

*This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.*

**REPORT ISSUED BY THE BOARD OF DIRECTORS OF NEINOR HOMES, S.A.,  
ON THE RATIFICATION AND RE-ELECTION OF MR. ALBERTO PRIETO  
RUIZ AS AN INDEPENDENT EXTERNAL DIRECTOR OF THE COMPANY,  
INCLUDED IN ITEM SIX OF THE AGENDA OF THE ORDINARY GENERAL  
MEETING SCHEDULED FOR APRIL 17, 2018 AND APRIL 18, 2018, AT FIRST  
AND SECOND CALL, RESPECTIVELY**

**1. INTRODUCTION**

The Appointments and Remuneration Committee of Neinor Homes, S.A. (hereinafter, the “**Company**”) has proposed to the General Shareholders Meeting the ratification and re-election of Mr. Alberto Prieto Ruiz as Company director.

This report is being issued by the Company’s Board of Directors pursuant to section 5, Article 529 *decies* of the consolidated version of the Spanish Companies Law, passed by Royal Legislative Decree 1/2010, of 2 July (the “**Spanish Companies Law**”), seeking to explain the proposal that is submitted for approval by the Company’s General Shareholders Meeting, scheduled for April 17, 2018 and April 18, 2018, at first and second call, respectively, under item Six of the agenda.

In accordance with the provisions of said article, the Appointments and Remuneration Committee should propose the appointment or re-election of any members of the Board of Directors with the category of independent directors (as is the case here). Such proposal should include an explanatory report from the Board of Directors, analyzing the competence, experience and merit of the candidate proposed.

This report seeks to (i) justify the proposal submitted by the Appointments and Remuneration Committee to the Board, to ratify and re-elect Mr. Alberto Prieto Ruiz as a Company director, with the category of “independent director”; and (ii) to appraise the competence, experience and merit of the candidate proposed.

The proposal submitted by the Appointments and Remuneration Committee, referred to, is attached as an **Annex** hereto.

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For the purposes of Article 518.e) of the Spanish Companies Law, it is also hereby stated that this report contains full details of the proposed candidate's identity, c.v. and current category.

Consequently, the Company's Board of Directors is hereby issuing this report on Mr. Alberto Prieto's appointment as an independent director of the Company, which has been approved by the Board members at its meeting held on February 21, 2018.

## **2. JUSTIFICATION OF THE REPORT**

### **2.1 Professional and biographical profile**

Mr. Alberto Prieto is Managing Director of the Real Estate Department of BDO España; in this position, he is in charge of designing, managing and executing large-scale transactions in the Spanish real estate sector. Furthermore, Mr. Alberto also leads the corporate operations and M&A department of BDO España.

Before joining BDO España in 2016, Alberto worked at Knight Frank España, where he held office as president between 2011 and 2016.

Mr. Alberto Prieto holds a Degree in Media Studies and is an Expert in Business Communication (Universidad Complutense de Madrid). He also belongs to ASPRIMA and is a founding member of the Real Estate Consultants Association (*Asociación de Consultores Inmobiliarios* (ACI)).

### **2.2 Report of the Appointments and Remuneration Committee and candidate appraisal**

In late 2017, the Appointments and Remuneration Committee, in light of:

- a) the changes made in the composition of the Company's shareholding, following the Company's accelerated placement of shares carried out on September 14, 2017;
- b) reasonable expectations that, based on Article 21 of the Board of Directors Regulations, any of the proprietary directors could resign from office following this change in the shareholding; and
- c) the Board of Directors' composition at the time, as well as the possible composition resulting from a potential resignation from office by any of the Company's proprietary directors;

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proceeded to evaluate the structure and composition of the Board at the time, as well as its members' knowledge, competences, experience and needs.

Further to the foregoing, and after being informed of the resignation of Mr. Dominique Jean Marie Cressot –which was formalized at the Board of Directors Meeting of October 31, 2017–, the Appointments and Remuneration Committee concluded that, in light of the Company's shareholding structure at the time and the number of Board members, it was necessary to appoint an independent director by the co-option system in order to cover said vacancy.

Consequently, as regards the appointment by co-option of said independent director, the Appointments and Remuneration Committee conducted a selection process, during which it assessed various candidates who offered the following:

- (i) broad knowledge of the Spanish real estate sector;
- (ii) extensive experience in companies related to this sector; and
- (iii) renowned prestige and integrity.

After appraising all the candidates, the Appointments and Remuneration Committee selected Mr. Alberto Prieto, Head of Real Estate in BDO. Specifically, the Appointments and Remuneration Committee considered that Mr. Alberto Prieto was the candidate that best covered the Company's needs, due to his more than 20 years' experience in multinationals; he is also a renowned expert in the Spanish real estate sector, specifically the residential sector.

All of the foregoing indicated that his appointment as an independent external director of the Company would greatly benefit the management body and, consequently, the Committee decided to propose Mr. Alberto Prieto's appointment by co-option. This appointment took place at the Board of Directors Meeting of October 31, 2017.

In addition to the foregoing, and in order to propose his ratification and re-election as a Company director, the Appointments and Remuneration Committee has re-evaluated the suitability of Mr. Alberto Prieto's appointment, based on (i) the Company's shareholding structure, and (ii) Mr. Alberto Prieto's performance of his director duties. In this regard, the Committee considers that the current circumstances justify Mr. Alberto Prieto's ratification

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and re-election. Furthermore, the Committee considers that Mr. Alberto Prieto has held office as a loyal representative, acting in good faith, in the Company's best interest, at his own risk, with freedom of decision and in an unbiased manner, and that he has dedicated the necessary time to effectively carry out his task, assigning enough time to adequately execute his duties.

### **3. JUSTIFICATION**

Further to the foregoing and pursuant to the Directors Selection Policy, the Board of Directors hereby undersigns and accepts all the conclusions reached by the Appointments and Remuneration Committee. Likewise, the Committee considers that Mr. Alberto Prieto's track record and c.v. confirm that he has the necessary competence and merit to continue holding director office. Furthermore, Mr. Alberto Prieto's long-term experience and thorough knowledge will guarantee that the Company's interests continue to be adequately managed.

### **4. CATEGORY**

Mr. Alberto Prieto will not represent any shareholder on the Board of Directors or will be entrusted with executive duties. Consequently, pursuant to the provisions of applicable regulations, the candidate will enjoy status as an independent external director.

### **5. CONCLUSIONS**

The Board of Directors, in light of the foregoing, considers that the proposal submitted by the Appointments and Remuneration Committee is justified and appropriate, for the ratification and re-election of Mr. Alberto Prieto as a Company director for the three-year term foreseen in the Articles of Association, as it is convinced that he will continue with the management of the Company and the Group carried out until now.



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## **ANNEX**

**PROPOSAL MADE BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS, TO RATIFY AND RE-ELECT MR. ALBERTO PRIETO RUIZ AS AN INDEPENDENT EXTERNAL DIRECTOR OF THE COMPANY, INCLUDED IN ITEM SIX OF THE AGENDA OF THE ORDINARY GENERAL MEETING SCHEDULED FOR APRIL 17, 2018 AND APRIL 18, 2018, AT FIRST AND SECOND CALL, RESPECTIVELY**

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**1. INTRODUCTION**

The Appointments and Remuneration Committee of Neinor Homes, S.A. (hereinafter, the “**Company**”), pursuant to section 4 of Article 529 *decies* of the consolidated version of the Spanish Companies Law, passed by Royal Legislative Decree 1/2010, of 2 July (the “**Spanish Companies Law**”), is hereby submitting this proposal for approval by the Company’s General Shareholders Meeting, scheduled for April 17, 2018 and April 18, 2018, at first and second call respectively, under item Six of the agenda, in order to ratify the appointment by the co-option system and the re-election of Mr. Alberto Prieto as an independent external director of the Company, for the three-year term foreseen in the Articles of Association.

Section 4 of Article 529 *decies* of the Spanish Companies Law provides that the Appointments and Remuneration Committee must propose an appointment or re-election of members of the Board of Directors, in the case of independent directors (as is the case here).

**2. OBJECT OF THE REPORT**

This proposal is hereby submitted in order to fulfil the provisions of section 4, Article 529 *decies* of the Capital Stock Companies Act.

**3. ASPECTS TAKEN INTO ACCOUNT BY THE APPOINTMENTS AND REMUNERATION COMMITTEE**

In late 2017, the Appointments and Remuneration Committee, in light of:

- a) the changes made in the composition of the Company’s shareholding, following the Company’s accelerated placement of shares carried out on September 14, 2017;

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- b) reasonable expectations that, based on Article 21 of the Board of Directors Regulations, any of the proprietary directors could resign from office following this change in the shareholding; and
- c) the Board of Directors' composition at the time, as well as the possible composition resulting from a potential resignation from office by any of the Company's proprietary directors;

proceeded to evaluate the structure and composition of the Board at the time, as well as its members' knowledge, competences, experience and needs.

Further to the foregoing, and after being informed of the resignation of Mr. Dominique Jean Marie Cressot –which was formalized at the Board of Directors Meeting of October 31, 2017–, the Appointments and Remuneration Committee concluded that, in light of the Company's shareholding structure at the time and the number of Board members, it was necessary to appoint an independent director by co-option in order to cover said vacancy.

Consequently, as regards the appointment by co-option of said independent director, the Appointments and Remuneration Committee conducted a selection process, during which it assessed various candidates who offered the following:

- (i) broad knowledge of the Spanish real estate sector;
- (ii) extensive experience in companies related to this sector; and
- (iii) renowned prestige and integrity.

After appraising all the candidates, the Appointments and Remuneration Committee selected Mr. Alberto Prieto, Head of Real Estate in BDO. Specifically, the Appointments and Remuneration Committee considered that Mr. Alberto Prieto was the candidate that best covered the Company's needs, due to his more than 20 years' experience in multinationals; he is also a renowned expert in the Spanish real estate sector, specifically the residential sector.

All of the foregoing indicated that his appointment as an independent external director of the Company would greatly benefit the management body and, consequently, the Committee decided to propose Mr. Alberto Prieto's appointment by co-option. This appointment took place at the Board of Directors Meeting of October 31, 2017.

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In order to propose a ratification and re-election of Mr. Alberto Prieto as a Company director, the Appointments and Remuneration Committee has re-evaluated the suitability of Mr. Alberto Prieto's appointment, based on (i) the Company's shareholding structure, and (ii) Mr. Alberto Prieto's performance of his director duties. In this regard, the Committee considers that Mr. Alberto Prieto's professional profile, track record and international recognition all confirm that he has the necessary competences, experience and merit to hold office as a Company director, and that the current circumstances justify his ratification and re-election. Furthermore, the Committee considers that Mr. Alberto Prieto has held office as a loyal representative, acting in good faith, in the Company's best interest, at his own risk, with freedom of decision and in an unbiased manner, and that he has dedicated the necessary time to effectively carry out his task, assigning enough time to adequately execute his duties.

Thus, the Committee considers it appropriate to propose the ratification of Mr. Alberto Prieto Ruiz's appointment by co-option, and his re-election as director, for the three-year term foreseen in the Articles of Association.

Further to the Directors Selection Policy, the Appointments and Remuneration Committee has ascertained, insofar as possible, that he is not involved in any incompatibility, prohibition or conflict of interest, foreseen by law or in the corporate governance system, and that this selection procedure has not suffered an implicit bias that could generate any type of discrimination.

#### **4. CONCLUSIONS REACHED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE**

In light of the foregoing, the Appointments and Remuneration Committee considers that Mr. Alberto Prieto offers the necessary competence, experience and merit to carry out his duties as a Company director, in the legal and regulatory terms foreseen, and, consequently, it hereby submits to the Board of Directors which, in turn, will forward it to the General Shareholders Meeting, its proposed ratification and re-election of Mr. Alberto Prieto as an independent external director of the Company, for the three-year term foreseen in the Articles of Association.



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## **5. DIRECTOR CATEGORY ASSIGNED**

Mr. Alberto Prieto will not represent any shareholder on the Board of Directors or will be entrusted with executive duties. Consequently, pursuant to the provisions of applicable regulations, the candidate will enjoy status as an independent external director.

## **6. PROPOSED RESOLUTION**

The following proposed resolution is hereby submitted to the General Shareholders Meeting for approval:

### ***“ITEM SIX OF THE AGENDA***

#### ***Ratification of Mr. Alberto Prieto Ruiz’s appointment and re-election as an independent external director for the three-year term foreseen in the Articles of Association***

*To ratify the resolution adopted by the Board of Directors at its meeting held on October 31, 2017, which designated Mr. Alberto Prieto Ruiz –of legal age, of Spanish nationality, who holds current Spanish Identity Card (D.N.I). [...], with address for these purposes in calle Ercilla, 24, 2ª planta, Bilbao, Spain– by the co-option system as a member of the Board of Directors, with status as an independent external director; and to re-elect him for the three-year term foreseen in the Articles of Association, following a proposal from the Appointments and Remuneration Committee, as a Company director, with status as an independent director.*

*This proposed ratification and re-election includes an explanatory report issued by the Board, appraising the competence, experience and merit of Mr. Alberto Prieto Ruiz, in addition to said report from the Appointments and Remuneration Committee. These reports have been circulated amongst the shareholders after publication of the announcement of the General Meeting.*

*Mr. Alberto Prieto Ruiz will accept his appointment by any valid legal means”.*

In Madrid, on 21 February 2018