanisms detected certain accounting inconsistencies in the first half of the year at some of our Latin American operations. Following an exhaustive forensic investigation performed by the independent firms Álvarez y Marsal and Kroy Abogados, the company acted decisively. We reviewed our organizational structure and implemented the measures needed to ensure that this sort of situation, which contradicts our values and our corporate ethics, will never happen again.

The comprehensive change in the organization is reflected externally in the renewal of our corporate

image, which as of this year is more simplified and focused on digital environments. In the countries where we operate, we will gradually roll out this single, global brand, which will be the symbol encapsulating and crystalizing our transformation. The renewal of our excellent agreement with Real Madrid for three more seasons and our sponsorship of the NBA in Mexico are other milestones this year that will undoubtedly help bring values and visibility to our brand.

Yet these efforts to assert our values are not exclusively focused on maximizing the value of our brand, but rather are clearly intended to dignify and cast light on our industry. Over recent years, in some of our markets we have witnessed the rise of misconceptions about the reality of the industry, possibly exacerbated by advertising overexposure for online gaming, which has led some to take radical political and social positions with respect to the industry. These positions are often unjustified, in light of the information revealed by a range of social and statistical studies, which do not show an inappropriate growth in gaming activity or the prevalence of problematic behaviors during recent years.

Therefore, we believe that we must bring greater transparency to the realities of the industry, so that the objective facts themselves can respond to this situation. Because our business provides transparent, highly regulated entertainment services that make important social and economic contributions, in terms of their significant job creation and tax contributions.

We want gambling to be based on a free, rational, informed, and sensible choice by the user, with guarantees of responsible, supervised activity, and we are leading the work needed to make this happen.

During the year, Codere devoted important efforts to listening to our stakeholders' needs and expectations regarding the company and the industry. We responded to our stakeholders through our Corporate Social Responsibility Plan, which establishes firm positions, commitments, and guidelines for action to ensure the sustainable development of the industry and minimize its potential social impact. Our Plan seeks to implement responsible gambling best practices, foster transparency, and support public policies that provide guarantees to users and protect vulnerable groups, especially minors. The plan includes an ambitious responsible gambling program and shows Codere's desire to lead the industry's changes in these aspects.

Today, we are a global, integrated organization with simplified, digitized processes. We are a team with the clear purpose of providing emotions to those

**“ We want to deepen our commitment to place our customers at the center of our strategy, to act ethically and transparently ”**

who choose an entertainment experience based on gambling in a safe environment. We strive to be synonymous with fun, betting, excitement, safety, and social engagement.

That is why, although 2020 holds important regulatory, tax, and macroeconomic challenges, our prospects are positive and our security and confidence are complete, both in our teams and in our strategic initiatives to increase our income and profits, primarily in the online market and in the Spanish and Mexican retail markets. Meanwhile, we remain alert to the new opportunities that could arise for online gambling and sports betting in the Latin American region.

During this year, we expect to recover our growth in order to undertake the refinancing of our capital structure, which will give us greater flexibility to respond to the growth opportunities that the market presents to us.

Meanwhile, the company will continue to strengthen each of the pillars that are the foundations of its strategy, with particular emphasis on a customer-centric approach, omni-channel gambling, and digitization. Based on this and on our profitable growth, efficiency, and operational excellence, we are determined to continue to make significant efforts to respond to our stakeholders' expectations.

Warm regards,

**Norman Sorensen Valdez**  
Chairman of the Codere Group

# Codere at a Glance

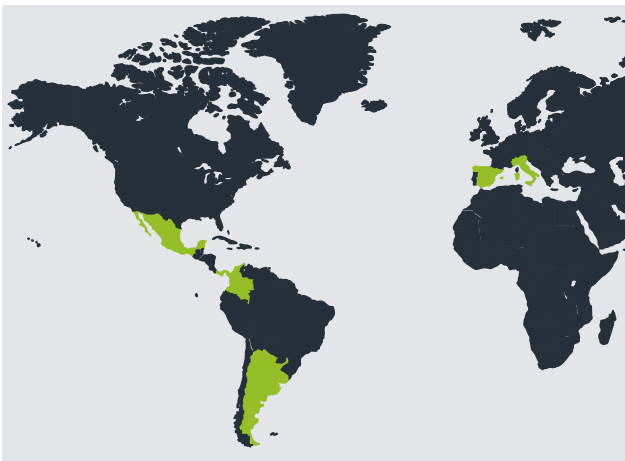
02

## 02. Codere at a Glance

### The only listed Spanish multinational in the industry

Codere is a Spanish multinational that is a leading player in the private gambling industry in Europe and Latin America. It has been the only Spanish multinational in the industry to be listed on the stock exchange since 2007.

With a 39-year history, the company holds a leading position in the main business lines and geographic areas where it operates. Codere carries out its activities with complete transparency, responsibility, and commitment to customers, partners, regulators and other stakeholders.



**Codere promoted cultural transformation, with the definition and communication of a shared vision and values, and a unified, global brand.**



## A leader in private gambling in seven markets in Europe and Latin America

### Mexico

Since it began its operations in Mexico in 1998, Codere has been a pioneer in the industry and has maintained its position over the years. Today it operates 96 gaming halls, the Americas racetrack, Granjas de las Americas, the Citibanamex Convention Center and online gambling.

### Panama

Codere manages a wide range of businesses: slot machines, 11 casinos, gaming halls, the Presidente Remón racetrack—the only one of its kind in Central America—and online gambling.

### Uruguay

Codere began its activity in the country in 2002 and currently manages the National Maroñas racetrack, the Las Piedras racetrack, the Hotel Casino Carrasco and gaming halls.

### Argentina

Codere is the biggest operator of gaming halls in the Province of Buenos Aires, where it began its operations in 1991 and currently runs 13 houses.

### Colombia

Codere is one of the biggest operators of slot machines in the country and one of the leading players in the bingo market. The company rounds out its gambling portfolio with the management of casinos and online gambling.

### Spain

This is the origin of Codere's business. The company is a leading player in on-site sports betting and the second biggest gambling machine operator in the country, as well as running online gambling operations.

### Italy

In Italy, Codere runs an important network connecting slot machines and an arcade machine operation; it is also the leading operator in the bingo industry.

## The company's business lines



### Retail

- Gaming halls.
- Racetracks.
- Slot machines.
- Sports betting.

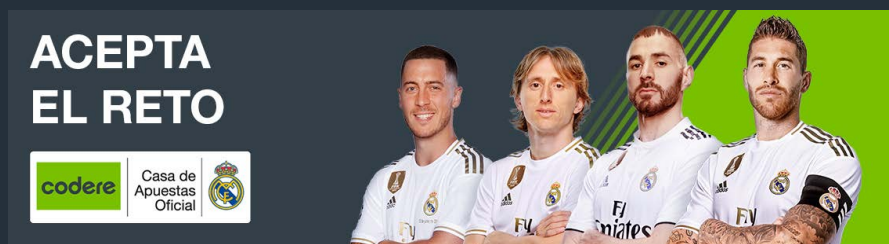


### Online gambling

Activity in Spain, Mexico, Colombia, and Panama.

# The company's major milestones in 2019

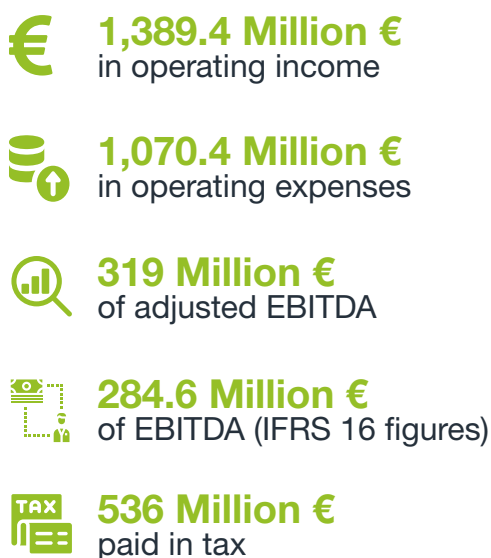
- Codere promoted cultural transformation, with the definition and communication of a shared vision and values, and a unified, global brand.
- Simplification and internationalization of the company's organizational structure.
- Codere expanded its commitment as Real Madrid's Official Sports Betting House until 2021.



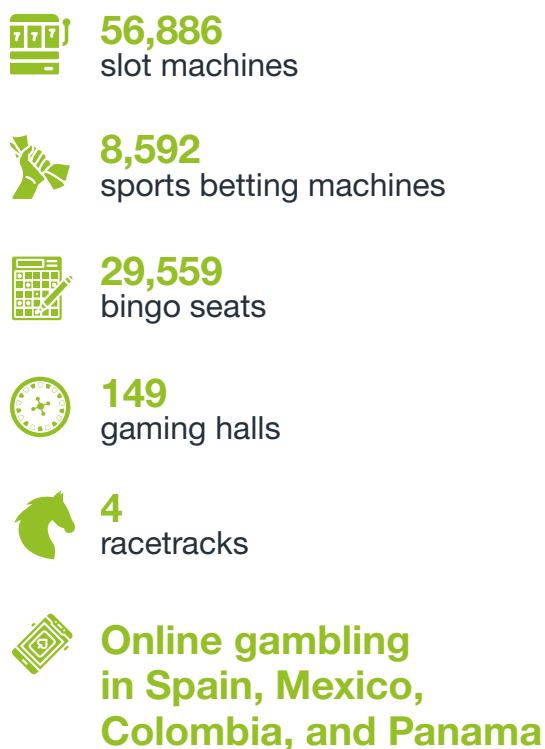
- Development of the online business, already present in Spain, in Mexico, Colombia, and Panama.
- The company drafted a CSR Plan that includes an important action plan on responsible gambling.
- Codere led the on-site sports betting market in Spain.
- Implementation of training plans designed to train employees to face the changes in the company.
- Contribution of 5.6 million euros to foundations, 469.3 million euros in taxes (412 million in gaming taxes) and 12,529 direct jobs.
- Issue of bonds in the local bond markets of Uruguay and Panama.

# 2019 Performance

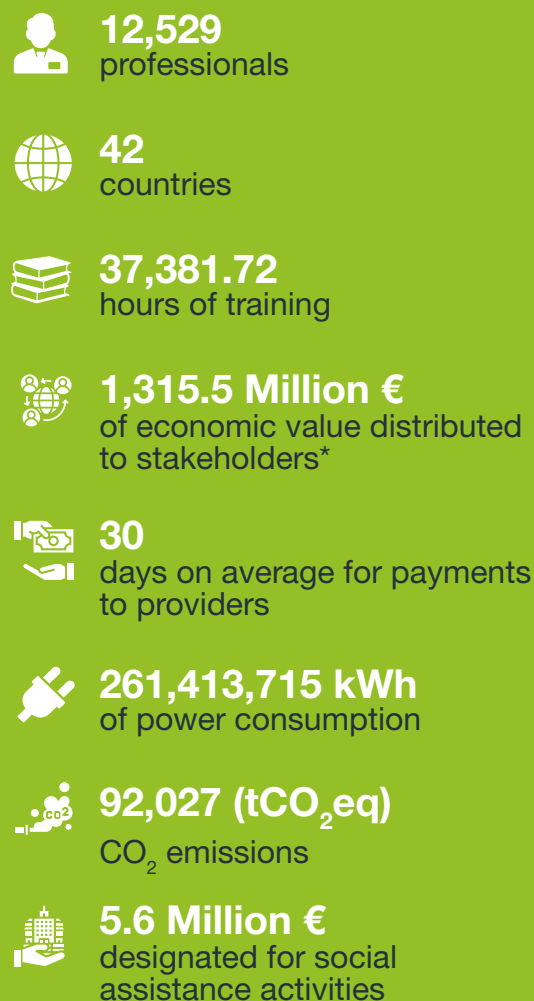
## Economic/Financial Performance



## Operations



## Non-Financial Performance



\* The economic value distributed to stakeholders includes payment of wages to employees, purchases from and contracting with providers, payment of dividends to investors, payment of interest to financial institutions, and tax payments to public agencies.

# The Codere Brand: “We challenge the game”

03

## 03.1

# A challenging purpose, a strategy for the future

In 2018, Codere Group started a profound, ambitious transformation, which began by redefining the purpose, vision, and values underlying the organization's activities. Following intense efforts to promote this new focus, 2019 was the year when we set the foundations for what the company wants to become in the future.







## Purpose

Provide emotions to those who choose an entertainment experience based on gambling in a safe environment. Be betting, emotion, excitement, fun, closeness, safety, confidence and social commitment!



## Vision

- Be leaders and pacesetters and create trends.
- Cast light on our industry and dignify it.
- See the spark in the eyes of our people, giving them opportunities to grow and develop.
- Exceed our shareholders' expectations.



## Values

- Put the customer at the center.
- With integrity and transparency.
- Working in teams committed to excellence.
- With an innovative approach leveraged by technology.
- With an emphasis on efficiency to ensure our viability.

In 2019, we have shown that values like transparency, integrity, efficiency, and teamwork must be an absolute priority for the group, always putting the customer first. That's why, over the past year, Codere has sought to promote this new vision, transforming its purpose into a reality and promoting its values in the company's everyday work in order to ensure that its cultural transformation is authentic and consistent.

## Codere renews its visual identity to strengthen its commitment to its customers

During 2019, the company renewed its corporate visual identity to strengthen its digital strategy and reflect this process of cultural transformation.

That is why, nearly four decades after it was founded, Codere has redesigned its logo, simplifying it with an even, simple font and leaving behind the clover symbol that had been used so far.

This visual identity will become a single global brand that is more direct, modern, and digital. It has been designed with the goal of providing the company with a solid image, as part of a new move toward the globalization of the group.

These are also the concepts behind the company's new claim "The Game Changes with Us," which also expresses this constant drive to challenge the present through innovation, integrity, and excellence, in order to constantly improve the customer's experience.

The necessary unity of these two processes highlights the idea that the new brand does not just entail an esthetic change, but rather that it is based on a more profound dynamic. The new logo encapsulates and projects the implementation and internalization of our values as distinctive and necessary for our organizational success.

These efforts have already begun to show results. According to the studies produced by Brand Finance, an international independent consulting firm specializing in brand assessment, Codere was the Spanish brand that had the third greatest increase in its perception during the year, with its reputation increasing by 51.2% over the previous year.

## Codere, Real Madrid's Official Sports Betting House and sponsor of the NBA in Mexico

To help promote the new brand, Codere Group has sought to consolidate its relationships with the best gambling partners. That is why it renewed its sponsorship of Real Madrid C.F. for three seasons during 2019, with rights to extend for two more years.

Since 2016, Codere Group has been the teams' Official Sports Betting House, which allows both institutions to share their values of fair play, efforts for excellence, and leadership on the playing field.

Codere is firmly committed to its international expansion and a strategy focused on putting the customer first.

The consolidation of the relationship between Codere Group and Real Madrid, C.F. has made it possible to launch a new sport, Aerofootball, in Spain, where the stars are Real Madrid players. Codere Group customers can follow the games and play on line and can make live bets.

This year, Codere Group has also pursued a strategic partnership in the world of sports entertainment, by continuing into a sponsorship deal for Mexico and Colombia with the prestigious NBA basketball league.

In the future, Codere Group will continue with complementary initiatives that raise the visibility of the brand and its purpose, vision, and values.

## A sustainable model of growth

As the backbone of our transformation, the 2018-2021 Strategic Plan was approved in 2018. The strategy established by the Plan for this period was to continue and strengthen Codere Group's leadership in its main markets, maintaining the strictest adherence to regulations to promote the true spirit of responsible gambling.

In 2019, Codere Group has consolidated this strategy, carrying out specific activities in the realm of each of the five pillars established in the 2018-2021 Strategic Plan.



### Customer-centric

- Move forward in our management model, which places customers at the center of our strategy, to offer an experience more relational than transactional.
- Knowledge, care, and respect for the user and their needs, thanks to a deeper, more streamlined, and more digital connection.
- Codere is implementing techniques to analyze customers' data and behavior, as well as formulas to differentiate and segment users in order to provide segmented entertainment to each user.



### Omni-channel

- Omni-channel coordination seeks a continuous relationship with customers, which can begin in one channel and end in another with continuity in communication, experience, or sales.
- A process has been initiated to redefine, design, select, and improve all of the channels through which customers connect to Codere Group, with the goal of improving the combination of customer's on-site and digital experience.



## Digitization

- Use technology intensively to improve and foster interactions with customers, gathering information about customers' every action and decision in order to segment, personalize, and improve their experience.
- Simplify and automate back-office activities to make them more streamlined and efficient, and monitor and prevent high-risk behaviors.



## Capital and operational efficiency

- Simplify and globalize the organization to make it more dynamic and adaptable to a changing environment that is becoming more and more global, challenging, and digitized.
- Optimize the capital and financial resources structure, both when investing in various growth opportunities and in financing at the operational level, which will give the company long-term stability to undertake its business dealings.
- Establish a strict process for the selection of opportunities based on returns on investment, using criteria that allow us to compare opportunities in various geographic regions, and with rigorous processes for approvals by an Investment Committee and by the Board of Directors, where appropriate, followed by close monitoring of the execution of each project.



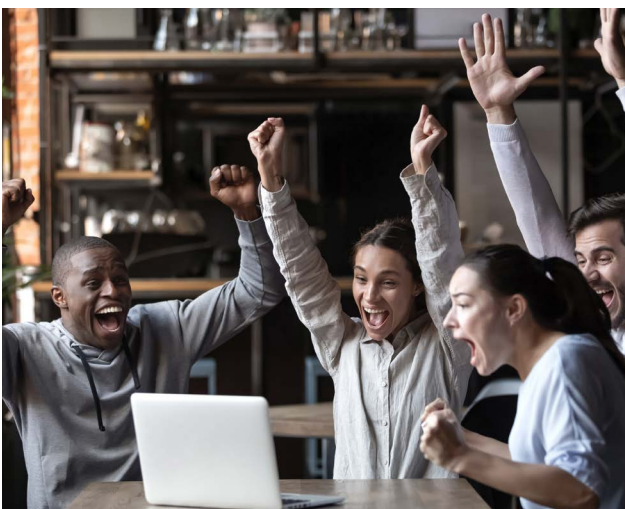
## Consolidation in strategic markets

- Focus on markets with proven competitive advantages, track records, and high barriers to entry.
- Grow in fragmented markets, with a large presence of small operators that have problems keeping up with growing technological and compliance requirements.
- Identify vertical growth opportunities in the markets where we operate. Continuously reassess and test our profit analysis models.

## 03.2

# Transforming the Business

Codere is a multinational group devoted to entertainment and leisure. It is a leading player in the private gambling industry, with nearly four decades of experience and with presence in seven countries in Europe (Spain and Italy) and Latin America (Argentina, Uruguay, Mexico, Colombia, and Panama). The company is the only listed Spanish company in the industry. It carries out its activities with complete transparency, responsibility, and commitment to customers, investors, employees, regulators, and other stakeholders.



**Codere Group pursues a strategy of sustainable growth, which fosters the creation of value through a firm commitment to the responsible development of its entertainment products and services.**

The company began its activities in 1980 as an operator of arcade machines in the Community of Madrid. Since then, it has diversified its activities in the gambling industry and has become a leading player in the entertainment industry. Specifically, Codere Group:

- Is the only company in its industry listed on the stock exchange in Spain.
- Is the leading player in its industry in Latin America.
- Is one of the main operators of AWP machines and on-site sports betting in Spain.
- Has a very broad customer base, which it connects to through a range of products and differentiated channels.
- Has a solid operating profit and history of growth.

Codere Group has 12,529 employees as of year-end 2019. These employees are committed to providing their customers with entertainment products and services that give them experiences related to their motivations, through the various options offered by the company: slot machines, gaming halls, sports betting, racetracks, and online gambling.

The transformation begun in 2018 and has entailed a profound, thorough change in the company, beginning with its cultural foundations and reflected in the company's image. This process has sought to review the company's strategy, business model, organization, and operating model, in order to foster improvements in efficiency and the creation of value.

During the first year of the implementation, from an organizational perspective, the company evolved toward a regional model, which generated significant efficiencies.

In the second year of the process, the market continued to present major challenges, especially regulatory challenges, but also important opportunities that required that we continue to increase our response capacity, efficiency, and operational competence.

That is why in 2019, the company continued to improve its organizational structure through the implementation of a simpler, more global model that ensures that its management team's talent and experience are aligned with the main challenges and opportunities.

This new organizational model implies the segmentation of the retail business through the creation of three COOs, one for the Americas, another for Spain, and another for Italy, given the specific characteristics of the on-site business in the Italian market. The retail business COOs are responsible for the operational management of all of the on-site businesses in their region. In addition, the position of the online business COO continues to exist.

On the other hand, the positions of regional managers have been created, one for Europe, another for Latin America (ex. México), and another regional manager specifically for Mexico, given the importance of this market for Codere Group. Among other matters, the regional managers will focus on institutional work, the implementation of a CSR Plan, and the acquisition of new opportunities in their regions.

To support operations, an important role has been given to the cross-functional areas, specifically Human Resources, IT, Finances, and Security, whose international coordination activities will be carried out together with the country managers. Specifically, a new position has been established that reports directly to the CEO, with technology and digitization responsibilities.

Finally, in order to assist the CEO in promoting the most strategic aspects, we maintain an office to support the CEO, with responsibilities in matters involving corporate communications, branding, and omni-channel coordination.

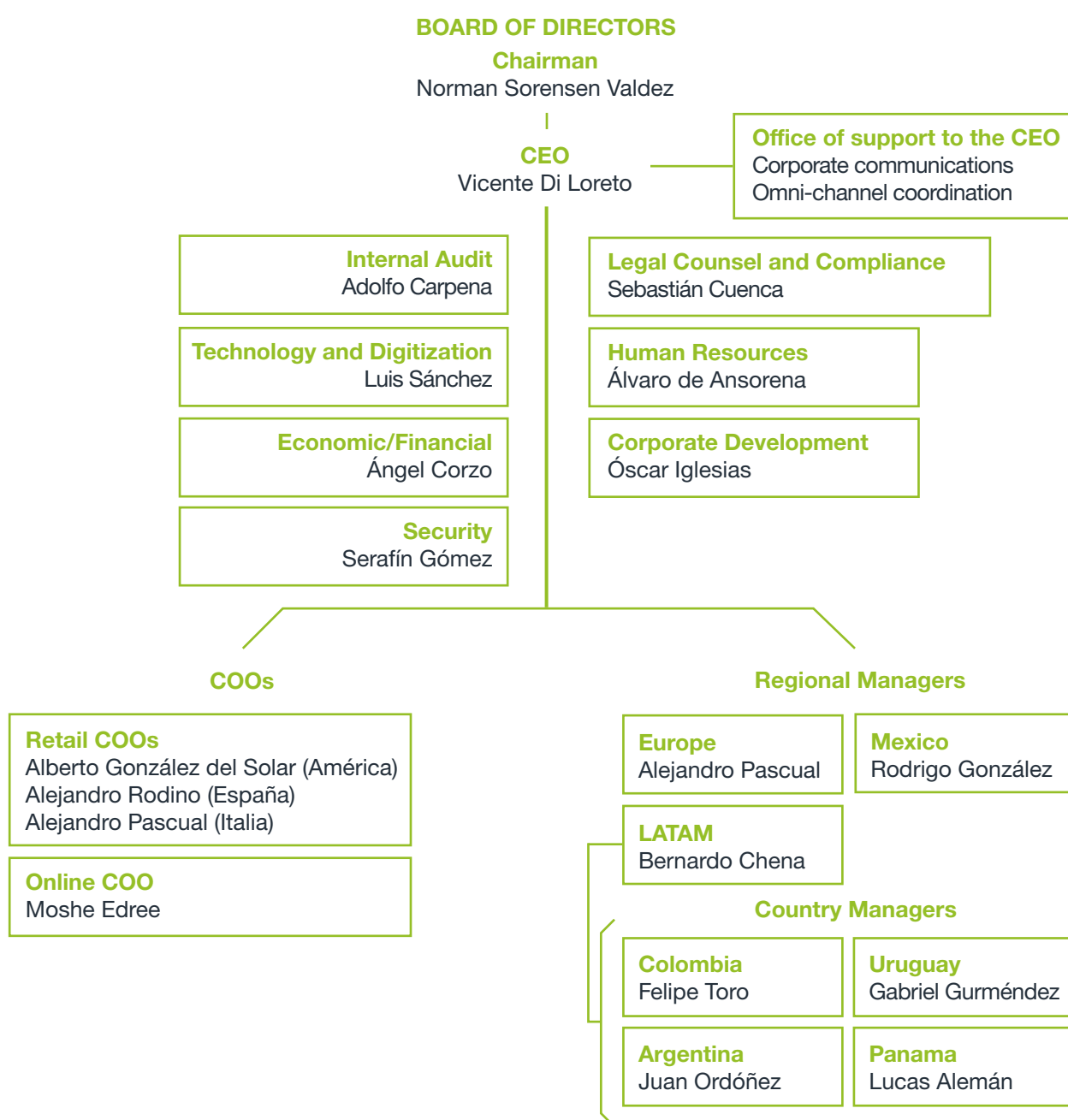
Thus, the current organizational structure covers the operational and functional management of the business under three regional Chief Operating Officers (COOs), while external and institutional relations are the responsibility of the regional managers and country managers in each region and country. Management is supported by management committees, centers of excellence, and shared services centers in order to promote synergies throughout the organization.

In addition, 2019 saw the production of the Codere Management Model, which identifies both desirable behaviors and actions that are unacceptable for the organization with regard to each of the group's values. In the future, this model will be the core of the organization's management style.



## 03.2.1

# The company's functional organization chart



\* Organization chart as of February 2020

## 03.2.2

# Business lines

During its nearly 40 years of activity, Codere has maintained its commitment to provide its customers with excellent entertainment and leisure services. This is shown by the fact that there are now 1,100,000 users registered for its online games worldwide, while in the retail channel, its customers number more than two million.

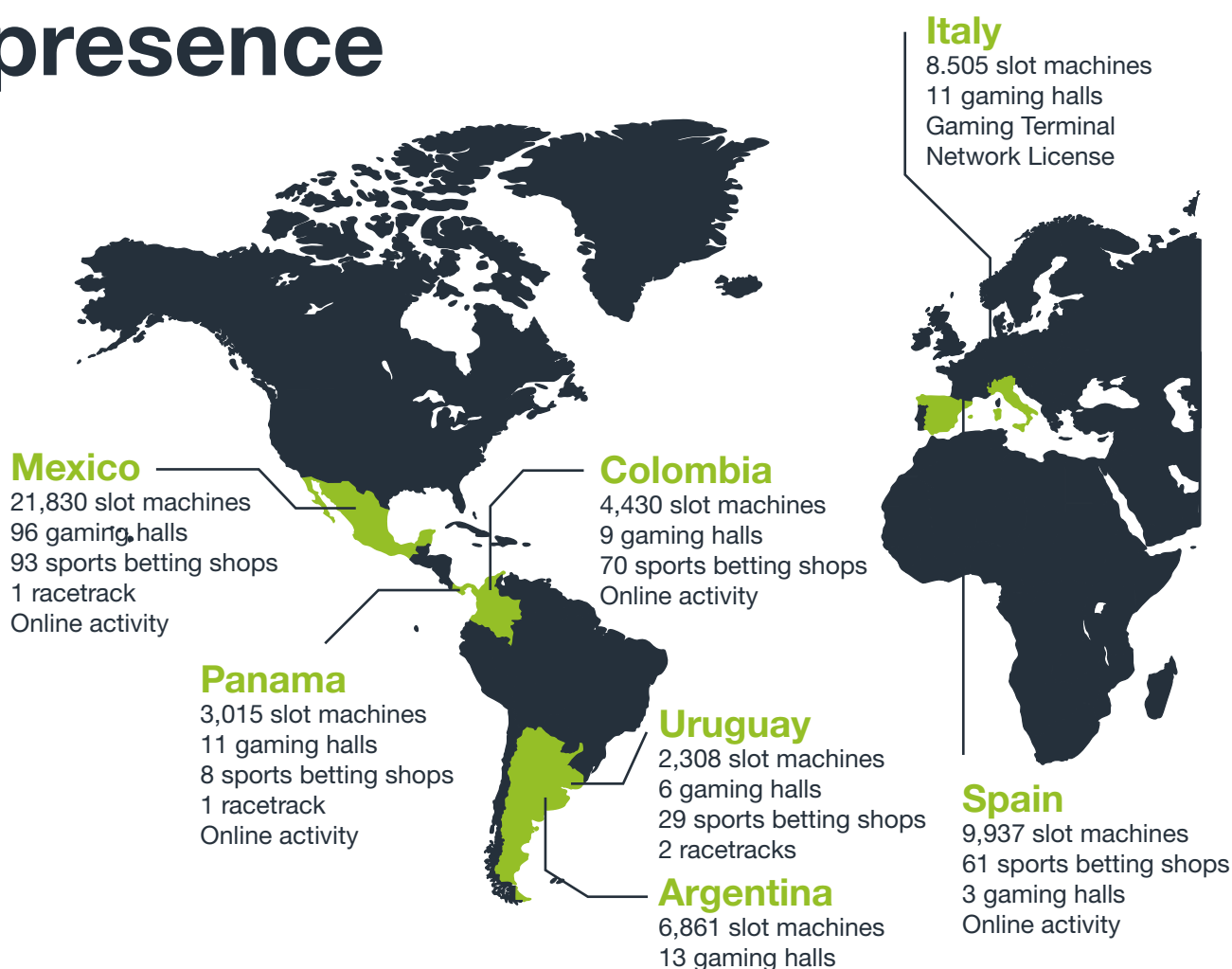
Our users can enjoy the entertainment services provided by Codere Group through two channels, retail and online, and through an omni-channel experience.

Thus, when retail customers play on-site or vice-versa, the company can identify them as omni-channel and treat them differently from other customers, communicating a unified message in terms of gambling experience, promotions, bonuses or activities.



**Codere operates 56,886 slot, 9,345 bars, 8,592 sports betting machines, 2,694 table seats, 1,162 slot venues, 261 sports betting shops, 149 gaming halls, 4 racetracks and online gambling in Spain, Mexico, Colombia, and Panama.**

## 03.2.3 Worldwide presence



Codere is an international leader in the private gambling industry and operates slot machines, gaming halls, slot venues, sports betting, racetracks, and online gambling solutions in Europe (Italy and Spain) and Latin America (Argentina, Uruguay, Mexico, Colombia, and Panama). At present, its main area of business is slot machines, which represent more than 85% of its gross profit.

In order to reduce its risk exposure, the company is pursuing geographic diversification of its risk. In 2019, its core markets, Argentina, Mexico, Spain and Italy, represented 23%, 22%, 14%, and 25% of the group's total revenue, respectively, and 28%, 32%, 16% and 8%, of the Group's Adjusted EBITDA (pre IFRS 16).

The global gambling industry has grown consistently over the past 12 years, with a CAGR (compound annual growth rate) of 3%, despite the financial crisis of 2007-2012. However, this trend is not the same for all the countries where the group operates. For example, in Spain, gambling levels have not yet reached levels prior to the crisis, although the composition of demand has varied and has grown in some forms of gambling at the expense of others.

Slot machines: include AWP's, VLTs, electronic bingo machines and all manner of machines other than those owned by third parties. Gaming halls: Only includes gaming establishments with over 50 machines. Sport betting shop: Includes sports books co-located within Codere gaming halls and other Codere operated standalone sports betting shops. Panama, excludes 37 affiliated agencies (horserace betting only). Uruguay includes 5 sports books co-located within HRU operated gaming halls. Spain, excludes 48 franchised locations.

In addition, the company has posted consistent margin expansion since its business began to recover on the back of the financial restructuring effort. Today, Codere is maintaining EBITDA despite considerable tax increases in its main markets and the recession affecting Argentina.

Below is a description of the key characteristics of Codere's business in each of its markets:

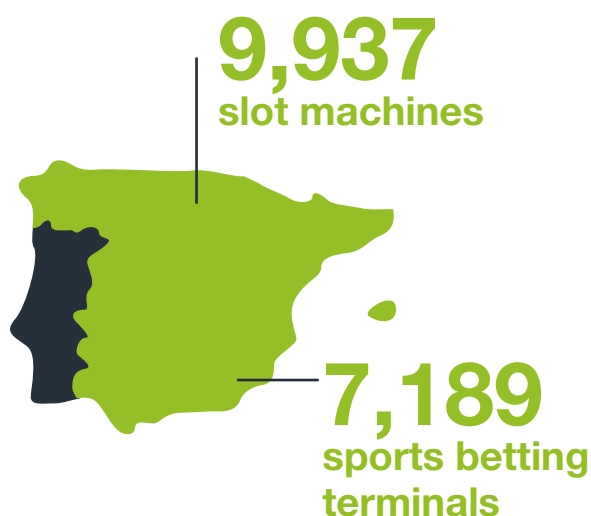
## Spain

Codere is the number-two operator of slot machines in Spain and the leading player in the on-site sports betting market. The group operates in every Spanish region and has a significant online presence. The company operates Spain's largest bingo hall (Bingo Canoe) as well as other gaming halls.

## Operations

Codere's business in Spain comprises the traditional slot machine segment, sports betting, online gambling, and, to a lesser extent, the operation of gaming halls, where in addition to traditional slot machines there are other products such as electronic roulette tables and sports betting and bingo halls. Specifically, at year-end 2019, the company was operating 9,937 slot machines, 1,064 bingo seats, and 7,189 sports betting terminals in 7,147 bars, 1,026 slot venues, 61 sports betting shops run by the company, and three bingo halls.

Profitability in Spain was 48 million euros of adjusted EBITDA (IFRS 48), 41 million euros of adjusted EBITDA (pre IFRS 41) in 16. This business unit accounted for 14% of the group's consolidated income.



## Mexico

Codere is Mexico's number-one gambling house operator, with 96 gaming halls equipped with 21,830 slot machines, 93 sports betting shops and its online activity. The company also holds a license, renewed in 2018, to operate an entertainment complex in Mexico City which encompasses the Las Américas racetrack (Hipódromo de las Américas), a kids' park, and Centro Citibanamex, Latin America's largest convention center (which is being operated by CIE [Compañía Interamericana de Entretenimiento] under an outsourcing agreement executed on June 1, 2013 and renewed in 2019).

## Operations

Codere's core business in Mexico is the creation and management of gaming halls where it operates slot machines and, in some cases, gambling tables, bingo, and sports betting. The company also has incipient online activity across the country. The business is conducted mainly through AMH, in which the company has an 84.8% stake, and Codere Mexico, a wholly-owned subsidiary. Between each of these companies' subsidiaries, Codere holds 135 permits to operate gaming halls. Those permits terminate between 2027 and 2048.

As for profitability, adjusted EBITDA reached a record high of 117 million euros (IFRS 16) and 83 million euros (pre IFRS 16) in 2019.

Codere's market share stands at over 25% and it is expected to continue to gain share as the company invests further and grows in this country. This business unit accounted for 22% of the group's consolidated income.

## Argentina

Codere Group is the largest gaming hall operator in the Province of Buenos Aires, with 13 gaming halls, 6,861 slot machines, and 11,692 bingo seats. Codere's gaming halls are located primarily in and around Buenos Aires (eight venues), the tourist city of Mar del Plata (four venues), and the provincial capital of La Plata.

### Operations

Codere's operations in the country are carried out through bingo licenses (one per hall), which are due to terminate in two cycles, the first running from 2021 to 2024 (eight licenses) and the second from 2028 to 2029 (five licenses). In these halls, we operate slot machines as well as traditional bingo games.

The Argentinian business unit recorded an adjusted EBITDA of 78 million euros (IFRS 16) and 73 million euros (pre IFRS 16) in 2019.

The company's market share in this market is estimated at close to 43%. This business unit accounted for 23% of the group's consolidated income.



## Italy

Codere is a leading player in Italy with 11 bingo halls (with 5,139 stations) and 8,505 slot machines. It is also one of the 11 network license holders operating in this market. There were 14,822 slot machines, a mix of own and third-party machines, connected to this network at year-end 2019.

The bingo business is operated through 11 licenses, one per hall. Those licenses are being operated on a temporary basis until the government determines the new concession regime, pending since 2016. The license held by Codere Network and the video-lottery terminal (VLT) licenses expire in March 2022.

Over the past few years, Codere's Italian business suffered significant regulatory and tax impacts. In particular, the enforcement of the 2016 Stability Act translated into a decrease of nearly 30% in the number of the company's machines. The gambling tax for VLTs and AWP's also rose considerably.

Codere's profitability in Italy amounted to 29 million euros of adjusted EBITDA (IFRS 16) and 21 million euros (pre IFRS 16) in 2019. This business unit accounted for 25% of the group's consolidated income.

## Other countries

At 31 December 2019, the company had 11 casinos, one racetrack, eight sports betting shops, 3,015 slot machines, and online activity in Panama; nine gaming halls, 70 sports betting shops, and 4,430 slot machines in Colombia; and the Casino Carrasco and HRU businesses, which include six gaming halls, 2,308 slot machines, the Maroñas and Las Piedras racetracks in Montevideo and 29 sports betting shops in Uruguay. These operations accounted for 12% of the group's consolidated income.



# Promotion of responsible gambling

04

## 04.1

# Towards Responsible Gambling

Codere is firmly committed to carrying out its activities in a responsible manner, minimizing the potential social impact of its entertainment services by implementing best practices, fostering transparency, and promoting public policies that support guarantees for users, protect vulnerable groups, and ensure the sustainability of the industry.



Roving Workshop *In Nome della Legalità*. November 26, 2019. Italy (Lecce).

**Codere places its commitment to responsible gambling at the center of its sustainability and corporate social responsibility strategy.**

Codere worked throughout the year to develop its 2020 CSR Plan, in order to ensure that the corporate social responsibility actions carried out by the groups' business units are standardized and are present in all aspects of the company's activities. To this end, it has formed a committee made up of General Management, the group's regional managers, the corporate directors of the main areas, external advisors, and other members. This plan reflects the company's strong determination to implement best practices and promote regulations that protect users to the greatest extent possible, beyond merely complying with existing laws. An essential part of this plan is the development of measures to promote responsible gambling.

Responsible gambling means that consumers make an informed decision -a rational, sensible choice of gambling options- where their only goal is entertainment and the value of their bets is never greater than what they can afford. This reduces the risk of problem or pathological gambling behaviors.

Therefore, Codere has developed plans in this regard with a responsible gambling program that helps users make rational, informed, and sensible choices for their gambling options, taking the user's personal background into account and approaching gambling as a fun activity carried out without interfering in the user's life or their social, professional or family duties.

Under this approach, responsible gambling policies must be primarily based on information as a prevention mechanism, so that players can make rational decisions, and on detecting and monitoring high-risk behaviors, so that operators can take preventive measures with regard to these behaviors.

**Codere bases its responsible gambling policies on prevention, awareness-raising, and the detection and management of high-risk behaviors.**

## 04.2

# Responsible gambling measures

Codere seeks to offer an appropriate, healthy entertainment environment to give its customers gambling opportunities with all possible protections, minimizing any undesired impact its various business activities could have on society. It is also important to remember that Codere, like other major companies in the industry, firmly believes in regulations that give users the tightest protection possible and ensure the sustainability of the industry.

In this context, Codere has worked intensely throughout the year on its 2020 Corporate Social Responsibility Plan, which sets the stage for the launch of new responsible gambling measures.



COFAR Training Programme. Codere Spain.

The company's commitment to responsible gambling fulfills the requirements of legislation in the jurisdictions where it operates. However, the company goes beyond simply complying with legal requirements and establishes its own requirements for itself to optimize user protection and promote stronger protective regulations.

Codere's actions are organized around four main pillars that it seeks to apply to its stakeholders:

## Prevention

Codere strives to give users information mechanisms in order to foster transparency and informed decisions. To that end, the group focuses on providing general information on responsible gambling and on the risks that could be caused by uncontrolled gambling.

## Awareness-Raising

The group consistently promotes and conducts research on responsible gambling, with the goal of making these studies public in order to raise awareness among users and dignify the industry. Internally, Codere carries out programs to raise awareness among its staff on this matter, especially for frontline staff.

## Detection

The group is committed to drafting protocols for detecting high-risk behavior among registered users. Once the high-risk behavior has been identified, Codere carries out actions to help the user recognize his or her high-risk situation.

**Codere Group goes beyond compliance with the existing laws in its efforts to establish policies that optimize user protection in an environment of responsible gambling.**

## Management

Codere provides information and assistance on responsible gambling and high-risk behavior in order to mitigate the possible negative effects that could arise from gambling. It also carries out actions to enforce legal requirements, such as, in Spain, banning minors and persons on the banned gamblers list (Registro Codere | Integrated Report 2019 Back to the Table of Contents General de Interdicciones de Acceso al Juego, RGIAJ).

In addition, there is a second classification of measures, based on the content of the measures:



In this context, Codere is devoted to implementing prevention measures that consist of giving users information on responsible gambling and advising them of the risks associated with gambling and the general bans regarding minors or gambling self-exclusion lists.

At the same time, the group is implementing awareness-raising actions, for both its employees and its users, with regard to the risks associated with irresponsible gambling.

Thanks to the detection measures, Codere can identify intensive or high-risk players to handle them based on their risk level. Once they have been identified, the company applies the management actions that are appropriate for the user's risk profile.

Codere seeks to become a pioneer in mechanisms for access to gambling, offering complete security to high-risk groups.

The company also wishes to become a perfect example of self-regulation: it fully complies with regulations, promotes additional responsible gambling measures, and implements these additional measures.



## Prevention measures such as information mechanisms

- The creation of a “Safe Gambling” section, which includes information on the operator’s licenses and permits, and a “Responsible Gambling” section, with links to public websites.
- Clear notification of the banning of minors and the consequences of violating this ban, both in online gambling and in on-site gambling.
- Information:
  - We provide information on the prohibition against gambling by minors on all of our gambling websites and apps, as well as in areas established for on-site gambling.
  - We ensure the visibility of our logo, which reminds users that only adults aged 18 and over are allowed to participate in areas established for gambling by Codere Group.
- Verification of the age of players:
  - When players create an account on [www.codere.es](http://www.codere.es) or in a physical Codere Group location, the company asks them for their first name, last name, ID number, and date of birth. Codere then checks this information on the Identity Verification Online Service provided by the Online Gambling Agency or the equivalent regional government agency, in order to ensure that the user is aged 18 or over.
- Control of adverts
  - Codere Group’s advertising campaigns are not aimed at minors and are based on ethical, responsible principles that take into account the time of day, messages, and media outlets.
  - The Group’s business communications express users’ right to self-exclusion in a clear, visible fashion.
- Registered users can check the history of their bets, their time spent gambling and other information on their behavior.
- Helpline for responsible gambling, indicating whether this service is provided directly by the operator or by third parties, and the nature of the assistance provided.
- Reference to studies and projects involving responsible gambling.
- Tools to monitor gambling:
  - Access to online history of gambling activities in real time, with filters for casino and sports betting. Option to establish preset frequency, time, game, and amount spent.
  - Self-assessment test available.

## Awareness-raising measures and publication of research on responsible gambling

- Promotion and dissemination of research on responsible gambling conducted independently or jointly with other operators or companies. All the above is performed with objective criteria and indicators to bring transparency and credibility to the industry.
- Internal information campaigns to raise awareness among the Group’s staff.
- Annual training plan that specifically deals with responsible gambling, prioritizing frontline employees and managers who are in direct contact with customers or their management.

## Measures to detect high-risk behavior

- Establishment of protocols to detect high-risk behavior by registered users. Objective indicators will be used in these protocols, such as the volume, frequency, and variability of bets or deposits.
- Informing the customer by email or a similar channel if we detect that the user may be developing high-risk behavior.
- Suspension of the gambling accounts of customers registered on the banned gamblers list, as well as those customers who have voluntarily exercised their right to suspend their account. When the suspension is in force, the player can no longer place deposits or bets.

## Management measures

- A customer helpline will be set up to give customers assistance and information regarding responsible gambling. No additional fees will be charged for the service, which will provide information on the risks of gambling activities, the option of carrying out a self-assessment test, and the rights of self-exclusion and self-ban.
- Establishment of new measures controlling access to facilities in order to avoid entry by minors and individuals registered on the banned gamblers list.

The 2020 Corporate Social Responsibility Plan also sets out the company’s position on the main concerns of Codere stakeholders around the world regarding the gambling industry, so as to provide the response that best meets society’s expectations for the industry.

## Regulation of advertising

The company understands that the excessive advertising that could result from inadequate regulation of gambling advertising does not guarantee the best protection for vulnerable groups or ensure that potential addictive behaviors are prevented in the best way possible.

That is why, in the markets where Codere operates, it promotes the development of regulations that seek to reconcile the public interest with the sustainability of operating companies.

In this regard, Codere strives to ensure that gambling continues to be a source of entertainment in a safe environment for consumers.

At the same time, the company works to have the established restrictions apply to all advertising, regardless of the format or whether the advertising operator is public or private.

## Planning of gambling establishments

A regulated development of the industry reduces the intensity of competition and access to the activity. The group promotes regulations governing the opening of establishments, their size, and the kinds of games that can be offered, provided that these are not retroactive and allow for the renewal of pre-existing licenses.

## Control of access to gambling

The group is firmly committed to controlling access by minors and users registered on self-ban lists. Codere strongly believes in strict compliance with the law in this area. It defends zero tolerance on access and works closely with public and private institutions to spearhead the move toward a more protection-focused, exhaustive control.

As part of this commitment, the Group is working to develop technological controls and deploy them in various forms of access to gambling, in all of its areas of business and channels. One example of these controls is Codere's subscription to the "Phishing alert" service for online gambling in Spain, promoted by the regulatory authorities. This mechanism detects identity theft and makes it difficult for high-risk groups to access gambling using the accounts of friends and family.

## Reputation of the industry

Given the current negative, distorted views of the gambling sector, Codere strives to increase the production and dissemination of accurate information on the industry and to cooperate with the industry and with government agencies in producing studies.

This year, together with Cejuego and the Politics and Government Institute (IPOLGOB) of the Universidad Carlos III of Madrid (UC3M), the company launched the 2019 Gambling in Spain Yearbook, a publication that provides an overview of the state of the industry in Spain by compiling figures from the different areas in the industry. It also launched the 2019 Gambling and Society Report, which seeks to provide information on Spaniards' habits and attitudes towards gambling.

In Italy, since 2017 the company has supported, together with Sistema Gioco Italia, Fundación Bruno Visentini, and Universidad Luiss de Roma, the Report on Social Perception of Gambling, and in Colombia, this was the first year that it presented the 2019 Gambling in Colombia Yearbook, the first study of the gambling industry in the country.

## 04.3

# Our CSR Activities in 2019

In addition to the development of a 2020 CSR Plan, associated with the implementation of a battery of new responsible gambling measures for the group, throughout 2019 a series of responsible gambling actions were carried out in each of the countries where Codere operates, thereby adapting its actions to the reality of each country.

### Spain

During 2019, Codere worked with the Spanish Federation of Gambling Businesses (COFAR) to develop a quality certificate as part of a Responsible Gambling Certification Program. This program provides the required standards for certifying hotel establishments for their commitment to social responsibility, specifically their commitment to responsible gambling. In 2020, all hotel establishments with AWP (which represents a total of 6,075 machines) are expected to be certified.

- The goal of the program is to provide a safe, regulated environment for customers playing in hotel gambling areas, by identifying establishments that have been recognized for offering responsible gambling.
- Certification will require training the establishments' employees in the principles and practices of responsible gambling and verifying the effective implementation of these measures.

- In addition, the establishment will have informational flyers with the ten commandments of responsible gamblers and the resources needed to identify and correct possible high-risk behavior. It will also have a COFAR Certification Manual, which will contain prevention measures, detection measures, and instructions for actions.

Codere is an exemplary company in terms of information and transparency in the gambling industry. It now performs this role as a member of the gambling companies' association CEJUEGO, where it contributes to communicating an accurate image of the industry to society and government agencies. In this context, it publishes studies like the Gambling in Spain Yearbook, an overview of figures describing the industry, and the Social Perception Report, on Spaniards' relationship with existing gambling opportunities, both produced by Universidad Carlos III of Madrid.

Also, Codere has decided to join Jdigital, the Spanish Online Gambling Association, whose primary objective is to protect the interests of the online gambling industry in Spain in order to promote industry regulations that allow the sustainable development of the industry while providing users with the greatest protection possible.

Codere has renewed its commitment to Autocontrol, of which it has been a member since September 2015. Autocontrol is the Association for the Self-Regulation of Advertising Communications, which manages the system for the self-regulation of advertising in Spain. Therefore, Codere:

- Is committed to fulfilling the Autocontrol Advertising Code of Conduct in all of its advertising communications.
- Can rely on the consulting services from the Autocontrol Technical Bureau if there are any questions about the legal or ethical appropriateness of its advertising.
- Commits to complying with any resolutions issued by the Advertising Board, an out-of-court dispute resolution body, as a result of any possible claims filed with the Board, whether by consumers, associations, companies, or other industries or agencies.

Finally, Codere Spain cooperates with the National Commission Against the Manipulation of Sports Competitions and Betting Fraud (CONFAD) with the goal of preventing and eradicating corruption and manipulation from sports betting and competitions. This cooperation will take place through three working groups: analysis and diagnosis, information and awareness-raising, and regulatory and operational studies.

## Argentina

In 2019, in Argentina, Codere consolidated and expanded its responsible gambling program called "Cuando el juego no es juego" (When gambling isn't a game), reaching all of its employees in the country. The goal of this initiative, which is essentially focused on prevention, is to express Codere's commitment to responsible gambling through information-sharing with the public, training gambling house staff, and the presence of healthcare workers with experience in addictions (counselors). The program is organized around three pillars:

- Promotion and dissemination of the concept of responsible gambling. Awareness-raising and information-sharing actions, including community talks on compulsive gambling and non-substance addictions, information-sharing about Codere's Responsible Gambling Program, and messages in gaming halls about responsible gambling for International Responsible Gambling Day.
- Training of gambling-house staff. All frontline employees are trained by specialized psychologists on the problem of compulsive gambling and how to detect it.
- Counseling. The counselors are healthcare professionals specializing in problem gambling behavior, who are available at the gaming halls to provide advice and information to gamblers and their relatives and friends. In 2019, further progress has been made with the presence of on-site counselors in two new gaming halls, thus reaching a total of four houses with counseling professionals.

In 2020, Codere will continue to strengthen its program in Argentina by launching an e-learning tool about responsible gambling and by expanding the presence of counselors to more gaming halls. Finally, the group is seeking to spread the word about its program by describing the experience in a publication and through media publicity actions.

## Panama

In Panama, the group has proven its commitment to responsible gambling by placing informational material in magazine advertisements, to inform the public of the company's commitment to CSR and the need for sensible gambling. All communications and advertising materials produced by the company include the "responsible gambling" phrase and logo. In addition, this year, an internal awareness-raising campaign on the issue was carried out through digital communications sent to all Codere employees.

Furthermore, Codere has worked with the Gambling Control Board (JCJ) and the National Racing Commission (CNC) to fight doping in the equestrian sector in Panama.

## Mexico

In Mexico, Codere has promoted responsible gambling by training its staff together with the Centro de Integración Juvenil (Youth Integration Centre), a non-profit civil association that was founded to fight compulsive gambling and other addictions, and by informing the public of the risks of irresponsible gambling. Specialized training actions with employees have been carried out with this organization in gaming halls, helping staff see the need for prevention and giving them tools to detect symptoms of problem gambling.

Also in 2019, information posters were placed in visible, strategic locations in gaming halls, making it easier to receive specialized help for those customers who need it. This initiative was supported by the "Jugadores Anónimos México" Association (Gamblers Anonymous), which is focused on compulsive gamblers.

## Italia

In Italy, the Piemonte region has organized training courses for all of the employees of the Rivoli Gambling House. This course lasts 16 hours and deals with the regional legislation against pathological gambling. The training activity began in October 2019 and will end by the end of July 2020.

Moreover, Codere Italy is actively cooperating with local institutions to identify the best solutions to stop phenomena like compulsive gambling. Thanks to the "Gioco responsabile" (Responsible Gioco) project, Codere has implemented information actions for both customers and employees regarding detrimental phenomena in gambling. It has also launched an online platform with free legal training, available to all gambling operators connected to the Codere network, which covers highly relevant issues such as pathological gambling, the profile of a pathological gambler, and actions to prevent compulsive gambling.

To cooperate with the central government, Codere acts both independently and through the association that it is a member of Sistema Gioco Italia/Cofindustria. The company exchanges information and regulatory proposals with government agencies in order to promote best practices in gambling regulations.

One of the most noteworthy of these joint actions with institutions is the In nome della legalità campaign, an event in collaboration with local institutions and control bodies on issues related to gambling and its potentially distorted perception. The company also organizes events such as the IV Campania Region Health Committee and providing its own contributions to improve existing legislation.

Codere participated together with ASCOB (Association of Bingo Distributors) in the preparation of the research project "Gioco d'azzardo e comportamenti di salute," carried out by the University of Bologna, which emphasizes bingo halls' power to monitor high-risk behavior and suggests corrective measures.



## Colombia

In 2019, Codere Colombia continued to participate in activities promoting the visibility and transparency of the industry. One example of this is its sponsorship of the first 2019 Gambling in Colombia Yearbook, presented at the Gambling Colombia Conference. This publication seeks to inform readers of the importance of gambling as a legal economic activity that generates employment and wealth, through an analysis of gambling activity in Colombia and its structure, contributions, and importance.

Meanwhile, Codere Colombia has continued to actively support Coljuegos, the Industrial and Commercial State Firm Administering the Profit-Making Monopoly over Gambling in Colombia, in its initiative “Juego Bien, Responsable” (Appropriate Responsible Gambling). The primary goal of this cultural strategy for Responsible Gambling is to help players make informed decisions. It also strives to restrict gambling by minors and people with compulsive gambling problems. Codere Colombia is actively working to draft self-regulation guidelines for the advertising and promotion of gambling activities, especially sports betting, due to the negative effects it can have for these groups.



Presentation of the Yearbook of Gambling in Colombia 2019. August 22. Colombia Gaming Fair.

**Codere develops a series of responsible gambling actions in each of the countries where it operates, thereby adapting its actions to the reality of each country.**



Presentation of the Yearbook of Gambling in Spain 2019. October 31. Madrid.



# Governance, ethics and compliance

05

## 05.1

# Reinforcement of the Culture of Responsibility

Codere's equity structure consists of a share capital of € 509,714,801.80, that is fully subscribed and paid up and is divided into 118,538,326 shares with a par value of €4.30 each, in book-entry form and admitted to trading on the Spanish stock exchanges of Madrid, Barcelona, Valencia and Bilbao.



**Codere Group has a stable core shareholding that makes up approximately 80% of the share capital.**

In 2019, Codere's equity structure barely changed, which means that by the end of year, the company's free float<sup>1</sup> was 20.63% of the outstanding shares, keeping a stable core shareholding that makes up approximately 80% of the share capital.

Furthermore, the company has bonds listed on the Irish Stock Exchange for a total 500 million euros at a 6.75% interest rate and 300 million dollars at a 7.625% rate, both lots maturing on 1 November 2021.

At the end of 2019, the Codere Group's capital structure based on shareholders with shareholdings in excess of 3%, was as follows:

Shareholder	Number of shares	Ownership
Silver Point Capital Management, LLC.	27,484,746	23.19%
M&G Investment Management Limited	24,854,750	20.97%
José Antonio Martínez Sampedro	16,681,354	14.07%
Abrams Capital Management LLC	10,340,354	8.72%
Contrarian Capital Management LLC	8,557,954	7.22%
Evermore Global Advisors LLC	6,169,162	5.20%
Rest - Free float <sup>(1)</sup>	24,450,006	20.63%
<b>Total</b>	<b>118,538,326</b>	<b>100.00%</b>

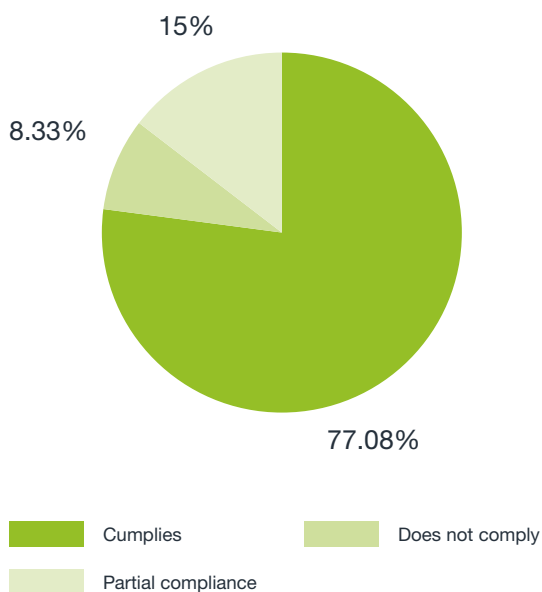
\* Defined as the sum of the shares of less than 3%.

## 05.2

# Corporate Governance

Codere, as the only listed Spanish company in the gambling industry, focuses on leading a proactive approach in Corporate Governance. Therefore, it does not merely comply with legal requirements, it also strengthens its commitment to best practices in this regard. Indeed, in 2019, Codere Group had a 77% level of compliance of the recommendations set forth in the Good Governance Code of Listed Companies approved by the CNMV (Spanish Securities Market Commission).

### Compliance of the Good Governance Code



Likewise, as proof of its commitment to good corporate governance, Codere has expressly assigned the Appointments and Remuneration Commission different roles in Corporate Governance (e.g. overseeing and revising the corporate social responsibility policy and practices and proposing detailed changes to the Board of Directors regarding its structure and development).

Aware of the great importance of regulatory compliance in its business, Codere has voluntarily formed a Compliance Committee that focuses on checking and tracking the Group's compliance with gambling regulations and rules.

Specifically, in 2019, Codere has doubled the meetings to agree the Financial Statements and the Report on Corporate Tax Policy so as to solve any doubts that the directors may have during the analysis and provide any relevant data in advance so that they may make informed decisions. Along these lines, with a view to controlling the financial information, the Group has agreed, with its auditors, to limited examinations of the financial statements every quarter starting in 2020.

## Board of Directors

Codere is governed by the General Meeting of Shareholders and the Board of Directors as the top governing bodies in the Group.

The Board of Directors is in charge of the company's management and representation. Therefore, the Board deals with all matters related to the company's governance, management and administration. The Board's most important role is to agree the business strategy and make sure it is delivered and revised.

On the other hand, Article 7 of the Board of Directors Regulations foresees a series of functions assigned to the Board of Directors exclusively, including the agreement of the Group's general policies and strategies; the establishment of new businesses; the disposal of fixed assets or approval of capex projects of over three million euros; the appointment and dismissal of senior executives; operations linked to directors, significant shareholders and related persons; or the issue of bonds or other similar securities by the Group or its subsidiaries.

During 2019, the Board of Directors held 19 meetings and the most relevant matters discussed were the following:

- Economic-financial matters: approving economic and financial matters, monitoring risks regularly, issuing debt through subsidiaries in Uruguay and Panama, and taking out loans in Spain and Mexico.
- Capex projects: opening a new Casino in Panama and acquiring the Crown Casino Mérida venue in Mexico.
- Strategic contracts: extending the sponsorship contract with Real Madrid Club de Fútbol for another three years and extending the license for the SAP platform for another five years.
- Risk management: updating the Report on the Corporate Tax Policy and the Group's risk map; agreeing the risk tolerance level for 2020. Directly supervising and informing the market of any accounting inconsistencies detected.

In this regard, the Board of Directors, having informed of these facts, instructed two renowned companies, Kroy and Alvarez y Marsal -neither of them linked to Codere-, to conduct an independent investigation so as to determine the amount and origin of the facts identified and to appraise potential measures and tools to tighten Codere Group's in-house controls. Furthermore, the Group also ordered several additional tasks within the company to ensure maximum transparency in our compliance with the best accounting practices and best corporate governance practices.

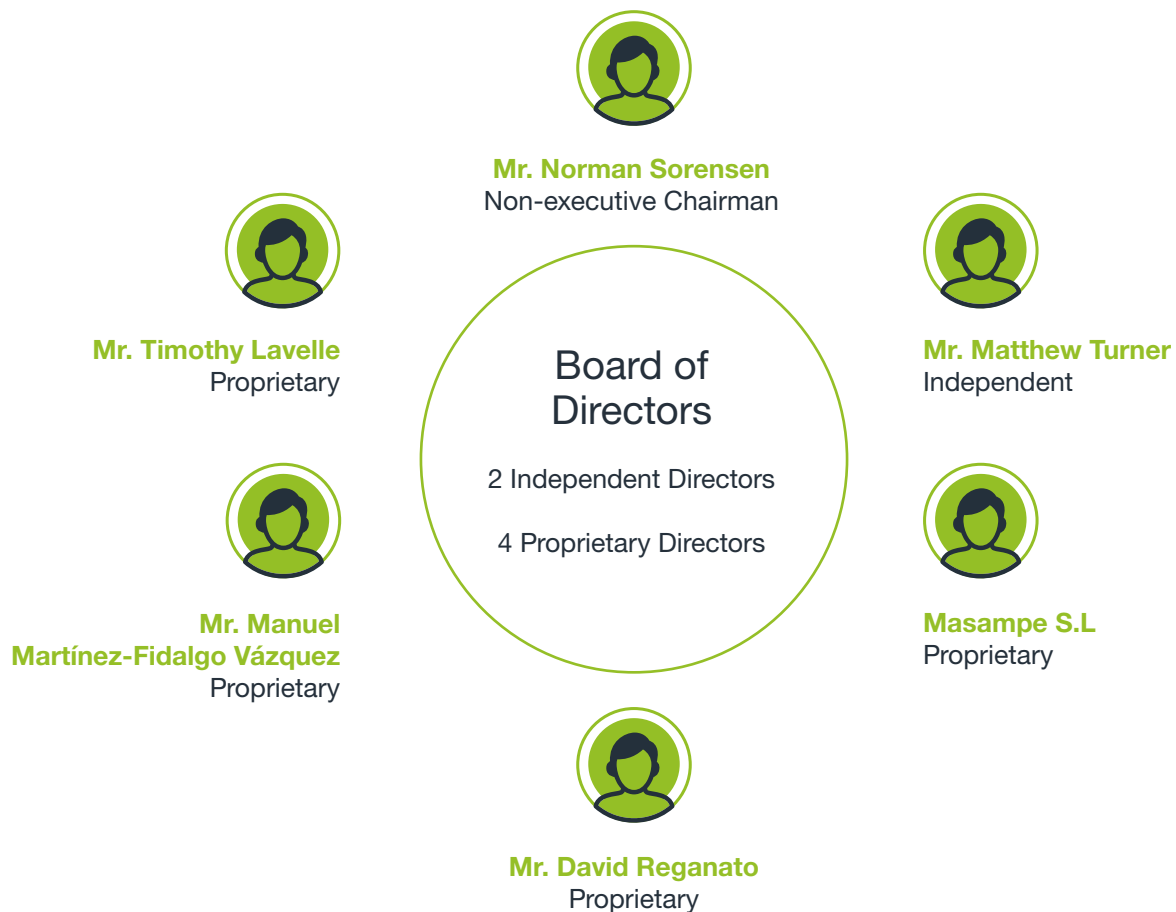
- Corporate Governance: putting forward new directors at the General Meeting of Shareholders, agreeing the new Directors' Remuneration Policy and appointing different senior executives, including the Retail COO.

**Codere has voluntarily formed a Compliance Committee that focuses on checking and tracking the Group's compliance with gambling regulations and rules.**

## Members of the Board of Directors at the end of 2019

Name	Cargo	Directorship	Share in the Share Capital
Mr. Norman Raúl Sorensen Valdez	Non-executive Chairman	Independent	0.068%
Mr. David Reganato	Member	Proprietary	0.00%
Masampe S.L. (represented by Mr. Pío Cabanillas Alonso)	Member	Proprietary	14.063%
Mr. Matthew Turner	Member	Independent	0.016%
Mr. Manuel Martínez-Fidalgo Vázquez	Member	Proprietary	0.025%
Mr. Timothy Lavelle	Member	Proprietary	0.00%

## Members of the Board of Directors at the end of 2019





Until 26 June 2019, Mr José Antonio Martínez Sampedro and Mr Luis Javier Martínez Sampedro were proprietary directors of the Board of Directors but left their position on such date. On that same date, the Ordinary General Meeting of Shareholders agreed to appoint Mr Alberto Manzanares Secades and Mr Fernando Sempere Rodríguez as proprietary directors and they accepted their appointment on that date. However, unable to balance their professional activities with the engagement required for their position as directors, they resigned as directors on 7 October 2019 and 6 November 2019 respectively.

In keeping with prevailing legislation, specifically the recommendations made in the Good Governance Code of Listed Companies approved by the CNMV (Spanish Securities Market Commission), the Board of Directors' work is also performed through three committees with specific roles: the Audit Committee; the Compliance Committee; and the Appointments, Remuneration and Corporate Governance Committee.

## Audit Committee

Codere's Audit Committee's overriding task is to support the Board of Directors with its financial and risk monitoring duties, check communications with the markets and control the running of the Internal Audit Department.

In 2019, the Audit Committee held twelve meetings. There was only one occasion when not all the members attended the meeting. On such occasion, Mr Mathew Turner delegated his vote to his proxy, Mr Norman Sorensen.

During the last year, the Audit Committee carried out its role as expected, fully and smoothly, according to the current laws and the internal rules on its running and organization as set forth in the Codere's Board of Directors Regulations.

It is worth highlighting the task performed in directly overseeing the investigation, analysis and resolution of the process related to detecting the accounting inconsistencies.

## Functions of the Audit Committee

- Put forward external auditors to be appointed by the Board of Directors and liaise with said auditors, always safeguarding their independence.
- Oversee the internal audit and know the process of financial reporting and the internal control systems. Regularly check the risk control and management systems and report to the Board of Directors on risk control and potential shortcomings detected.
- Report on annual accounts, prospectus and on regular financial statements that are to be filed with the appropriate regulatory bodies.
- Oversee the communications strategy and liaise with shareholders and investors, as well as oversee and assess the interaction with the Group's different stakeholders.

## Members of the Audit Committee

Name	Position	Category
Mr. Norman Raúl Sorensen Valdez	Chairman	Independent
Mr. Matthew Turner	Member	Independent
Mr. Timothy Lavelle	Member	Proprietary

## Compliance Committee

Codere is aware that regulatory compliance is of utmost importance and that is why the Group has formed a Compliance Committee that is specifically devoted to checking and monitoring compliance with the Spanish and international regulations on gambling. Furthermore, the Compliance Committee also assesses the existing internal control systems related to legal duties in terms of gambling and money laundering.

In 2019, the Compliance Committee has held up to nine meetings. There was only one occasion when not all the members attended the meeting. Also, several members of the management team and a few external advisors attended Compliance Committee meetings as guests.

## Members of the Compliance Committee

Name	Position	Category
Mr. Matthew Turner	Chairman	Independent
Masampe S.L. (representado por D. Pío Cabanillas Alonso)	Member	Proprietary
Mr. Manuel Martínez Fidalgo Vázquez	Member	Proprietary

Among the most relevant actions taken by the Compliance Committee in 2019, the following actions stand out:

- It has analyzed and reported to the Board of Directors its opinion about the suitability of the Corporate Manager of IT and Digitalization, of the Corporate Manager of Compliance and Legal Counsel, of senior executives and of potential Proprietary Directors for their positions.
- It has been informed of and has proposed improvements in reply to the requirements made by the authorities for transparency in gambling.
- It has approved the update of the Group's Global Manual for Risk Management in Anti-money Laundering and Counter Terrorist Financing as well as the Self-assessment Report and Risk Matrix on Anti-money Laundering and Counter Terrorist Financing of the business unit in Spain.

The Compliance Committee helped deal with accounting inconsistencies identified during regular internal controls.

## Functions of the Compliance Committee

- Ensure compliance with Spanish and international regulations on gambling and money laundering.
- Assess Codere's internal control systems regarding its gambling-related reporting and transparency duties and propose improvements.
- Establish and oversee a system that will allow employees, customers, suppliers and third parties with whom the company has a contractual relationship to report, confidentially and anonymously, any possible irregularities -especially regarding finances and accounting- that may be detected.
- Monitor the safety systems and measures deployed for Codere's operations and regularly report these to the relevant executives.

## Appointments, Remuneration and Corporate Governance Committee

The Appointments, Remuneration and Corporate Governance Committee's duties include assessing the competencies, knowledge and experience of the directors, and report the appointments and dismissals/resignations and those of senior executives in the company; proposing and overseeing the company's remuneration policy and

reviewing and suggesting improvements in terms of compliance with the internal rules of conduct regarding the securities markets.

In 2019, the Appointments, Remuneration and Corporate Governance Committee held twelve meetings. All members attended all twelve meetings.

Among the most relevant actions carried out by the Appointments, Remuneration and Corporate Governance Committee in 2019, it is worth mentioning:

- The agreement of a new Directors' Remuneration Policy for 2019, 2020 and 2021 when the three-year Remuneration Policy agreed in 2016 expired.
- The self-assessment process of the Board of Directors and its committees, which ended with the approval of the Action Plan.
- The Committee gave its opinion to the Board of Directors agreeing to the appointment of the Corporate Manager of IT and Digitalization, the Corporate Manager of Compliance and Legal Counsel, senior executives and the potential Proprietary Directors.
- For the first time, the Appointments, Remuneration and Corporate Governance Committee has analyzed and reported to the Board of Directors regarding the Non-Financial Statement that must be included in the company's financial statements, as well as the Integrated Reporting for 2018 that follows the principles of the IIRC framework, as well as the drawing up of the reports on sustainability within the Global Reporting Initiative (GRI Standards) and the guidelines on filing non-financial reports by the European Commission.

## Members of the Appointments, Remuneration and Corporate Governance Committee

Name	Position	Category
Mr. Matthew Turner	Chairman	Independent
Mr. Norman Raúl Sorensen Valdez	Member	Independent
Mr. David Reganato	Member	Proprietary
Masampe S.L (represented by Mr. Pío Cabanillas Alonso)	Member	Proprietary

## 05.2.1

# Directors' Remuneration Policy

The Appointments, Remuneration and Corporate Governance Committee, in the course of its role, put forward a proposal before the Board of Directors to agree a new policy that kept the general principles and also added a series of changes to adapt to the company's new governance. Specifically:

- The new policy eliminated all references to the remuneration of executive directors.
- It eliminated the remuneration of the independent lead director.
- It added new remuneration for the non-executive chairperson of the Board.
- The new Remuneration Policy set a maximum remuneration of € 2,000,000 per year for all the directors together.

Codere's Remuneration Policy was adopted by the Ordinary General Meeting of Shareholders on 26 June 2019 with the vote in favor of 79.8% of the shareholders attending the Meeting in person or by proxy. This Policy is based on a fixed amount per year for directors that will depend on which committee or committees each director sits on, and on the positions they each hold and the level of engagement and responsibility they have.

**Codere's Remuneration Policy was adopted by the Ordinary General Meeting of Shareholders on 26 June 2019.**

## The directors are remunerated for

Being a member of the Board:

- Being a member of the Audit Committee, making a distinction between the chairperson and the member.
- Being a member of the Appointments, Remuneration and Corporate Governance Committee, making a distinction between the chairperson and the member.
- Being a member of the Compliance Committee, making a distinction between the chairperson and the member.
- Non-executive chairperson.

Based on the policy agreed by the General Meeting of Shareholders, the Board then established the following terms:

## Directors' Remuneration 2019

Position and responsibility	Allocation/year
Member of the Board	100,000€
Chairperson of the Audit Committee	51,000€
Member of the Audit Committee	50,000€
Chairperson of the Appointments, Remuneration and Corporate Governance Committee	51,000€
Member of the Appointments, Remuneration and Corporate Governance Committee	50,000€
Chairperson of the Compliance Committee	51,000€
Member of the Compliance Committee	50,000€
Non-executive Chairperson	149,000€

Specifically, the Board of Directors, at the request of the Appointments, Remuneration and Corporate Governance Committee, will take into consideration the criteria of independence and responsibility when stipulating the appropriate remuneration. In any case, the maximum remuneration per year for all the directors together will be € 2,000,000, which is lower than in 2016 when the maximum amount was € 3,000,000.

Codere Group's Board of Directors is committed to ensuring full transparency in all remuneration items paid to the directors by providing transparent and sufficient information in line with the general good governance practices for the recognition of functions established in international markets on directors' remuneration.

## 05.2.2

# Self-assessment and action plan

The self-assessment process of Codere's Board of Directors is run internally and includes the assessment of the Board itself and of its committees. For the assessment, the directors fill in a form with questions about the running of the Board and its committees as well as a section on the performance and contribution of each director with a special focus on the chairpersons of each committee.

The conclusions reached are presented to the Appointments, Remuneration and Corporate Governance Committee which then reports to the Board of Directors and prepares an Action Plan to correct any shortcomings detected during the assessment process.



## Level of performance of the 'Action Plan 2018'

### Managing conflicts of interest

As for the improvements agreed in the Action Plan for 2018, the Audit Committee is in charge of dealing with and managing conflicts of interests (also checking and dealing with linked operations) as a result of the changes made to the Board of Directors Regulations agreed in accordance with the Action Plan for 2018.

### Greater knowledge of senior executives' skills and duties and their attendance to the Audit Committee

In order to improve the Board of Directors' knowledge of the senior executives' skills and duties and pursuant to the Action Plan for 2018, senior executives have been encouraged to attend the Board meetings for them to keep the directors informed of the matters in their area.

This meant that each Chief Operating Officer in the Group attended at least two Board meetings in 2019 and gave reports on the progress made in the business, sales figures and forecasts for each of their territories or business lines. The Corporate Manager of Development also attended several meetings to report on the different projects under way and to provide updates on the status of previously approved projects. The Corporate Manager of HR also attended a Board meeting to inform the directors about a certain appointment. Lastly, the General Manager, the Corporate Manager of Finances and the Manager of Compliance and Legal Counsel attended the Board of Directors meetings on a regular basis.

Many of these executives also reported to the Audit Committee to cover the shortage of operations staff in said Committee that had been detected during the assessment of the Board of Directors and its committees.

## 'Action Plan 2019'

In 2019, the yearly assessment of the Board performance in 2018 took place and this body approved the resulting report that did not point out any concerns in the areas related to senior executives but did maintain the concerns related to conflicts of interest.

Based on this assessment, the Board of Directors adopted the following measures for improvements included in the Action Plan for 2019:

### Measures for more efficient meetings

- The Board of Directors has agreed to limit the length of its meetings.
- Each item on the agenda will have a time limit to discuss, analyze and, if appropriate, adopt the necessary resolutions, specified to the person reporting and answering queries and the secretary and under-secretary will control the time.

### Improving the 'Director Portal'

- Introduction of improvements on the operation and management of the app used as "Director Portal" to make it easier to handle the information.

### Tighter monitoring of confidentiality

- It has been agreed that the company should conduct a thorough examination of the directors' confidentiality duty by commissioning a report by an external expert.

## 05.3

# Compliance

Codere Group's strategy for Compliance is based on standards that go beyond the legal and regulatory requirements in the industry in all the countries it operates in with a view to strengthening the true spirit of responsible gambling and fair play.

As a result, Codere's compliance rules are an essential component of its business strategy. In particular, the Group is closely involved in ensuring strict compliance with all laws related to anti-money laundering and counter terrorist financing. The Group also urges the implementation and monitoring of matters attached to ethics and integrity, implementing and developing all procedures that may be pertinent to its business under said standards and requirements.

For such purposes, Codere Group relies on the manuals and documents adopted by the Board of Directors of Codere S.A. that set forth the standards for the activities carried out by the Group's professionals as well as their interaction with suppliers, customers and third parties.

The General Compliance Plan and the Code of

**Codere Group has its own manuals and documents that set forth the standards for the activities carried out by the Group's professionals.**

Ethics and Conduct are general documents that set forth the principles and duties required from the company and all other documents and procedures thereafter will be subject to said guides.

The Codere Group's Code of Ethics and Conduct, which is available to all its shareholders, employees, customers, suppliers, partners and society in general, embodies the company's commitment to the principles of business ethics and transparency in all its operations. This Code of Ethics and Conduct must be acknowledged and upheld by all group employees and executives and by all new hires.

Pursuant to this Code, Codere undertakes to conduct its activities in accordance with the laws in force in the countries it operates in. Based on the highest international standards, namely the United Nations Universal Declaration of Human Rights, the International Labor Organization Conventions, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises and the UN Global Compact.

The implementation and monitoring of these aspects is entrusted to the Corporate Department of Compliance and Legal Counsel who reports to the Compliance Committee of Codere S.A. and coordinates the local Compliance departments in all the countries Codere Group operates in.

Among other functions, the Corporate Department of Compliance and Legal Counsel is in charge of developing and implementing global policies on anti-money laundering and counter terrorist financing and on ethics and integrity as well as overseeing and controlling their enforcement and the training of employees in these areas.

With regards to the applicable policies and regulations, certain controls and actions are executed to ensure the appropriate compliance with these principles.

## Identification of customers, due diligence on employees, suppliers and partners

Without prejudice to the general concepts that may be considered in the documents produced by the corporate management, each country has specific procedures and requirements to identify its customers depending on whether they are using online or offline games, and to analyze their gambling behavior and report them to the authorities if suspected of money laundering.

Additionally, and to guarantee compliance with the legal duties and our ethical standards, the professionals and third parties who work for Codere Group are required to submit certain documents and information and to undergo a series of checks by the Compliance department.

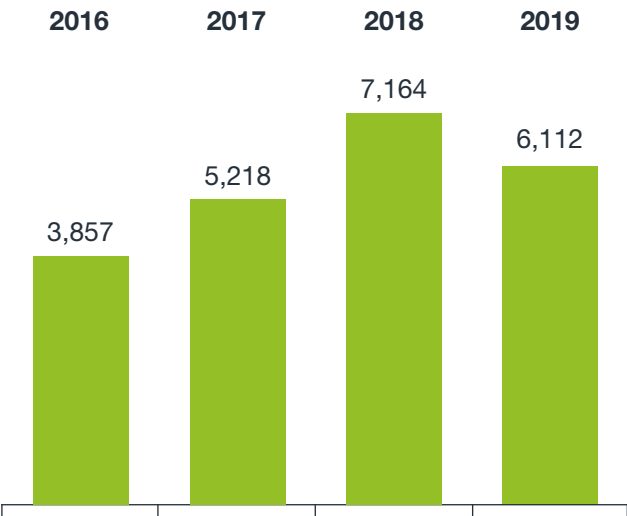
## Due diligence conducted in 2019

Country	Own	Third parties
Spain	1	3,651
Argentina	224	196
Colombia	111	242
Italy	0	51
Mexico	87	681
Panama	44	274
Uruguay	312	44
<b>Total</b>	<b>779</b>	<b>5,139</b>

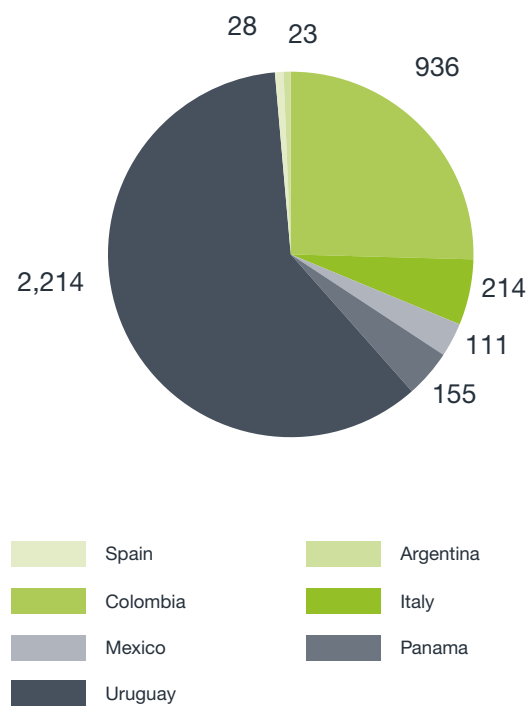
Special courses

Special courses for Codere Group’s professionals, in particular administrators and senior executives, on the areas of the current laws on anti-money laundering and the code of ethics and integrity.

Course on Anti-Money Laundering and the Code of Ethics 2019



Number of employees signing the Code of Ethics and Conduct by country



## Whistleblowing hotline

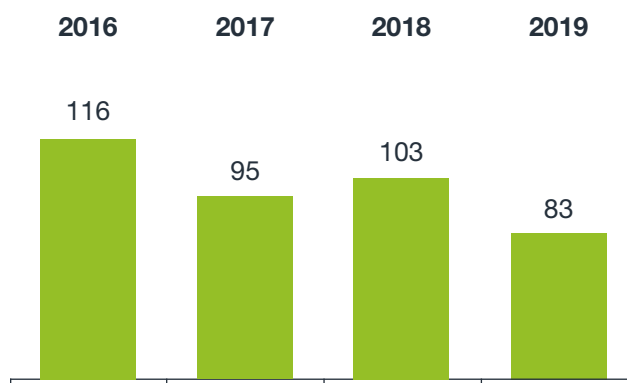
The company has opened a Whistleblowing hotline for all its stakeholders to report any concerns on code violations in whichever country it operates in, or on the breach of regulations or procedures. Its running and control are regulated by a specific policy to guarantee confidentiality, independence and protection as required by the Spanish and international regulations to not harm the parties involved.

There are Whistleblowing hotlines at both corporate level and business unit level. These are managed locally with the support and supervision of the Corporate Department of Compliance and Legal Counsel, as well as other departments that may be involved in investigating the concern. In 2019 we received 86 concerns in total. 96% of these concerns have been solved successfully and the remaining 4% are being solved.

## Concerns reported in 2019

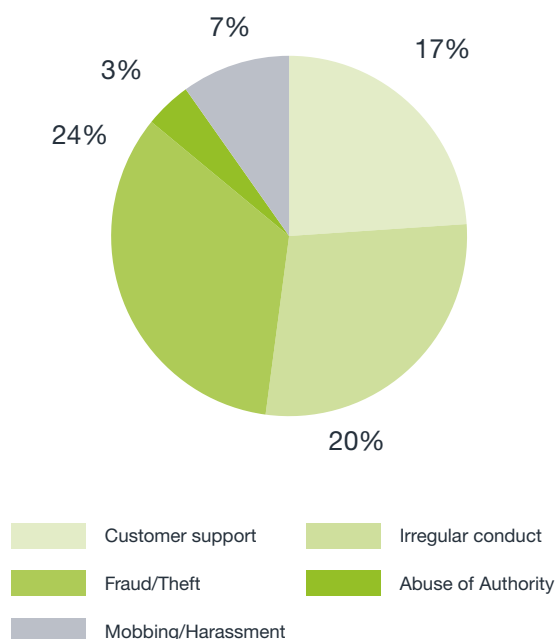
Country	Number of concerns
Spain	38
Argentina	4
Colombia	6
Italy	0
Mexico	20
Panama	11
Uruguay	4
<b>Total</b>	<b>83</b>

## Whistleblowing hotline



Upon receiving the concerns, the company classifies them into five different groups: irregular conduct, customer support, fraud, mobbing and harassment and abuse of authority.

## Sort of actions carried out by whistleblowing hotline



## 05.4

# Data protection

For Codere, personal data protection is a priority to avoid the risks entailed in mishandling the data.

Codere has always aimed to comply with all regulations in general but now in particular, the company is adapting its systems to the new EU General Data Protection Regulation through Codere Group's Data Protection Officer (DPO) and the DPO Office made up of the people in charge of the privacy of our different business units.

Personal data protection has special relevance in certain business lines and Codere is fully aware that the online services used to provide its online games are a critical element in this area given their high exposure to cyberattacks\* that may compromise users' privacy. Therefore, the company's organizational and technological processes are subject to regular checks and improvements employing state-of-the-art technologies to guarantee the security of its information and that of all the people who have provided their data.

\* For more information on the system deployed by Codere to prevent and fight cyber-attacks, please see the following section.

Codere is fully involved in controlling access to its services by minors, persons on the banned gamblers list\* and persons whose behavior is suspicious based on the criteria foreseen in the regulations on anti-money laundering. For this reason, the company has established controls and verification checks during its registration and login process, both automated and manual, to avoid vulnerable groups from accessing this type of services.

The company made major progress in personal data protection in 2019 and is further improving it by implementing a series of initiatives aimed at perfecting personal data protection in the company, including the following:

- In May 2019, Codere's Board of Directors appointed a Data Protection Officer (DPO) for the entire Group as required from online gambling companies by the EU General Data Protection Regulation and the recent Spanish Organic Act on Data Protection and the Management of Digital Rights, so as to standardize personal data protection across all our business lines in the different territories.
- We have led different training and actions to raise awareness among employees, such as training the heads of departments on the data protection regulation and internal communications to ensure that all the staff is sufficiently informed about privacy.
- We have assessed the impact made by our processing activities on data protection that may entail a risk for stakeholders in order to detect and correct any weaknesses. Furthermore, the company has designed and implemented a series of corrective measures.
- The company has formed partnerships with leading technological suppliers to improve and optimize the activities involved in processing personal data, providing our systems and business processes with more security and transparency.
- Codere hires external consultancy firms who constantly guide the company on the matter of compliance with the data protection regulation.

In 2020, Codere Group will continue to run projects for the management of personal data protection with a view to redoubling its efforts to guarantee a secure, reliable and transparent processing of its customers' personal data. For this reason, and to standardize data protection across the different territories, we will boost Privacy Governance in Codere Group by forming a Privacy Committee.



Codere will also strengthen its commitment to new technologies to ensure that personal data are processed securely, always working closely with the Corporate Department of Information Security.

As reliable proof of Codere's level of compliance with the data protection regulation, the company, since the EU General Data Protection Regulation came into force in 2018, has not received or been subject to any penalty proceedings by the data protection controllers and has therefore not been penalized for this matter.

\* System used to gather the information required to fulfil the subjective right of citizens to be banned from facilities and gambling.



## 05.5

# Cybersecurity

Cybersecurity is a growing concern for Codere and, therefore, the Group has made major efforts these past years to equip the company with systems that will prevent and handle risks related to potential cyberattacks.



**Some of the largest risks faced by the company in this area are fraud and the misuse of personal data.**

The importance of these risks lies in the nature of Codere's business. The company, as an operator of the gambling industry, bases its activity on an increasingly complex technology that must guarantee the best customer experience but also the validity and reliability of the results. Likewise, maintaining a high level of security and reliability of the information and systems is essential from both a regulatory and a reputational point of view.

**The company makes a significant effort in technological development that guarantees the best customer experience.**

Some of the largest risks faced by the company in this area are fraud and the misuse of personal data, as mentioned above. Moreover, the risk linked to suppliers is extensive, in terms of software and machines and in the processing of payments and the development and maintenance of apps and online tools. Lastly, as in any other company, Codere is exposed to a greater or lesser extent to the risks of identity theft, malware and system crashes and the resulting downtime or data leaks, among other threats.

In order to assess the strength of its security against these threats, Codere conducted a technical analysis in 2017 with the help of an external advisor. Based on this analysis, the company developed a first Security Master Plan (SMP) to improve this strength. During 2019, Codere worked on upgrading the security defining new actions that will be part of a new Plan 2020-2022.

The SMP establishes a control structure that defines the priorities, responsibilities and resources needed to improve security at strategic, tactical and operational levels. Codere has built its system based on this control system to fight cyberattacks and it consists of three levels or barriers:

- A first barrier that is made up the employees for whom we make a considerable effort to train and raise awareness.
- A second barrier made up of the software and hardware that wards off the attack or, in the worst-case scenario, contains it during the first stages.
- Finally, if the cyberattack could not be contained, there is a third barrier that, according to Codere's risk management model, involves transferring the risk through a cyber-insurance to third parties to fundamentally mitigate the company's losses.

In 2019, the company began to implement new measures aimed at strengthening the system control and start the work required to form two control committees: the Executive Committee and the Operational Committee.

Regarding the training on data protection mentioned above, we also made employees aware of cyberattacks and the measures required to protect information correctly.

## Cyber-Security Programme

Codere has hired a specific insurance that protects the company's business worldwide and is a first for the industry.

To do so, Codere started with a diagnosis of insurable risks where most risks of cyberattacks and frauds were pointed out as priorities for the Group.

Given that the insurance market does not yet provide a combined cover for these two types of risks, the policy we finally took out focused on cyber risks. Hence, the company had to tackle its anti-fraud programme separately.

Being a multinational, the process of taking out the policy was complex. Codere had to conduct a thorough analysis to choose the supplier, taking into account different criteria like their experience in covering cyber risks, their quality and expertise in handling incidents and, naturally, their financial soundness.

**In 2019, the company began to implement new measures aimed at strengthening the system control and start the work required to form two control committees: the Executive Committee and the Operational Committee.**

Another remarkable action was the company's subscription -as part of its Compliance and Corporate Social Responsibility strategy- to the Phishing Alert service in online gambling promoted by the Spanish Directorate General of Gambling (DGOJ).

This service offers online gamblers who register a system that detects attempted identity theft. This meets social demand for a tighter protection of vulnerable groups, including minors or self-banned gamblers, to make it harder for them to access online gambling through other peoples' accounts.

This service completes the efficiency of already existing measures in Codere to guarantee user identification systems and secure access to online gambling, as well as citizen protection, so as to minimize the potential negative effects of an irresponsible use of the activity.

## 05.6

# Risk management

In Codere Group, all actions aimed at controlling and minimizing risks keep in line with the basic principles of action set by the Board of Directors in the General Policy of Risk Control and Management and the Risk Tolerance Statement, including:

- Integrating the risk-opportunity view.
- Segregating, at an operational level, the areas in charge of analysing, controlling and overseeing risks.
- Guaranteeing the appropriate use of instruments to cover risks.
- Transparent information on the Group's risks and the operation of the systems developed to control them.
- Ensuring compliance with the rules of good corporate governance and the values foreseen for the company in its Code of Ethics and Good Governance.

This policy defines the main action areas as well as eight types of risks identified by the company, including: risks of corporate governance, operational risks, regulatory risks, tax risks, debt risks, country risk, technological risk and reputational risk. Codere Group's main stages and activities in its risk control and management system are as follows:

## Responsibilities of the Risk Control and Management System in Codere

- The definition of risk tolerance by the Board of Directors.
- The yearly identification and analysis of relevant risks carried out by the leaders of each business unit and/or department at a local level.
- The yearly update of the company's different risk maps (local, technological and corporate).
- The reporting of the main risks, especially those above the limits established by the Board of Directors.
- The implementation and control of the enforcement of policies, guidelines and limits through the appropriate procedures and systems that are required to minimize the impact of risk materialization.
- The regular assessment and reporting of the outcome of the follow-up of risk control and management.
- The audit on the system performed by the senior executives in the Internal Audit area.

Also, Codere Group has a Tax Risk Policy at a corporate level that is revised by the Audit Committee.

Locally, each business unit regularly reports on the activities performed and the risks that have materialized in each country. Such information is gathered by the Internal Audit area and used to update the risk maps and draw up the Integrated Report that is to be submitted to the Audit Committee.

By updating the company's risk maps, Codere's Internal Audit defines its work plan for the year and the risk management process. To draw up the plan, they check the internal processes and procedures and the implementation of improvements determined during the year. The plan defines the risks that have materialized during that year.

Furthermore, on a yearly basis, the different internal audit areas in each country undergo an internal procedure called the Quality Review. Every year, the Internal Audit department organizes cross-reviews

of the projects in each country, which means that subsidiary managers assess each other. This leads to synergies and the implementation of standard procedures across the board.

## Milestones reached by the Internal Audit areas in 2019

- Operational audits performed focusing on large risks under each country's specific plan
- Continuity of the warning system to prevent the loss of profit and to follow up the Mexican project "Revenue Assurance" that has now been expanded from Mexico to Panama and Spain.
- Maintenance of the Monitoring Committees for the recommendations.
- Verification of the appropriate Compliance in the gaming halls and tax controls.
- Improvements in gambling software.
- Opening of the specific line of activities on line in several due diligence processes for company acquisitions.

## Codere Group has a Tax Risk Policy at a corporate level that is revised by the Audit Committee.

## Codere Group's procedure for risk control and management

In 2019, several types of residual risks materialized. These are risks that persist after implementing the control procedure::

### Regulatory risk

The gambling industry is strictly regulated worldwide. The activities carried out by the company in its physical facilities and on line are subject to different laws depending on the country they are in. In some cases, the company has to undergo rigorous controls, with limited licenses and high taxes whereas in other cases, it faces strong competition and low taxes. In all cases, tax, compliance and data protection regulations are relevant. Due to this, flexibility and power of adjustment to the environment are key drivers in Codere. In Spain alone, each of the 17 autonomous communities in the country regulates its own laws on on-site gambling, whereas online gambling is subject to national laws that apply to the entire country.

In this regard, the regulation of certain aspects linked to the gambling industry (e.g. tobacco, opening times or restrictions on their location) may have a negative impact on the Group's revenue and its power to expand the business. Furthermore, the authorities may deny, revoke, suspend or reject the renewal of licenses that the Group already has, as their renewal can carry uncertainty when the regulations are not clear or may be amended or open to different interpretations.

### Reputational risk

In all industries there is a clear link between regulatory risks and reputational risks, especially in today's information and communications era. This reality is clearer still in an industry where regulations and laws are being constantly amended and where public perception has not always been favourable.

The gambling industry is complex and its reality as an important economic sector that creates jobs and contributes to the state coffers has not always reached society. This has led to the establishment of a group in Spain called Cejuego (Council of Gambling Businesses) that gathers approximately 75% of the country's turnover, in order to get through to society and improve the industry image.

## Country risk

The company has diversified its activity and operates in different regions to limit its exposure to political and economic risks. However, as all businesses, it is sensitive to the tensions in the countries it operates in.

### Risk of corruption and bribery

Corruption and bribery are some of the major risks faced by Codere Group in the course of its business. The Board of Directors, aiming to further the fight against this problem and taking a preventive approach, adopted a Global Manual Against Corruption and to Prevent Irregularities on 27 February 2017. This manual can be viewed on the corporate website.

The manual comes with a Practical Anti-corruption Guide that identifies the main types of corruption that may affect Codere Group's activity, as well as a series of preventive measures, including the Whistleblowing hotline and the due diligence procedures for suppliers, trade partners, customers and employees.

## Operational risks

During some of the internal checks that the Group runs repeatedly, we detected inconsistencies in the income statements of some Latin American subsidiaries (Mexico, Panama and Colombia) in 2019. The Board of Directors and the Audit Committee, upon being informed of these potential inconsistencies, ordered several investigations, both internally and externally, to identify any relevant aspects related to said inconsistencies and to ensure maximum transparency in our compliance with the best accounting practices and best governance practices.

**The Group has established plans to optimize and improve operative efficiency and these have helped mitigate the impact of risks that have materialized.**

These analysis quantified the impact of said inconsistencies as 16.5 million euros on the reported consolidated profits before tax of 30 June 2019. This impact was announced to the markets through the publishing of relevant facts and the reporting of revenue statements and the consolidated interim financial statements of September 2019.

Furthermore, the internal analysis and investigation conducted by the external firms concluded that:

- No additional impact was detected on the Group's liquidity and there were no signs of inappropriate use or withdrawals of funds.
- This was an isolated incident that only affected the accounting revenue statements of those subsidiaries for that year.
- The Corporate Area of Spain was not involved and there were no other territories or years affected by the accounting inconsistencies.

The Group's control systems have worked correctly and, thanks to them, the inconsistencies were identified and promptly reported to the Audit Committee and Board of Directors for them to set in motion the necessary internal and external mechanisms to remedy and investigate the incident and ensure maximum transparency in our compliance with the best accounting practices and best governance practices.

## Risk of security breaches on gambling platforms

The existence of weaknesses in the gambling operational platforms could lead to unauthorized access and/or tampering with the gambling systems, which result in the loss of profits or sensitive information in the operations.

As soon as Codere Group detects this type of threats or risks, it launches its action plans to contain the threat and recover the expected margins through:

- The Group's participation in the relevant industry associations.
- The relevant relationships with institutions.
- The establishment of plans to optimize processes and improve operative efficiency.



## Other extraordinary risks

In February 2018, José Antonio Martínez Sampedro and Luis Javier Martínez Sampedro took legal action against Codere S.A. to challenge the corporate resolutions adopted by the Appointments Committee on 1 December 2017 and by the Board of Directors on 12 January 2018. In April of that same year, the Company gave its statement of defense against the legal action and the hearing for evidence was set for some time between May and June 2020.

In addition, with regard to the Arbitration proceeding requested by José Antonio Martínez Sampedro and Luis Javier Sampedro in February 2018 before the International Chamber of Commerce against Codere S.A. and certain directors and shareholders, on account of the resolutions adopted by the Board of Directors on 12 January 2018, in 2019 the plaintiffs lodged their claim and the defendants gave their statement of defense, requested the dismissal of the action and filed a counterclaim against José Antonio Martínez Sampedro and Luis Javier Martinez Sampedro and Masampe. The Hearing should take place between June and July 2020 and the final arbitration finding is not expected before December 2020.\*

\* The status of these two proceedings is detailed in the note on legal actions in Codere Group's consolidated annual report.

## 05.7

# Transparency

Codere Group is the only listed company in the gambling industry, which means that it is obliged to report information to the market and meet transparency standards that are far stricter than for its competitors.

Codere, as a listed company:

- Is obliged to apply the IAS/IFRS in its accounting books.
- Prepares an Annual Corporate Governance Report.
- Prepares the Annual Report on Directors' Remuneration.
- Is subject to Non-Financial Reporting.
- Informs the market of any Relevant Events occurred during the financial year.

The fact that Codere draws up this Integrated Report shows its commitment to transparency, which is one of the Group's top values.



Codere's firm focus on transparency is seen at different levels in the company. Therefore, Codere is transparent both internally with its employees and organization, and externally with investors and the market in general.

**The Codere Group has a tax control framework that establishes its principles and action guidelines for tax risks.**

This year has highlighted how Codere has prioritized the definition of company values and, especially, upholding transparency as a key and essential value. Thus, upon detecting accounting inconsistencies in the first half of 2019, Codere Group acted promptly with firmness, clarity and consistency and adopted the following measures

- Firstly, the issue was immediately reported to the Audit Committee and the Board of Directors and then to the competent authorities, the external auditors, the market and the employees.
- Secondly, a renowned external advisor was hired to conduct a forensic analysis that would shed light on the situation. In parallel, we provided all the independent forensic information used for the inquiry.
- Thirdly, the Board of Directors is tackling the relevant corrective decisions on disciplinary and organizational matters, adopting measures to introduce organizational changes and tighten internal controls in order to strengthen our operative systems and improve the reliability of our accounting and reporting. In this regard, changes have been made to the operational and financial management team of the business units involved and we have tightened the accounting controls and revenue reconciliation systems while developing projects to tighten internal controls, centralize critical functions and digitize and automate processes and controls.
- Lastly, the Group informed the markets through the publishing of relevant facts and the reporting of revenue statements and the consolidated interim financial statements of September 2019.

## A firm belief in transparency

Internally, the Group strengthens its in-house transparency with employees through the Codere Actualidad (Codere News) portal that serves a double purpose: it keeps its employees abreast of any relevant events in the company and is also used to strengthen the cultural and strategic change experienced by the Group these past years.

In its strong focus on transparency, it is worth highlighting the Group's efforts to launch its own specific publications with industry data from the different countries as mentioned in previous chapters.

## Codere's pillars for tax control

- Codere has established a Corporate Tax Department in charge of keeping our tax duties up to date in the different regions it operates in and driving actions to check and examine compliance.
- Our tax policy includes the principles of responsible business in tax matters.
- Information and approval by the Board of Directors or Audit Committee of relevant tax matters depending on their complexity or impact on results.

Codere Group has a Corporate Tax Policy that sets forth the basic guidelines that should govern the Group's decisions and actions in connection with taxes.

The Corporate Tax Policy, as all other elements in the Corporate Governance System, is subject to constant reviews and adjusted to permanent changes in the landscape, taking into account the volatility of tax regulations, especially in this industry, and the increasingly demanding requirements of transparency in tax information.

Moreover, the Group complies with the ever-increasing demand of tax transparency from stakeholders and regulators under standards aimed at constantly improving the quality of the tax information disclosed by the Group.

**Codere applies the utmost effort and commitment to strictly complying with tax laws, constantly reviewing its tax policies in each country in order to improve processes and detect errors.**

# Commitment to investors

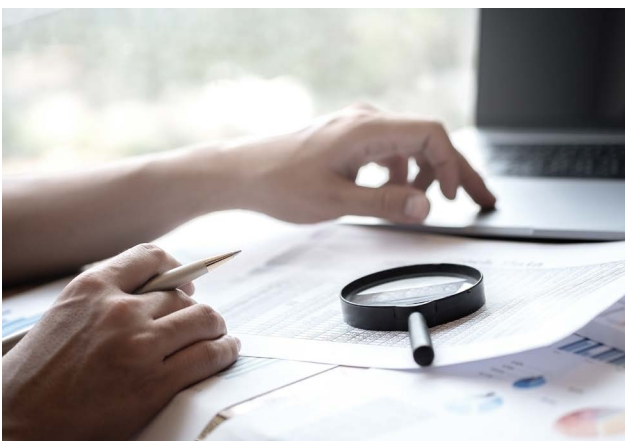
06

# 06.1

## Investor Relations

Codere Group is firmly committed to the creation of value for all of its stakeholders and, in particular, for its shareholders and investors, as owners or potential owners of the company.

This is why, in 2019, the company intensified its communications and relations with shareholders and investors in order to boost their involvement in the organization. This work culminated in the approval, on January 14, 2020, of the Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors, thereby complying with Recommendation No. 4 of the Good Governance Code for listed companies of the Spanish National Securities Market Commission (CNMV).



## 06.2

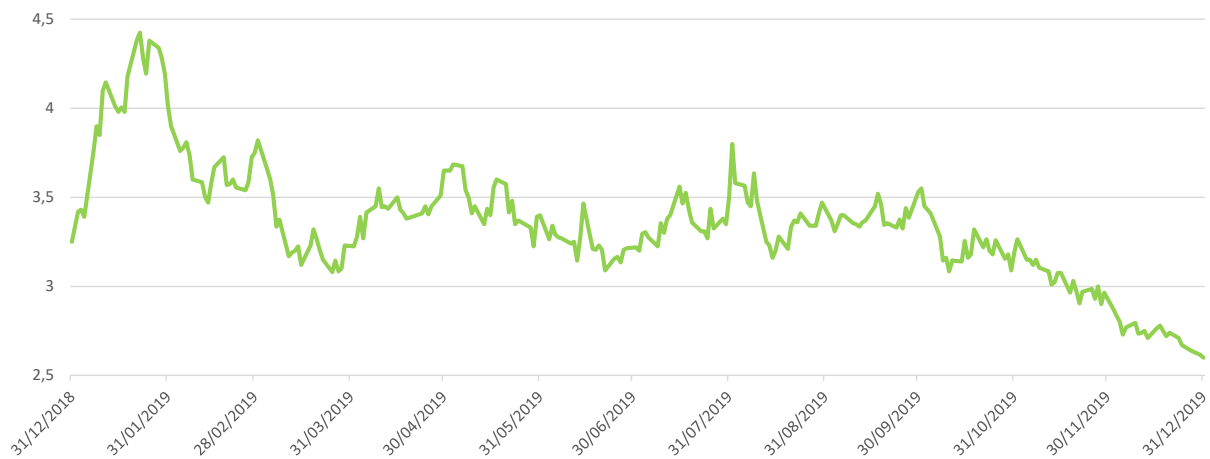
# Value creation for our shareholders investors

In early 2018, the Codere share price increased by up to 30% as result of market expectations arising from the rumor that Codere was going to carry out a public offering of shares. Beyond this isolated fact, the value of Codere shares has been volatile, with a downward trend , in a context of very low liquidity. In 2019, the value was hit by two important events.

The first of these was the primary election results in Argentina, which led to the devaluation of the Argentinian peso, causing a drop in share price, since Argentina is a key market for Codere.

The second event to consider, which explains the loss of value in early October, was the discovery of certain accounting inconsistencies in the Latin American branches in Mexico, Colombia, and Panama during the first half of 2019. This issue led to a downward adjustment of expectations for the Group's profits in 2019.





On the other hand, Codere bonds rallied to levels above par value in the first half of the year, as a result of refinancing expectations. They were also negatively affected by the results of the Argentinian elections, which prompted a decline in the value of the country's sovereign debt and, therefore, Codere's debt quote dropped up to 10 points. Over the following months, Codere bonds managed to recover up to 98% of their value.

Nevertheless, like Codere shares, bonds dropped in early October due to the impact of the accounting inconsistencies that delayed the prospects for refinancing. Since these inconsistencies were detected late in the year, the price of bonds recovered more than 5 points, an upward trend that continued into 2020 and has now reached levels of 93-94%, though this has been recently affected by the general fall of the markets due to the spread of Coronavirus (COVID-19).



## 06.3

# Fostering the involvement of shareholders and investors

In 2019, the Codere Group maintained open, continuous dialogue with its investors, in both fixed income securities and equities, as well as analysts, credit rating agencies, and other market participants. The Codere Group provided these groups with all relevant information to enrich their analysis of the company and assess the risks and opportunities of investing in Codere stock or bonds.

Throughout 2019, the company published 34 relevant events and kept the market informed of all events of interest. In addition, four quarterly meetings with investors were held, where more than 150 registered attendees were able to listen to the management team and ask the team their questions about the progress of the business.



In addition, the company attended several relevant events where, at meetings with multiple investors, it sought to help investors understand the evolution of the business, the company's strategy and its expectations. The most relevant events were the following:

- Morgan Stanley's II Annual Leveraged Finance Conference (April, London): ten meetings with 32 fixed-income investors and attended by the Group's financial director.
- Deutsche Bank's XXIII Annual Leveraged Finance Conference (June, London): ten meetings with 40 fixed-income investors and attended by the Group's financial director.
- Non-deal roadshow. Europe (London, Paris, and Frankfurt) and United States (New York). Codere organized a non-deal roadshow in July with a view to learning about investors' interests before beginning the refinancing of its bonds. Twenty-eight meetings were held with 40 fixed-income investors and were attended by the Group's financial director and the Corporate Development manager.
- BofAML European Credit Conference (October, London): six meetings with 11 fixed-rent investors and credit analysts, attended by the Financial Planning manager and the Investor Relations director.
- Edison Equity Investors Conference (October, London): three meetings with equity analysts on a roadshow organized by Edison Investment Research, followed by a discussion panel to analyze growth opportunities in the industry together with other gambling industry companies (Rank Group, Jackpotjoy, and Bragg Gambling Group) and investors, and also attended by the Codere Financial Planning manager and Investor Relations director.

In addition, as a result of the Codere Group's commitment to strengthen its communications with investors, the Codere Group Board of Directors, in accordance with recommendation 4 of the Good Governance Code for Listed Companies of the Spanish National Securities Market Commission (CNMV), approved at its January 14, 2020 meeting its Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors. Through this policy, Codere seeks to foster ongoing dialogue with each of the company's stakeholders, in order to promote solid, stable relationships of trust and to strengthen transparency in the interests of the company. The general channels of information and communication with investors include the following:

## Spanish National Securities Market Commission (CNMV)

The Spanish National Securities Market Commission is Codere Group's official channel for information for shareholders, institutional investors and the market in general. Codere regularly files all required information with the Spanish National Securities Market Commission (CNMV), as well as other information of interest to its shareholders and investors through Relevant Facts (now Relevant Information [IP] and Other Relevant Information [OIR]). In parallel, this information is uploaded to the company's corporate website.

## Página web corporativa

Codere's website, [www.grupocodere.com](http://www.grupocodere.com), is constantly being updated. On the website, investors and the market in general can find extensive information about the Group's areas of activity and geographic presence.

The website has a specific section entitled "Shareholders and Investors," which includes all of the information required by the Spanish Capital Companies Act (Ley de Sociedades de Capital) and by the stock market regulations. In addition, the company publishes on its website all documents required by regulations regarding calls to meetings and sessions of the General Meeting of Shareholders, as well as presentations of its quarterly income statement and other relevant institutional or economic/financial presentations. Codere's website also provides direct access to complete recordings of each announcement of its income statements.

## Office of investors

Codere offers its shareholders and institutional investors a space for individual replies to their queries. The Group answers information requests correctly and in a timely manner, through an office located at the Codere corporate headquarters, a telephone helpline (+34 91 354 28 19) and an email address ([inversor@codere.com](mailto:inversor@codere.com)).

Through the above email, Codere sends information to a list of institutional investors who have requested it.

## Webcasts and conference calls

Codere is committed to directly broadcasting its announcement of its quarterly income statements and other information of interest to the market, which facilitates access and participation by shareholders, investors, analysts, and all those who so wish, as an additional measure to stay informed. In addition, a recording of the broadcast is available for one year on the corporate website.

## Conferences and meetings

The Codere investor relations team regularly organizes information meetings on the progress of the Group or other aspects of interest to analysts and institutional investors. The company takes part in international financial conferences organized by third parties, organizes its own roadshows, and receives visits at its corporate offices. In addition, the Group organizes quarterly conference calls with the management team to talk about relevant financial issues with shareholders and investors.

The Codere Group also has an Investor Relations Department within the company's Economic/Financial Division to liaise and communicate with shareholders and institutional investors. This department is responsible for preparing public announcements of quarterly income statements for analysts and investors, responding to requests for information, and organizing conference calls with stakeholders, while maintaining the transparency, consistency and homogeneity of the information at all times.

**The Codere Group Board of Directors approved at its January 14, 2020 meeting its Policy for Communications and Contact with Shareholders, Institutional Investors, and Proxy Advisors.**

# Employees: the key to cultural transformation

07

## 07.1

# Introduction to the “new” Codere

In the company’s ongoing transformation, the Human Resources Department has an important role as a catalyst for change. As part of fostering this change, it has been essential to learn more about each region’s employees and identify their concerns, in order to make the best possible decisions in scenarios marked by increasing responsibility and future challenges.

That is why in 2019 the company focused its efforts on establishing a new Corporate Social Responsibility model for its employees, which was crafted based on the main concerns expressed by its staff members. A consultation process was carried out with more than 500 employees, who emphasized that their main concerns included strategy; the future of Codere and the stability of their jobs; employee recruitment, retention, and talent development; work/life balance; communication; and quality of life.

**Codere Group is committed to the observation and defense of its employees’ fundamental rights, internally and externally, and the wellbeing of society, and ethical principles protecting human dignity and sustainable growth.**

The identification of these areas of interest led to a series of projects to improve and implement methods and strategies, such as communication plans, training initiatives regarding responsible gambling, strategies to train employees at gaming halls, and awareness-raising on ethical compliance and whistleblowing hotlines.

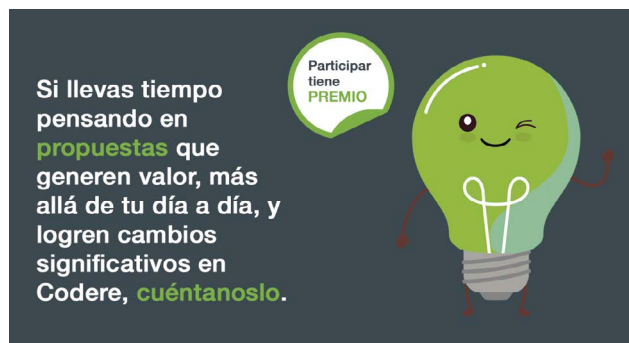
This new culture is being spread both internally, through the revision of policies and procedures, the design of the leadership and management model, and behaviors to be adopted; and externally, with customers and other stakeholders, through brand image, employer branding, and advertising campaigns.

Beginning in January 2020, this consultation process will be expanded to the entire organization, analyzing behaviors to be encouraged and/or eliminated in line with the Group's new culture, and will be followed up on through monitoring tools. Moreover, new initiatives to be implemented will be assessed through surveys.

As part of these actions, the Human Resources Department has promoted "WOW Ideas!," a program seeking to foster participation by and recognition of employees through their own ideas related to one of the company's values. Thanks to this program, Codere is able to value its team's creativity, experience, and knowledge.

In 2019, 260 ideas -with the participation of nearly 360 employees- were assessed by expert committees, and the ideas selected went through an advisory and mentoring process to elaborate them further. This initiative was launched as a pilot project in Argentina and Uruguay in 2019, and in 2020 it will be spread across the board.

**The Human Resources Department has promoted "WOW Ideas!," a program seeking to foster participation by and recognition of employees through their own ideas related to one of the company's values.**





## 07.2

# Our employees: key players in our transformation

The project of transformation that is underway in the company depends, to a great extent, on the involvement of its team.

Today, a total 12,529 employees around the world are part of Codere, a slightly greater number than last year.

Multiple factors have influenced the changes in the workforce. First, in order to align the company's objectives with the goals, Codere has strengthened its management team. Secondly, the transformation plan implemented in the Group has entailed the digitization and automation of processes. Globalization and the creation of shared service centers have given rise to a more flexible organization, with renewed profiles and a simplification of structures, making the company more dynamic and significantly improving customer response times.

In any event, the net change in the number of employees has been positive, with a growth of 2.3% over 2018. It is not surprising then that there were more new contracts signed (6,021 last year) than terminations.

The majority of the Codere workforce is between 30 and 40 years old; the staff is made up of both men and women, with 59% and 41%, respectively.

### Codere staff by age ranges\*

	2018	2019
<30	3,810	3,768
30-39	4,693	4,655
40-50	2,639	2,928
>50	1,108	1,178
<b>Total</b>	<b>12,250</b>	<b>12,529</b>

### Codere staff by gender

	2018		2019	
	Total	%	Total	%
Women	4,954	40.4%	5,122	40.88%
Men	7,296	59.6%	7,407	59.12
<b>Total</b>	<b>12,250</b>	<b>100%</b>	<b>12,529</b>	<b>100%</b>

### Profile of Codere employees



**91%**  
Permanent contract



**87%**  
Full-time contract



**41%**  
Women



**59%**  
Men

\* 2018 information does not include some employees of partners in Italy, Malta, and Israel because at the time, they were not managed by the company's Human Resources Department. This same criteria was followed for all other indicators from 2018.

With regard to its geographic distribution, more than 70% of the staff was concentrated in Mexico, Argentina, and Spain in 2019, with the rest spread across seven other markets and the corporate headquarters.

## Codere staff by geographic distribution

	2018		2019	
	Empleados	%	Empleados	%
Corporate	124	1.01%	134	1.07%
Spain	1,359	11.09%	1,284	10.25%
Argentina	2,708	22.11%	2,731	21.80%
Colombia	376	3.07%	373	2.98%
Italy	747	6.10%	912	7.28%
Mexico	4,756	38.82%	4,900	39.11%
Panama	943	7.70%	901	7.19%
Uruguay	1,237	10.10%	1,237	9.87%
Gibraltar	-	-	1	0.01%
Israel	-	-	27	0.22%
Malta	-	-	29	0.23%
<b>Total</b>	<b>12,250</b>	<b>100%</b>	<b>12,529</b>	<b>100%</b>

In terms of job categories, operational employees, middle managers, and technicians were the largest segments in the staff.

## Codere staff by job category

	2018		2019	
	Total	%	Total	%
Senior management	14	0.11%	12	0.10%
Managers	84	0.69%	87	0.69%
Middle managers	1,954	15.95%	2,023	16.15%
Technicians	1,681	13.72%	1,798	14.35%
Administrative staff	482	3.93%	539	4.30%
Operational staff	8,035	65.59%	8,070	64.41%
<b>Total</b>	<b>12,250</b>	<b>100,00%</b>	<b>12,529</b>	<b>100,00%</b>

Finally, with regard to the type of contract, the vast majority of Codere staff (91%) had permanent contracts in 2019. With regard to the number of hours worked, only 13% (1,614) were hired part-time.\*

## Total amount and distribution of the different types of employment contracts

	2018	2019
<b>PERMANENT CONTRACTS</b>	<b>11,125</b>	<b>11,428</b>
Full-time contracts	9,921	10,083
Part-time contracts	1,204	1,345
<b>TEMPORARY CONTRACTS</b>	<b>1,125</b>	<b>1,101</b>
Full-time contracts	859	832
Part-time contracts	266	269
<b>Total</b>	<b>12,250</b>	<b>12,529</b>

\* Annex II of this report includes the list of contracts by age range and professional category.

## 07.3

# Training

Codere considers training to be a strategic investment that bolsters the commitment of its staff. That is why the company promotes the training of all of its staff members throughout their career, on various subjects appropriate to their position and responsibilities.

In 2019, the Training area focused its efforts on programs supporting and facilitating change in the organization. The area invested in designing and developing more flexible, up-to-date learning models, that are not so dependent on traditional methodologies. In addition, we gave priority to building skills considered to be essential.



## Training hours received by job category

	2018	2019
Senior management	57	92
Managers	1,303	3,078.73
Middle managers	30,836	10,194
Technicians	11,878	6,524.99
Administrative staff	5,242	4,507.50
Operational staff	76,545	12,984.50
<b>TOTAL</b>	<b>125,866</b>	<b>37,381.72</b>

This training program was carried out through various initiatives around the world, including these outstanding examples:

- **‘Plan TransFÓRMATE’.** This program (begun in 2018) was designed to promote the changes that are taking place in Codere and provide training in the skills needed to accomplish them (see highlighted table).
- **Training programs for new hires.** New hires go through a learning process based on support at their work station and various trainings with their team, which allows them to acquire essential knowledge.
- **Internal promotions.** This includes programs to support employees who begin new positions.
- **Skill training programs.** This initiative trains employees in skills such as leadership, communication, and productivity.
- **Language training:** English, Italian, and Spanish.
- **Training plans in compliance and security.** Some of the most noteworthy subjects have been the anti-money laundering, the prevention of occupational hazards, cybersecurity, and data protection.

**Codere considers training to be a strategic investment that bolsters the commitment of its staff.**

## ‘Plan transFÓRMATE’

This program was implemented globally in 2018 to extend to 2020 and 2021. The program will feature on-site and online training actions to train employees, promote the changes taking place at Codere, bring teams in line with the projects to transform the Group, and build skills that are essential to executing the planned projects and changes. This program is supported by an online platform that has 2,000 registered employees.

The content of the program comprises training actions of varied duration, organized around five areas of knowledge related to the most important pillars of our strategy:

- Management of change and transformation, to bolster the process underway at the company by studying success stories and experiences in other companies.
- Customer-centric focus, to analyze the customer’s experience at each point of contact with Codere and understand how to boost customer loyalty.
- Digitization, to understand the implications of technological development and how to use it in the best way possible.
- Efficiency, to learn about models of organizational efficiency, analyzing the essential aspects of both individual work and teamwork.
- Culture, leadership and personnel management, to modernize Codere’s management model, its values, and its culture and to work on leadership skills.

Locally, Codere has also developed other initiatives, including:

### Mexico

In 2019, training here focused on regulatory issues involving NOM 035 (psychosocial risk factors at the workplace), as we will comment below, and on specific training in operational excellence and improved customer service. In June, the 16th Operational Excellence Seminar took place. The goal of the Seminar is to prepare future managers and middle managers who will manage the more than 95 gaming halls in the country.

In addition, at this business unit, the company helps its employees complete secondary school through the CENEVAL single exam. For three months, employees prepare to pass the test given by the National Evaluation Center. During a six-year period, more than 300 employees have participated in this initiative.

### Spain

In Spain in 2019, special emphasis was given to training operators, DATA operators and third-person venues. These efforts focused on product (sports betting) and the development of induction schemes for new employees. At the end of the year, dynamic workshops were held to promote Codere’s new values.

### Italy

Specific training activities are carried out throughout the year, such as “Be the Change.” This program helps managers drive change in the organization, builds their leadership skills and fosters their transmission of culture and values to their teams.

### Colombia

In 2019, training was especially centered on issues of wellbeing. Training sessions dealt with the Workplace Health and Safety System; Cash Register Fraud Prevention; the System for the Prevention and Control of Money Laundering, the Financing of Terrorism, and the Financing of the Proliferation of Weapons of Mass Destruction (SIPLAFT); actions to promote and strengthen employees’ feeling of belonging; and customer service in gaming halls.



## Argentina

In 2019, training activities focused on the commercial part of the business (sales), through the “Professional Sales Management” program, the “Commercial Management and Coaching” program, among other programs, and on actions to improve customer experience, special courses on regulations and activities to foster management skills.

## Panama

Panama’s training activities include training in Security and Compliance (money laundering, detection of counterfeit money, etc.); leadership skill development for middle managers; and customer service, especially for frontline staff.

## Uruguay

Several training activities were carried out in 2019, especially courses on new rules for Anti-money Laundering and Counter Terrorist Financing and training to promote the role of managers as coaches. In addition, special courses on customer-related issues were also held.

**Codere has invested in designing and developing more flexible, up-to-date learning models, as well as giving priority to building skills considered to be essential.**

## 07.4

# Talent management

### Professional development

The company gives its employees a range of tools to help them access positions with greater responsibility and further their professional development at the company. These tools include the following:



#### **Skills evaluation (SEC)**

In order to foster a culture for the management of individuals and teams based on continuous improvement, supervisors and employees meet every year at each business unit to analyze their progress during the year and receive feedback on their performance. This meeting sets the goals and actions for improvement for the following year and the current and future skills that need to be developed.



## Global Management Value (VDG)

Codere has designed a management development program to assess the skills of its first-level and second-level management teams. The objective is to identify strengths and areas of opportunity that are in line with the company's growth expectations. The methodology used has focused on development centers led by specialized consultants. Based on the results obtained, growth and development plans are established.

As part of the program, 300 evaluations of managers have already been carried out and their respective development plans have been designed.



## Rumbo Program

Identifying professional growth potential and expectations is another of the Codere Group's concerns. Through the RUMBO program, using the situational assessment center methodology, multidisciplinary teams made up of the Human Resources area, managers, and key supervisors at the company identify employees with the skills to take on future challenges involving greater responsibility. Later, by establishing succession and development plans, coverage of future key positions and high-demand profiles is ensured.

In 2019, the program was launched in Argentina and Uruguay, where approximately 200 people were assessed.



## Assessment of managers and operational supervisors

Given that people are the source of the competitive edge in our industry, and as part of a culture of continuous improvement of teams and individuals, Codere Group began a project in 2019 to learn more about and develop the profiles of key partners in its operations, middle managers, and business managers. In a changing environment as competitive as today's world, constantly aligning operational profiles with the needs of the time and with customers' demands guarantees success and constant leadership.

The project began in late 2019 in Mexico with the assessment of 80 gambling house managers; it will continue with the assessment of 700 middle managers in that country. The project will then be carried out in the rest of the Northern Cone countries (Panama and Colombia) and subsequently in the Southern Cone (Argentina and Uruguay). It is estimated that 1,500 to 2,000 key employees will participate in this program in 2020 and 2021.

**Codere gives its employees a range of tools to help them access positions with greater responsibility and further their professional development at the company.**

## 07.5

# Mechanisms to attract and retain the best professionals

All the companies making up Codere Group work to attract, promote, and retain the best talent and to foster the personal and professional growth of the people on its staff.

In terms of talent management, Codere has a standard Selection Policy for the Group, based on basic principles that guarantee the quality of the process, the filling in of vacancies, specific equality policies, etc.

In 2019, 8,000 selection processes were carried out, with the resulting number of staff inductions and associated trainings.



**Codere has a Selection Policy that lays out its process to attract talent. This process is the same for the entire Group and is based on a series of basic principles that ensure its quality and the filling in of vacancies.**

In addition, the Company has an Internal Promotion Policy that offers its employees the chance to enter positions involving greater responsibilities and advance in their professional careers. In the specific case of Codere Mexico, the company is encouraging the hiring of operational employees who are promoted internally to positions with greater responsibility.

Meanwhile, Codere Spain, through its “Contamos contigo” (We are counting on you) website, encourages employees to apply for vacancies that arise from time to time in the company.

In addition to these initiatives, the company has set up a work environment in which it retains its professionals based on four pillars: internal communications, diversity, equal opportunities, equal pay and wellbeing at the workplace.

## Internal communications

As part of the cultural change that is underway in the organization, there has been particular support this year for Internal Communications efforts, with the goal of communicating its strategy, spreading its values, and boosting employees' involvement in the shared project.

All of this is based on a Communications Plan that establishes the Group's main strategic lines of action in this area. These are agreed upon by the areas involved, the business units, and corporate headquarters through meetings of the Corporate Communications Committee—with participation by the Economic/Financial Department, the Legal Department, and the Human Resources Department—and Communications Committee meetings with the countries.

The following are some of the global tools and methodologies that facilitate constant communication with employees:

- **Codere Actualidad** reflects the values and the spirit of the Group's new culture. This platform distributes a corporate newsletter to employees with the main news involving the company and the industry, as well as monthly editorials by the CEO.
- **Codere Informa** facilitates fluid communication with employees through mailings that give employees up-to-date information on the most relevant issues for the Group.
- **Breakfasts with executives and employees.** These are organized both at a corporate level

and in the majority of business units, to discuss a range of important issues for the company.

Locally, these are some of the communications initiatives:

- **CodereLab** consists of the creation of physical spaces to promote internal communications at the corporate headquarters in Madrid and the Rome office.
- **Dialogue Forums** open discussions to reach agreements and agree policies on shifts and other issues, like in Spain with the Workers' Committees.

Also, in 2020, in line with its philosophy of getting to know its employees and understanding their needs, priorities, and motivations, Codere will conduct satisfaction surveys among its employees to improve their wellbeing at the company.

## Diversity and equal opportunities

As set forth in the company's Code of Conduct, Codere promotes diversity, equal opportunities, and non-discrimination at all times in its employment relationship with its staff. In this context, the company is currently working, along with its specialized expert advisors, to approve an Equality Plan that will be published before March 7, 2020.

Codere values the diversity of its employees and has an equitable staff with a variety of nationalities and

talents. In 2019, the company comprised employees from 42 countries.

Codere's goal is to promote understanding among the various countries that make up the company. It trains employees to work together, understand codes of behavior, and work with coworkers with different visions.

That is why Codere organizes employee visits to other branches and has a welcome program for employees who move from one job site to another for a project or a transfer, in addition to many other team-building initiatives with all of its staff.

The company works not only to achieve a workplace environment that is free of discrimination, but also to ensure that the workplace is a safe environment where employees' rights are respected. Therefore, in addition to the rules established by the corporate Code of Conduct mentioned above, most of the countries have adopted specific measures, such as Uruguay's approval of a Prevention and Response Protocol against Harassment at the Workplace.

Hiring people with disabilities is another area in which Codere is working to promote inclusion and equal opportunities. Currently, 0.5% of employees on staff have a disability. This figure will increase in the coming years through specific recruitment schemes.

Furthermore, the company outsources services provided by people with disabilities, such as cleaning services for offices and gaming halls, through specialized job centers. In addition, in some countries there are initiatives involving direct contact with people with disabilities, including the following:

- In Uruguay, the company is in contact with various foundations and institutions to promote the inclusion of people with disabilities and support vulnerable individuals and people at risk of social exclusion.
- In Spain, Codere has signed an agreement with Zauma Inclusión y Diversidad, a specialized consulting firm, to hire people with disabilities\*.

**Codere values the diversity of its employees and has an equitable staff with a variety of nationalities and talents. In 2019, the company comprised employees from 42 countries.**

\* When the individuals hired by Codere are not enough to reach the minimum level established by law, the company requests the appropriate exception certificate from the government to indirectly hire, in this case, people with disabilities through Special Job Centers

## Equal remuneration

Remuneration is a key tool in attracting and retaining the best talent. That is why the company worked in 2018 to design a new remuneration model with a different structure, a model of fixed remuneration tranches (based on the analysis and assessment of job positions, internal fairness and external competition) and a variable remuneration model (for the short term). This model, which is more in line with today's landscape, is covered by the collective bargaining agreement and guarantees non-discrimination. We already began to use this new model in 2019.

As part of the process of updating the model, employees' remuneration has been revised based on the company's redefinition of job positions, resulting in remuneration tranches that are in line with the market.

## Average Remuneration of Directors and Managers

	2018		2019	
	Men	Women	Men	Women
Senior Management *	347,540	373,612	371,027	0
Directors	128,222	-	165,177	-

\* The following profiles are included in Senior management: 1st level executives of the Company (Group's CEO) and managers reporting directly to the CEO (regional managers, country managers, COOs and other 1st level executives).

\*\* The calculation of director remuneration in 2018 and 2019 takes into account the number of days that each director has been on the Board, and if they have not stayed on the Board for the entire year, the perceived remuneration has been annualized. For this calculation, only the fixed remuneration received for being a member of the Board and its executive committees has been taken into account, and not any received indemnities or other items. Currently, no Codere director receives variable remuneration.



The company's average remuneration increased from 2018 to 2019 for both women and men. However, the differences detected indicate a variable gender gap, depending on the categories, as shown in the table below:

## Average Remuneration by Gender and Job Category (Euros) and Pay Gap\*\*

	2018				2019			
	Average remuneration men	Average remuneration women	Total	Gender gap	Average remuneration men	Average remuneration women	Total	Gender gap
Senior Management	347,540	373,611	349,402	-7%	355,418	-	355,418	-
Managers	119,843	97,472	115,315	18%	124,458	102,365	119,887	18%
Middle Managers	22,657	19,003	21,486	16%	23,915	19,288	22,316	19%
Technicians	15,712	16,976	16,033	-8%	16,567	17,425	16,790	-5%
Administrative staff	16,036	17,702	17,100	-10%	16,340	19,223	18,167	-18%
Operational staff	9,527	8,648	9,136	9%	10,015	8,920	9,528	10%
<b>Total Codere</b>	<b>14,752</b>	<b>11,618</b>	<b>13,485</b>	<b>21%</b>	<b>15,471</b>	<b>12,132</b>	<b>14,107</b>	<b>21%</b>

\*Average remuneration was calculated based on the staff at the end of the year. It includes both fixed and variable remuneration, annualizing the amount (considering the employees' actual time at the job during the year). In addition to fixed and variable remuneration, the figure includes the benefits received by employees. Based on the average remuneration, the gender gap was calculated using the following formula: Gender gap = 1 - (average remuneration of women / average remuneration of men).

\*\* Annex II of this report includes other indicators related to various areas of Human Resources, such as average remuneration broken down by gender, age, and job category.

## Wellbeing at the workplace

Each country where the company is present has adopted various measures related to its employees' wellbeing at the workplace. These measures have focused on the prevention and improvement of health at the workplace, sports initiatives, nighttime transportation of employees to their homes when they end their working day later than scheduled and volunteering and work with NGOs.

Moreover, the company encourages employee unions as a way to facilitate labor relations and continuously improve its employees' working conditions. These working conditions are reflected in the collective bargaining agreements that have been signed. In most countries where Codere operates (see table), most of its employees are subject to collective bargaining agreements, whether as industry-wide agreements or specific agreements with the company.

## Percentage of Employees Subject to a Collective Bargaining Agreement by Country

País	2018	2019
Corporate <sup>1</sup>	100%	100%
Spain <sup>2</sup>	74%	76%
Argentina	83%	84%
Colombia	39%	38%
Italy	100%	100%
Mexico	36%	34%
Panama	23%	17%
Uruguay	95%	94%

Actions to support work/life balance are another key aspect of wellbeing at the workplace.

In this area, Codere organizes work shifts in order to adapt it to the Company's needs and those of its employees, through initiatives designed and managed globally<sup>3</sup>.

One of the most noteworthy actions in 2019 was the implementation of the Working Day and Shifts Policy for companies in Spain, in accordance with legal requirements. We will continue to work on this globally in 2020. A Teleworking Policy is expected to be launched in Spain, Argentina and Italy, which will also include initiatives to encourage workers to disconnect from work. In order to foster wellbeing at the workplace, Panama and Colombia organise recreational and sports activities.

Codere promotes its employees' wellbeing at the workplace, which results in high employee satisfaction with their jobs and a low absence rate.<sup>10</sup> In 2019, the company recorded a very low absence rate (891,005 hours out of a total 28,840,749 hours worked). This figure shows a slight reduction compared to 2018, when there were 990,303 hours of absenteeism.

<sup>1</sup> Employees included in the "Corporate" category correspond to the company's core services.

<sup>2</sup> Employees included in the "Spain" category are those who are mostly work in the business lines for "B" type machines, and the company's own bingo and gambling establishments. The percentage of employees covered by a collective agreement in this last line is less than 100%, since there is no specific agreement for the betting sector in our country, though workers' rights are guaranteed under the reference labor legislation 76% of employees who are covered by an agreement are covered by existing ones for other sectors, such as hospitality, commerce or metal, among others.

<sup>3</sup> Codere carries a highly complexity activity within gambling sector due to its international geographical diversification and particular circumstances of its different work centers (headquarters, branches and businesses: Racetracks, gaming machines, gaming halls, which involve a great deal of structural complexity, especially at the hall level: betting stations, bingo, slot machine rooms). Added to this are the differences that exist between the regional and autonomous community regulations governing these centers (in the case of Spain) and at the country level, since businesses are governed by different regulations depending on the countries in which they are located. Moreover, Codere Group is aware of the importance of creating a work-life balance, offering flexible hours, when the activity permits, or bringing certain services closer to work centers, to avoid employees having to travel and waste time. With these actions we try to find a balance between professional development in our activity and dedication to family life, which leads to a greater contribution of value by employees, while improving their satisfaction with the working environment and conditions.

<sup>4</sup> The absence hours include: hours of unauthorised absence, absence hours because of workplace accident, with or without medical leave, and absence hours for common diseases, with or without medical leave.

## 07.6

# Health and safety at the workplace

The company is working to implement a shared culture of safety in order to prevent any kind of accident from taking place, whether at work or outside work.

To that end, Codere organizes a range of initiatives, such as providing its employees with courses on Fire Prevention, Occupational Hazards Prevention, and First Aid, as well as other actions carried out locally:

- In **Argentina**, occupational hazard insurers (ART) give courses to employee representatives from establishments with a high rate of workplace accidents. These occupational hazard insurers provide information on preventive measures and how to respond in case of accidents or illness at work.
- In **Uruguay**, the company has a prevention expert who visits worksites and analyzes working conditions in terms of employee health and safety.
- In **Italy**, a formal committee has been formed at each worksite, which meets annually to evaluate the activities performed with regard to safety.

- In **Colombia**, there is an Employee/Employer Health and Safety Committee, which is made up of a group of people who are trained to respond to employees' needs. There is also a workplace health and safety policy that is currently in place. Through this policy, Codere Colombia has committed to guaranteeing the identification, evaluation, and control or elimination of the risks present in all of the activities conducted by the company.
- In **Mexico**, employer/employee health and safety committees have also been created.
- In **Spain**, employees have been trained on the subject and health services have been provided.
- In **Panama**, first aid brigades have been organized in all of the casinos. In 2019, two refresher trainings were held on this subject.

Moreover, in 2019 the company was able to reduce the accident rate by 12,2% compared to the previous year.

## Psychosocial risk prevention

In 2019, Mexico approved regulations for the prevention of psychosocial risks at the workplace (NOM 035). By doing so, the company has met its goal of ensuring that its actions in this area comply with a public standard approved by an external, technically accredited institution.

Although it is only required in Mexico, the company will use it as a basis to develop a general framework for all business units, specifying compliance with each local regulation.

## Accident rate

	2018			2019		
	Total	Men	Women	Total	Men	Women
Accidents	432	241	191	380	215	165
Frequency index	14.58	13.66	15.94	13.18	12.61	13.99
Seriousness index	11.89	6.99	4.74	21.42	46.86	5.57
Confirmed occupational illnesses	9	6	2	18	13	4

\* The frequency index was obtained by dividing the number of lost time injuries by the number of hours worked, multiplied by 1,000,000.

\*\* The seriousness index was calculated as an average of the seriousness indexes existing in each of the countries in which CODERE is present. These indexes were calculated using the methodology of each country.

# Contribution to the local environment

08

## 08.1

# Contribution to the environment

Codere Group also believes in the sustainable growth of its environment and therefore fosters value creation for its stakeholders and for the protection of the environment.

For this reason, the company is in contact with groups who are influenced by our business and this helps identify their expectations regarding the organization.

This adds to Codere's contribution to generating wealth in the markets it operates in. In this area, its tax contribution to the state coffers of the countries where it operates is especially significant.



## 08.2

# Contact mechanisms and assessment of the impact on the community

In order to achieve a smooth relationship with its stakeholders, Codere has opened different communication channels that encourage feedback and dialogue.

Through these channels we reach a balance between the business values and the stakeholders' expectations, driving the company to adapt, where possible, the policies and strategies to their concerns and needs.

### Codere's stakeholders and main areas of interest regarding the company

Shareholders	Transparency and value creation.
Customers	Regulations to protect vulnerable people.
Employees	Job stability and quality of life.
Investors	Sustainable growth.
Suppliers	Employment terms. Average payment period.
Media	Management of risk groups and impact of problem gambling.
Regulators	Transparency and protection of vulnerable people.



The company, besides its communication channels with employees, shareholders, investors and other groups<sup>11</sup> described in other chapters herein, has also opened communication channels with external stakeholders:

## Communication channels for customers

Codere has a customer support service to address different types of incidents and complaints related to the service. This system is based on a procedure that establishes how to address and solve the complaints or incidents reported. This same procedure establishes the review of all complaints until finally solved if the initial solution given by the system was unsatisfactory.

Complaints are received through different channels depending on the type of customer:

- Complaints received in the retail business, in partners and facilities are mostly addressed by phone (60%) or email (40%).
- Complaints from end users of the online business are mostly received through the chat (both on the mobile APP and on desktops) and other phone and email channels that have been especially created for online customers.
- Complaints arising from bars are received through the Máquina B Call Center.

In 2019, Codere received over 23,434 complaints and requests to solve incidents through the channels mentioned above.

## Website

The group keeps the public abreast of the most important aspects of the business by publishing relevant events, press releases and financial statements on its website [www.grupocodere.com](http://www.grupocodere.com), alongside the contact details of the local offices for users.

## Specific channels for certain stakeholders

The company fosters communication and dialogue with online and offline customers through the websites of its businesses in the countries it operates in, through points of sale and through customer satisfaction surveys. For the media and journalists in particular, the company has a press room on its website. The company also publishes information regarding investors.

## Social Media

The company is active on the most relevant social media platforms as a means of encouraging dialogue with its followers and the people interested in our business.

 **72,786**  
Followers

 **650,634**  
Followers

 **125,608**  
Followers

 **17,600**  
Followers

 **29,502**  
Followers

**Through these channels we reach a balance between the business values and the stakeholders' expectations.**

<sup>\*</sup> See Chapter 5: Commitment to Investors and Chapter 6: Employees, the Key to Cultural Transformation, in this report.

## 08.3

# Value creation for our stakeholders

In accordance with our Policy for Corporate Social Responsibility, Codere fosters fair compensation for all those contributing to the success of our business project, thus boosting the increase of wealth among our main stakeholders. During the 2019 period, the company distributed over 1,315.5 million euros between them.

### Value creation for Codere's stakeholders (million euros)

<b>Amount produced by the company</b>	<b>1,389.4</b>
<b>Amount distributed among stakeholders</b>	<b>1,315.5</b>
Employees (wages paid)	158.3
Suppliers (purchases and contracting)	378.8
Shareholders (dividend payout)	6.5
Public Administrations (taxes)*	703.2
Financial entities (interests paid)	68.8
<b>Amount withheld by the company (A-B)</b>	<b>73.8</b>

\* Regarding the relationship with Public Administrations, Codere Group did not receive any government subsidies in 2019.

## 08.3.1

# Tax contribution

As mentioned in the previous section, the different taxes paid by Codere Group in the countries where it operates are a significant contribution to the sustainability of public expenses and, therefore, society's governance.

Subject to the OECD methodology, based on the cash criteria, Codere Group's total tax contribution in 2019 was 536 million euros, only including taxes paid, i.e. those that entail an expense for the Group.

Among all the taxes paid, the most notable tax is the gambling tax (in its various modalities) paid by Codere Group which resulted in a contribution to the tax agencies of the countries in which it operates of 413.3 million euros. In terms of profit tax paid by the company, the contribution to the tax agencies of the countries in which it operates amounted to 40.6 million euros in 2019.

In addition, Codere is subject to other real estate or corporate tax, which amount to approximately 61,4 million euros in the Group's financial results in 2019.

Additionally, it is worth highlighting that Codere pays a considerable sum for Value Added Tax (VAT) and similar indirect taxes, as gambling is exempt from indirect taxes in most of the countries it operates in, which means that it cannot deduct taxes and, therefore, recover most of the tax paid for this, which implies a VAT cost of 20.7 million euros.

On the other hand, Codere makes other tax contributions that it collects on behalf of third parties. In particular, the company withholds taxes on wages which amount to 26.8 million euros; as well as contributions to Social Security imposed on both employee and the company, which amount to 54.3 million euros.

In addition, in 2019 Codere has collected tax withholdings on behalf of customers, as well as suppliers, for a total of 58.9 million euros. Additionally, it has collected VAT amounting to 27.3 million euros.

## Company Taxes paid by Codere Group in 2018 - 2019 (million euros)

	Corporate income tax or equivalent tax		Withholding tax		Other		Total	
	2018	2019	2018	2019	2018	2019	2018	2019
Argentina	18.4	16.9	2.6	1.4	0.4	0.5	21.4	18.8
Mexico	14	14.8	1.6	1.4	0	0.0	15.6	16.1
Colombia	0.2	0.1	0.2	0.3	0	0.0	0.4	0.3
Spain	1.2	1.5	0.4	0	0	0.0	1.6	1.5
Italy	1.8	1.7	0	0	1.4	0.0	3.2	1.7
Panama	1.4	1.2	0.3	0.3	0	0.0	1.7	1.5
Uruguay	0.1	0.4	0	0.1	0	0.0	0.1	0.5
Israel	0	0.1	0	0	0	0.0	0.0	0.1
<b>Total</b>	<b>37.1</b>	<b>36.7</b>	<b>5.1</b>	<b>3.4</b>	<b>1.8</b>	<b>0.5</b>	<b>44.0</b>	<b>40.6</b>

## Other taxes in million euros (2018-2019)

Million Euros	2018	2019
Gambling tax contribution	436.9	413.3
Other taxes	65.5	61.4
Non-deductible VAT	25.7	20.7
Company Tax	44	40.6
<b>Total</b>	<b>572</b>	<b>536</b>

## Earnings before tax by country in million euros (2018 – 2019)

Country	2018	2019
Spain	-12.9	2.6
Mexico	19.6	-11.7
Argentina	54.6	44.6
Colombia	-2.7	-5.3
Italy	4.2	-3.2
Uruguay	0.6	1.9
Brazil	-5.5	-0.7
Panama	1.9	-12.3
Main offices	-62.8	-40.6
Online	-	-8.1
<b>Total</b>	<b>3</b>	<b>-32.8</b>

## 08.3.2

# Contribution to the development of the local community

Likewise, Codere contributes to the development of the local communities where it operates, supporting different programmes devoted to foster education and culture and to protect vulnerable people.



Students of the technical Academy for jockeys Laffit Pincay Jr. "Edificando vidas" (Building lives) Programme. Codere Panama.

These programmes are channeled through four main areas of action.

## Education

Fostering education, especially among children, is one of the most important areas in the Group's activities with the communities where it is present.

In this regard, some of the most important programmes are:

### “Edificando vidas” (Building lives) programme

After its success in 2018, Codere Panama has renewed its comprehensive programme called “Edificando Vidas” (Building Lives) with the technical Academy for jockeys Laffit Pincay Jr. This programme for young people at risk, consists of a course to help them become jockeys whilst helping them with their personal development and with their integration in the family environment and society in a way that will ensure a positive social integration after training as jockeys. From the start, this programme has had the support and psychosocial guidance of the Fundación Dando la Milla Extra (Giving the Extra Mile Foundation) and of the Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano (INADEH, National Institute of Vocational Training and Skills for Human Development).

### “Futuros Egresados” (Graduate Futures) Programme

This activity is carried out in Uruguay and focuses on guiding pupils with a critical background to stop them from dropping out of Secondary School in state schools. So far, the programme has helped 22 students get through Secondary School.

Additionally, in 2019 we have supported other initiatives and programmes for students in other countries as a means of ensuring that the gambling industry makes progress in a responsible and sustainable way. Some of the most outstanding programmes are “Cuando el juego no es juego” (When gambling is not a game) in Argentina or “Programa de juego responsable” (Programme for responsible gambling) in Mexico.\*

## Training and employment

Codere Group's commitment to education also extends to training young people for jobs. Codere is aware that this is one of the best contributions it can make to society as a business and this is why it creates opportunities in its local communities.

The most remarkable initiative in this area is the training programme launched in Uruguay every year in honor of the Gran Premio José Pedro Ramírez, an emblematic horse race in Río de la Plata.

Through this programme, over 100 youths get a work placement in the company and enjoy their first work experience after being trained for different areas in the company.

**Codere contributes to the development of the local communities where it operates, supporting different programmes devoted to foster education and culture and to protect vulnerable people.**

\* The details of these initiatives are available under the “Responsible Gambling” section.



## Philanthropy and development

The company's commitment to philanthropy and development is reflected in its social initiatives and fundraisers for projects that aim to cover the needs of different groups:

### **“Codere te da la mano” (Codere gives you a hand) Programme**

Codere Panama runs this initiative through the “Donate a nappy” activity where volunteers gave out 4,277 disposable nappies for hundreds of babies and toddlers living in extreme poverty in the country.

### **“Race for the cure”**

Codere Italy promoted this charity event to raise funds for the fight against breast cancer by buying race kits for the employees who were taking part in the marathon.

## MODERS Forum

Codere Mexico sponsored this forum that aims to promote mothers as drivers of social transformation towards a more innovative and responsible Mexico.

### **“Vinculación Comunitaria” (Community bonding) Programme**

Codere Argentina has developed a new programme for community bonding based on different actions aimed at bringing communities closer, like charity shopping, corporate volunteers and actions focused on environmental sustainability.

## Sports

Codere carries out several actions to promote sports and improve people's quality of life and health in the communities it operates in. The most outstanding examples in 2019 are the actions led in Mexico, including:

- Opening of the Codere Park, a space that is open to the public for them to practice athletics.
- The football pitch called “Los Olvidados” (The Forgotten) was built in an underprivileged area in the city to draw the youth into the world of sports and keep them away from drugs.

For these activities, Codere works with different non-profit organizations, foundations and entities. In 2019, the company contributed a total 5,621,849 euros to these organizations.

**The company's commitment to philanthropy and development is reflected in its social initiatives and fundraisers for projects.**

## 08.4

# Minimizing our environmental impact

Given the company's business, Codere does not have any liabilities, expenses, assets or provisions or contingencies of an environmental nature that may be material to the Group's equity, financial state and performance. It is not surprising that Codere's operations have no serious impact on the environment. Its impact mostly involves power and water consumption and greenhouse gas emissions and certain types of waste. Codere develops different actions to minimize the environmental impact and help achieve national and international goals set in the environmental policies.



## Optimization of resources

Codere, as part of its different policies aimed at managing the impact of its business, is developing an Energy Efficiency Plan for its offices and sites in Spain to ensure a more sustainable use of its energy resources that will protect the environment by reducing power consumption and CO2 emissions, thus reducing the impact on the climate change.

Through this plan, the company has implemented an automation system that shows and controls power consumption remotely to help optimize it. This system is based on a global tool that allows us to administer the use of power at each site and control the main facilities.

The company has estimated that, by implementing this plan, it can reduce up to 25% of its power consumption in three years. This is a dramatic reduction that is in sharp contrast to the expected increase of power consumption (up to 4% per year).

So far, the plan has been deployed for the business in Spain. However, we are examining the possibility of extending it to other countries, such as Mexico and Argentina.

## Power and water consumption in Codere in 2018-2019 (kWh)<sup>1</sup>

Millones de euros	2018	2019
Power consumption (kWh) <sup>2</sup>	197,978,987	206,642,091
Fuel consumption in (l) <sup>3</sup>	44,339	57,797
Diesel consumption in (l)	1,228,800	1,138,294
Natural gas consumption (m <sup>3</sup> )	332,220	316,576
<b>Water consumption (m<sup>3</sup>)<sup>4</sup></b>	<b>376,940</b>	<b>401,260</b>

<sup>1</sup> Calculated according to the invoices available as of the date of the report.

<sup>2</sup> The data do not include power consumption in Colombia and Panama for 2018 and 2019.

<sup>3</sup> The data do not include fuel consumption from Argentina, Colombia, Italy, Panama and Uruguay for 2018 and 2019.

<sup>4</sup> The data do not include water consumption in Colombia and Panama for 2018 and 2019. The data from Spain and Argentina for 2019 are the same as in 2018, since it is estimated that there has been little variation.

Codere has also planned other actions that will have a positive impact on the consumption of this resource. Some of these actions are those aimed at improving energy efficiency in the use of screens and machines or other actions related to means of transport, including the renewal of the Company's fleet -to adapt it to the Euro 6D regulation- or the coming launch of the mobility plan for the staff working at the Company's headquarters.

By adopting these efficiency measures we do not only reduce power consumption, we also have a positive impact on greenhouse gas emissions.

In 2019, these emissions were 192,027 tCO<sub>2</sub>eq, mostly from power consumption.

### Greenhouse gas emissions by Codere in 2018-2019 (tCO<sub>2</sub>eq)

	2018	2019
Scope 1	4,074	3,829
Scope 2	84,651	88,198

### Waste Disposal

Codere wishes to become a global corporation with zero tolerance for plastic waste. With this in mind, it has implemented several actions in its Madrid offices and has started to expand them across the board.

One of these initiatives is to eliminate the use of plastic-bottled water in Codere's offices. To do so, water coolers have been made available in the common areas. Furthermore, the company has promoted the reduction of plastic bottles by handing out glass bottles to its employees. This initiative has entailed the reduction of plastic and has also saved money for the company.

### LEED Certificate for the corporate headquarters in Spain

In 2019, Codere kept the LEED (Leadership in Energy & Environmental Design) Certificate it first obtained in 2017 under the silver category. This quality standard is granted by the US Green Building Council to energy-efficient buildings. It is the most prestigious green building standard and acknowledges the responsible use of buildings to maximize their operational efficiency and minimise their environmental impact.



# Responsibility in the Supply Chain

09

# 09.1

## Suppliers Relations

Having a stable supply chain is essential for Codere's business model. Suppliers do not only provide basic materials for the company's operations, they also play a key role in the business by providing technologies.

The company applies several procedures to ensure that the company-supplier relationship is managed under the appropriate efficiency, quality and responsibility standards. This way, it supports the business sustainable development and avoids risks that may arise from inappropriate behavior by its employees.

Every year, Codere upgrades its in-house tools to improve supplier management. For this reason, it renews its processes and procedures and boosts digital transformation projects.

## 09.2

# Description of the supply chain

Codere's supply chain is made up of over 10,500 businesses that supply the products and services required to cover the company's different needs.

Generally, the Group's supply chain is divided into five large areas:

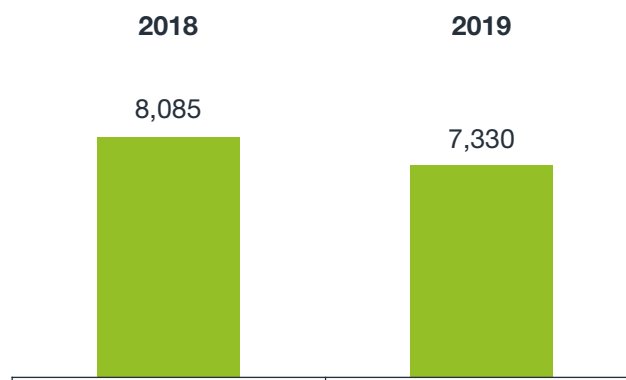
- Purchase of gambling equipment.
- Purchases of the online business, mostly consisting of online games and components that are critical to said games.
- Purchase of betting equipment.
- Technological purchases that include computer tools used by the employees and the contracting of maintenance and development services for the betting platform.

Supplies and other purchases, including phones, marketing, consumption, spare parts, vehicles, travels, etc.).

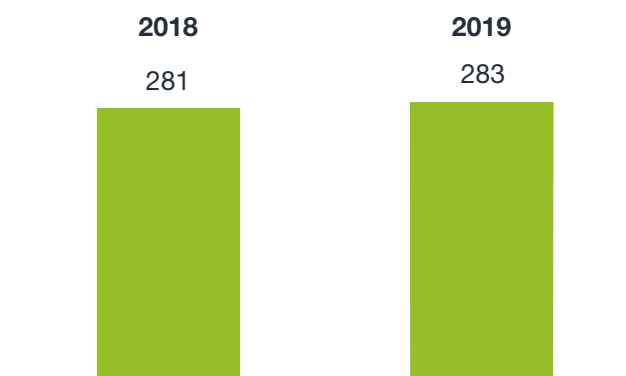
In total, the purchases made by Codere in its different markets amounted to 188 million euros in 2019, which is 1% more than a year earlier.

\* Data for the five groups of purchases and contracting shown in the text. 2018 figures do not include data on betting equipment. The data for gambling equipment purchases do not include figures from Colombia. The data for purchases made in currencies other than the euro have been converted into euros applying the average exchange rate for each year.

### Number of suppliers



### Purchase volume (million euros)





## 09.3

# Management of the supply chain

### Procedure for purchases and contracting

Codere Group has a Purchases Policy and Procedure which lays down the principles that govern its practices in its operations and the restrictions on its expenditure and capex in suppliers. The implementation of this procedure was carried out during 2019, first in Spain and then across the board. Thanks to this guide, the company has been able to contain the business unit expenditure and capex, hence saving costs and improving the standard deployment of the procedure.

Alongside this guide and procedure, Codere's supply chain management is subject to principles and guidelines set forth in other in-house rules, including the Code of Ethics and Conduct, the Anti-fraud Policy and the Corporate Social Responsibility Policy.



With this, Codere Group ensures company-supplier relationships based on an ethical and responsible behavior within the legal framework. The company's global outsourcing procedure is overseen by the General Management and the Purchasing Department, and is divided into five areas:

- **Purchasing area.** This consists of the search for, selection and certification of suppliers, the certification of products and services, negotiation and contracting. This area sets the best contractual terms and conditions for the Group companies in accordance with their needs.
- **Virtual purchasing pool.** This consists of the procedure followed to certify a purchase and its development depends on the total amount of the purchase. This procedure is done virtually and takes place when the purchase order lacks a framework agreement, i.e. the supplier has not yet been certified. To launch this process, several suppliers must be proposed and then a finalist is chosen. The suppliers are accepted and certified by different profiles in the company depending on the total cost of the order.
- **Procurement area.** This area is accountable to Purchases and is in charge of launching the order, tracking it and dealing with any incidents with the suppliers.
- **Payments area.** This area is not accountable to Purchases and consists of confirming the product/service, posting the expense in the books and receiving and settling the invoices.
- **Framework Agreements.** With this kind of agreements entered into with one or more suppliers, the company can set the terms that govern the contracts that the contracting board may award to suppliers for a certain period of time.

**Thanks to its Purchases Policy and Procedure, the company has been able to contain the business unit expenditure and capex, hence saving costs and improving the standard deployment of the procedure.**

## Supplier certification

Supplier certification is part of the Purchasing area and determines whether a supplier can indeed provide their products or services. This is a comprehensive procedure that involves the company's Internal Audit area and the General Purchasing Department.

With a view to restricting business relations to entities that conduct their business in keeping with the highest standards of solvency, honorability and compliance, Codere conducts due diligence on all suppliers of goods or services for operations that equal or exceed 3,000 euros. As a result, any area

that needs to engage services and/or purchase goods must send the Compliance Department the information needed to verify and certify the proposed suppliers via the Purchasing Pool.

Supplier certification is especially important in the gambling industry that is subject to such a strict regulatory framework. For instance, suppliers of gambling equipment must be registered as manufacturers/importers in the gambling registries for the relevant region and have the necessary licenses and be registered to sell this equipment. Moreover, suppliers of online games and their critical components must have a license in countries that require it. This license may be a B2B license certified by an external lab or may be purchased, to certify it as a component of Codere's gambling platform by means of a trial to include the supplier in the lab-certified platform.

Throughout 2019, the company worked with a large percentage of local suppliers in each of the aforementioned purchase categories. This percentage rose to 100% in the purchase of gambling equipment. Lastly, aware of how important it is to strengthen suppliers' solvency, Codere has optimized its average payment period. In 2019, the average payment turnover\* was 30 days, which is below the legal maximum period of 60 days stipulated in the Spanish Act 15/2010.

## Digitalized supplier management

Codere has implemented different digitalization projects for the supplier management. Some of the most notable ones are:

- Implementation of the SAP ARIBA management platform. This allows the company to automate the purchasing process through a comprehensive cloud-based platform. This solution entails the comprehensive management of whichever purchase, optimising all the expense categories and ensuring suppliers' compliance with regulations. This tool makes it easier to track the entire purchasing process. Also, the system tightens control over the transactions in the area as it allows the people in charge to handle, through a control panel, each purchase project, check its status and control the volume and operations in real time. During 2019, the company implemented the platform in Spain and Italy and will start its expansion to other countries in 2020.
- Implementation of VIM (Vendor Invoice Management) This policy has allowed us to digitalize the administrative process for accounting and payment management.

**Codere conducts due diligence on all suppliers of goods or services for operations that equal or exceed 3,000 euros.**

## Responsibility in the supply chain

Codere's commitment to society implies strengthening its ties with local suppliers in the countries it operates in. This strategy provides the added benefit of reducing operational risk by shortening product delivery times.

\* Data referred to Codere, S.A and its subsidiaries in Spain. This calculation is in accordance with the Spanish Act 15/2010 and the resolution of 29 January 2016 adopted by the Spanish Institute of Accounting and Audits (ICAC).

# Annexes

# Annex I

## About This Report and the Materiality Matrix

This document is Codere's Integrated Report 2019 and is based on the new Global Reporting Initiative standards. By doing so, the company aims to improve the quality of the information disclosed to its stakeholders. Furthermore, through this report, the company meets the requirements foreseen in the Spanish Act 11/2018 of 28 December on non-financial information and diversity.

The information included herein refers to Codere's business during 2019 and the main impacts made by the operations on its stakeholders.

To prepare this report, we have taken into account the guidelines and principles marked by the GRI standards, including:

- **Participation of stakeholders.** The report has been prepared subject to stakeholders' expectations on Codere's performance. To do so, Company's leaders have appraised already detected expectations but we have also analyzed several publications on the industry published by other bodies where they develop the most relevant aspects for stakeholders.
- **Sustainability context.** We have assessed the impact of operations on the social, economic and environmental context that surrounds the company.
- **Materiality.** The company has studied the

materiality to define the most relevant aspects for the Company. The method followed for this analysis is detailed in Annex II.

- **Thoroughness.** After identifying the material aspects for Codere, we have included information on said aspects throughout the report to allow stakeholders to appraise the Company's economic, environmental and social performance in the past years.

Furthermore, for this report we have considered the GRI principles to encourage the quality of the information:

- **Accuracy.** We have reported accurate information that allows stakeholders to evaluate the Company's performance.
- **Balance.** We have disclosed positive and negative aspects of the operations to provide an objective and comprehensive view of Codere.
- **Clarity.** The information has been laid out in an understandable, clear and accessible way for the stakeholders who will use said information.
- **Comparable data.** The information has been gathered and disclosed coherently to help stakeholders analyze it and compare it easily to the data on other organizations.
- **Reliability.** We have detailed the process followed to prepare this report by gathering, collecting and registering all the information so that the contents may be verified and/or assessed externally to appraise the quality and materiality of the information.
- **Timeliness.** Every year, the contents of this report will be updated to provide stakeholders with up-to-date information.

The Annex includes a GRI Table of Contents that shows a list of the indicators reported and the pages where these are. Codere has chosen the "essential" option offered by this standard when following the GRI instructions.

Under the GRI standards, we have conducted a materiality analysis to assess the aspects that are most relevant to Codere and its stakeholders.

For this analysis, we used the list of sustainability aspects suggested in the newly published standards. We have also considered other factors that are relevant to the company and to its stakeholders and had been identified in the different sources used for the analysis:

- Meetings held with the leaders and executives of the key areas in the Company.

- Analysis of the Company's internal documentation: policies, manuals, presentations, action plans and other relevant documents in this regard.
- Analysis of newspaper clippings with news on the Company published in 2019.
- Benchmarking of contents included in other reports from different companies in the gambling industry.
- Consideration of the main legal initiatives and policies related to sustainability and non-financial aspects, including the Spanish Act 11/2018 on non-financial information or Sustainable Development Goals.

Based on the above, we prepared a materiality matrix that shows 18 material aspects sorted as Critical, Relevant and Miscellaneous depending on their relevance to Codere and its stakeholders.



- |   |  |
|---|--|
| 1 Compliance and crime prevention.                | 11 Consolidation in strategic.                             |
| 2 Image and brand positioning.                    | 12 Reputational risk and political opinion.                |
| 3 Cybersecurity and personal data protection.     | 13 Fostering the organization's culture and values.        |
| 4 Promotion of Responsible Gambling.              | 14 Relationship with the community and other stakeholders. |
| 5 Political risk and regulatory and tax pressure. | 15 Environmental performance.                              |
| 6 Operational efficiency.                         | 16 Talent development and management.                      |
| 7 Innovation and digitalization.                  | 17 Organizational climate, diversity and equality.         |
| 8 Corporate governance.                           | 18 Managing the supply chain.                              |
| 9 Relationship with investors                     |  |
| 10 Knowledge and access to customers.             |  |

The coverage of the aforementioned aspects have been sorted below by the impact they have outside and/or inside the organization as per the GRI standards.

## Coverage of material aspects

Categorización	Aspecto material	Coverage of the material aspect	
		Inside the organization	Outside the organization
Economic	Image and brand positioning		X
	Knowledge and access to customers		X
	Operational efficiency	X	
	Consolidation in strategic markets	X	
Environmental	Environmental performance		X
Social	Promotion of Responsible Gambling.		X
	Talent development and management	X	
	Organizational climate, diversity and equality	X	
	Relationship with the community and other stakeholders		X
Ethics and governance	Compliance and crime prevention	X	
	Cybersecurity and personal data protection	X	X
	Corporate Governance	X	
	Relationship with investors		X
Others	Political risk and regulatory and tax pressure	X	X
	Innovation and digitization	X	
	Reputational risk and political opinion	X	X
	Fostering the organization's culture and values	X	
	Managing the supply chain		X



# Annex II

## List of Human Resource Indicators

### Total amount and distribution of the different types of employment contracts by gender

	2018		2019	
	Men	Women	Men	Women
<b>Permanent contract</b>	<b>6,699</b>	<b>4,426</b>	<b>6,845</b>	<b>4,583</b>
Full-time contracts	6,215	3,706	6,301	3,782
Part-time contracts	484	720	544	801
<b>Temporary contract</b>	<b>597</b>	<b>528</b>	<b>562</b>	<b>539</b>
Full-time contracts	511	348	480	352
Part-time contracts	86	180	82	187
<b>Total</b>	<b>7,296</b>	<b>4,954</b>	<b>7,407</b>	<b>5,122</b>

## Total amount and distribution of the different types of employment contracts by age

	2018				2019			
	< 30	30-39	40-50	> 50	< 30	30-39	40-50	> 50
<b>Permanent contract</b>	<b>3,039</b>	<b>4,441</b>	<b>2,556</b>	<b>1,089</b>	<b>3,031</b>	<b>4,419</b>	<b>2,819</b>	<b>1,159</b>
Full-time contracts	2,526	4,015	2,370	1,010	2,444	3,971	2,583	1,085
Part-time contracts	513	426	186	79	587	448	236	74
<b>Temporary contract</b>	<b>771</b>	<b>252</b>	<b>83</b>	<b>19</b>	<b>737</b>	<b>236</b>	<b>109</b>	<b>19</b>
Full-time contracts	561	215	70	13	522	207	93	10
Part-time contracts	210	37	13	6	215	29	16	9
<b>Total</b>	<b>3,810</b>	<b>4,693</b>	<b>2,639</b>	<b>1,108</b>	<b>3,768</b>	<b>4,655</b>	<b>2,928</b>	<b>1,178</b>

## Total amount and distribution of the different types of employment contracts by job category

	Senior management		Managers		Middle managers		Technicians		Administrative staff		Operational staff	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Permanent contract</b>	<b>14</b>	<b>12</b>	<b>84</b>	<b>87</b>	<b>1,932</b>	<b>1,992</b>	<b>1,649</b>	<b>1,749</b>	<b>444</b>	<b>493</b>	<b>7,002</b>	<b>7,095</b>
Full-time contracts	14	12	-	-	1,919	1,978	1,537	1,613	389	415	5,978	5,978
Part-time contracts	-	-	-	-	13	14	112	136	55	78	1,024	1,117
<b>Temporary contract</b>			<b>-</b>	<b>-</b>	<b>22</b>	<b>31</b>	<b>32</b>	<b>49</b>	<b>38</b>	<b>46</b>	<b>1,033</b>	<b>975</b>
Full-time contracts	-	-	-	-	20	29	32	45	26	37	781	721
Part-time contracts	-	-	-	-	2	2	-	4	12	9	252	254
<b>Total</b>	<b>14</b>	<b>12</b>	<b>84</b>	<b>87</b>	<b>1,954</b>	<b>2,023</b>	<b>1,681</b>	<b>1,798</b>	<b>482</b>	<b>539</b>	<b>8,035</b>	<b>8,070</b>

## Average of types of contracts

	2018	2019
<b>Permanent contract</b>	<b>11,638</b>	<b>11,224</b>
Full-time contracts	10,489	9,937
Part-time contracts	1,149	1,288
<b>Temporary contract</b>	<b>922</b>	<b>1,151</b>
Full-time contracts	805	1,024
Part-time contracts	117	127
<b>Total</b>	<b>12,561</b>	<b>12,376</b>

## Average of types of contracts by gender

	2018		2019	
	Men	Women	Men	Women
<b>Permanent contract</b>	<b>6,972</b>	<b>4,666</b>	<b>6,773</b>	<b>4,450.92</b>
Full-time contracts	6,498	3,991	6,245	3,691
Part-time contracts	474	675	528	759
<b>Temporary contract</b>	<b>524</b>	<b>398</b>	<b>625</b>	<b>526</b>
Full-time contracts	467	338	570	454
Part-time contracts	57	59	55	72
<b>Total</b>	<b>7,497</b>	<b>5,064</b>	<b>7,398</b>	<b>4,977</b>

## Average of types of contracts by age

	2018				2019			
	< 30	30-39	40-50	> 50	< 30	30-39	40-50	> 50
<b>Permanent contract</b>	<b>3,314</b>	<b>4,672</b>	<b>2,551</b>	<b>1,100</b>	<b>2,958</b>	<b>4,422</b>	<b>2,713</b>	<b>1,129</b>
Full-time contracts	2,824	4,270	2,374	1,020	2,419	3,976	2,489	1,051
Part-time contracts	490	402	176	79	539	446	224	77
<b>Temporary contract</b>	<b>593</b>	<b>222</b>	<b>78</b>	<b>28</b>	<b>746</b>	<b>285</b>	<b>95</b>	<b>24</b>
Full-time contracts	514	196	71	22	662	258	85	18
Part-time contracts	79	25	7	6	84	26	10	6
<b>Total</b>	<b>3,908</b>	<b>4,895</b>	<b>2,629</b>	<b>1,128</b>	<b>3,705</b>	<b>4,708</b>	<b>2,809</b>	<b>1,154</b>

## Promedio de modalidades de contrato de trabajo según categoría profesional

	Senior management		Managers		Middle managers		Technicians		Administrative staff		Operational staff	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
<b>Permanent contract</b>	<b>14</b>	<b>13</b>	<b>89</b>	<b>89</b>	<b>2,036</b>	<b>1,969</b>	<b>1,711</b>	<b>1,716</b>	<b>486</b>	<b>496</b>	<b>7,303</b>	<b>6,943</b>
Full-time contracts	14	13	89	89	2,022	1,954	1,605	1,582	438	420	6,322	5,879
Part-time contracts	-	-	1	-	14	14	106	134	48	76	981	1,064
<b>Temporary contract</b>	<b>1</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>23</b>	<b>25</b>	<b>38</b>	<b>46</b>	<b>45</b>	<b>37</b>	<b>814</b>	<b>1,043</b>
Full-time contracts	1	1	3	-	21	23	37	44	32	29	713	927
Part-time contracts	-	-	-	-	2	2	2	3	13	8	101	116
<b>Total</b>	<b>15</b>	<b>13.25</b>	<b>91</b>	<b>89</b>	<b>2,058</b>	<b>1,994</b>	<b>1,749</b>	<b>1,762</b>	<b>532</b>	<b>533</b>	<b>8,117</b>	<b>7,986</b>

## Dismissals by gender

	2018	2019
Women	1,280	1,242
Men	1,697	1,630
<b>Total</b>	<b>2,977</b>	<b>2,872</b>

\* The number of dismissals is only factored in when forced.

## Dismissals by age

	2018	2019
< 30	1,638	1,659
30-39	889	926
40-50	314	223
> 50	136	64
<b>Total</b>	<b>2,977</b>	<b>2,872</b>

## Dismissals by job category

	2018	2019
Senior management	9	1
Managers	20	4
Middle managers	389	309
Technicians	192	103
Administrative staff	91	22
Operational staff	2,276	2,433
<b>Total</b>	<b>2,977</b>	<b>2,872</b>

## Average remuneration by age range (€)

	2018	2019
Under 30	7,855	8,172
Between 30 and 39	12,682	13,370
Between 40 and 50	18,770	18,872
Over 50	23,654	24,126
<b>Total general</b>	<b>13,485</b>	<b>14,108</b>

## Average remuneration by sex (€)

	2018	2019
Female	11,618	12,132
Male	14,753	15,471
<b>Total general</b>	<b>13,485</b>	<b>14,108</b>

## Average remuneration by job category

	2018	2019
Senior management	349,402	355,418
Managers	115,316	119,887
Middle managers	21,487	22,316
Technicians	16,033	16,790
Administrative staff	17,100	18,167
Operational staff	9,136	9,528
<b>Total general</b>	<b>13,485</b>	<b>14,108</b>



## Average remuneration by job category and gender gap 2018

		<30			30-39			40-50			>50		
		Men	Women	Total	Gender gap	Men	Women	Total	Gender gap	Men	Women	Total	Gender gap
<b>Senior management</b>													
Managers													
Middle managers													
<b>Technicians</b>													
Administrative staff													
Operational staff													
<b>Total</b>													

## Average remuneration by job category and gender gap 2019

		<30				30-39				40-50				>50			
	Men	Women	Total	Gender gap	Men	Women	Total	Gender gap	Men	Women	Total	Gender gap	Men	Women	Total	Gender gap	
Senior management																	
Managers					109,659	101,434	108,394	7%	343,597		343,59	-	361,328		361,328	-	
Middle managers	10,305	10,877	10,542	-5%	19,943	17,962	19,158	10%	28,729	23,440	27,027	18%	34,689	35,588	34,822	-2%	
Technicians	12,418	12,445	12,426	-0,2%	16,264	17,603	16,607	-8%	18,475	21,626	19,243	-17%	24,919	22,145	24,230	11%	
Administrative staff	11,274	12,499	11,855	-11%	18,242	18,898	18,663	-3%	20,451	21,807	21,418	-6%	19,698	22,550	21,818	-14%	
Operational staff	7,069	7,043	7,057	0,3%	10,364	10,117	10,243	2%	12,155	10,063	11,334	17%	13,724	9,443	12,549	31%	
Total	8,330	7,974	8,172		13,993	12,578	13,370		20,311	16,401	18,872		26,922	16,597	24,126		

Annex III

Table of contents related to the requirements of Act 11/2018

This report covers the requirements set forth in the Spanish Act 11/2018 of 28 December on non-financial information and diversity as specified in the following Table of Contents

Description of the Group's business model

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Business environment		
Organization and structure	102-1	
	102-2	
	102-3	
Markets where it operates	102-4	8-23
	102-6	
Targets and strategies	102-7	
	102-14	
Main factors and trends that could affect its future evolution		

## Description of policies applied by the Group for these matters

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Due diligence procedures applied to identify, assess, prevent and minimize risks and material impacts and to check and control them	103	49, 51, 55, 57 & 58
Measures adopted		

## Results of these policies

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Key indicators of relevant non-financial results that allow the follow-up and assessment of the progress and help compare companies and industries under the Spanish, European and international frameworks of reference used for each topic		11

## Main risks related to these matters linked to the Group's operations

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
When appropriate and proportionate, the company's commercial relationships, products or services that may have a negative impact on those areas and how the group manages such risks, explaining the procedures used to detect and assess them under the Spanish, European and international frameworks of reference used for each topic	102-15 205-1 413-1 407-1 408-1 409-1	59 & 60
Information on the impacts detected, giving an itemized list, especially with the main short-, medium- and long-term risks		

## Key indicators of non-financial results

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Key indicators of non-financial results that are relevant to the specific business operations and meet the comparability, materiality, relevance and accuracy criteria	102-54	11

## I. Information on environmental matters

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Detailed information on the current and expected impact of the business operations on the environment and, if any, on health and safety		
The procedures used for environmental assessments or certifications	102-11 201-2 308-1 308-2	104-106
The resources used for environmental risk prevention		
The application of the precaution principle		
The amount of provisions and guarantees for environmental risks		

And specifically:

### Pollution

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Measures to prevent, reduce or repair carbon emissions that could seriously impact the environment, taking into account any kind of atmosphere pollution from a specific operation	305-5 305-6 305-7	105 & 106
Including noise and light pollution	According to the materiality analysis, this topic is not material for the company's business model.	

## Circular economy and waste prevention and management

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Actions to prevent, recycle and reuse waste or other methods for waste recovery or disposal	301-2 301-3 306-2	106
Actions to fight food waste	According to the materiality analysis, this topic is not material for the company's business model.	

## Sustainable use of resource

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Water consumption and water supply according to local restrictions		Codere did not carry out any specific actions in this area in 2019.
Consumption of raw materials and measures adopted to improve their efficiency	303-1 303-2 303-3 301-1 301-2 302-1 302-2 302-3 302-4 302-5	According to the materiality analysis, this topic is not material for the company's business model
Power consumption, direct and indirect		105
Measures taken to improve energy efficiency and use of renewable energy sources		105 & 106

## Climate change

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Important elements of greenhouse gas emissions produced by the company's business, including the use of goods and services that produce them		104
Measures adopted to adjust to the consequences of the climate change	305-1 305-2 305-3 305-4 305-5 201-2 305-5	Codere has not adopted any measures in this area.
Targets to reduce greenhouse gas emissions set voluntarily for the medium to long term and the means of achieving it		Codere has not set any targets to reduce greenhouse gas emissions.

## Protection of biodiversity

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Measures taken to preserve or restore biodiversity	304-3 306-5	According to the materiality analysis, this topic is not material for the company's business model.
Impact caused by the business or operations in protected areas	304-1 304-2	

## II. Information on social matters and related to the staff

### Employment

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Total amount and distribution of employees by gender, age, country and job category		
Total amount and distribution of the different types of employment contracts	102-8 405-1	76, 77, 78, 118, 119, 120, 121 & 122
Yearly average of permanent contracts, temporary contracts and part-time contracts by gender, age and job category		
Number of dismissals by gender, age and job category.	103	123 & 124
Average remuneration and its evolution by gender, age and job category or same value	103	124-127
Pay gap	405-2	89, 126 & 127
Average remuneration of directors and executives, including variable remuneration, allowances, compensation, payments to long-term savings schemes and any other wages sorted by gender	102-35 102-36 102-38 102-39	88
Implementation of policies to disconnect from work	103	90
Employees with disabilities	405-1	87

### Organization of work

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Organization of working hours.	103	78
Number of absence hours	403-2	90
Measures to help enjoy work-life balance and encourage both parents to pursue this	103	73 & 90



## Health and safety

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Health and safety conditions at the workplace	103	91 & 92
Work accidents, in particular, their frequency and seriousness sorted by gender	403-2	92
Occupational illnesses sorted by gender	403-3	92

## Social relations

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Organization of social dialogue, including procedures to inform and consult the staff and bargain with them	407-1	95
Percentage of employees covered by a collective bargaining agreement by country	102-41	90
Result of collective bargaining agreements, especially in health and safety at the workplace	403-4	90

## Training

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Policies implemented for training	103	79-82
Total training hours by job category	404-1	80

## Universal design for persons with disabilities

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Universal design for persons with disabilities	103	Codere buildings meet the standards required in each country regarding access for persons with disabilities.

## Equality

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Measures taken to promote equal opportunities and treatment between women and men	405	86 & 87
Equality plans (Chapter III of the Spanish Organic Act 3/2007 of 22 March for effective gender equality)	405	87
Protocols against sexual harassment sorted by gender	405	87
Measures taken to promote employment, integration and universal design for persons with disabilities	405	Codere buildings meet the standards required in each country regarding access for persons with disabilities.
Policy against all types of discrimination and, if any, policy for diversity	405	87 & 88

### III. Information on the observation of human rights

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Implementation of due diligence procedures for human rights	102-16 102-17 412-3 412-2 410-1 412-1	49
Prevention of human right violations and, if any, measures to mitigate, manage and remedy said violations	412	49
Claims against human right violations	406-1	51
Promotion and compliance with the provisions of the basic conventions of the Inter-national Labor Organization related to respecting freedom of association and the right to collective bargaining; the elimination of discrimination at the workplace; the elimination of forced or compulsory labor; and the effecti-ve abolition of child labor	407-1 406-1 409-1 408-1	49

### IV. Information related to the fight against corruption and bribery

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Measures taken to prevent corruption and bribery	102-16 102-17 205-1 205-2 205-3	50, 59 & 110
Anti-money laundering measures	205-2	42, 48, 49, 53, 80 & 82
Contributions to non-profit foundations and organizations	103	11 & 103

## V. Information about the company

### Company's commitment to sustainable development

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Impact of the company's business on employment and local development	203-1 203-2 413-1	97
Impact of the company's business on local villages/towns and the territory	203-1 203-2 411-1 413-1 413-2	So far, Codere's purchasing policy does not include this type of criteria apart from compliance with the minimum parameters stipulated by law.
Relationships with local community players and types of dialogue with them	102-43 413-1	94-97
Actions towards associations or sponsorships	102-12 102-13	15, 34 & y 39

### Subcontracting and suppliers

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Addition of social matters, gender equality and environmental topics to the purchasing policy	102-9 308-1 414-1	So far, Codere's purchasing policy does not include this type of criteria apart from compliance with the minimum parameters stipulated by law.

Consideration of your social and environmental responsibility in relationships with suppliers and subcontractors	414-1 414-2	So far, Codere's purchasing policy does not include this type of criteria apart from compliance with the minimum parameters stipulated by law.
Supervision systems and audits and their outcomes	414-1 414-2	Codere carries out external audits on some of its suppliers. These audits focus on financial aspects.

## Consumers

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Measures for the health and safety of consumers	416-1	27-34
Systems for claims, complaints and their management	416-2	95 & 96

## Tax information

Table of Contents of the Non-Financial Statement	Table of Contents of Related GRI Standards	Pages
Profits gained by country	201	100
Profit tax paid	201	99 & 100
Public subsidies received	201-4	In 2019, the Codere Group has not received any government subsidies.

