

REASONED PROPOSAL OF THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A. REGARDING THE AMENDING OF THE COMPANY REMUNERATION POLICY, INCLUDED IN ITEM SEVEN OF THE AGENDA OF THE ORDINARY GENERAL SHAREHOLDERS' MEETING TO BE HELD ON THE 17 AND 18 MARCH 2018, AS THE FIRST AND SECOND MEETINGS RESPECTIVELY

1. INTRODUCTION

Under article 529 novodecies of the consolidated text Spanish Companies Act, enacted by Royal Legislative Decree 1/2010, of 2 July (“**Spanish Companies Act**”) the Board of Directors of Neinor Homes, S.A. (“**Neinor**” or “**Company**”), based on a report from the Appointments and Remuneration Committee, prepared and approved this reasoned proposal for amending the Remuneration Policy of the Company, which will be submitted for approval at the General Shareholders’ Meeting that will possibly take place on April 18, 2018.

If the General Shareholders’ Meeting approves the amendments to the Remuneration Policy, this amended text of the Remuneration Policy will amend, substitute and replace the text that up to this moment has been in effect, as set out in the latest Annual Remuneration Report and submitted to consultative vote by the Board of Directors, which is the report corresponding to the accounting period closing on December 31, 2017.

2. IN-FORCE PERIOD

Under article 529 novodecies of the Spanish Companies Act, the Remuneration Policy will be applicable during the financial years 2017, 2018, and 2019, except if the Company’s General Shareholders’ Meeting agrees to its amendment or substitution during this period.

3. AMENDMENT PROPOSAL

An amendment is proposed to the second paragraph section “*1 Background and scope of the Remuneration Policy*”, which will have the following text:

“...

The Remuneration Policy has been prepared by the Company taking into account the significance of the Company, its financial status and market standards for comparable companies. In this process, the Company has counted with the legal advice of Uría Menéndez and, furthermore, in the context of the offering and listing of its shares, the advice from Willis Towers Watson regarding the drafting of the current long term incentive plan (see section 5.2.2 of the Remuneration Policy). It is hereby stated that, in order to carry out its duties, Willis Towers Watson, (i) carried out a consultation process with several members of the Company’s senior management; and (ii) analyzed

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the remuneration system of 12 European peers from the real estate sector¹ and of 14 comparable companies (in terms of size) from different sectors².

...”

In the context of the amendment, the following footnotes will be included:

“1 Barratt Developments, Bellway, Berkeley Group, Bovis Homes, Countryside Properties, Crest Nicholson, Redrow, Persimmon, Taylor Wimpey, Cairn, Nexity and Kaufman & Broad.

2 Técnicas Reunidas, Acerinox, Sacyr, Indra, Viscofan, Meliá Hotels, NH Hotel Group, Atresmedia, Applus Services, Cie Automotive, Ebro Foods, Faes Farma, Axiare Patrimonio, Talgo, Saeta Yield y Prosegur.”

An amendment is proposed to section “4.1. *Maximum amount of annual remuneration for directors*”, which will have the following text:

“4.1. *Maximum amount of annual remuneration for directors*

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to EUR 900,000.”

A proposal is made to amend section “4.2. *Annual fixed remuneration*”, which will have the following text:

“4.2. *Annual fixed remuneration*

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.*
- The office held by the director in the Board of Directors and in any of its committees.*
- The specific tasks and responsibilities assumed during the year.*
- The experience and knowledge required to carry out those tasks.*
- The amount of time and dedication required to carry out effectively such tasks.*

Considering the above, only “independent” and “other external” directors shall be entitled to remuneration for their status as such. The individual amount to be received by independent and other external directors by way of fixed annual remuneration shall be as follows:

- EUR 100,000 for the Chairperson of the Board of Directors.*
- EUR 75.000 for each independent and “other external” directors.*

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These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If, following any increase in the number of directors sitting in the Board, the aggregate remuneration otherwise payable to them as members of the Board were to exceed the maximum annual amount referred to in Section 4.1 above, then the Board of Directors may reduce the figures in this Section 4.2 on a prorate basis.

Directors shall also be paid, by way of allowances, the following amounts:

- EUR 3,000 for attending each meeting of the Board of Directors.*
- EUR 1,500 for attending, where appropriate, each meeting of any committee of the Board of Directors where they have a seat.*

If the number of members of the Board of Directors were increased within the limits foreseen in the Company's by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above."

An amendment is proposed to section "5.2.1. Annual variable remuneration (bonus plan)", which will have the following text:

"5.2.1. Annual variable remuneration (bonus plan)

Executive directors may receive an annual variable remuneration as set out in their individual agreements entered into with the Company, and may also benefit from any variable compensation (bonus) plans, if applicable, approved by the Company.

The CEO's service agreement with the Company provides for the possibility of receiving an annual bonus in cash if the figures in the business plan are substantially exceeded and the Board of Directors approves so. The current bonus plan provides that the Board of Directors shall take into account the following weighted indicators in order to determine the bonus for the CEO:

- 75% of the amount payable as variable remuneration shall be determined on the basis of the degree of achievement of the general targets linked to the Company's revenue and EBITDA/Margin, profitability (measured in terms of cost efficiency) and delivery timing; and*
- 25% of the amount payable as variable remuneration shall be determined on the basis of the degree of achievement of individual objectives associated to his role as executive director and not directly linked to the general results of the Company (such as, for example, development and/or execution of new projects for the Company).*

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In any case, on any given financial year, the maximum amount payable under the annual variable remuneration (bonus plan) will be EUR 500,000.”

An amendment is proposed to the sixth paragraph of section “5.2.2. *Long-term incentive plan (LTIP)*”, which will have the following text:

“The shares shall be delivered to each beneficiary after the end of each cycle and once the relevant tax obligations have been duly met. Executive directors will be subject to a lock-up period of 1 year after the delivery of the shares of the LTIP.”

An amendment is proposed to section “5.2.1. *Annual variable remuneration (bonus plan)*”, which will have the following text:

“5.3. Severance compensation; compensation for exclusivity, non-competition and minimum commitment undertakings

Executive directors shall be entitled to receive severance compensation in the event of early termination of their labor agreement for reasons not attributable to the relevant executive director. The amount of this compensation shall be set out in the agreement entered into between the executive director and the Company. In any case, this compensation shall not exceed two years of fixed remuneration and the Company shall procure that this compensation is not used to reward unfavorable results.

Regarding the CEO, his service agreement with the Company does not include severance compensation clauses.

In addition, the agreements entered into between the Company and the executive directors may include exclusivity, post-contractual non-competition and minimum commitment covenants or restrictions in accordance with and subject to the relevant statutory provisions.

Regarding the CEO, his service agreement with the Company provides:

- That he shall provide his services full-time on an exclusive basis; and*
- That, for a period of two years after the termination of his service agreement with the Company, he shall refrain from: (a) performing, directly or indirectly, the same activity as that carried out by the Company; and (b) investing, directly or indirectly, in the share capital of any company or other entity that competes with the Company.”*

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An amendment is proposed to section “5.4. *Contributions to pension plans, social welfare schemes and life insurances*”, which will have the following text:

“Executive directors may also receive certain social welfare benefits, such as life insurance premiums or contributions to pension plans. The amount to be received by each executive director shall be detailed in the individual agreement entered into between the relevant executive director and the Company.

Regarding the CEO, his service agreement with the Company establishes that the CEO will be allowed to participate in the benefit plans or programs that the Company may approve for its senior management (e.g. life insurances).”

The other sections of the Remuneration Policy remained unchanged, except for matters regarding possible adjustments of dates or paragraph numbering.

4. CONCLUSIONS

The Board of Directors of the Company considers that the remuneration for the members set out in this Remuneration Policy, after the proposed amendment by the General Shareholders’ Meeting, has a reasonable proportion of importance of the Company, its current financial situation, and the market standards of comparable companies. Likewise, the remuneration system is oriented toward promoting the growth, profitability, and long-term sustainability of the Company, and includes the necessary precautions for avoiding the excessive assumption of risks and remuneration for unfavorable results.

Madrid, 21 February 2018