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Neinor HOMES

Proposed Remuneration policy for the members of the Board of Directors

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1. BACKGROUND AND SCOPE OF THE REMUNERATION POLICY

This document reflects the Remuneration Policy for the members of the Board of Directors of Neinor Homes, S.A. ("**Neinor**" or the "**Company**") in compliance with the statutory requirements in the Spanish Companies Law (the "**Remuneration Policy**").

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 the remuneration system of 12 European peers from the real estate sector[1] and of 14 comparable companies (in terms of size) from different sectors[2].

The remuneration defined below maintains an adequate proportion and promotes the Company's long-term profitability and sustainability. The remuneration policy also incorporates the necessary safeguards to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders.

2. OBJECTIVES OF THE REMUNERATION POLICY

The Remuneration Policy is intended to define and control the remuneration practices of the Company relating to its directors in order to generate and increase the value of the Group for employees and shareholders.

In accordance with the above, the Remuneration Policy for the members of the Board of Directors seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall be applied to attract, retain and motivate the directors of Neinor. Also, the Remuneration Policy aims to encourage directors to meet the strategic objectives of Neinor within the framework of its activity in accordance with current legislation.

[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.

3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATION POLICY

In order to develop a good corporate governance framework, Neinor has considered appropriate to establish clear corporate governance principles to ensure that the remuneration strategy approved by the Board of Directors is implemented in accordance with the Company strategy, based on the principles of competitiveness and fairness.

In this respect, this Remuneration Policy shall be governed by the following principles:

3.1. Independent judgment

Remuneration shall be structured so that the independent judgment of non-executive directors is not compromised, with a special focus on the remuneration granted to independent directors.

3.2. Attraction and retention of the best professionals

Through the Remuneration Policy, the Company aims to offer a competitive compensation that attracts and retains talent that contributes to the value creation for the Company.

3.3. Long-term sustainability

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall include appropriate provisions to avoid conflicts of interest.

3.4. Transparency

The Remuneration Policy and the specific rules for the determination of the remuneration amounts shall be explicit and disclosed in advance. To that effect, either at the beginning of the year or at the time of the General Meeting, the total maximum amount of remuneration payable to directors shall be disclosed, including any requirements to be met in order to obtain such remuneration.

3.5. Simplicity and individualization

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

3.6. Fairness of compensation

Remuneration shall be consistent with the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors, is intended to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

To that effect, Neinor has adopted a Remuneration Policy whereby only independent and “other external” directors have the right to receive compensation for the performance of their supervisory and collective decision-making functions, i.e., as members of the Board of Directors.

In accordance with Article 34 of the Bylaws of the Company, directors shall, as a general rule, be remunerated. Any such remuneration shall consist of three items, namely: (a) annual fixed remuneration; (b) attendance fees; and (c) share-based compensation or remuneration linked to the evolution of the share price, without prejudice to the provisions in the Regulations of the Board of Directors.

The total amount payable by the Company as compensation to all of its directors for these three items may not exceed the relevant amount determined for these purpose by the General Meeting. The amount thus determined by the General Meeting shall apply unless and until the General Meeting approves other amount in accordance with applicable laws.

However, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Meeting shall be agreed by the Board of Directors in accordance with this Remuneration Policy. For such purpose, the Board shall take into account the office held by each director within the Board itself, as well as the membership and attendance of each director to any committees.

Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

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.

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.

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.

5. REMUNERATION OF THE DIRECTORS FOR PERFORMING EXECUTIVE DUTIES

The Appointments and Remuneration Committee shall follow the principles outlined above when determining the remuneration mix for directors performing executive duties in the Company.

5.1. Annual fixed remuneration

Directors’ fixed remuneration shall be determined on the basis of the responsibility, hierarchical position and experience of each executive director, bearing in mind the specific characteristics of each function and the dedication required and any market analysis reports prepared by independent consultants in the field, in order to establish a competitive base salary to attract and retain talent that may contribute to the value creation.

Specifically, the Chief Executive Officer of the Company (the "**CEO**") shall be entitled to receive EUR 1,000,000 as annual fixed remuneration.

5.2. Variable remuneration

Only executive directors shall be entitled to variable remuneration.

The executive directors' variable remuneration shall be based on the same principles underlying the Remuneration Policy described above, and shall further take into account the following:

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 a cash annual bonus 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).

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

5.2.2. Long-term incentive plan (LTIP)

Executive directors may as beneficiaries participate in the long-term incentive plans implemented by the Company from time to time, upon a proposal by the Appointments and Remuneration Committee.

The Company's Long-Term Incentive Plan ("**LTIP**") consists of the delivery –free of charge– of Company's shares to the beneficiary, subject to the satisfaction of certain objectives and continued service in the Company. The LTIP is composed of the following three overlapped cycles, with a three year measurement period each, namely: (i) the first cycle started on January 1, 2017 and shall end on December 31, 2019; (ii) a second cycle, which shall start on January 1, 2018 and end on December 31, 2020; and (iii) a third cycle, which shall start on January 1, 2019 and end on December 31, 2021.

Specifically, the actual number of shares to be awarded under the LTIP shall be linked (i) to the target number of shares to be granted to each beneficiary (the "**Share Target Incentive**"); and (ii) to the degree of achievement of certain objectives or performance indicators. The Share Target Incentive shall be the result of dividing the target incentive in Euros (ranging from EUR 10,000 to EUR 250,000) between the share price for each cycle (the "**Initial Share Price**"). The Initial Share Price for the first cycle shall be equal to the price fixed for the admission to trading of the shares and, for the remaining cycles, shall be equal to the average price of the shares in the Company during the last 20 trading sessions before the beginning of each cycle.

The number of shares to be delivered to each beneficiary after each cycle shall be calculated by multiplying (i) the Share Target Incentive by (ii) the weighted average of the degree of achievement for each different performance indicator ("**Weighted Payment Percentage**").

The Weighted Payment Percentage is the weighted average of three performance indicators, each representing one third of the aggregate (i.e. 33,33%), multiplied by a correction factor. These indicators include a growth indicator (EBITDA), an efficiency indicator (Developer Margin) and a value creation indicator (Total Shareholder Return - TSR). The degree of achievement in relation to these indicators shall vary between 0% and 150%, depending on the fulfillment of certain predefined objectives. Regarding the correction factor, if the average of the LTV (Loan to Value Ratio) for the relevant period exceeds the pre-set LTV target, then the degree of achievement in respect of the three previous indicators shall be reduced by 10%.

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.

The target incentive for the CEO has been set at EUR 250,000.

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.

5.4. Contributions to pension plans, social welfare schemes and life insurances

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).

5.5. Remuneration in kind

The Company may provide executive directors with certain benefits in kind, in accordance with market practices, including perks such as medical insurance, vouchers, company vehicles, relocation payments, etc.

Specifically the CEO is entitled to medical insurance.

Finally, the Company may pay for any premiums regarding any civil liability insurance policy taken out by the Company in respect of its directors, upon customary market terms and commensurate with the circumstances of the Company.

6. GOVERNANCE MATTERS

6.1. Preparation, approval, term and review of this Remuneration Policy

The Board of Directors, acting upon a favorable report by the Appointments and Remuneration Committee, shall submit to the General Meeting a proposal for a Remuneration Policy in respect of directors at least every three years. This proposal shall be submitted as a separate item on the Agenda.

The report of the Appointments and Remuneration Committee shall be attached to the proposal of the Board of Directors.

The proposed Remuneration Policy submitted by the Board of Directors and the report prepared by the Appointments and Remuneration Committee shall be available to shareholders on the Company's website as of the date of the notice of call for the General Meeting. Shareholders may also request that a copy be sent to them, free of charge. The notice shall make a reference to this right.

The Remuneration Policy shall be in effect for three years after approval by the Board. Any amendment or replacement of this Remuneration Policy during such period shall require prior approval by the General Meeting in accordance with the provisions herein.

In the event that the Annual Report on Remuneration of Directors is rejected following an advisory vote by shareholders at the annual General Meeting, the Remuneration Policy for the next year shall be submitted for approval to the General Meeting before implementation, including in the event that the aforementioned three-year term had not elapsed. As an exception, this rule shall not apply in the event that the Remuneration Policy was approved at the same annual General Meeting.

The Board of Directors may resolve, upon a proposal by the Appointments and Remuneration Committee, to hire an independent expert to review the Remuneration Policy.

6.2. Supervision and application of the Remuneration Policy

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remuneration Policy, while the Appointments and Remuneration Committee is responsible for ensuring that such policy is effectively complied with.

6.3. Term of the Remuneration Policy

This Remuneration Policy shall be in effect for three tax years after approval thereof by the Sole Shareholder of the Company.

Notwithstanding the above, the General Meeting of Neinor may amend, modify or replace this Remuneration Policy at any time in accordance with the procedures described above.

This version of the Remuneration Policy incorporates the amendments approved by the Annual General Meeting held on April […], 2018.

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