



**Crime Prevention Model
CIRSA Group**

Corporate Compliance Area
2022



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1. INTRODUCTION

The criminal liability of legal entities was included for the first time in the Spanish legal system by Act 5/2010 of 22 June amending the Criminal Code Act 10/1995 of 23 November by establishing a new Article 31 bis, in force since 23 December 2010.

Article 31 A established the possibility of citing as an extenuating circumstance in the criminal liability of legal entities the establishment prior to the opening of the trial of effective measures to prevent and discover any offences which might be committed under the cover of the legal entity, measures which are embodied in what are called compliance programmes or crime prevention models.

Act 1/2015 of 30 March came into force on 1 July 2015, amending the aforementioned Article 31 A of the Criminal Code with the purpose of introducing a technical improvement in the regulation of this criminal liability of legal entities by appropriately delimiting the content of "due control". The new Article 31 A in the Criminal Code says crime prevention models can be not only extenuating but also exonerating with respect to offences committed by their legal representatives or individuals authorised to make decisions on behalf of the legal entity or who have organisation and control powers.

On 22 January 2016, the Public Prosecutor's Office published Circular 1/2016 on the criminal liability of legal entities in accordance with the reform of the Criminal Code introduced by Act 1/2015. This document provides instructions to prosecutors to assess the effectiveness of compliance plans in companies which after the reform are considered exoneration from criminal liability.

Against this background and as an integral part of its continuous improvement strategy, the CIRSA Group updated its Crime Prevention Model (CPM) in 2022 which includes the criminal risks to which it is subject, expanding the details of the main controls available to mitigate them pursuant to Act 1/2015 and its subsequent amendments together with the requirements established by the Public Prosecutor's Office Circular 1/2016. As a result, this document presents the relevant aspects which demonstrate the existence of an organisational and management model featuring the appropriate monitoring and control measures to prevent and where applicable identify the occurrence of criminal offences in the Group.

The CPM described below has been drawn up taking as a starting and reference point international best practices in regulatory compliance and risk control, in particular the ISO 19600:2014 "*Compliance Management Systems – Guidelines*" and ISO 31000:2010 "*Risk Management – Principles and Guidelines*" standards.

2. SCOPE

The Model applies to all CIRSA Group operations in Spain. Specifically, there are the following lines of business depending on the operations carried out by Group companies:

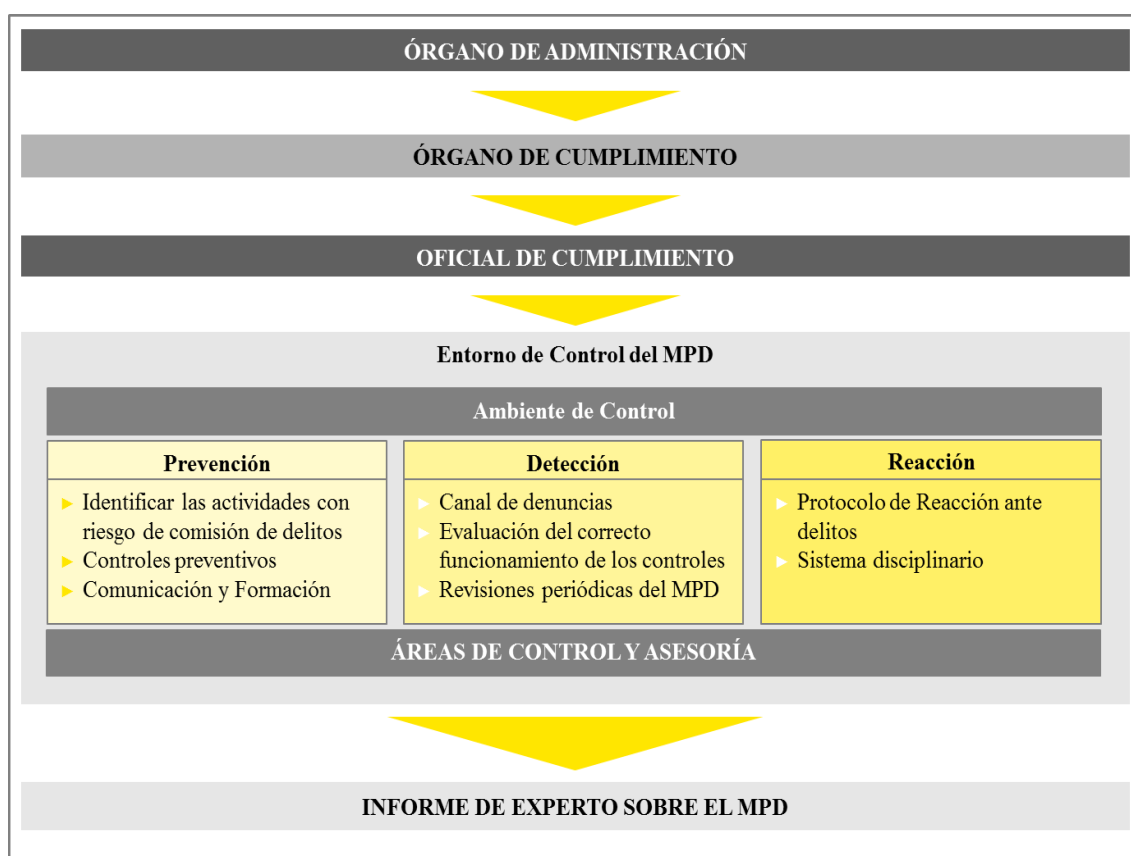
- **Business to Business (B2B) line of business:** designing, manufacturing and marketing slot machines which are sold to Group entities and third parties and developing and selling gambling arcade management and interconnection systems.

- **Gambling line of business:** operating slot machines, gambling arcades, bingo halls, casinos, retail betting and online betting.

CIRSA Group Companies which come under the scope of this model are those in which the Group's shareholding is greater than 50% or over which the Group exercises or may exercise control, where this means the power to direct financial and operating policies. These companies are listed in **Annex I** of this model.

3. DESCRIPTION OF THE STRUCTURE OF CPM RESPONSIBILITIES AND AUTHORITY

The CPM responsibility and authority structure in the CIRSA Group is as follows:



The roles of each of the components making up the structure of responsibilities and authority of the Group in relation to the CPM are summarised below:

a) **Governing Body**

The Governing Body has taken the decisions required to develop and implement an organisation and management model for crime prevention in the CIRSA Group.

The CIRSA Group Governing Body through the Compliance Body supervises the systems and effectiveness of internal control and risk management systems, ensuring that they identify the various kinds of risks the Group faces and the measures envisaged to mitigate them and also to address them in the event that they lead to actual harm.

b) Compliance Body

The Compliance Body is an autonomous and independent body which is responsible for taking significant decisions in relation to the administration and management of the CPM.

The Compliance Body's main activities in this respect are regular scrutiny and supervision of CPM preparation process compliance.

c) Expert report on the CPM

Every year the Group conducts reviews by an independent third-party expert with the objective specified by it:

- i. The existence of an updated Crime Prevention Model for the CIRSA Group pursuant to current legislation; and
- ii. It includes appropriate and effective control measures in both its design and operational effectiveness to prevent and detect offences which apply to the Group.

4. DESCRIPTION OF THE CPM CONTROL ENVIRONMENT

The CIRSA Group has a high level of awareness and control in order to safeguard the interests of (i) the Group; (ii) the people it deals with; (iii) the market; and (iv) the culture and values it believes should be protected. All of this is in keeping with the high ethical standards set by the CIRSA Group and the efforts made to maintain its high reputation wherever it operates or has a presence.

This section sets out the main aspects making up the CIRSA Group's general CPM control environment, in particular:

- Description of the Group's control environment.
- Description of the CIRSA Group's internal control system.
- Description of the procedures for preventing and detecting offences coupled with the procedures for responding to their commission.

a) Control environment

The Governing Body and the Management Committee define and establish the CIRSA Group's control environment in terms of specifying it and relaying it to the other members of the organisation. They are likewise ultimately responsible for ensuring it is complied with.

The CIRSA Group has a two-tier control structure:

- *Global corporate policies and internal rules:*

Global corporate policies establish the values and ethical principles which set the guidelines for the actions of all members of the Group in the performance of their professional duties.

These policies describe the ethical behaviour and compliance with the law of all CIRSA Group employees in their every day work.

Internal rules follow the general guidelines in global corporate policies to describe the particular framework of action which is to be observed when undertaking specific tasks.

- *Specific operational controls and procedures:*

This category encompasses manual and automatic controls and procedures whose purpose is to anticipate the occurrence of events, errors or irregularities which might lead to the commission of a criminal offence in the Group.

b) Control and advisory areas

The CIRSA Group's Internal Control System includes the "Three Lines of Defence" model as a benchmark parameter to describe risk management and control responsibilities:

The CIRSA Group's internal control system based on the three lines of defence is arranged as follows:

- *First line of defence:*

The business's operating units have the ownership, responsibility and obligation to assess, control and mitigate risks while maintaining effective internal controls.

All CIRSA Group areas are assigned specialised roles and personnel. These roles are to be performed in compliance with the procedures and controls set out by the Group.

- *Second line of defence:*

This is provided by areas which facilitate and supervise the implementation of risk management practices, i.e. ensure that the first line of defence is designed and operates effectively, such as the Corporate Legal and Advisory Department and the Corporate Economic and Financial Department.

- *Third line of defence:*

It consists of the Internal Audit function carried out by the Group which continuously reviews and improves the Group's Internal Control System. It also reviews the application of the Regulatory System and compliance with quality procedures and standards, including the operation of the first and second lines of defence.

c) Procedures for preventing and detecting offences and procedures for responding to their commission

The CPM includes the following procedures for preventing and detecting offences together with procedures for responding to them:

- *Prevention activities:*

The purpose of these activities is to prevent potential non-compliance with or breaches of the CPM and therefore mitigate the likelihood of the commission of criminal offences in the Group. The main activities carried out by the CIRSA Group in this area are (i) identifying activities involving a risk of committing offences; (ii) implementing preventive controls; and (iii) staff communication and training.

- *Detection activities:*

The purpose of this second group of activities is to detect breaches of the CPM which have taken place as a result of the ineffective operation of preventive controls or due to errors in the implementation of these controls, whether unintentionally or as consequence of malicious behaviour involving fraud or deceit.

- *Response activities:*

The purpose of response activities is to lay down guidelines about what the Group should do once it has become aware of criminal conduct taking place in it.

5. IDENTIFICATION OF CRIMINAL RISKS APPLICABLE TO THE CIRSA GROUP

The CIRSA Group's Crime Prevention Model was drawn up in 2012 as a result of the entry into force of the aforementioned reform of the Criminal Code. This initial development was carried out as follows:

- The main criminal risks likely to affect the Group were identified.
- Preliminary meetings were held with the main heads of the Corporate Departments and Business Divisions to confirm that all the criminal risks identified were correctly associated with the processes and activities of each Department, thus avoiding potential insufficiencies or shortcomings.
- The risks identified were associated with the Group's core operations with a view to drawing up a criminal risks and controls matrix which will consider (i) the likelihood of occurrence and (ii) the scale of the impact.
- Once the final matrices had been produced, a criminal risk assessment model was mapped out in partnership with independent external experts in which the criminal risks identified were assessed and classified.
- Finally, the controls proposed in the CPM were analysed and reviewed by independent external experts who evaluated them and suggested alterations where needed.

Subsequently, the Group's CPM was updated in 2015 based on the evolution of the Group's operations and in compliance with Act 1/2015 of 30 March which amends Article 31 A of the Criminal Code as noted in point 1.

Likewise, in 2016, the CIRSA Group's CPM was again updated to take into account the main aspects included in the Public Prosecutor's Office Circular 1/2016 of 22 January on the criminal

liability of legal entities pursuant to the reform of the Criminal Code introduced by Act 1/2015 of 30 March.

Since then the CIRSA Group has conducted regular reviews of its CPM pursuant to Act 1/2015 and its later amendments as well as the requirements set by the Public Prosecutor's Office Circular 1/2016.

5.1. Scope

The scope of the criminal risk identification process applicable to the CIRSA Group has been restricted exclusively to operations performed in Spain.

5.2. Inventory of offences

This section lists the offences defined in the Criminal Code Act 5/2010 of 22 June and its subsequent amendments which affect the CIRSA Group as a legal entity. These offences have been grouped into the following categories:

- Offences attributable to the legal entity by means of an indictment under Article 31 A of the Criminal Code or through the accessory consequences of Article 129 of the Criminal Code.
- Offences attributable to the legal entity by means of an indictment under Article 31 A of the Criminal Code or the accessory consequences of Article 129 but which in principle do not affect the CIRSA Group as the likelihood of their occurrence is considered to be very low.

Group 1: offences attributable to the legal entity by means of an indictment under Article 31 A or through the accessory consequences of Article 129 of the Criminal Code which may affect the CIRSA Group

CC Article	Description of the offence
173	Crimes against moral integrity
184	Sexual harassment
187-188	Crimes related to prostitution and sexual exploitation and corruption of minors
197-197 C	Illegal access to and seizure of information
248	Fraud
250	Procedural fraud
251	Specific fraud: concealing charges on own property
257-258	Obstruction of enforcement
259-261	Punishable insolvency
264	Computer-related damage
270-272	Intellectual property offences
273-277	Industrial property offences
278-280	Industrial espionage
282	Misleading or false advertising
282 A	Misrepresentation of economic and financial information to investors
286 A/B	Business corruption
301	Money laundering
304 A	Illegal financing of political parties
305	Tax evasion
306	Fraud against the budgets of the European Union and embezzlement of funds
307	Social security offences
308	Public grant fraud
310	Tax accounting offences
311	Imposition of detrimental working or social security conditions
312	Illegal or misleading recruitment
314	Discrimination in employment
315	Restrictions on trade union freedom
316-317	Omission of health and safety measures
318 A	Collaboration with illegal immigration
325-328	Offences against natural resources and the environment
363-364	Food offences
368	Drug trafficking
386	Counterfeiting currency
424	Bribery
429	Influence peddling
510, 515	Offences committed in connection with the exercise of fundamental rights and public freedoms guaranteed by the Constitution
576-579	Terrorist financing

The following table breaks down the offences for each of the four previous categories:

Likewise, the following table lists the offences attributable to the legal entity by means of an indictment under Article 31 A of the Criminal Code or the accessory consequences of Article 129 but which in principle do not affect the CIRSA Group as the likelihood of their occurrence is considered to be very low:

Group 2: offences attributable to the legal entity by means of an indictment under Article 31 A of the Criminal Code or through the accessory consequences of Article 129 but <u>which in principle do not affect the CIRSA Group</u> as the likelihood of their occurrence is considered to be very low	
CC Article	Description of the offence
156 A	Organ trafficking offences
159	Offences relating to genetic manipulation
177 A	Trafficking in human beings
262	Price-fixing in public tenders and auctions
284	Price-fixing
285	Insider trading
286	Communication and electronic services piracy
294	Corporate offences: obstruction of inspection or supervisory activity
319	Offences relating to town and country planning
343	Offences concerning nuclear energy and ionising radiation offences
348	Offences involving hazards caused by explosives and other agents
359-362	Public health offences
399 A	Forgery of credit and debit cards and traveller's cheques
432-433	Embezzlement of funds
570 A-B	Criminal organisations and groups

5.3. Criminal risk matrices and controls

To identify all the criminal risks which might potentially occur in the CIRSA Group in Spain, these matrices have been drawn up for each of the criminal risks which may affect the organisation.

Criminal risk matrices and controls are a control and management tool to associate with each criminal risk the controls available in the organisation for preventing and/or detecting the occurrence of such risks.

These matrices are made up of the following aspects:

- Department and/or Division.
- Key activity.
- Offence.

- Specific case (verbatim transcription of the article corresponding to the applicable offence as well as several examples to improve understanding of the risk).
- Intrinsic risk assessment.
- Existing control environment: main policies, regulations and controls which prevent and/or mitigate the applicable offence.

These matrices are updated and adapted based on the evolution of the operations performed and the organisational and control structure. To this end, confirmations are requested annually from departmental heads concerning the composition of these matrices in relation to their various aspects.

The CIRSA Group’s criminal risk and control matrices for 2022 accompany this publication on a CD.

5.4. Criminal risk assessment model

This section sets out the criminal risk assessment model used by the Group to assess the criminal risks identified in the matrices included in section 4 above.

The purpose of this assessment model is to classify the criminal risks which might arise in the CIRSA Group as a consequence of the various cases associated with the primary operations performed by the Group.

Methodology used:

The following parameters have been used in the assessment of the criminal risks identified in the CIRSA Group:

- 1) **Impact:** weighting between reputational impact and regulatory impact. Weightings of 80% and 20% have been assigned to each variable respectively to perform this calculation.
 - a) Reputational impact: reputational impact has been considered to calculate the impact of each of the identified criminal risks. The offences have been classified according to five conditions which might impact the Group’s image. This factor has a weighting of 80%.

Scale	Level	Reputational impact
5	Catastrophic	Prompts news stories with a negative media impact for a very long time (more than 1 year)
4	Critical	Prompts news stories with a negative media impact for a long time (between 1 month and a year)
3	Major	Prompts news stories with a negative media impact temporarily (less than 1 month)
2	Moderate	Prompts news stories with an impact in informal media
1	Slight	No impact on business

- b) Regulatory impact: the offences applicable to the Group have been classified based on the applicable penalties as stipulated in the Criminal Code. This factor has a weighting of 20%. The framework below has been used:

	Type of penalty	Scale	Penalty description
1	Financial penalty: proportional fine	5	Fine from three to five times
		4	Fine from twice to four times
		3	Fine from twice to three times
		2	Fine up to three times
2	Financial penalty: fine by daily scale	5	Fine of 2 to 5 years
		4	Fine of 18 to 36 months
		4	Fine of 18 to 24 months
		3	Fine of 12 to 30 months
		3	Fine of 12 to 24 months
		2	Fine of 6 to 24 months
		1	Fine of 6 to 12 months

- 2) **Likelihood**: weighted average between the occurrence based on the history of offences which have taken place in the CIRSA Group (occurrence in the Group) and the number of times the operation with the risk defined in the case is performed (frequency).

- a) Occurrence in the Group: the number of times an offence has taken place based on the historical data of complaints/claims received by the CIRSA Group.

The table below shows the number of times each offence has occurred in the Group over the last three years. This factor (occurrence) is weighted at 50%.

Scale	Level	Frequency	Result
5	Very likely	Happened more than 5 times a year	No offences have been identified which occurred with this frequency.
4	Likely	Happened 2 to 5 times a year	No offences have been identified which occurred with this frequency.
3	Moderate	Happened 1 to 2 times a year	No offences have been identified which occurred with this frequency.
2	Unlikely	Happened less than once a year	Public Treasury and Social Security offences (CC Art. 305) and Fraud offences (CC Art. 248)
1	Low	Never happened in the Group	Rest of identified offences

- b) Frequency: the number of times each operation covered by the criminal risk cases is performed. It is important to emphasise that this figure should not be construed as the

frequency with which an offence is committed. This factor (frequency) is weighted at 50%.

Scale	Level	Frequency	Description
5	Continuously	Daily	Takes place repeatedly and continuously. Usual activity/operations.
4	Several times	1-30 times a month	Takes place several times during the month
3	Occasionally	1-11 times a month	Takes place a few times during the year
2	Seldom	1-5 times a year	Takes place occasionally during the year
1	Very seldom	Less than once a year	Takes place occasionally over a period of 5 years

3) **Severity:** (total impact + likelihood) / 2

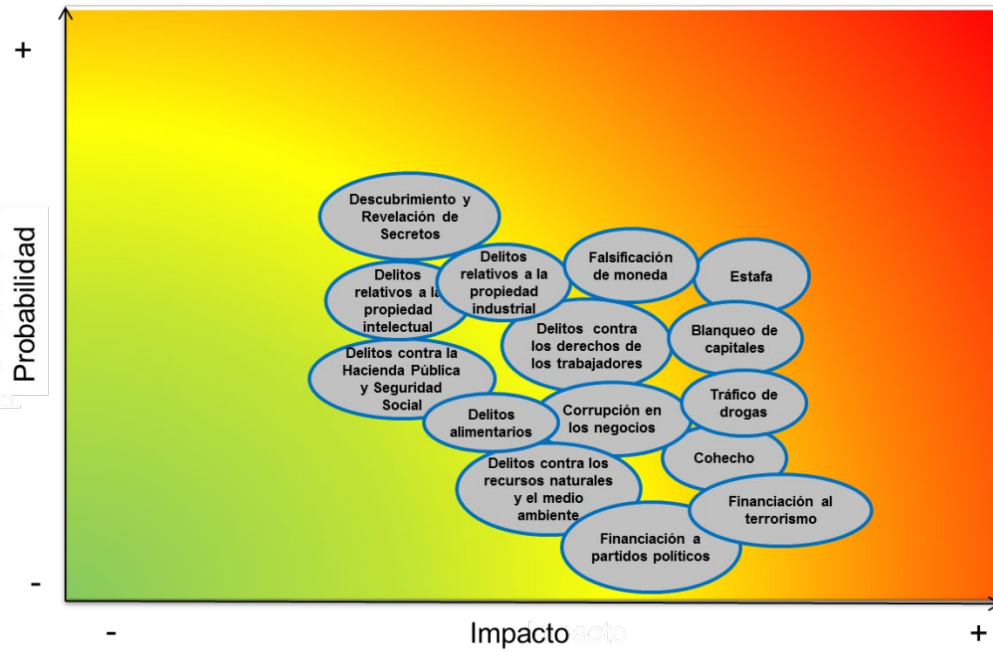
Once the impact and likelihood of occurrence have been assessed, the severity is gleaned on the basis of the calculation shown above. This calculation allows risks to be classified based on the following scale:

Risk level	Scale
Very high	$4 \leq x < 5$
High	$3 \leq x < 4$
Medium	$2 \leq x < 3$
Low	$1 \leq x < 2$
Very Low	$0 \leq x < 1$

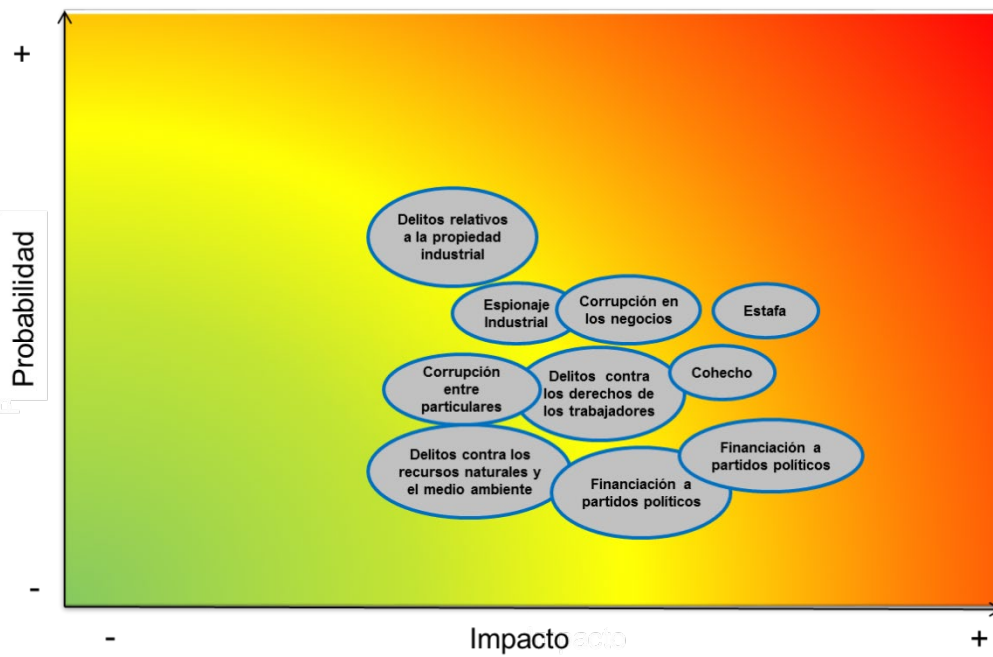
5.5. The CIRSA Group’s criminal risk map

As a result of the analysis of the offences which may potentially apply to the CIRSA Group due to its operations in Spain and bearing in mind the assessment model described in the previous point, the criminal risk maps of the Group’s two lines of business identified in point 2 have been generated:

Gambling business:



Business to Business (B2B) line of business:



6. MAIN POLICIES, REGULATIONS AND SPECIFIC CONTROLS IN PLACE IN THE CIRSA GROUP IN RELATION TO THE IDENTIFIED CRIMINAL RISKS

In addition to the Group's general legal compliance strategy and the global controls previously mentioned, the CIRSA Group has also drawn up a number of internal policies, regulations and procedures in order to maintain appropriate specific control over the criminal risks associated with the commission of offences shown in the previous section.

7. COMMUNICATING AND PUBLICISING THE MODEL

For the Model to work properly, it is crucial that the Model's owners and the rest of the organisation are aware of applicable regulations. Hence the CIRSA Group envisages communication actions about criminal risks including:

- When new employees join the CIRSA Group, they are told about the measures in place for preventing criminal risks.
- Any new developments in the prevention of criminal risks which are considered relevant will be shared with employees through the CIRSA Group's usual information channels.

Likewise, employees will have ongoing access to all CIRSA Group procedures, policies and/or regulations in which this Model is included.

The CIRSA Group has also added to its regular training plan specific training about the criminal liability of legal entities which addresses the following aspects:

- a) Risk scenario: the legal entity's criminal liability.
- b) Main criminal risks to which the CIRSA Group is exposed.
- c) Presentation and explanation of the CIRSA Group's CPM.

In turn, the CIRSA Group's continuous training plan also includes other courses on various subjects which add to raising awareness about respect for the law by all its employees.

8. CPM NON-COMPLIANCE REPORTING PROCEDURE

As stated in the Code of Conduct and Operating Policy of the Ethics Hotline Channel, if a partner becomes aware of any action in breach of the Internal Control Model and/or which may entail a criminal risk and/or is unsure whether it has been carried out, they are to immediately report it in the CIRSA Group:

- a) Ordinary channels:
 1. Personnel: member of the Compliance Body (Corporate Director of Human Resources, Corporate Director of Internal Audit and Corporate Director of the Legal and Compliance Area).
 2. Email: compliance@cirsa.com
 3. By post:
CIRSA Servicios Corporativos, S.L.
Área de Compliance
Carretera de Castellar, 338
08226 Terrassa (Barcelona), Spain
- b) Alternative channels:
 1. On the public corporate website in CSR – Compliance – Ethics Hotline Channel at: <https://www.cirsa.com/>
 2. On the Intranet in Quick Access – Ethics Hotline Channel at: https://cirsa.sharepoint.com/sites/es_intranet

3. Or directly at: <https://www.bkms-system.com/COMPLIANCE-CIRSA>

The CIRSA Group is committed to ensuring that employees can report cases involving criminal risk or criminal wrongdoing freely and confidently, including anonymously if preferred. All reports will be studied in depth, listening to the parties involved and safeguarding their rights. The CIRSA Group's management will ensure that anyone who makes a report in good faith will not be retaliated against either directly or indirectly by the CIRSA Group as a result of their report.

Likewise, the CIRSA Group will ensure absolute confidentiality in all cases regarding the identity of the employees who make reports, notwithstanding any legal obligations and the protection of the rights of any companies and/or individuals that may be accused unfairly or in bad faith.

9. CPM SUPERVISION AND UPDATING

As noted above, in order to ensure the effective application and constant updating of the CPM, the Compliance Body is operationally responsible for coordinating and supervising the CPM.

The activities to be carried out at regular intervals to ensure appropriate oversight and updating of the Model are:

- Drawing up the Annual Plan for the Model which sets out for each year the goals to be achieved, the material and human resources needed to attain them and any training activities which have to be run for staff tasked with completing them.
- Designing, documenting and updating policies and procedures concerning responsibilities and roles for the proper maintenance and oversight of the Model.
- Ensuring the operation and effectiveness of the Model through coordinating and providing the guidelines drawn up for its maintenance: self-assessment, certification and audit of the Model together with coordinating the review of the CPM by a third-party expert and its supervision.
- Documenting the results, significant events identified and recommendations for improvement resulting from the review of the Model together with the action plans associated with them.
- Driving and monitoring compliance with and/or resolution of the recommendations and action plans which have been approved by process owners.
- Identifying legislative or organisational changes which may affect the CPM, such as changes in the legal system, case law, corporate changes, new business operations, etc., assessing their impact on the Model and where applicable putting forward solutions to ensure that the CPM remains up to date.
- Partnering the Group's training plan in all issues related to compliance with and observance of the Model.

- Taking part in internal investigations in conjunction with other Group departments when suspicious events are detected in the context of the criminal risks identified in the CPM.

10. DISCIPLINARY SYSTEM

When the Compliance Body finds that a CIRSA Group employee has engaged in activities which contravene the Code of Conduct, appropriate disciplinary measures will be taken in accordance with the system of wrongdoing and penalties set out in the recast text of the Workers' Statute Act (Royal Legislative Decree 1/1995 of 24 March).