

**2017 CORPORATE SOCIAL
RESPONSIBILITY REPORT**



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1. Executive summary

Neinor Homes

Mission, vision and values

Mission: To capitalise on the immense opportunity provided by the transformation and consolidation of the real estate sector in order to **deliver sustainable value to all our stakeholders**, with margins and returns in line with the risk of the development business, building homes with people in mind, establishing stable relationships with our suppliers, and increasing our employees' value

Vision: Our aim is to be **the go-to residential property developer in Spain and the market leader** – not only from the perspective of the volume of homes delivered, but also by setting the rules for a radical transformation of the sector into a new and more institutional model, customer-centred and based on rigour, ethics and transparency, and with a clear commitment to an industrial model

Values:

- The customer is at the centre of the decision-making process
- Coexistence of talent
- Pragmatic innovation
- A product with social DNA (Sustainability)
- Leadership with humility
- Good governance

Business model

- Promotion of first and second homes
- Purchase of terminated land
- Industrialized and optimized value chain



1.610 million euros
value of soil bank



87 promotions in
production



Economic value

Generated
227 million euros
(sales and other income, gains/losses on disposals of real estate)

Distributed

240 million euros
(costs of inventory, operating, finance, and personnel costs)

Retained

-13 million euros

Social value



235
direct employment



13.240
indirect employment¹

¹Based on criteria of the Madrid Association of Real Estate Promoters (ASPRIMA), indirect employment = 5,517 homes made available in 2017 x 2.4

Environmental value



Quality, Safety, and
Environmental Policy



ISO 14001 Environmental
Management Certification

Corporate Social Responsibility Strategy

Corporate Social Responsibility Policy

Objectives:

- Lead sector transformation
- Defined commitment to good governance, the environment, and society
- Serve as foundation for integrating sustainability

Quality and environment management

- Quality, environment, and innovation
- Quality Committee
- ISO 9001 Quality Certification
- ISO 14001 Environmental Management Certification

257.248 kWh
energy consumption in offices



↓ 11%
paper consumption



Corporate Social Responsibility Master Plan: Vision 2020

Strategic pillars

Client

Product

Institutionalization

Core strategies

- Decision-making
- Experience
- Communication

- Product excellence
- Product sustainability
- Social and economic contribution

- Suppliers
- Innovation
- Investors and stakeholders
- Governance, transparency, and integrity
- ESG risks
- People as strategic asset

Grupos de interés

Investors and
shareholders

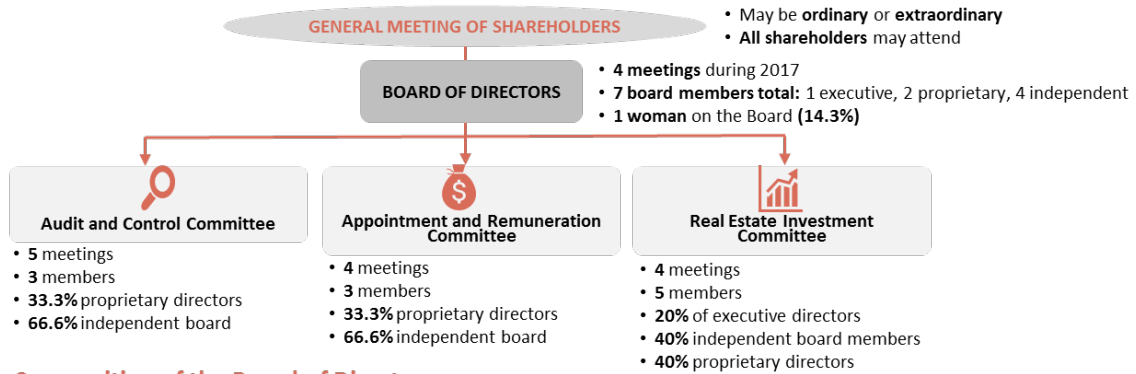
Customers

Employees

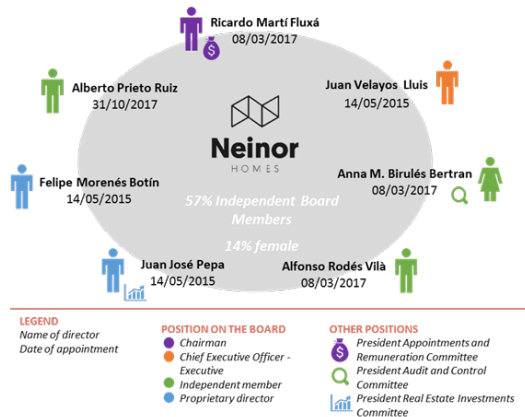
Suppliers

Society

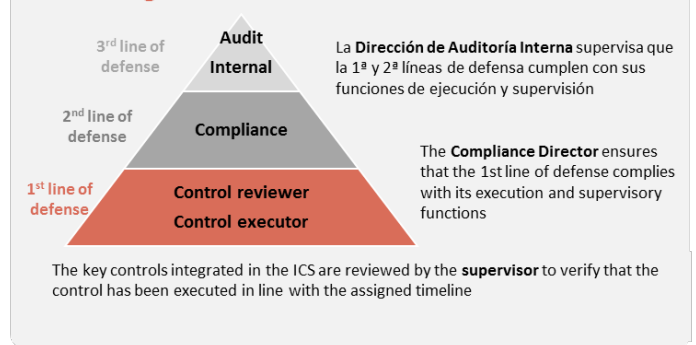
Governance structure



Composition of the Board of Directors



Risk management



Ethics and transparency

- Ethics Code
- Code of conduct for third parties
- Whistleblowing Channel
- Data Security Policy
- Whistleblowing Management Procedures
- Prevention of Money Laundering Manual
- Prevention of Money Laundering Channel
- Internal Control over Financial Reporting System

Legal compliance

- Crime Risk Prevention Policy
- Internal Code of Conduct in Security Markets

Handling conflicts of interest

- Conflict of Interest and Related Parties Transactions Policy

Promotion of good practices in real estate intermediation

- Policy on Promotion of Good Practices in Real Estate Intermediation

Anti-Money Laundering

- Prevention of money laundering and terrorist financing manual

Information security

- Cybersecurity management model
- Data Protection Security Document
- Security Policy
- Data Security Committee
- Data Protection Security Document
- ARCO Rights Procedures
- Data Protection Channel

Tolerance for corruption

- Anti-corruption policy

With our clients in mind

Neinor Experience

- Exclusive customer care throughout the purchase cycle
- Neinor Experience agents in all promotions
- Neinor Responds Channel: continuous personal attention

Customer satisfaction

- Telephone number and e.mail for each promotion
- Ethics channel
- Numerous satisfaction surveys

11.803
customer claims
received



1.260
clients



31.293
web sessions



2.962
enquiries

85%
satisfied with Neinor
Experience App

82%
satisfied with Neinor
Experience treatment

83%
satisfied with open day

Product and innovation

Quality of our homes

- Investigation + Listening + Development Process
- Home characteristics:
 - ✓ Economic
 - ✓ Functional
 - ✓ Attractive
 - ✓ Safe
 - ✓ Choice surroundings
 - ✓ Luminous
- BREEAM certification
- White Book



51
promotions
launched in 2017



5.517
homes launched
in 2017



39%
sales handled vs.
2016



78,4%
promotions with BREEAM
requirements



87
materials added to the
White Paper in 2017

Innovation

- Permanent commitment
- UNE 166002 Certification
- Innovation committee
- Neinor Lab
- Digital transformation
- Collaborative innovation



35
employees
involved in
Neinor Lab



661.456
euros invested
in innovation



10
Neinor Lab
projects



3
projects
included into
the value
chain

Our team

People management

- **235** employees (49% female)
- Average age **40**

Equality and diversity

- Commitment to non-discrimination and equality
- Code of Conduct

Professional and personal development

- **98%** permanent employees
- **68** new hires
- **90%** employees with variable compensation

Training

- **8.8** hours of training per employee
- **45,000** euros invested in training

Communication and employee satisfaction

- Meetings between CEO and employees
- **68%** satisfaction rate amongst employees

Wellbeing and work-life balance

- Work-life balance catalog

Safety and health

- OHSAS 18001 Certification
- **1** workplace accident with medical leave

Our supply chain



181.6 million
euros (non-land
purchases)

285.7 million
euros (land
purchased)²



210
suppliers



75%
local suppliers



338
Suppliers analyzed

Purchasing management

- Procedure for managing purchasing
- Mandatory supplier clauses

Communication and collaboration

- Bilateral communication
- Collaboration initiatives

Selection and approving

- Demanding selection and approving process
- Sustainability and environmental requirements

Training and awareness

- Awareness-raising talks
- Accident rate below average

²Includes pending urbanization and closing costs

2. Interview with the CEO

Considering Spain's current social and economic environment, how would you analyze its real estate sector during 2017?

2017 continued to reflect the symptoms of the recovery of the Spanish economy which began in prior years. The healthy performance of the GDP, low interest rates, and recovery of employment figures unleashed greater demand. This was a year of opportunities for the Spanish real estate sector, which must do things differently from the way they used to be done. We should take advantage of this opportunity for transformation in the same way other sector agents we interact with have: banks, the government, builders, and promoters - the entire supply chain. This is the only way we will be able to improve the sector's place in society, and generate credibility, which will no doubt have positive consequences for everyone involved.

Focusing on Neinor Homes, what would you say the highlights of 2017 were?

Without a doubt, our main achievement during the year was the inclusion on the Spanish Securities Market, which should help Neinor Homes reach another new dimension while positioning itself as Spain's top real estate property promoter, as well as one of Europe's finest. Being listed on the market forced us to face a number of serious changes in our governance structure and internal policies, although today we can state that we have adapted very successfully. We also created a Corporate Social Responsibility Plan Director which should help us deal with the present and face the future as a responsible and sustainable company. We continued on our path to growth by increasing the number of promotions and homes built, helping us reach more and more locations and clients. We increased our headcount by 18%, reinforced our territorial distribution, and hired more employees at all of our offices.

Customers are increasingly demanding, expecting better service and quality standards. With this in mind, what is Neinor Homes doing to respond to these needs?

We at Neinor Homes are aware that our customers are the reason for our existence, the central focus our business revolves around. This is why our commitment to our customers is all-encompassing: we concentrate all of our efforts and energy into providing unparalleled quality service to ensure customer satisfaction. Our *Neinor Experience* service is focused in this direction, and helps set us apart from the rest, accompanying our customers throughout the homes' lifecycle and post-sales services; we listen to them to respond to their doubts or concerns. We also conduct customer satisfaction surveys on all of our services to at all times contemplate how to improve the way we do things.

Without a doubt, for a company such as Neinor Homes, the product offering is key. What sets your homes apart from the rest?

We offer sterling quality in all our homes, which is a priority, and a source of pride for the entire Neinor Homes team. Daily we strive to improve our homes: this year 78% of our promotions included the requirements for obtaining BREEAM sustainability certification ratings of Good or Higher. This is no coincidence, but rather, is the result of a process which begins by hand-picking the best land and surroundings in which our customers' opinion are foremost in our minds. We also apply strict selection controls when choosing our suppliers and check to see that they are using outstanding-quality materials and techniques, high standards, with a focus on sustainability and design, which are established in our "White Paper" for suppliers, a pioneering project in our sector. We support innovation to remain at the vanguard of meeting customer demands.

The employees and their talent are fundamental to achieving this. What employee initiatives are underway?

Our employees are necessary for us to achieve our goals. As previously mentioned, we are immersed in a period of growth, which forces us manage our human resources responsibly and diligently. We endeavor to make Neinor Homes an attractive place to work, offering quality employment and excellent possibilities for advancement, as well as setting an example of gender equality. Training is foremost for retaining talent, and we give our staff the chance to feel like part of the company by offering them the possibility of participating in our *Neinor Lab* innovation

laboratory. We are also committed to our employees' wellbeing and have provided our Decalogue of worklife-balance equality measures.

Finally, what is the future and outlook for Neinor Homes for the upcoming years?

I think we are in a great position to support the sector's transformation towards a more professionalized model and become Spain's real estate promotion benchmark. We have a solid foundation, and our support for innovation will help us adapt to changes while remaining a step ahead of our stakeholders' needs. Our Corporate Social Responsibility Plan Director will be the lighthouse guiding us safely into the future, with sound defined sustainability and quality standards allowing us to meet our most ambitious goals.

3. Who are we?

3.1. About Neinor Homes

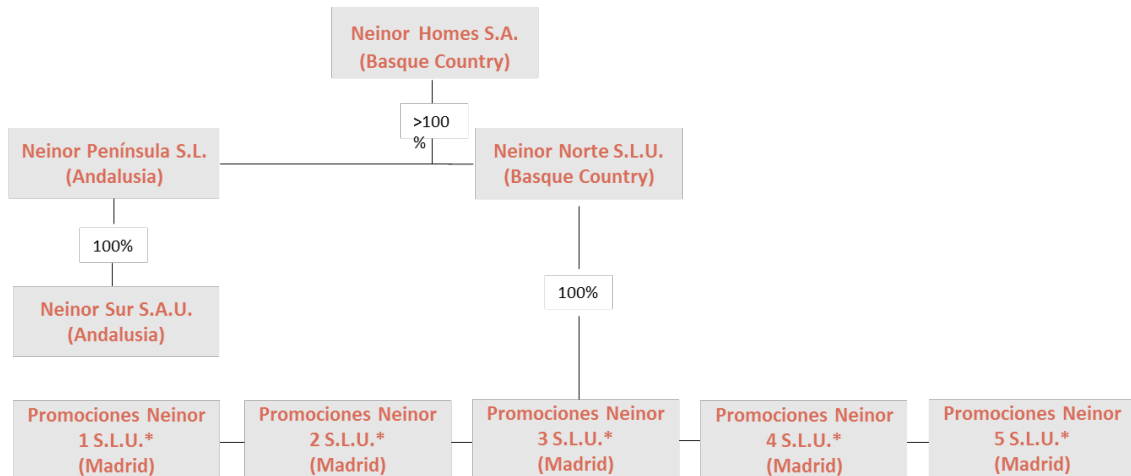
Neinor Homes formally commenced its activity in **May of 2015**, thanks to the purchase of Neinor, a Basque residential promoter with over 30 years on the market, sold by Kutxabank to the US fund Lone Star. Its mission is to lead **Spain’s residential sector transformation** and grow as the **leading residential promoter** in the country. Neinor Homes stepped into a new dimension on March 29, 2017 thanks to being **listed on the Spanish Securities Market**. It was the first stock market launch by a residential promoter in Europe during the past decade, a huge success which significantly increased the demand for shares starting the first day.

Achievements and rapid growth until now are the fruit of the company firm strategy, solid investments in innovation and technology, and the talent of their professionals; Neinor Homes is now a **sector benchmark**. The company’s goal and ambition is to apply innovation to a sector which has historically been resistant to change, incorporating best practices and ideas taken from other sectors, with the commitment to a culture of permanent innovation across all the company’s areas. Neinor Homes is looking towards a **new business model** which is more professional, customer-focused, rigorous, ethical, transparent, and clearly aimed toward industrialization. This involves the professionalization of the Spanish residential real estate sector based on an industrial and business model established on three strategic pillars: institutionalization, product, and client.

3.2. Property structure

Neinor Homes’ headquarters are in the **Basque Country**, from which it has extended its activity **across Spain** and focusing on higher-demand markets and less stock, and noteworthy presences in Madrid, Basque Country, Catalonia, Andalusia, the Eastern coast, and the Balearic Islands. Its **offices** are located in Bilbao, Barcelona, Madrid, Cordoba, Malaga, and Valencia.

The following is a diagram of Neinor Homes’ **subsidiaries**:



**Its headquarters moved in January 2018.*

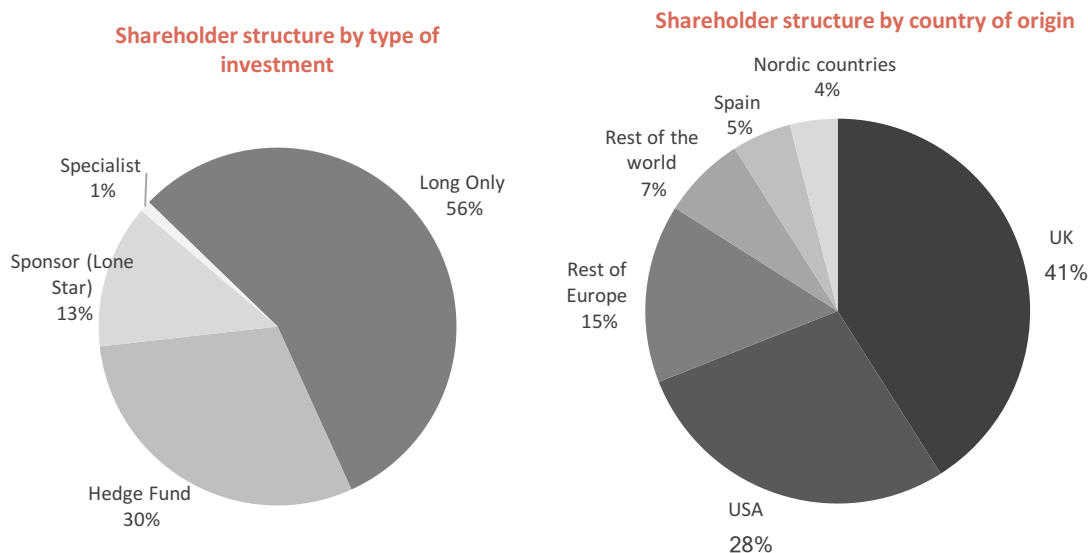
Neinor Homes **shares were launched on the market** on March 29, 2017 at 16.46 euros per share, and the placement of 60.45% of the capital by Lone Star. On September 14, 2017, the fund launched an accelerated placement of an additional 27% stake, thereby reducing its share to 12.92% (on February of 2018 its share was 0.4%). On December 31, the company shares were listed at 18.30 euros, increasing its value 11% in less than a year.

In less than a year since of its first stock offer, Neinor Homes shares increased 11% in value.

During the month of November of 2017, Neinor Homes hired a third party to conduct a **study of the shareholders' registry** to analyze the estimated composition of the company's shareholder structure. The study indicated that 56% of share capital was in the hands of **Long Only** investors (long-term permanent investors), while 30% are in the hands of **Hedge Funds** (investors with short-term investment cycles), and 13% held by Lone Star. The final 1% is held by **Specialist** investors (specialized in investments in real estate sector companies).

56% of share capital is owned by Long Only investors with the intention of permanence.

Neinor's shareholding **geographical distribution** is mainly: UK 41%, USA 28%, Spain 5%, and 4% from the Nordic region.



The following table presents more information on the **main shareholders** at year-end 2017:

Name corporate name or name of shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights	Type	Date registration of entry CNMV
		Owner of the investment	Number of voting rights			
LONE STAR CAPITAL INVESTMENTS, S.A.R.L.	0.00	Neinor Holdings, S.L.U.	10,209,030.49	12.92%	Sponsor	09/22/2017
WELLINGTON MANAGEMENT GROUP, LLP	0.00	Wellington Management Company LLP, Wellington Management Singapore Pte. Ltd, Wellington Management International Ltd	6,743,869.70	8.54%	Long Only	9/18/2017
FMR LLC	0.00	FMR CO.INC., FMR Investment Management (UK) Limited, Fidelity Institutional Asset Management Trust Company	5,445,026.94	6.9%	Long Only	7/25/2017
ADAR CAPITAL PARTNERS LTD	0.00	Adar Macro Fund Ltd	4,108,261.77	5.20%	Hedge Fund	6/8/2017
INVESCO LIMITED	0.00	Invesco Advisers, Inc, Invesco Asset Management Limited	3,962,102.46	5.02%	Long Only	12/8/2017
KSAC EUROPE HOLDINGS, L.P.	0.00	KSAC Europe Investments S.à.r.l.	3,317,421.38	4.20%	Hedge Fund	4/27/2017
BANK OF MONTREAL	0.00	F&C Management Limited, F&C Managers Limited, F&C Investment Business Limited	2,433,355.05	3.08%	Long Only	11/15/2017

3.3. Mission, vision, and values

Neinor Homes performs its activity in a highly competitive environment based on its mission and vision which state its **aspirations** and **objectives**, based on a foundation of **values** which are closely linked to its three strategic pillars: customers, institutionalization, and product.



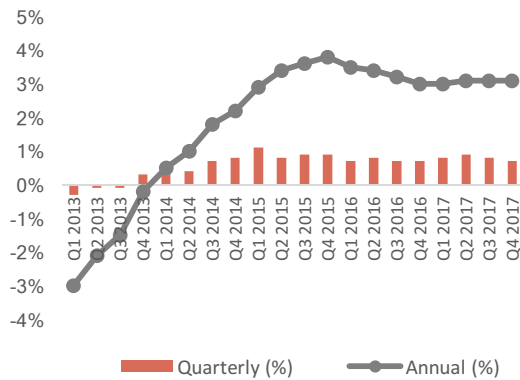
4. How do we create value?

4.1. Economic and social environment

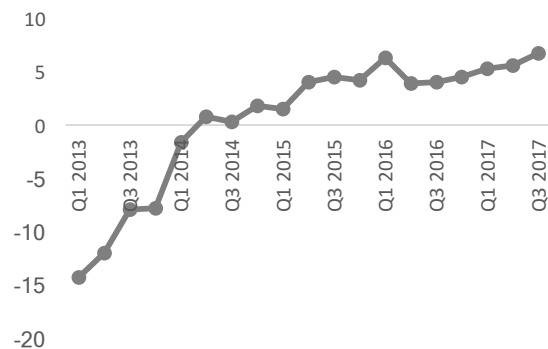
The **housing market** in Spain suffered a grave 6-year crisis related to the country's general economic situation. In 2016, the first indications of a reactivation in the real estate business became evident; recovery was confirmed in 2017, offering a panorama which is a stark contrast to prior years. Based on the most recent GDP figures published by the National Statistics Institute (INE), the **Spanish economy** grew 3.1% during 2017, after two consecutive years of growth over 3%. **Employment** trends were also on the rise, with unemployment down in all autonomous communities.

For two sectors (real estate and construction) which are mainly bolstered by the strong **demand for housing**, the above data injects a spark of optimism. The decrease in unemployment and constantly low **interest rates** are increasing consumer confidence, and substantially improving Spaniards' degree of access to home ownership. Financial entities are beginning to offer new facilities for access to **mortgages**. This all fostered a 5% **increase in used/new home** prices vs. 2016. The interest buying a home is growing in the minds of visitors to Spain, fostering the sector's activity in the more touristic areas, and partially explaining the rise in the price of second homes.

Annual and quarterly GDP trend*



Housing market rate (HMR)*



*Source: National Statistics Institute

Against this backdrop of excellent perspectives for the Spanish economy and the sector, Neinor Homes is steadfast in its commitment to **technology, innovation, and sustainability**, values which help it **meet challenges in the environment**, while taking advantage of opportunities, and evolve continually to set the standard. Its externalized and scalable model is another value helping it to adapt to different market scenarios more easily. During 2017, Neinor Homes managed **sales totaling 764.8 million euros** (including **servicing** sales), thereby surpassing 2016 by 5.3%.

Neinor Homes transforming the sector

The residential promotion sector is undergoing a transformation which should culminate in the creation of an industrial model which differs from that of the 20th century and the real estate boom. Real estate promoters are currently forced to focus exclusively on earning profit from the construction and sale of homes in an atmosphere of stringent financing, based on new paradigms centered on purchasing land with own resources, and adding maximum value to the promotion process itself. In other words, focusing on buyer needs by building better, more sustainable homes, with maximum control over deadlines and costs has become crucial.

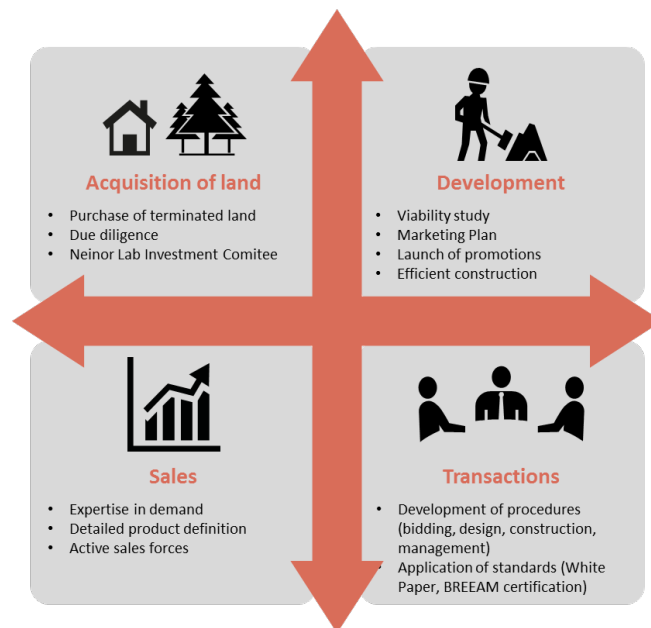
Neinor Homes feels it is part of this transformation, and is keen to lead it by availing itself to all the opportunities presenting themselves. It backs initiatives such as the Neinor Experience in which the customer is our primary focus and concern, based on a business model with standardized processes and the professionalism of all aspects of the supply chain.

The **outlook for 2018** is positive: analysts and investors expect the rising trend of the European real estate sector to continue apace, in an environment marked by an abundance of capital and increased investment opportunities. In Spain, however, **political uncertainty** arising from circumstances in Catalonia led to prudent forecasts. Neinor Homes' goal for 2018 is to continue growing and delivering more homes, managing increasing pre-sales, purchasing more land, and increasing the EBITDA margin of its servicing business line 50-60%.

4.2. Business model

Neinor Homes is a real estate promoter devoted to **promoting first and second homes** for customers in the median/median-high segments; however, unlike other Spanish residential promotion real estate companies, has adopted **best practices** into its business from leading companies in the US and the UK. This is how Neinor Homes manages all the phases of its **value chain** residential promotion process, including the acquisition of land, and the management, design, construction, and sale of its products, as well as post-sales service. Its business model is based on the industrialization and systemization of processes, involving all company participants in its objectives and business strategy.

Neinor Homes is unlike other sector companies, in that it **purchases developed land** at market rates, thereby obtaining a profit margin from transforming the land into homes. It currently leads the residential promotion market with the largest portfolio of developed land in Spain, which is equivalent to 1.35 million m², valued at 1,610 million euros, and the capacity to promote 12,000 homes. This is distributed geographically over Madrid, Catalonia, the Balearic Islands, Basque Country, Andalusia, and Valencia region, which are generally areas of great demand. By basing its business model on purchasing finished plots of land, it is forced to have a **highly-optimized and industrialized value chain** featuring rigor, a financial approach to decision making, technology, and the control of processes. Another key component of its business model and its value chain is **launching residential promotions**. At year-end 2017, Neinor Homes had 87 promotions underway, representing the construction of 8,083 homes. The **main focus** and **raison d'être** of its activity is always its **customers**, and Neinor Homes never loses sight of the challenge it faces to lead the sector with an outstanding brand which is well above the rest thanks to its serious approach, commitment, and warmth.



4.2.1. Value creation



Economic value

Neinor Homes is one of the **engines** pushing the Spanish real estate sector forward **economically**. Land **investments** during 2017 totaling 285 million euros represents a notable increase, and 140% compliance with the year's objective; this was thanks to a strategy based on being prepared for a possible price increase leading to greater demand arising from the appearance of new competitors on the scene. Total income for the year amounted to **225 million euros**, representing negative net profit of -25.9 million euros, which was also greatly affected by the 2.35 million euros arising from the launch on the stock exchange and by the Management Incentive Plan (19 million euros). Adjusting these expenses leaves net profit of -4.6 million euros. Total operating EBITDA was negative: -17.6 million euros, yet when adjusted by eliminating all these stock exchange launch expenses, operating EBITDA was a positive 3.7 million euros. The **value of its assets** was 1,279 million euros, or 25.8% over 2016*.

Generated economic value

227 million euros
(sales and other income,
gains/losses on disposals of
real estate)



Distributed economic value

240 million euros
(costs of inventory, operating,
finance, and personnel costs)



Retained economic value

-13 million euros

*Further information is available on the Financial Statements



Social value

Apart from contributing to the transformation, professionalization, and recovery of the Spanish residential sector, Neinor Homes seeks to sell homes which **meet its customers' needs, and assist social and economic development** wherever they are located. The construction sector has been fundamental to the country's economic recovery, and was a principal force behind general growth of employment, creating jobs at an annual pace of 4.3%. Along these lines of growth, since 2015 Neinor Homes has tripled its own staff to reach 235 professionals, with activity generating indirect employment for 13,240 individuals.



235
direct employment



13,240
indirect employment

¹Based on criteria of the Madrid Association of Real Estate Promoters (ASPRIMA), indirect employment = 5,517 homes made available in 2017 x 2.4



Environmental value

Neinor Homes is committed to protecting the **environment** and within the scope of its possibilities, **preserves and respects** it, marking demanding challenges for working in a more sustainable manner, while seeking out solutions that allow it to reduce the environmental impact of all its corporate activity. This pledge is reflected in that the majority of its homes feature the prestigious **BREEAM sustainability certificate**. During December 2016, AENOR certified Neinor Homes as **ISO 14001-certificate** in Environmental Management thanks to its measures designed to protect the environment reflected in its sustainable and energetically efficient buildings.

Another reflection of Neinor Homes' dedication to preserving the environment, is that in 2016 it approved its **Quality, Safety, and Environmental Policy** which expect all employees to comply with environmental protection legislation and promote the use of sustainable techniques in all its homes and daily activities. Environmental sensitivity campaigns are held to spread awareness to employees of the importance of reducing their energy consumption and use of paper.



**Quality, Safety,
and
Environmental
Policy**



**ISO 14001
Environmental
Management
Certification**

4.2.2. Brand value

Neinor Homes seeks to position its brand as leader of the Spanish residential real estate market, while strengthening its image and attractiveness to investors as a stable and solvent company in both financial and shareholding terms. To this end, it works to build a strong brand image based on a **unique and differentiated positioning** vs. the competition, while sharing a clear and attractive message which is accompanied by a unified overall graphic image which is coherent with company values.

Neinor Homes knows that for its value as a brand for its customers, it is of paramount importance that they be able to associate the **values and attributes of trust and quality** to its brand; therefore, it provides specific, continuous, and specialized training so that its agents will be able to surpass customer expectations during each contact, while striving to implement the technological means necessary to offer top-notch service. Service quality is valued and monitored on a continuous basis through the implementation of auditing systems as well as Mystery Shopper involvement in its promotions. A **brand study** is planned for the end of the last quarter of 2018, to involve our customers and gain a better understanding of their expectations. The Corporate Social Responsibility Strategic Plan identifies its specific goals, and designs concrete short-, medium-, and long-term actions.

4.3. Corporate Social Responsibility Strategy

4.3.1. Corporate Social Responsibility General Policy

Neinor Homes' Corporate Social Responsibility General Policy outline its main principles as well as the **internal conduct framework** necessary for integrating and managing social responsibility as regards individuals, transactions, and stakeholders, all the basis revolving around the company's key pillars of client, product, and institutionalization.

Neinor Homes' Social Corporate Responsibility is managed by the Sustainability Committee, which depends on the Corporate General Manager, as established in the principles outlined in its General Social Corporate Responsibility Policies.

Supervision and monitoring the application of the Policies falls to the Audit and Control Committee.

CSR General Policy Objectives

Neinor Homes' CSR objectives include:

- **Lead the sector transformation**, positioning the Company as the benchmark in sustainability, while contributing to bolster its credibility and solid reputation thanks to the renowned Neinor Homes brand.
- Define **Neinor Homes' commitment to good governance, the environment, and society** for all its stakeholders.
- Serve as the foundation for **integration and sustainability** within Neinor Homes' business strategy as well as throughout the entire value chain.

4.3.2. Corporate Social Responsibility Master Plan: 2020 Vision

As part of its commitment to sustainability as a strategic goal for its long-term growth, in 2016 Neinor Homes established its sustainability strategy until 2020 in its **Corporate Social Responsibility Master Plan**. It was designed to create a sole, transversal framework permitting the overall management of all social, environmental, and good governance initiatives, and to identify specific objectives to tailor specific short-, medium-, and long-term actions. The Board of Directors' Audit and Control Committee **oversees** the objectives outlined in the Plan. The Plan's Director establishes a set of actions and operating follow-up indicators for each of the Company's strategic pillars (client, product, and institutionalization).

During December 2017, Neinor Homes requested to be included in Forética, Spain/Latam's leading association for companies and professionals in the areas of CSR and sustainability, in order to better position the company in this matter

Strategic Pillars



Client

Customers are the focus of the company's decisionmaking processes



Product

Efficient and sustainable homes, in which innovation is part of Neinor Homes' essence



Institutionalization

Business model based on process systemization, rigor, and transparency

Core strategies

- Decision-making
- Experience
- Communication

- Product excellence
- Product sustainability
- Social and economic contribution

- Suppliers
- Innovation
- Investors and stakeholders
- Governance, transparency, and integrity
- ESG risks
- People as strategic asset

Client

Neinor Homes spotlights its customers as the focus of its decision-making, since buying a home is one of its customer's most important decisions, and therefore it accompanies them throughout the purchasing cycle, listening, paying attention, and familiarizing itself with its needs to be able to offer its future owners exactly what they need. This customer-focused approach is manifested in three key areas:

Decision-making

At all times Neinor Homes focuses on customers at the center of the decision-making process by listening to and considering their needs so as to assist in every aspect of choosing the perfect home, including handing over the keys as well as during the post-sales process. This is translated into constantly focusing on customer satisfaction, aligning expectations with project profitability.

Experience

"Customers as our reason for existing" is a key principle guiding our search for better technical and economic solutions for each one. This involves continuously following up the quality of service provided, thanks to satisfaction questionnaires, to thereby offer stellar service.

Communication

Neinor Homes has developed a strategy of continuous, transparent, and bi-directional communication with its customers throughout the overall home-purchasing life cycle. It is always at the vanguard of new communication tools in this regard.

Product

Neinor Homes' strategic priority is that all its new homes be efficient and sustainable, with innovation part of their very essence. It builds houses with people in mind. These are its strategic lines:

Product excellence

Neinor Homes creates the homes its customers demand, and only offers the best under the most rigorous standards, and therefore it is fundamental that it aim for unparalleled standards of quality and excellence in all its promotions to ensure it maintains its sustainability recognition. Our product must be synonymous with quality, and meet all established deadlines and contribute to protecting the environment by applying new technologies and continuous innovation in its development.

Product sustainability

Neinor Homes intends to continue building homes with minimal impact on the environment and in the most sustainable way possible. It does so by basing itself on cutting-edge, efficient technology which offers its customers a product featuring value, quality, safety, efficiency, and integrated into its environment.

Social and economic contribution

Neinor Homes boosts the creation of homes which help develop a much more sustainable environment, fostering social cohesion and improving quality of life. Along these lines, it must establish company social commitment practices within the different environments in which it operates, prior to commencing activities.

Institutionalization

Neinor Homes expects to industrialize its entire value chain and management process, therefore applying the following strategic lines:

Suppliers

Guaranteeing maximum product quality means applying robust management and internal systems to control outsourced service providers, while also establishing close ties with suppliers. Risk management (especially in matters related to health and safety, the environment, human and labor rights) is another key aspect contributing to achieving industrial transformation in the sector across all phases of the value chain.

Innovation

Neinor Homes is steadfastly devoted to development and innovation, and uses the best technical and human resources based on exchanged experiences with other companies and entities.

Investors and stakeholders

Investors expect companies to link their business models to the context of the environment, and create long-term value for all stakeholders. Neinor Homes supports a transparent business management system, and consults its stakeholders while keeping them informed at all times and at the center of all corporate decisions.

Governance, transparency, and integrity

Neinor Homes is fully committed to complying with prevailing legislation as well as its internal policies and procedures. It also has voluntarily adopted Good Governance obligations and recommendations, as well as national and international best practices. Its governing body is committed to managing the company in a diligent, integral, and transparent manner, while fostering the communication of its key general principles of conduct, ethics, and integrity to all its employees, customers, and suppliers, in order to prevent, detect, and eradicate potential bad practices.

ESG risks

Neinor Homes supports the risk management process so as to identify, analyze, and mitigate any possible events which might affect the company, while integrating the process within its business strategy.

People as strategic asset

For long-term success, all Neinor Homes employees must have the necessary talents to perform within an ever-demanding and innovative context.

Corporate Social Responsibility Master Plan monitoring:

The following Corporate Social Responsibility Master Plan actions were achieved or concluded during 2017:

Strategic pillars	Action plan
Client	Form Real Estate Agents to improve sales service and align it with our mission, vision, and values
	Extend the "Neinor Responds" channel to all promotions
Product	Implement the European Excellence Model Evaluator (EFQM)
	Maintain the Health and Safety Management System Certification (OHSAS 18001)
	Increase demands for suppliers as regards the environmental impact of their materials, as well as the number of suppliers evaluated
	Monitor the application of the Code of Good Practice to ensure a safe and healthy workplace
	Prepare a personalized set of healthy materials for our homes
	Include a virtual visit with personalized items featured in the home
	Increase the number of materials to include in the White Paper
	Create a social contribution strategy
Institutionalization	Develop simulation training programs to reduce workplace construction accidents
	Include sustainability requirements linked to the Manual of Responsible Purchasing in the process for selecting and standardizing suppliers
	Measure the key innovation and performance indicators, comparing them to sector companies
	Ensure correct R&D&I management thanks to UNE 166002 certification
	Align the Innovation Plan with Corporate Social Responsibility Policies and business strategy
	Establish a competitor trend observatory
	Create an equity story to accompany economic and financial aspects, including information on sustainability
	Increase/improve bi-directional listening channels for communication with all stakeholders
	Define a Social Corporate Responsibility dashboard
	Identify ESG (<i>Environmental, Social, & Governance</i>) risks, and include them in the global risk map
	Include ESG risks and controls, and monitor them
	Identify needs for new training programs and increase number of hours devoted to training
	Support the Whistleblowing Channel by approving whistle-blowing management procedures
	Define CSR responsibilities of the Board and its Committees
	Reduce the supply chain's ecological and social footprint, implementing a control for contrasting supplier data against black lists from international organizations, thereby creating Responsible Supply Policies

The different sections of this report include information on managing the different areas discussed.

4.3.3. Quality and environment management

Thanks to the application of Neinor Homes' CSR principles, the company released its **Quality, Environment, and Innovation Policy** approved in 2016, focused on attaining management excellence in satisfying our stakeholders' expectations and needs.

Neinor's activity involves a large number of suppliers and contractors who collaborate on the projects. To ensure **sterling quality standards**, they must all comply with the terms of the contracts, as well as the implications in the White Paper, a design and construction manual intended to standardize quality, sustainability, and design standards of all the real estate developments. During 2017, 78.4% of the promotions launched included the requirements for being awarded the **BREEAM sustainability certificate** of Good or Higher, which is an indication of the extraordinary level of sustainability of its buildings.

Objectives are established annually to continue on the path to excellence. These objectives are monitored by the **Quality Committee** which was created in 2016, meeting every 6 weeks. Goals for 2017 included:

- Implementation and certification of the **European Excellence Model (EFQM)**, thereby complying with the goal of attaining a rating of 300+; we are the only Spanish promoter awarded this certificate
- **Improving processes:**
 - ✓ Implementation of methodologies for registration and follow-up of lessons learned throughout all company processes.
 - ✓ Analysis of weak areas in process timing, including a historical analysis calculation, assessments on causes, proposals for improvement, etc., under periodic monitoring by the CEO.
- **Preparation of flowcharts** or maps reflecting all company processes
- Consolidation and improvement of the **Non-conformity and Corrective Action System**, thereby complying with goals to implement a register featuring areas not conforming available to all employees.
- Maintenance of the Quality Management (**ISO 9001**), Environmental Management (**ISO 14001**), and R&D&I management (**UNE 166002**) certificates.

AENOR quality, environment, and innovation certifications

During 2016, Neinor Homes received three AENOR certificates as recognition for its labor in implementing systems and tailoring them to regulations:

- **Quality Management (ISO 9001):** recognizes customer satisfaction based on the effectiveness and efficiency of its systems, control, and continuous improvement processes, as well as its approach to the end client and stakeholders.
- **Environmental Management (ISO 14001):** acknowledges the company's concern about protecting the environment using sustainable and energetically-efficient buildings.
- **R&D&I Management (UNE 166002):** this certifies the generation of new ideas included in its value chain, focused on improvement of internal processes and customer experience.
- **Information Security Management (ISO 27001):** obtained at the date of issue of this Report

Neinor Homes strives to reduce the **environmental impact of its offices**. It fosters the development of sustainable and energetically-efficient products based on the use of materials, designs, technologies, and construction processes which respect the environment and people. Neinor Homes also strives to reduce the environmental impact of its offices. For further information, read "Product and innovation" chapter.

Environmental office objectives

- **Improve the energy consumption at Neinor Homes' headquarters:** energy consumption at our offices has remained nearly stable vs. 2016 with a total of 257,248 kWh (0.7% higher), despite the increase of the average headcount of 26%.
- **Implementation of paperless policies:** paper consumption has dropped 11% vs. 2016, with total consumption of 4,894 kilos, or 5.4 kilos/person (30% less than during 2016).

4.4. Communication with stakeholders

The activities performed by Neinor Homes represent relationships with a large number of stakeholders. Communication with these groups, and management of their expectations, are of special importance to achieve Neinor Homes' objectives, while minimizing the company's reputational risks.

Neinor Homes is a member of certain sector associations, such as: Association of Real Estate Developers of Bizkaia (ASCOBI), Association of Catalan Promoters (APCE), Association of Real Estate Developers of Madrid (ASPRIMA)

Neinor Homes has **pinpointed its stakeholders** and performed a map in order to create a framework for a long-lasting relationship to establish the **bilateral communication mechanisms** necessary to offer the required information while managing expectations.

Stakeholders	Why are they relevant?	Communication channels
 <p>INVESTORS AND SHAREHOLDERS</p>	<p>Shareholders are a useful trust thermometer for taking a company's temperature and evaluating its financial health</p>	<ul style="list-style-type: none"> • General Shareholders' Meeting • Investor Relations Website • Email communications • Press releases • Corporate presentations • Earnings releases • Events and conferences • Roadshows (Deal & Non-Deal)
 <p>CUSTOMERS</p>	<p>Customers are our reason for existing, and as such, Neinor Homes seeks to offer unparalleled service and quality to ensure maximum satisfaction</p>	<ul style="list-style-type: none"> • Open days • Neinor Experience website • Neinor Experience App • Points of sale • Newsletters • Satisfaction surveys • Neinor Key Day • Neinor experience telephone number and email address • Neinor experience agent workshops • Communication of relevant benchmarks • Social networks • Whistleblowing channel
 <p>Employees</p>	<p>Our employees make Neinor Homes what it is, and therefore it is paramount we ensure their satisfaction and pride in belonging to the company to gain maximum efficiency and be competitive on the market</p>	<ul style="list-style-type: none"> • Meetings with the CEO • Workplace satisfaction survey • Whistleblowing channel • Corporate email address • Desktop App
 <p>SUPPLIERS</p>	<p>Neinor Homes works with many different suppliers, who are in charge of building its homes, and a crucial factor in maintaining our utmost quality standards.</p>	<ul style="list-style-type: none"> • Continuous dialogue • Regular meetings • Neinor Homes Evaluation App • Building Committees • Supplier evaluations • Whistleblowing channel
 <p>COMPANY</p>	<p>Neinor Homes' activity has strong repercussions on society, creating indirect employment and contributing to the social and economic development wherever its promotions are based</p>	<ul style="list-style-type: none"> • Corporate website • Participation in sector debate forums • Collaboration with universities and associations • Social networks

5. Corporate Governance

5.1. Corporate Governance Principles

As part of its desire to become Spain’s benchmark promoter, Neinor Homes carries out its activities in a **transparent and responsible** manner, with **good corporate governance** as a core objective of its Corporate Social Responsibility Policies at the heart of the company. This is translated into providing an efficient response to each key aspect from investors, shareholders, and other sector companies, as it ensures **appropriate integration** and **smooth functioning of the company’s governing bodies**. With this in mind, Neinor Homes orients its corporate governance practices to attaining maximum compliance and competitiveness standards by voluntarily adopting the best practices of listed companies.

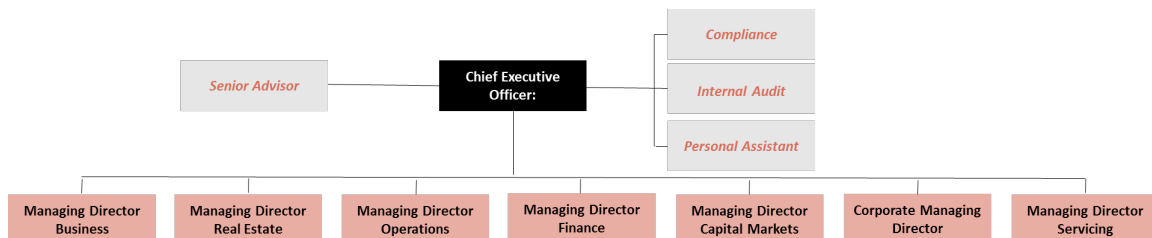
Neinor Homes regularly performs **corporate governance analyses** to assess compliance with the CNMV’s Code of Good Governance, through which new areas of improvement are detected, and governance action follow-up plans.

New good governance measured applied in 2017

Neinor Homes became a listed company in 2017, and as such was forced to re-adapt and approve new regulations. However, as a reflection of its commitment to good governance, it also adapted others voluntarily. The following is a summary of these measures:

- Adaptation to Board Regulations and Committees for listed companies.
- Approval of the following regulations, rules, and policies:
 - ✓ Corporate Bylaws
 - ✓ General Shareholders Meeting Regulations
 - ✓ Internal Code for Conduct on the Securities Markets
 - ✓ Compliance Function Policy
 - ✓ Electronic Shareholder Forum regulations
 - ✓ Corporate Governance Policy
 - ✓ Communication and Contact with Shareholders, Institutional Investors, and Voting Advisors Policies
 - ✓ Tax risk control and management policies Inclusion of Tax Authorities’ Code of Good Practice
 - ✓ Board Member Appointment Policy
 - ✓ Directors Remuneration and expense reimbursement Policy
 - ✓ Employee Remuneration Policy
 - ✓ Investment and Financing Policy
 - ✓ Treasury Share Policy
 - ✓ Dividend Policy
 - ✓ Incentives Policy
 - ✓ Tax risk policy
 - ✓ Policies for communicating with investors
 - ✓ Policy on Provision of Non-audit Services
 - ✓ Employment Policy for Former Employees of the Company’s Auditor
 - ✓ Code of Conduct for Third Parties

The following is a diagram of the company’s **structural organization**:



Each Management area is divided into several technical sections with a party in charge of each.

5.2. General Meeting of Shareholders

The General Shareholders' Meeting is Neinor Homes' **utmost decision-making and control body** dealing with matters under its control, which involves shareholder participation in the decision-making process. The duly called and convened General Shareholders Meeting represents all shareholders, who are also subject to the decisions made.

Calling, preparation, and General Meetings of Shareholders are regulated by **General Shareholders Meeting Regulations**. The above is all subject to the prevailing **Corporate Bylaws**. Any doubts regarding their application are resolved by the Board of Directors.

General Shareholders Meetings may be ordinary or extraordinary. The Board of Directors is in charge of calling them. Ordinary meetings take place within the first six months of the year. Extraordinary meetings may be called whenever deemed necessary. Should 3% of the shareholder structure call a General Shareholders Meeting, the Board of Directors must convene it within a period of two months. The call to both ordinary and extraordinary General Shareholders Meetings must take place at least a year in advance, and be announced on the Neinor Homes corporate website, the CNMV website, and the Companies Registry Official Gazette, or one of Spain's leading newspapers.

During 2017, no General Shareholders Meetings were held since the sole shareholder at the time had already approved the financial statements prior to the stock market launch. The upcoming General Shareholders Meeting is slated for celebration in Bilbao on April 17, 2018 during first call, and April 18 during second call.

All shareholders are **entitled to attend** the General Shareholders' Meeting regardless of the number of shares they own; all have voting rights. The members of the Board of Directors must also attend, although absence of any is not considered an impediment for holding the meeting.

General Meeting of Shareholders Powers

The General Meeting of Shareholders is entitled to make decisions on any matters which have been legally/statutorily granted it. It must also approve or ratify any decisions made in the General Shareholders' Meeting which represent a substantial modification to the Company's effective activities. The General Meeting of Shareholders has the following responsibilities:

- Approve social management matters
- Approve the separate and consolidated financial statements
- Appoint/discharge Board members, and ratify/revoke appointments
- Appoint/revoke company auditors of accounts

5.3. Board of Directors

The Board of Directors is responsible for matters not set forth in company bylaws or by the General Shareholders Meeting. The Board of Directors has the most **all-encompassing powers for managing, directing, administrating, and representing** Neinor Homes. This is how the company's strategies and general policies are approved. Its functioning is overseen by the **Board of Directors Regulations** and **Corporate Bylaws**.

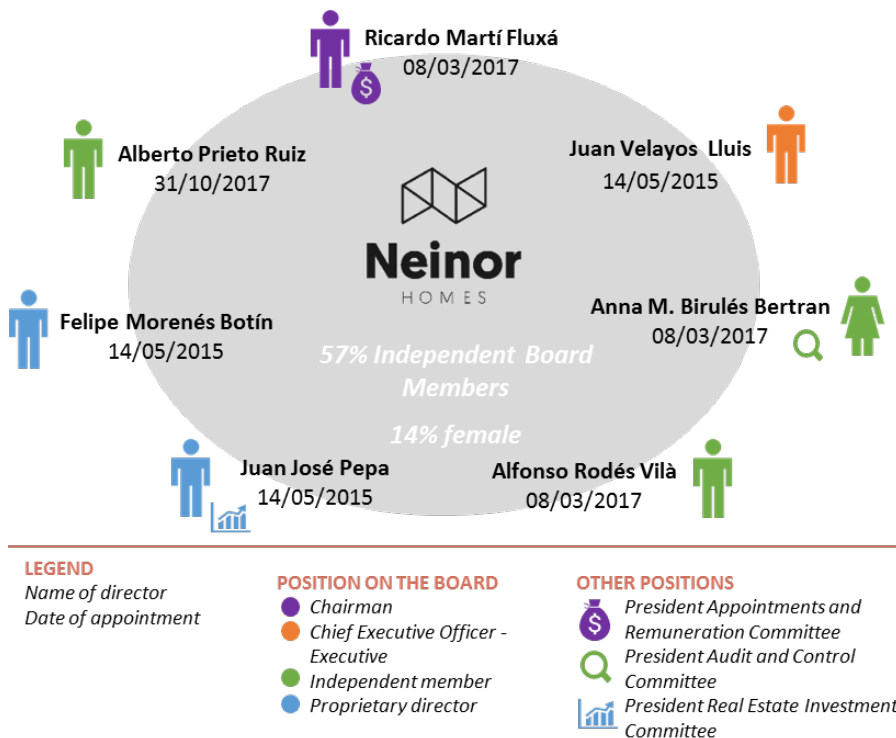
Responsibilities and Powers of the Board of Directors

The Board of Directors has the following responsibilities and powers:

- Prepare the annual separate and consolidated financial statements, management report, and proposed appropriation of profit.
- Convene the General Shareholders Meeting, publish related announcements, prepare the Agenda, and proposed agreements
- Execute Neinor Homes' treasury share policy
- Approve concrete and verifiable policies for selecting members
- Approve each member's remuneration subsequent to proposal by the Appointments and Remuneration Committee
- Designate and renew internal Board Members roles
- Prepare the Company's Annual Corporate Governance Report, sustainability report, or annual report

The Board of Directors shall be made up of no fewer than 5 and no more than 15 members, to be determined by the General Meeting of Shareholders at the proposal of the Board of Directors. Independent directors must represent at least a third of the entire Board, ideally more than half. The Chairman is elected by members based on a previous report submitted by the Appointments and Remuneration Committee. Board members exercise their positions for three years; subsequently they may be reelected.

At year-end 2017, the **Board was comprised of:**



In summary, the Board of Directors is comprised of 1 executive director (14.3%), 2 proprietary directors (28.6%) **and 4 independent directors** (57.1%). The percentage of women on the Board of Directors is **14.3%**. The Board secretary is represented by Silvia López Jiménez, who is not a Board member.

The Board of Directors met on **4 occasions** during 2017, 3 once the company had been listed on the stock market, and all with the Chairman in assistance. 3 of the 4 meetings included attendance by all Board members.

Board of Directors Removals during 2017

During 2017, the following proprietary directors stepped down from the Board of Directors:


- Andre Collin (08/03/2017)
- Donald Quintin (08/03/2017)
- William David Young (08/03/2017)
- Vinay Khandelwal (08/03/2017)
- Phillippe Couturier (08/03/2017)
- Denis Baudillon (08/03/2017)
- Dominique Jean Marie Cressot (31/10/2017)

The Regulations of the Board of Directors establishes that the Board must conduct **annual performance reviews** on functioning and quality of its work; every three years, an external consultant must submit an evaluation. Based on the results obtained from the annual evaluation, the Board of Directors is expected to establish and action plan to implement corrective measures designed to improve the Board's quality and effectiveness, functioning, composition of its committees, diversity, performance of the Chairman and Chief Executive, as well as that of each member.

Until now, the company had not conducted the above Board performance reviews, as it was not listed until March 2017, and an entire year has not passed until year end.

5.3.1. Board committees

Aimed at **improving the efficiency of its functions**, the Board has the following committees which are overseen by Board of Directors Regulations:



THE AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee is an internal informative and consultation body, with no executive functions; it provides information, advisory services, and proposals within its scope of action. It is comprised of between three and five board members appointed by the Board of Directors at the proposal of the Appointments and Remuneration Committee, also appointing a Chairman and Secretary from among its members.

It meets every quarter, or at least 4 times a year, and may do so at the request of any of its members. The Committee performs the functions outlined in company Bylaws and the Regulations of the Board of Directors, and performs the following basic functions, among others:

- Oversee the preparation and integrity of financial information
- Supervise effective internal control, internal auditing, and risk management systems, to include those which are tax-related
- Propose the Board of Directors on the selection, appointment, reappointment, or replacement of auditors of accounts, for submission during the General Meeting of Shareholders
- Review the appropriateness and effectiveness of company regulations for employees and contractors to report any possible irregularities, especially those which are related to finance and accounting
- Analyze fraud detection measures
- Supervise and evaluate compliance with Corporate Social Responsibility strategies and practices

During 2017, the Committee's key actions included:

- Define a new structure for governing bodies and powers resulting from the stock exchange launch
- Approve or submit, among others, the following policies to the Board:
 - ✓ Treasury Share Policy
 - ✓ Dividend Policy
 - ✓ Investment Policy
 - ✓ Tax Risk Policy
 - ✓ Board member Appointment Policy

DURING 2017

5	3	33.3%	66.6%
Meetings	Members	Proprietary directors	Independent board



APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is an internal organ which is informative and a consultancy, with no executive functions (however, it does indeed offer information and guidance). The Committee should be formed by a minimum of 3 and a maximum of 5 members, who are appointed by the Board of Directors upon recommendation by the Board CEO. One of the above (an independent director) is appointed Chairman, and another (not necessarily a Board member) is the Secretary.

It meets every quarter, or at least 4 times a year, and may do so at the request of any of its members. The Committee carries out the following functions, among others:

- Evaluate the competencies, skills, and experience necessary on the Board, defining the functions and expertise required in the candidates to cover each vacancy
- Establish a gender-representation target for the Board of Directors, and prepare suggestions on how to reach it
- Propose the Board of Directors on member and CEO remuneration, and that of any individuals in management positions.

During 2017, the Committee's key actions included:

- Select and propose independent directors for the Board
- Approve the Remuneration Policies for top executives and employees

DURING 2017

4	3	33.3%	66.6%
Meetings	Members	Proprietary directors	Independent Board



REAL ESTATE INVESTMENTS COMMITTEE

The Real Estate Investments Committee should be formed by a minimum of three and a maximum of seven members, who are appointed by the Board of Directors upon recommendation of the Appointments and Remuneration Committee. The majority of the Committee members should be non-executive directors, with widespread, recent, and sufficient technical professional and financial experience in the real estate sector, as well as with financial investments. The Board is the party responsible for appointing the Chairman and Secretary of the Committee.

It must meet at least four times a year and whenever deemed necessary. However, the Committee meets whenever any of its members calls for one. The Committee carries out the following functions, among others:

- Define the general investment policies and strategies, goals, norms, and limitations applicable to the acquisition, and availability of real estate assets and all other investment policies
- Evaluate and make the final decision (be it affirmative or negative) on the potential acquisition of real estate assets, possible real estate promotions, and the financing and acquisitions and/or real estate promotions
- Analyze and observe the results of the investment's performance on society as regards investment strategies, objectives, policies, norms, and limitations
- Propose the Board of Directors on member and CEO remuneration, and that of any individuals in management positions.

During 2017, the Committee's key actions included:

- Approve the purchase of all land acquired by Neinor Homes
- Approve promotion launches and associated financing

DURING 2017






4	5	20%	40%	40%
Meetings	Members	Executive directors	Independent Board	Proprietary directors

Neinor Homes also has a **Steering Committee** which meets weekly, and is comprised of the CEO, all general managers, area managers, and the Legal Department director.

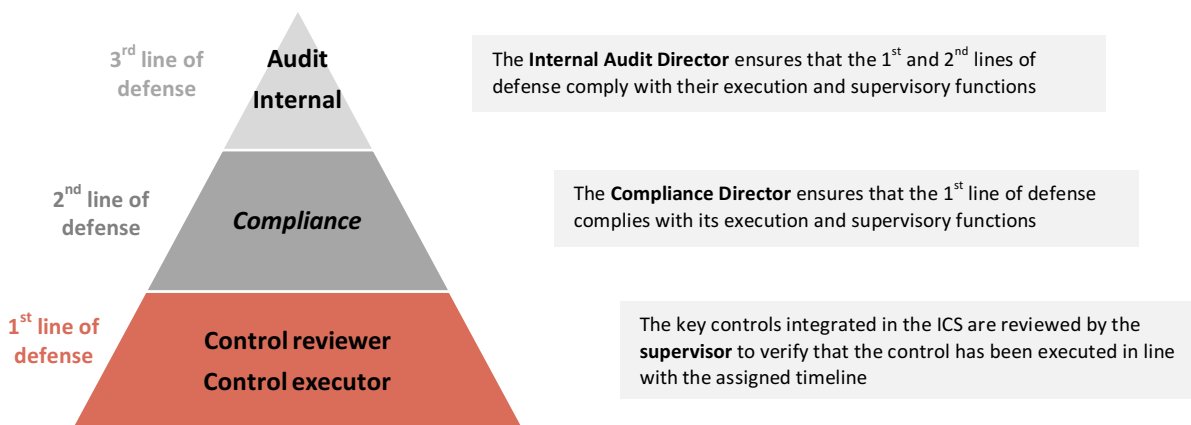
5.4. Risk management

We live in a world which is increasingly connected, forcing adaptation to best international practices in a short period of time, and in which technological transformation in business relationships is elemental, and compliance with standards such as transparency and compliance with governing body obligations and responsibilities is ever-increasing; therefore, Neinor Homes needs a **permanently-updated control model** which encompasses all areas handled by the

company (strategy, business, compliance, etc.). Neinor Homes calls this model the **Integrated Control System (ICS)**, an integrated dashboard associated to strategic targets, processes, and control activities which involve those in charge of their execution and supervision. The specific objectives of the ICS are as follows:

-  Have a risk supervision and control model making it possible to handle daily operations and contingencies
-  Manage risks aligned with mission, vision, and values focused on controlling and mitigating any which might make it difficult to meet targets
-  Standardize and integrate compliance, control, and business risks to achieve a transversal understanding, thereby fostering synergies and eliminating duplications
-  Support the Audit and Control Committee by providing security and making the reporting process smoother while covering its growing responsibilities
-  Create trust in the company, CEO, and third parties

It is of chief importance to count on continuous internal and external communication channels, as well as the commitment from all parties comprising Neinor Homes for the ICS to be a **dynamic and permanently-updated model**, and thus be able to provide information on how the company works and any risks detected. Supervision of the model can be summarized in the three lines of defense:



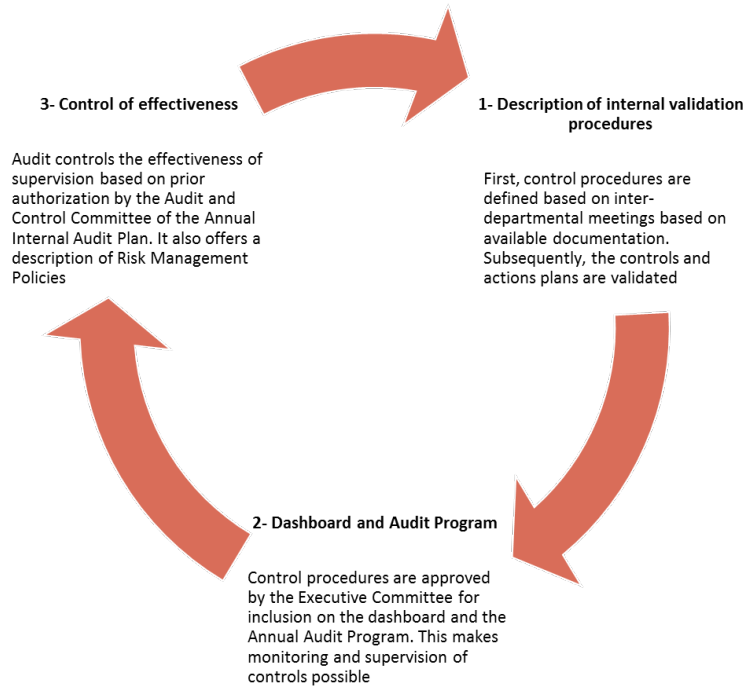
The **main ICS inputs** are as follows:

- Compliance risks and controls: this covers the internal control of financial information, money laundering, data protection, criminal liability prevention, conflicts of interest, fraud and corruption, etc.
- Corporate risks and controls: encompasses external factors, competitive environment, cybersecurity, people, etc.
- Business risks and controls (value chain): includes the acquisition of land, products, contracting, sales and sales management, among others.

An analysis of the company and the real estate sector was conducted to identify risks; the experience of Neinor Homes' managers and other sector experts were contemplated. This phase revealed a preliminary list of 70 risks; subsequent to the standardization process, the list had been whittled down to 54, and once integrated and defined, we were left with **13 key corporate risks**:

Risk category	Risk
External factors (macro situation)	Business cyclicity
	Excessive business ties to the financial sector
	Governmental issues in this sector
Competitive landscape	Non-standardized competition
	Increasing competition
Operating model	Inadequate adaptation to the industrial model
	Loss of know-how due to outsourced processes
	Business / resources structure which is not aligned to cycle changes
	Lack of supplier alignment
Third-party commitment	Lack of correct, timely compliance with home deliveries
Governance and compliance	Fraudulent behaviors / actions (bribery and corruption), cash flow accounts and operating costs
	Lack of regulatory compliance
People	Difficulties in attracting / retaining talent

Finally, to be able to mitigate risks, a series of control activities and procedures have been established to help us anticipate, prevent, or correct any indications of these types or other relevant risks for Neinor Homes, prioritizing these action plans depending how critical they are.



Neinor Homes' risk management methodology is based on **Enterprise Risk Management** (also known as COSO II), which permits adding value based on identifying, managing, and monitoring business risk management.

5.5. Ethics and transparency

Ethics and transparency are decisive for generating trust and gaining the commitment of stakeholders. One of Neinor Homes' central commitments and values in the area of corporate governance is to operate under the **strictest corporate ethics and transparency guidelines**, to thereby ensure that all personnel, members of its governing bodies, and related entities behave in a moral manner in line with the company's ethical values, thus avoiding any potentially unethical or professional actions which might damage its corporate image.

In 2015, Neinor Homes approved its **Code of Ethics** which establishes a catalogue of ethical values and standards of conduct which should efficiently guide the behavior of all the companies and people forming part of the company. Compliance with the Code of Ethics is mandatory, and all employees engage in obligatory training on its contents. It is available under the common directory files of Neinor Homes. Neinor Homes also has established a **Whistleblowing Channel** (or Ethical Channel) through which interested parties must report any matters potentially representing lack of compliance with the Code of Ethics, such as: irregular/inappropriate conduct in the accounting/financial reporting areas, or any aspects related to integrity, conduct, and transparency. All claims will be handled confidentially, and whistleblowers need not fear reprisal or any negative consequences from filing a report, unless where internal investigations determine the claim is false or has been made in bad faith. In June of 2017, the Monitoring and Control Committee approved the company's General Whistleblowing Procedures. They guarantee confidentiality and anonymity for anyone communicating inappropriate behavior to the Whistleblowing Channel.

Monitoring compliance with the Code of Ethics

The Compliance Manager oversees strict compliance with the Code of Ethics. The position's functions include:

- Ensure that the appropriate measures are in place for compliance with the Code of Ethics
- Periodically report to the Board on the degree of compliance with the Code of Ethics
- Handle consultations from all Neinor Homes personnel on its application
- Foster and communicate the Code
- Communicate any claims filed through the Whistleblowing Channel
- Direct internal investigations

Monitoring and Control Committee

Neinor Homes has a Monitoring and Control Committee to handle any complaints it might receive. During 2017, its members were:

- Director of Internal Audit
- Compliance Director
- Legal Director
- Human Resources Director

This Committee may meet in person or via video conference, and minutes are taken so as to take the necessary precautions to protect the whistleblower's anonymity.

The Monitoring and Control Committee must resolve any complaints filed to take the appropriate measures to investigate the accusations and take the necessary injunction measures.

During December 2017 Neinor Homes' **Code of Conduct for Third Parties** was approved, which establishes the utmost in ethical standards which all third parties providing any type of service to the company must comply with. The Whistleblowing Channel is applicable for all related parties, and anyone may communicate infringement of the Code. Its **principles and values** include different areas, such as: regulatory compliance, workplace health and safety, anti-corruption and bribery actions, fair competition, conflicts of interest, intellectual property, human rights, and sustainability, among others.

Internal regulations and tools upon which Neinor Homes bases its ethics management

- Code of Ethics
- Code of Conduct for Third Parties
- Whistleblowing Channel
- Crime Risk Prevention Policy
- Conflict of Interest and Related Party Transactions Policy
- Data Security Policy
- Whistleblowing Management Procedures
- Prevention of Money Laundering Manual
- Prevention of Money Laundering Channel
- Data Protection Security Document
- ARCO Rights Procedures
- Data Protection Channel
- Internal Control over Financial Reporting System
- Internal Code of Conduct in Security Markets

Training sessions are held annually to guarantee **awareness**, and favor the **application** of all internal ethics and transparency regulations and tools in force. The following are details on training sessions held during 2017:

Training topic	Audience	Date	Type
Internal Code of Conduct in Securities Markets	Employees involved	April 2017	On-site
Prevention of money laundering and terrorist financing	All employees	June 2017	In-person
	Back Office /Sales Agents	Third quarter 2017	On-site
	Sales agents	Second half of the 2017	In-person
Data protection	All employees	June 2017	In-person
Information security	Madrid and Bilbao office employees	November 2017	On-site
Cybersecurity and the use of devices	All employees	October 2017	Instructions
Updates on General Personal Data Protection Regulations	Governing bodies	December 2017	In-person

5.5.1. Legal compliance

All parties forming part of Neinor Homes must strictly observe prevailing legislation. The company develops the internal policies and procedures necessary to comply with its internal principles, and makes every effort to **prevent the commission of crimes** to which it is exposed throughout the performance of its activities. Should any of the above criminal activity be detected, Neinor Homes will investigate the alleged perpetrators, collaborate in repairing any damages caused, and file claims against offenders, cooperators, or accessories.

Crime Risk Prevention Policy

The Crime Risk Prevention Policy is based on the following:

- Creating awareness and communicating the principles and rules governing behavior to all levels
- Periodically identifying any activity which might represent criminal risk
- Establishing controls in different processes
- General task segregation principles
- Models for monitoring and reporting to supervisory authorities
- Updating functions and rules governing behavior in line with prevailing legislation

The Neinor Homes **Crime Risk Prevention Policy** is the company's legal compliance framework, and includes implementing disciplinary systems for which violations involve rigorous punishment featuring the company as prosecutor.

5.5.2. Zero tolerance for corruption

Neinor Homes applies a zero tolerance policy to corruption. The company's commitment to its fight against corruption and bribery is materialized in its Code of Ethics and its **Anti-Corruption Policy**, with the same status as the Code within regulatory hierarchy, and is very specific in its stance against prohibitions, measures to be taken, and procedures to be followed.

Anti-corruption Policy

Anti-corruption Policy oversee and prohibit the following situations:

- Offering or giving gifts, favors, or services under favorable circumstances
- Requesting or receiving gifts, favors, or services under favorable circumstances
- Donations, sponsorships, and other non-profit contributions; any donations should be used for social purposes and communicated to the Compliance Director
- Exercise any type of influence on public employees to take advantage of their position
- Contracting of advisors, agents, intermediaries, and suppliers must undergo checking and valuation procedures, and remuneration should be in line with that of the market

5.5.3. Handling conflicts of interest

Neinor Homes is prohibited from involvement with situations representing clear conflicts of interest, and all parties must behave by placing the interest of the company and its customers ahead of their own, and those of family members or other related individuals. Neinor Homes' **Policies for Handling Conflicts of Interest and Transactions with Related Parties** establishes criteria and procedures for approving transactions with related parties, understood as those with significant influence on the financial or operating decisions made by the other.

Conflict of Interest and Related Party Transactions Policy

The main principles of the Conflict of Interest and Related Party Transactions Policy

- Interested parties must avoid participating in and/or forming part of making decisions or executing transaction with related parties which could lead to conflicts of interest
- Interested parties must report and supply documentation to the Compliance Director and Legal Director during any transactions with related parties
- The transactions with related parties will be executed under objective open market conditions, and be justified by the general public interest in Neinor Homes and its shareholders

5.5.4. Prevention of money laundering

The real estate sector is an area of economic activity which has been attracting the attention of national and international authorities involved in the fight against money laundering and the financing of terrorism. Neinor Homes is firmly committed to complying with legislation in this regard, and hence prepared its **Money Laundering and Terrorism Financing Prevention Manual**, which establishes the regulations which all Neinor Homes employees and sales agents must be familiar with and comply strictly with.

5.5.5. Promotion of good practices in real estate intermediation

Neinor Homes uses its Code of good real estate intermediation practices to boost the definitive **professionalization of real estate intermediation**. The code is applicable to any transactions or intermediaries presenting the company with one; its application is designed to contribute to defending the licit activity of professional intermediaries.

Principles guiding the above code include:

- Transparency in the relationships between intermediaries and Neinor Homes
- Publicized fees paid by Neinor Homes
- Exclusivity
- Good faith and notification of unlawful behaviors

It offers annual courses on ethics, fraud prevention, cybersecurity, fair competition, prevention of market abuse and money laundering, and data protection, among others, which are all designed to prevent the commission of crimes

5.5.6. Information security

Neinor Homes understands the importance of the **confidential nature of the information** at its disposal regarding its customers and collaborators, and therefore established its Code of Ethics which indicates that no professionals are allowed to reveal, cede, or distribute confidential/sensitive information unless it is deemed absolutely necessary to do so as part of the job's functions, once Compliance Director has given authorization to do so. In any case, the information must only be used for professional reasons, and at no time for personal use, and stored under established parameters.

Neinor Homes is aware of its serious exposure to cyberthreats in today's digital world. Faced with the global panorama of risks, threats, and vulnerabilities, the challenge is to maintain the security of the company's operations based on a number of innovative alternatives making it possible to attain a favorable and efficient position over said risk factors. Neinor Homes considers that information and its associated systems are critical aspects worth protecting, thereby making

cybersecurity a key part of its digital strategy. This concern led the company to hire Redes Limpas called services to a third party, which protects the perimeter against common threats to email, safe navigation, and filtering contents.

Cybersecurity management model

To combat the threat of cyber-risks, Neinor Homes has developed a cybersecurity management model with the following objectives:

1. Gain reasonable security assurance to protect assets, operations, and the integrity of the information.
2. Ensure maximum availability of assets and IT systems
3. Guarantee protection against cultural assimilation and employee habits, with maximum awareness on the exposure to risks and cybernetic threats

In 2016, Neinor Homes published its **Data Protection Security Document** devoted to standardization and best quality of data, as well as to secure its IT customer data registers. The Data Security Committee guarantees the inclusion of policies, rules, procedures, processes, tools, and instructions on the quality of handling data on all documentation, manuals, and usage guides for the different IT systems.

In 2017, the *Data Protection Officer* position was created to act preventively and proactively to supervise, coordinate, and share data protection policies within the company and beyond. This new figure is aligned with the requirements set forth in the new Data Protection Regulations

Neinor Homes boosted its **Digital Transformation** project in 2017, which purpose is to standardize the company's data sources. This began with the Financial Director, so that reporting to the CEO is only derived from a sole source of valid information, and then gradually extended to all other management teams.

Neinor Homes bases the majority of its business activities on **IT Systems**, which are a basic support for internal operations, the management of services, and sales development. Along with people, its data managed by different systems and applications and the communications infrastructure represent Neinor Homes' key asset for normal business operations. Considering its importance, the company protects itself using high security access walls and the treatment of its information, and employees receive continuous training on cybersecurity.

Therefore, it developed its **Security Policy** comprised of the organizational structure, human and technical resources, processes, plans, procedures, and protocols related to prevention measures to combat risks which are physical, logical, and to applicable regulatory compliance and good corporate governance.

Security Policy

The company's Security Policy is designed to sufficiently protect Neinor Homes' data, within the scope defined by its IT Security Management System, preserving the following security principles:

- Confidentiality: ensure that information is only accessible to authorized parties
- Integrity: guarantee the accuracy and completeness of the information and the methods for processing it
- Availability: provide assurance that authorized users may access, when required to do so, the information and assets associated with it

These basic principles must be preserved and assured in any of the formats in which information is available, independently of its handling at Neinor Homes' headquarters or beyond.

Security requirements and objectives are determined by the **Data Security Committee** based on criteria included in Neinor Homes' policies, and the needs determined by the parties responsible for data assets and business processes. It is applicable through the provision of activities and services which are directly related to the company's Security and that of third parties, based on directives and instructions from an advanced, complete, and overall approach.

6. With our clients in mind

Neinor Homes is fully-committed to its customers, who are the reason to exist; therefore, **quality is focused on customers**, and ensuring their satisfaction our main goal. We always strive to offer stellar customer service which meets their expectations and demands while offering the best image possible at all times. Customers are Neinor Homes' best brand ambassadors.

Being aware that a home purchase is a very relevant decision, Neinor Homes offers its customers **unique services** in Spain as promoters; listening, paying attention, and understanding their concerns and needs, and respond to any doubts which might arise from the moment they show interest in a home until after the sale is closed. Neinor Homes considers its customers as unique, and therefore offers them **personalized service**, accompanying them at all times and keeping them permanently informed through its newsletters, communications, the private area of its website, calls, and emails. Neinor Homes also designs all its projects with its customers' needs in mind; each promotion is based on deep analyses conducted on the market and buyers. At year-end 2017, Neinor Homes had 1,260 customers.

6.1. The Neinor Experience

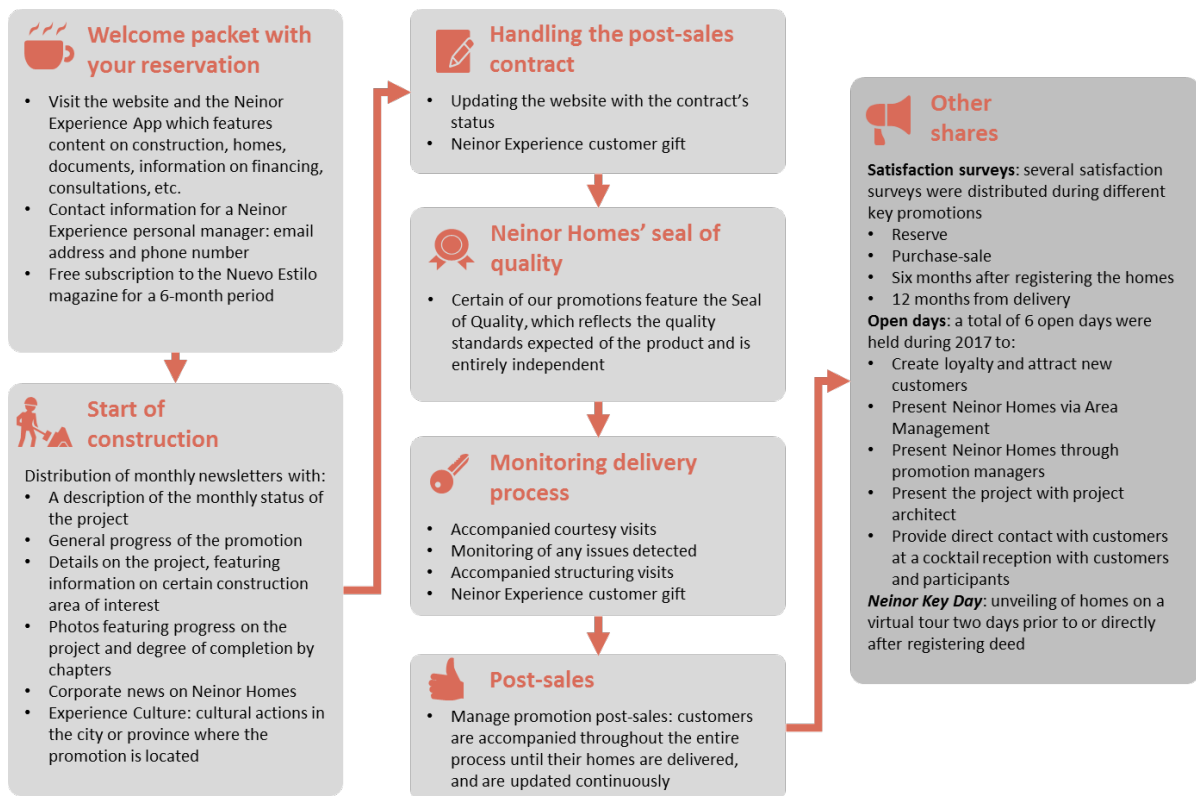
The Neinor Experience is Neinor Homes' **exclusive customer service** for all its customers, it starts when they reserve a home, and continues through to key handover and post-sales attention, with guaranteed maximum transparency. Members of the Neinor Experience are granted exclusive access to services complementing the customer experience, and receive loyalty awards.

Customers access their Neinor Experience platform on the www.neinorexperience.com website or using the App of the same name.

There is a **Neinor Experience agent** in each promotion offering continuous and personal attention to customers throughout the entire home buying cycle, and available through direct contact starting the minute the property has been reserved.

Neinor Responds is the communication channel available to customers to contact their agent for any necessary consultations on their home regarding technical, legal, financial, or sales aspects. Each Neinor Experience agent receives and handles their customers' calls.

The services offered by the Neinor Experience can be broken down into 7 stages which take place throughout the purchase of the home:



Big Data Customer Centric

Neinor Homes carried out the Big Data Customer Centric project during the second half of 2017, as an initiative within the scope of its Digital Transformation project. Customer Centric is an **interactive tool enabling us to gain a detailed understanding of our customers** by generating metrics starting the first meeting, making it possible to design a better product while adapting to its clients' real needs. This customer analysis currently takes place through online contact with the Contact Center, through virtual visits to its points of sales, and when the sale is closed.

In 2018 an additional phase is planned to work on areas of improvement identified in the management of the customer's life cycle, which should be easily solved by applying a CRM model.

By January 2018, a total of 31,293 sessions were registered on the **Neinor Experience website**, of which 36.3% of the total were made using **cellphones**. Of these sessions, 8,938 were **new customers** (28.6% of the total). The majority of the clients visiting the **Neinor Experience** website were male (62%) aged 35-44 (43%). The **Neinor Experience App** use continued rising during the year reaching in January 1,589 downloads corresponding to 69% of its customers.

In 2017, **Neinor Homes received a total of 2,962** contacts, the majority by phone. The majority of the consultations were **technical in nature**, and on the **Neinor Experience**.

6.2. Complaints and claims

Neinor Homes uses due diligence to manage its customers' claims, using **specific procedures** and **different accessible channels** through which claims received are registered and assigned to the responsible parties for resolution. Understanding and evaluating our customers' complaints and issues represents an opportunity get a better understanding of their expectations and needs, and move forward while improving continuously.

In 2017, Neinor Homes received 11,803 incidences.

Customers may use the **telephone number** and **exclusive promotion email address** of their **Neinor Experience agent** to communicate or share any complaints; the **Neinor Homes Whistleblowing Channel** is also available. Each agent is responsible for handling complaints and claims received from the promotion, and assigns a party in charge depending on the department involved. These are subsequently recorded on the application corresponding to the email or call received, which are then classified by reason under different predetermined types. All these contacts and complaints are reflected on a document shared each month with the CEO, Managing Directors, General Managers, Territory Managers, and Technical Directors. The Neinor Experience agent also represents and defends the customer, safeguarding their interests wherever necessary.

6.3. Customer satisfaction

As mentioned previously, Neinor Homes' **main focus is to respond to its customers' needs and expectations**, and therefore satisfaction and loyalty are key management matters of fundamental importance in measuring performance and implementing the opportune actions aimed at improvement.

Measuring customer satisfaction is vital, and thus Neinor Homes conducts a myriad of **satisfaction surveys** on its services offered and for the stages for buying a home.

The following are the **key findings** taken from the most recent survey conducted in 2017:

App satisfaction survey

1,295 App surveys were distributed in November 2017, with a 14% response rate. It contains four main questions on key issues:

- **Usability satisfaction:** 85.1% considered it as good or very good, while 14.9% rated it as bad/very bad
- Satisfaction with **functions:** 79% is the satisfaction rate with functions
- Satisfaction with **design:** 90.6% of respondents considered its design as good or very good
- **Functions** deemed missing: 29.9% of customers would prefer more photos, while 22.1% request more personalization functions

Neinor Homes analyzed these results and has defined an **action plan** to improve aspects with greater room for improvement (access to more images, more detail on promotion and interaction with agents using the App).

Purchase-sale satisfaction survey

In November 2017, 556 surveys on the purchase-sale process were distributed, with a 26% response rate. General results include the following critical points:

- 82% rated **treatment received under the Neinor Experience** as good or very good
- 86% rated **treatment received by the retailer** as good or very good
- 80% rated **information received about the promotion** as good or very good
- 97% of customers considered they had been appropriately informed on the **home price**
- 62% of customers indicated they were happy to **receive the gift** after signing the purchase-sale agreement

Aspects included under the **action plan** defined based on results include improving information supplied to customers, and training programs for the sales force on key matters.

Satisfaction survey on open days

245 open day surveys were distributed in November 2017, with a 22% response rate. General results include the following critical points:

- **Technical content:** 87% thought the information received on the open days' technical content to be sufficient
- **Neinor Homes content:** 83% enjoyed the presentation made by Neinor Homes personnel
- **Event:** 93% think the event was in line with expectations, while 83% were satisfied

Aspects included under the **action plan** defined based on results include improving information supplied, the reduced exposure of Neinor Homes, and the possibility of asking questions during the presentation.

Showroom satisfaction survey

669 surveys were distributed on the virtual showroom in November 2017, with a 29% response rate. General results include the following critical points:

- **Showroom:** 65% of customers considered good or very good the available space
- **Quality of samples:** 54% of customers rated the quality of the samples as good or very good, while 59% stated they met expectations
- **Available options:** 49% of customers rated the number of personalization options as good or very good
- **Website:** 86% considered the manner in which the visits were coordinated to be good or very good, 75% thought the pre-visualization tool to be useful, 61% considered functionality as good or very good, and 68% considered the aesthetics to be appealing.
- **Personalization period:** 79% of customers rated the visualization period as adequate

Aspects included in the **action plan** defined based on results include building a model home, increased exhibition space, improved materials quality information, enhanced number of personalization options, improve the website through the Digital Transformation project.

Apart from these highlighted surveys, Neinor Homes performed others to determine customer satisfaction with the deed registry process, open days with *Neinor Experience* agents, opinions about the *Neinor Key Day*, reservations processes, courtesy visits, or post-sales service received 6 and 12 months after the home was delivered.

7. Product and innovation

The **quality of its homes** is a **priority** for Neinor Homes, and one of its calling cards, and a point of pride, considering that their foundation represents the needs and dreams of future occupants. This is an enormous responsibility which starts long before the design and construction phase, based on a long period of listening to customers and market research. This is the only way to create innovative 21st century homes featuring excellent design and quality standards, which are also sustainable.

This focus on quality is reflected in the ability to obtain **BREEAM certification** for most of our real estate developments, which is the renowned methodology for evaluating building sustainability. The management of environmental efficiency guaranteed by BREEAM, and Neinor Homes' continuous innovation in all its projects place it at the vanguard of the market thanks to all the technical solutions it applies to its homes, such as the use of materials and isolation with very little impact on the environment, and the inclusion of automated solutions which improve sustainability while ensuring comfort and safety for their residents. The **continual search for innovation** forms part of Neinor Homes' DNA; therefore, we have a specially-created team to keep technology moving forward.

78.4% of Neinor Homes' promotions have the requirements for obtaining BREEAM certificates rating of Good or Higher

Based on the above criteria, Neinor Homes launched **51 promotions** during 2017 (5,517 homes). This represents an increase of 39% in sales vs. 2016, which reveals the customers' trust in the company.

7.1. Managing the homes' excellence and quality standards

As stated in the "Quality and environment management" section Neinor Homes features its **Quality, Environment, and Innovation Policies** which establishes the principles guiding the company's activity related to quality, minimizing environmental impact, and boosting innovation. In 2017 the company made a strong effort and successfully implemented the European Excellence Model (EFQM), and maintain its AENOR ISO 9001, ISO 14001, and UNE 166002 management certificates.

Based on its premise of attaining maximum quality and sustainability standards, Neinor Homes applies its **Research + Listen + Development process** when launching its promotions and building its homes, which sets it apart from its competition. For Neinor Homes, its products and customers are closely linked, and therefore every new project is based on listening to our customers, as this is the only way to attain maximum quality standards without losing sight of their needs. Definitively, Neinor Homes stands out because it "listens first and builds later."

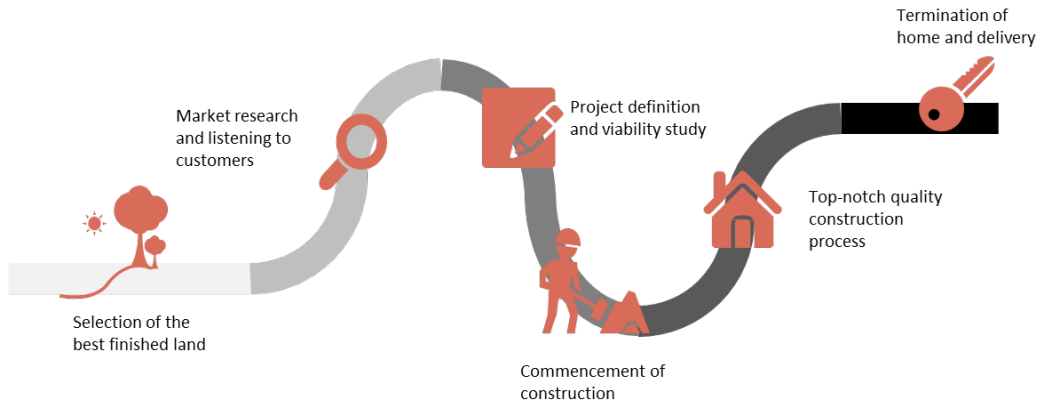
Therefore, once the best terminated plots of land have been chosen, all the promotions begin by performing a serious **analysis of the physical surroundings**, an **analysis of demand**, and **market research studies** to define the products to be offered for each promotion. With this in mind, recently a potent big data tool was developed to replace slow and expensive traditional tools. Our listening process takes areas of improvement detected from the opinions revealed from surveys with customers and other promotions, as well as complaints and claims received. **Benchmarking** is another key technique, covering other sectors to identify other solutions which may also be implemented in the real estate sector.

Characteristics of Neinor Homes promotions

All our homes have common characteristics:

- **Economy of maintenance:** the design, careful selection of materials, and innovative technological solutions help save on long-term maintenance expenses
- **Habitability and functionality:** every meter of built capacity is used to full advantage with the customers' wellbeing in mind
- **Attractiveness:** 21th century homes which adapt to their new environment and lifestyle
- **Acoustic comfort:** homes which stand out thanks to the excellent acoustics granted by its exterior insulation and interior distribution
- **Safety:** safe and secure homes in the face of natural disasters
- **Privileged surroundings:** located in urban areas very close to nature
- **Natural light**

Subsequent to our research and listening phase, the project design begins by adapting to demand, while assessing **technical, social, and environmental viability** while also focusing on unsurpassed quality, with building starting next. As mentioned in the preceding section, our interaction with our customers is present throughout the home's life cycle, so we also take their opinions into account during the construction process.








7.2. Sustainability of our homes

7.2.1. BREEAM certification

Neinor Homes is committed to considering the BREEAM certification requirements for the majority of its promotions. During 2017, 78.4% of its launched promotions included the requirements for obtaining the BREEAM sustainability certification rating of Good or Higher, which impacts the economic, environmental, and social benefits for all the parties related to the building's lifecycle (tenants, users, promoters, owners, agents, etc.), while at the same time sharing its Corporate Social Responsibility with society and the market in an unequivocal and palpable manner.

When a building meets BREEAM certificate requirements, users have the peace of mind that their environment will benefit from the following:

<p> Product</p> <ul style="list-style-type: none"> • Home design • Innovation in homes • Increased outside luminosity • Monitoring energy consumption 	<p> Water consumption</p> <ul style="list-style-type: none"> • Up to 40% drop in water consumption • Monitoring water consumption
<p> Economic benefits</p> <ul style="list-style-type: none"> • 7.5% increase in building value • 3% increase in rents • Drop in maintenance expenses of between 7-8% • Increase occupation rate of 3.5% 	<p> Health and wellbeing</p> <ul style="list-style-type: none"> • Homes with outside views • Low acoustic contamination • Tight security • More comfortable buildings
<p> Reduction of emissions</p> <ul style="list-style-type: none"> • Fostering the use of public transport: good locations, access to public transport, fostering bicycle use • Improved waste management: better storage, collection, and treatment • Reduction of pollution: the use of refrigerants and insulation with low heating potential, and heating installations with low NOX emissions 	

7.2.2. White Paper

Neinor Homes is the pioneer in the Spanish residential sector in developing a **design and construction manual** we call the White Paper. The White Paper **standardizes the quality, sustainability, and design** which define all Neinor Homes' promotions, so that all processes necessary throughout the products' life cycle are systematized and detailed. This is how we can assure our clients that all our promotions feature product design criteria and attributes reflective of Neinor Homes, adapting them to the needs of customers in each territory, and applied independently of the project's architectural study. This is how the high standards of quality and sustainability are ensured, fostering each promotion attain these environmental certificates. The project timelines can be optimized upon a defined base; that way, there's no need to start each promotion from scratch.

The application of the White Paper does not mean that all promotions are the same, or that they have the same design. Our standards are independent from the designs we use, and each and **every project is individualized** for every promotion in the Marketing Plan. For example, the White Paper mandates certain room sizes to ensure compliance with regulatory criteria, and employ constructive solutions and materials designed with sustainability in mind, and indicates a range of characteristics designed to adapt to a wide range of needs, with different personalization options. In 2017, a total of 87 materials were suggested for inclusion in the White Paper.

Thanks to its White Paper, Neinor Homes **leads the transformation of the sector**: the expertise and know-how on its pages offers the knowledge, capacities, standards, and the way things are done, to make the real estate sector more professional and committed to quality.

All of our people at Neinor Homes have participated in putting together its White Paper, who help compile ideas and proposals from the entire staff.

7.3. Innovation

Innovation is in Neinor Homes' DNA, and is intrinsic to every aspect of the company, and another cog in the wheel moving it into the position as the gold-standard promoter in this new cycle of recovery for the Spanish residential sector. In years to come, the residential real estate sector is going to undergo a massive transformation towards professionalization and industrialization, and Neinor Homes expects to be its engine for change as well as an integral part of this change.

The sector is facing an **unfamiliar backdrop**, with increasingly aware customers seeking companies which respect the environment and others, keen to introduce innovations to their homes, which in the past have been traditional and unchanging. Neinor Homes can safely say it is a promoter in a position to respond to this new environment, since fundamental aspects are already interiorized, and part of its being: clear focus on the customer, the efficiency and sustainability of its products, industrialization of its processes, inclusion of new technologies, or attracting talent. Focusing on the product, expectations are that our new buildings be sustainable, intelligent, sage, adapted for a number of uses, for an array of lifestyles and climates, and most of all, because they are based on their users and for our users.

In 2017, Neinor Homes invested 661,456 euros in innovation, representing nearly triple its investment in 2016.

With this in mind, in September of 2017, Neinor Homes revisited its report covering 20-year **trend forecasts for the building sector**, and analyzed 11 different aspects:

- **Ethics**: it expects ethics to have a clear role in the decision-making process, especially where operations are concerned.
- **Transparency**: the transparency of information must be fostered. Any transaction or strategic decision will and must be public.
- **True focus on the customer**: customers are at the center of what Neinor Homes does, as is the case in the majority of industries. Listening to customers will be necessary, and the company will offer them a product tailored to their needs and expectations.
- **Industrialization**: companies should seek out compatible pre-fabrication models, to thereby decrease production costs.

- **Sustainable construction and design:** Increase the life cycle of buildings, respecting the environment and reducing the consumption of resources, and improving quality of life for their users and other citizens.
- A **digital transformation** will transfigure the real estate process as well as the product itself.
- **Automation:** a new push towards automation will help attain unexplored heights of productivity, quality, and services similar to those in other industrial sectors.
- **Materials:** research into novel sustainable, intelligent, safe, and cheap materials will increase, to speed up execution time
- **Safety and health:** there should be drastic improvements in safety and health of construction workers as well as users and citizens in general.
- **Training:** people will receive continuous training, using cutting-edge technologies tailored to their professional careers and the needs of society
- **Management and regulations:** these will be increased focus on regulatory standards and the use of materials, as well as construction-related matters

During 2017, Neinor Homes' **AENOR 166002:2014 Certificate** was renewed: during the audit, the possibility of increasing awareness of our experiences in innovation was detected as a key area of improvement.

Strategic Innovation Plan

In 2016 Neinor Homes defined and approved its Strategic Innovation Plan and aligned it with its business model; it **supports innovation** as the means for reaching the Company's corporate goals. Management as well as employees took part in its creation.

7.3.1. Innovation committee

The Innovation Committee makes Neinor Homes **strategic innovation decisions**. It is comprised by all Neinor Homes' Directors, thereby incorporating all company's business areas, thus contemplating innovation from a strategic standpoint linked to company results. The Committee's **functions** include:

- Holding periodic meetings to reflect on the company's strategies and innovation
- Fostering the participation of the entire human resources in the innovation process
- Establishing mechanisms for gathering ideas from all organization members for approval from management
- Analyzing, selecting, and prioritizing innovation project proposals
- Assigning the resources necessary for carrying out innovation projects
- Conducting regular reviews of the innovation action plans and dashboard

2017 Innovation Committee Activity

During 2017, the Innovation Committee met **6 times**. The first held this year set the following 2017 **goals**:

- Include more than 4 projects to the company's value chain throughout 2017. This objective was met
- Include or form part of a regional or national organization, foundation, or innovation agency. This objective was not met
- Consider at least one joint venture. This objective was met
- Try to obtain tax deductions from innovation projects from the Ministry for Industry for at least one of the projects carried out during the year. This objective was not met

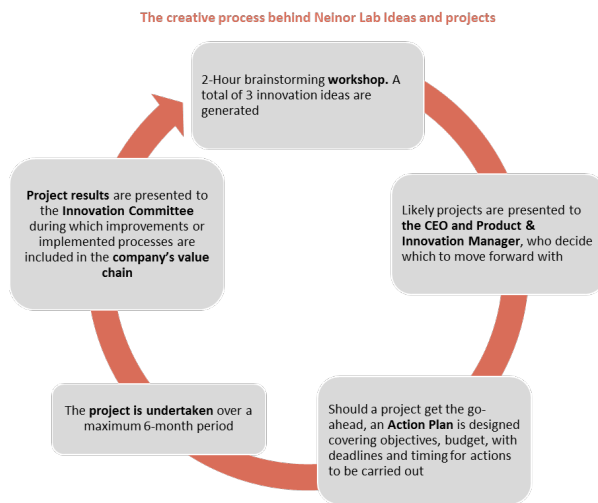
7.3.2. Neinor Lab

During 2016, Neinor Homes created its *Neinor Lab*, the platform designed to boost innovation within the company, the only of its kind on the Spanish real estate market. *Neinor Lab* allows **employees to generate new innovation ideas and projects** for later inclusion in Neinor Homes' value chain. Thanks to the Innovation Committee and *Neinor Lab*, the company can zero in on its commitment to "continuous organizational improvement" in a more efficient and realistic manner; all it needs is for Management to set its goals. This approach gets everyone involved in the **transformation**, with the entire company representing our culture of innovation and continual improvement.

Neinor Lab goals

Neinor Lab arose as a platform for innovation in 2016, and has the following objectives:

- Expand the Neinor Homes brand positioning and internal/external recognition
- Add value for its customers and other stakeholders
- Create and attract competitive advantages
- Foster differentiating innovation capacities among employees
- Remain at the cutting edge of sector trends with disruptive technologies



In 2017 *Neinor Lab* continued its consolidation by **involving 35 employees**, 5 more than the prior year, representing a percentage increase of 17%. It is represented at these four large territorial branches: Bilbao, Barcelona, Cordoba, and Madrid. *Neinor Lab* has its employees break up into **three large groups** representing our strategic foundations (institutionalization, the product, and our customers), where they brainstorm to come up with novel projects related to these pillars. Every six months a **workshop** is held, in which the three groups jointly hash over ideas they've come up with.

The **innovation groups** are charged with the three following basic functions:

- Execute, verify, and validate innovation projects
- Define new product requirements to articulate them in line with market needs
- Plan and define new versions of existing products
- Generate productive documentation and testing procedures for products

Neinor Lab's innovation projects must be **efficient, strategic, results-focused**, with a **maximum duration of six months**. **45 new ideas** resulted from *Neinor Lab* brainstorming sessions in 2017 (15 linked to each strategic pillar), from which **10 projects** were pinpointed; **3** of these have been introduced and terminated within Neinor Homes' **value chain**. These projects follow:



Product

- **Healthy Home Pack:** offers customers the option to choose a Healthy Pack including ecological materials and certificates with a lesser impact on human health vs. standard.



Client

- **Virtual home visit by promotion and home:** development of a pilot test on virtual home visits based on BIM (*Building Information Modeling*).
- **Neinor Mobility Pack:** offers customers the possibility of tailoring their homes to facilitate accessibility for individuals with mobility issues.



Institutionalization

- **Corporate Carbon Footprint** calculation

Apart from these projects, Neinor Homes has performed several **Digital Transformation projects** outside the framework of its *Neinor Lab*, with the objective of directing innovation towards digital projects.

2017 Digital Transformation Projects

The following projects took place outside the *Neinor Lab* framework and are included in the R&D&I audit:

- **Application of Big Land Data:** this is the development of an IT application to support making decisions on acquiring company land, based on different Big Data sources
- **Digital Viability Study:** creation of an IT tool to complete the VS (viability study) encompassing land acquisition to company promotion launches
- **Deadline Application:** development of a project management IT application to monitor the progress of promotion stages and deadlines
- **BIM Go to Market:** this project was born in the *Neinor Lab*, and consists in developing a methodology for BIM files to generate sales documentation for each promotion's homes, which is mainly a virtual visit
- **Neinor Experience App:** development of a sole ecosystem integrating different assistance and management applications (sales/post-sales) for Neinor Homes' current customers starting the moment they buy their homes

Collaborative innovation

Neinor Homes understands that innovation is at the heart of the real estate sector's transformation, and the focal point for guaranteeing sustainability in a cyclical sector, and that's why focuses on **sharing knowledge on experiences and solutions** with the rest of the real estate sector and others to seek out novel solutions in innovation which the company adapts to customers' needs. Along these lines, in 2017 worked with **Ilunion** Tecnología y Accesibilidad in developing **Neinor Mobility Pack** for people with reduced mobility, thereby offering our customers a version designed with their needs in mind based on accessibility design criteria to equip their homes with the latest in specialized technology.

This experience was quite a satisfactory one, and Neinor Homes intends to boost this type of collaboration in the future; hence, it offers the possibility for external agents in the industrial, architecture, or construction sectors to attend one of our Innovation Committee.

8. Our team

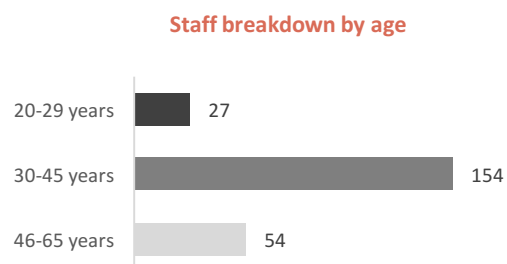
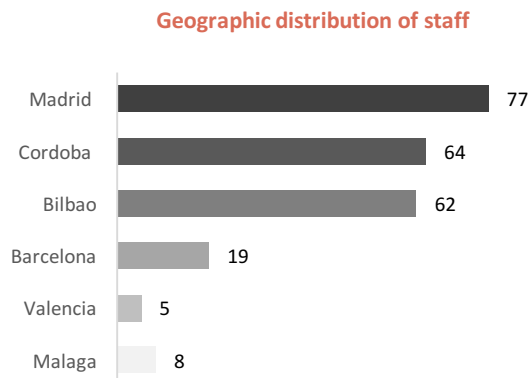
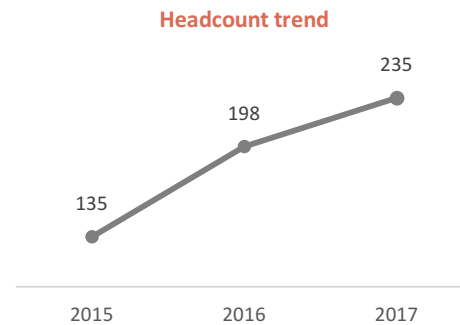
8.1. People management

Neinor Homes is **fully-committed to its employees**, and therefore fosters and supports their satisfaction aimed at efficiency and pride in forming part of the company. Neinor Homes is determined to create a **great place to work**, and offers quality employment which fosters the development of its talent and focuses on continuous training, supporting its employees' well-being, work-life balance, safety, while always innovating ways to manage and communicate with them. This vision contributes to helping us adapt well within an **ever-dynamic and professionalized environment**.

Neinor Homes is currently undergoing a period of growth, and therefore managing its people is of key importance for consolidating the brand in the market while ensuring they are fully trained and developed. The company is currently immersed in defining and implementing its Strategic Human Resources Plan directing its actions in this area with Neinor Homes' strategic pillars in mind.

During 2017, Neinor Homes' headcount included 235 employees, of which **51% are male and 49% female**, having added 37 workers (an increase of 18.7%) vs. 198 in 2016, during which the distribution was 50-50. Neinor Homes thinks it is critical to avail itself of a stellar team combining experienced employees with young promises. The **average age** of our employees during 2017 was just over **40**, slightly over 2016. The average length of service is 3.8 years, as we have grown considerably over recent years.

The majority of our staff is located at our **3 main offices** based in Madrid, Cordoba, and Bilbao, which is complemented by those at our **other smaller locations** in Barcelona, Valencia, and Malaga.



100% of Neinor Homes' employees are subject to the construction sector's prevailing collective labor agreements wherever they are based. Freedom of association is guaranteed, with union representatives allowed the use of our meeting rooms.

8.2. Equality and diversity

Neinor Homes is **committed to promoting equality and non-discrimination**. This is reflected in our staff breakdown, which is almost exactly half women and half men, which is especially noteworthy when considering the idiosyncrasies of the sector in which it competes. However, based on analyses of people management, areas for improvement were identified in aspects such as gender salary equality or increased access to management positions for women.

Our **Code of Ethics** establishes preventative measures designed to eliminate workplace harassment which have personal dignity, inherent inviolable rights, unhindered development of human personality, and the respect for Law at their core.

8.3. Professional and personal development of our employees

Our achievements until now, and the company's rapid growth (68 new inclusions in 2017 which means an increment of the staff in 37 employees and over 60 in 2016) were made possible thanks to the **search for the best and brightest talent on the market**; we are aware that our talent is key for reaching excellence. The identification of the top profiles and investment in their professional development is fundamental to such a competitive sector.

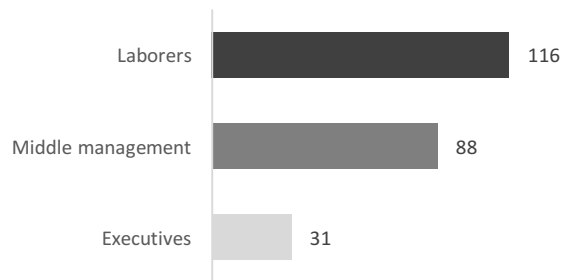
The **wide variety of sectors** from which our employees come is another challenge to gain their highest commitment. Sectors where we have found our employees logically include the real estate development segment, yet many of our professionals have backgrounds in technology, consultancy, finance, or investment. Approximately 85% of our employees have college degrees. Neinor Homes defends **quality**

employment, and 98% of its employees have full-time indefinite contracts (94%) with medical insurance.

Our new hires are given a Welcome Manual and Mentoring Plan to assist them throughout their time with the company. However, despite efforts to retain talent and offer quality employment, the real estate promotion sector has a high level of rotation. Neinor Homes' **rotation index** during 2017 was **9%**.

Neinor Homes is committed to the **internal promotion** of its employees, and to this end publishes job vacancies, prioritizing internal candidates whenever possible. During 2017, 6 employees were promoted.

Staff breakdown by professional category



We work with different entities such as Universidad de Deusto, Politécnica de Madrid, Politécnica de Barcelona, and Universidad del País Vasco and other organizations to **incorporate university interns**.

Attractive remuneration

The principles underpinning Neinor Homes' remuneration strategy are included in its Remuneration Policies, featuring the following factors: compensation, external competition, external/internal fairness, simplicity and transparency, time horizon, balance, adaptation, and flexibility.

Neinor Homes conducts regular assessments on its employees' performance, with 2 annual evaluations conducted on **100% of its staff. 90% of employees earn flexible remuneration** linked to performance. Their flexible and variable compensation is outstanding thanks to the 3x3 global commitments:

33% This depends on the company's progress and compliance with established objectives.

33% This is contingent on employees meeting objectives of their Management team.

33% Each worker undergoes performance evaluations every year end. Area Directors conduct the preliminary review of these assessments, to then transfer them to the CEO for approval of remuneration by the corresponding committee.

The future outlook includes short-term salary raises and increased bonuses for our top employees to foster talent and motivation. Career plans will soon be introduced to help us retain employees, improving weaknesses and supporting strengths.

8.4. Training

Neinor Homes thinks that training is the basis for developing its professionals, as it helps improve **productivity**, while improving individual promotion. Under this premise, training courses are based on needs detected by Management to achieved targets and meet areas of weaknesses detected by the employees themselves, as well as their own interest in taking external courses.

All of Neinor Homes employees have access to its training programs. In 2017 a total of **2,066 hours of training were provided**, representing **8.8 training hours per employee**. A total of **45,000 euros** were spent on training activities.

In 2017 a total of **2,066 hours of training were provided**, representing **8.8 training hours per employee**.

Each of these training programs had a relevant impact, and Neinor Homes uses the most appropriate means for each case. The majority of training programs are **e-learning**, although these online courses are occasionally combined with classes in person, **role-playing**, or practical cases and simulations to apply theoretical content. There are a great number of topics covered, including building modeling and information management through **Building Information Modeling** methodologies, Prevention of Money Laundering, and languages.

8.5. Internal communication and employee satisfaction

In 2017 Neinor Homes **moved ahead with its internal dialogue and communication** with all company members. Employees have the following communication channels at their disposal:

- Corporate email for sharing opinions or complaints related to workplace security and health
- Emails for communicating any violations of the Code of Ethics
- Screenshot app for directly and quickly sharing employee disgruntlement on a wide range of topics

Neinor Homes works to ensure that all employees feel protected by company management, and therefore conducts periodic **meetings between the CEO and employees** to foster fluid bidirectional communication. The CEO shares all relevant aspects related to managing the company and its situation, while receiving feedback from its professionals to determine their interests and concerns, and thereby identify areas of improvement.

Asking employees about their needs and perception of the Neinor Homes brand, helps to continue developing policies and solutions in favor of their wellbeing, while identifying opportunities for improvement to establish ourselves as market leaders with the knowledge that satisfied and happy employee is more motivated and efficient. This is why **workplace satisfaction surveys** among employees are conducted twice a year. Most recent employee satisfaction survey distributed in in December of 2017 was responded by 80% of the staff, with a **satisfaction outcome of 68.1%**. Employees rated positively, with 3.4 points over 4, the opportunity for working at the company, stating opportunities arising from teamwork, quality training, and continuous professional training as positive aspects. The least-positively ranked aspect was the Madrid working space. Hence, in 2018 this building will be doubled in size.

8.6. Wellbeing and work-life balance

Neinor Homes fosters the **wellbeing and quality of life** of its employees thanks to workplace risk prevention and fostering their health and safety.

In this context, based on results from our **workplace survey results and psycho-social risks**, and recommendations taken from the subsequent internal audit, specific measures on life-work balance were defined and implemented. Results from the 2016 survey led to the proposal of a **decatalogue of measures** intended to favor the effective equality between women and men to foster maintaining their work-life balance.

 <p>Teleworking</p> <p>Employees are allowed to work remotely for a maximum of 3 days per month as long as their functions make it viable to do so. To this end, all employees are given cellphones and laptop computers. Interested parties must coordinate with the Systems Department to install the VPN to be able to establish the necessary tasks; there is a calendar registry for reporting to Human Resources.</p>	 <p>Workday reduction on school holidays</p> <p>Employees are allowed to adjust their workdays in accordance with the school calendar. Hours are set aside to make up time spent with children on school holidays.</p>	
 <p>Authorization prior to maternity</p> <p>15 days paid pre-maternity leave is an option for mothers about to give birth, during the last 15 days of pregnancy</p>	 <p>Flexible workdays in terms of start and end times</p> <p>Employees are able to flex in one hour the entry or departure time from work. Departments ensure that all workplace responsibilities are covered during the workday</p>	 <p>Nursing leave</p> <p>Paid 20-day nursing leave (vs. 13) is now an option, or until the baby turns 15 months (rather than 12).</p>
 <p>Leave for looking after minors</p> <p>Leave is available for taking care of children under the age of 4 (rather than age 3, as reflected in statutes).</p>	 <p>Economic assistance for children with disabilities</p> <p>Employees with disabled children may receive economic assistance totaling 150€ gross monthly until they reach the age of 15.</p>	 <p>Flexible meeting times</p> <p>Apart for exceptional matters, meetings and videoconferences must be held between 10:00 a.m. and 6:00 p.m.</p>
 <p>Leave for childbirth complications</p> <p>Remunerated leave is increased to 15 days (rather than 5) should any complications arise as a result of childbirth resulting in the infant remaining in the hospital.</p>	 <p>Summer hours</p> <p>From July 15 to August 31, workdays finish at 3 p.m., with revolving weekly turns in each department to provide support to incidences and provide service.</p>	

The above proposed measures represent Neinor Homes' first step towards guaranteeing quality working conditions for its employees, to subsequently include others as requests and demands are analyzed. Apart from these special measures, employees benefit from all legal employment rights. **During 2017, a total of 13 employees** (6 female and 7 male) accepted **maternity/paternity leave**, with all returning to their posts subsequently. Neinor Homes also provides flexible remuneration packages for its employees, including restaurant and childcare vouchers, and medical insurance for the entire family.

8.7. Safety and health

Neinor Homes fosters a **safe work environment**, and is committed to permanently updating its workplace risk prevention measures to adapt them to each job beyond the scope of legislated requirements.

Neinor Homes' **Good Practices Manual** reflects and increased level of safety at promotions' construction sites, enacted to prevent, eliminate, or minimize the risks to which its personnel is exposed, to achieve 0 accidents in the company's promotions. The measures included in this manual include access controls, supervision of required documentation for contractors, subcontractors, workers, and machinery, safety measures during the different phases of the job, and the construction site Emergency Plan. All of Neinor Homes' projects have designated **safety coordinators** during the building phase, in charge of overseeing that prevailing legislation is followed, while also ensuring that the Good Practices Manual is followed. Each contractor must designate at least one worker to be permanently present onsite, with part of the workday devoted to enacting preventive measures; another employee monitors worker safety and health.

In 2017, ASEM Prevención (a company specialized in workplace risk prevention) was hired to complement and support building site safety, assessing each to execute specific measures. An external company periodically audits our Workplace Risk Prevention at our sites and offices.

Health and Safety Management System Certification (OHSAS 18001)



Conscientiously committed to the risk control policies, Neinor Homes recently renewed its AENOR Health and Safety Management System Certification (OHSAS 18001). The implementation of this system should reduce workplace accidents while increasing productivity through the identification, evaluation, and control of the risks associated to each job. It identifies and avoids the chief causes for accidents and illness at the working environment and creates a safer place for its employees.

To add further support to company health and safety, during 2017 Neinor Homes continued with its commitment to training all of its staff in Workplace Accident Prevention thanks to special courses. As a result, during the year only 1 accident in the workplace with time off from work has taken place.

8.8. Initiatives designed to involve employees and raise awareness

Thanks to the participation and awareness across the different company areas which increases employee motivation and **pride in forming part** of Neinor Homes, the company continues to move ahead in the implementation of initiatives in the area of Corporate Social Responsibility which contribute positively to society, and in which employee participation is fundamental. For example, employees are provided the opportunity to collaborate through **corporate volunteer** opportunities.

Turning to the **environment awareness**, the company's paperless policy fosters substituting the use of paper for digital media in office operations whenever possible. Along these lines, periodic communications are sent to employees to create awareness of **respecting the environment**.

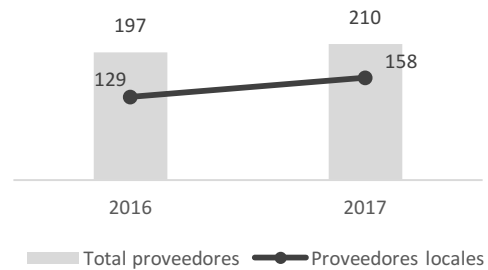
9. Our supply chain

9.1. The supply chain

Neinor Homes' values and commitments are not just limited to performance of its activities, but are also applicable to its entire supply chain. To ensure **top-notch standards** of excellence and quality, we work actively to successfully manage our **long-term relationships** with contractors, suppliers, and collaborating entities.

Neinor Homes has relationships with three basic types of suppliers: construction companies, architects, and **project managers**. Other smaller construction companies and suppliers also are part of our supply chain (kitchen fittings, geotechnical and topography reports, safety and health coordinators, etc.). Neinor Homes has worked with a total of **210 suppliers**, 6.5% over 2016. Of these, **158** (totaling 75%) were **local suppliers** vs. 65.5% in 2016; this clearly reflects our fervent commitment to hiring locally, which are suppliers working in the same region or province.

Trend of total number of local suppliers



During 2016, Neinor Homes conducted an **efficiency and internal control analysis** of its purchase processes to understand the strategy, organization, facilitators, and internal controls inherent to this aspect of the company. This assessment provided us a comprehensive understanding of this area, leading us to create an **Action Plan**. During 2017, its actions were directed towards moving forward in optimizing the contracting process while fostering strategic ties with suppliers.

Strategic ties with suppliers

Neinor Homes fosters the development of close ties with its suppliers to foster alliances benefiting both parties. The following initiatives were worth highlighting:

- Generation of numerous framework agreements to optimize and streamline contracting while offering big volumes.
- Creation of Research and Streamlining Committees in which several of Neinor Homes' collaborators participate (architects, builders, project managers, contractors) to study different aspects helping all parties to benefit. Items such as the following are studied:
 - ✓ New building systems
 - ✓ Novel construction materials
 - ✓ Sustainable processes and materials
 - ✓ Cost savings
 - ✓ Deadline optimization
 - ✓ Energy efficiency

9.2. Purchasing management

Neinor Homes' purchasing control is based on obligatory compliance principles before, during, and after contracting. Throughout the process, suppliers must comply with our values and integrity policies based on Neinor Homes' Code of Ethics, Corporate Social Responsibility Policy, specific supplier contracting clauses and Code of Conduct for Third Parties which is sent to them and is signed.

Neinor Homes' **purchasing procedures** set the framework in this area, and describe a systematic process allowing it to work in a standardized environment across all company areas, to thereby avoid value chain risks. The contracting and awarding procedures were approved by the company CEO.

They are applied for all needs arising from Neinor Homes promotions. Each promotion has specific purchasing needs reflected on the project execution documents prepared by the architect, featuring the contractor's scope of responsibilities in the contract. There are model framework agreements reflecting the scopes and needs for each contract for all units and services which are similar. The general objective is to **optimize contracting** to negotiate better prices, attracting the best companies for participation, zeroing in on meeting established deadlines, sticking to the budget, while always remaining committed to the quality of our projects as established by our standards and procedures.

All bidding processes must follow **procedures** defining every mandatory step. Key aspects such as architects and builders are hired through the submission of sealed competitive bidding and the opening of tenders. A contract award proposal report is issued for approval by company Management. Throughout the process a number of different Neinor Homes departments and areas can participate.

Mandatory supplier clauses

All our contracts feature clauses and contents referring to integrity and CSR on aspects such as:

- Safety and health
- Protecting the environment
- Tax and labor responsibilities
- BREEAM sustainability certification
- Anti-Money Laundering:
- Confidentiality
- Corruption
- Due diligence
- Data privacy
- Crime prevention

Departments involved in the purchasing process

The following departments are involved in the purchasing process, and perform the following functions:

- **Contracting and Purchasing Department:** creates and coordinates all unit tendering and contracting processes necessary for executing all the promotions. Specifically, the Contracting Manager, purchasing department technicians, and purchasing administration participate
- **Technical Department:** supports the technical team to prepare projects and the scopes for all contracts. The following individuals participate: technical directors, project managers, and building managers for each zone
- **Project Manager:** supports the purchasing department throughout the tendering process
- **Compliance Department:** participates in opening the sealed offers (guaranteeing the integrity of the process)
- **General Operations Manager:** approves contracts
- **CEO:** approves contracts
- **Management Committee:** approves contracts of higher amounts
- **Intern Audit Management:** carries out regular audits on the purchasing process and its compliance

In 2017 Neinor Homes' **purchases totaled 181.6 million euros** (285.7 million euros in land acquisitions)², with a volume increase of purchases of 35.6% vs. 2016. This increase was partially caused by an increase in the price of materials and market labor costs. Neinor Homes pays all its suppliers within 60 days.

Supplier expenses during 2017 totaled 181.6 million euros (285.7 million euros in land acquisitions)

²Includes pending urbanization and closing costs

9.3. Selection and qualification of suppliers

Neinor Homes ensures that all its suppliers offer quality professional services, also respecting company policies, based on **a demanding selection and qualification process**. It indicates the aspects to be analyzed for each supplier, based on the sector of the company in question, and the service of product supplied. All suppliers must comply with the Neinor Homes Corporate Social Responsibility principles and requirements on sustainability, ethics, and compliance, as well as international agreements reached with the International Work Organization and the United Nations Global Compact. **100% of Neinor Homes** contracts with suppliers include **Environmental, Social & Governance clauses**.

In 2017, the company analyzed 338 suppliers, standardize just 183. 421 supplier audits were performed. The hiring and purchasing manager creates and maintains a register featuring contracts surpassing 10,000 euros which include analyses on supplier management, the selection process and assessments made based on established a procedure. During 2017, 128 companies were evaluated with a purchasing volume of over 10,000 euros.

During 2017, Neinor Homes increased its **sustainability and environmental impact requirements** to include suppliers. Architects and builders must comply with White Paper specifications. Other aspects of sustainability are ranked for a supplier's qualification:

- Background in sustainability and executing sustainable projects: *Leadership in Energy & Environmental Design* (LEED) certificate for sustainable buildings, BREEAM certificate, etc.
- Information on participation in innovation projects
- Possess sustainability and environmental certifications
- Possess safety and health certifications

International Work Organization and United Nations Global Compact Criteria

The International Work Organization and United Nations Global Compact Criteria contemplate compliance with aspects related to:

- Deadline compliance
- Execution quality
- Safety and hygiene
- Meeting budget
- Involvement
- Economic claims
- Technical capacity
- Ability to respond to unforeseen events
- Compliance with BREEAM requirements
- Compliance with environmental requirements
- Collaboration and treatment
- Awareness of the Building Information Modeling White Paper

When Neinor Homes evaluates a potential supplier, it ensures that their remuneration is in line with market rates, and avoids contracting third parties when suppliers:

- Are recommended by a government employee
- Request payment in favor of third parties, in cash, or into accounts located in tax havens
- Lack experience in the areas of service for which Neinor Homes are considering contracting them
- Request donations or contributions to political parties
- Refuse or seem reticent to collaborate during the background check

Apart from aspects such as sustainability and the environment, Neinor Homes' contract clauses include **terms, declarations, and commitments** related to different aspects with which contracted suppliers must comply:



Safety and health

- **Safety and Health:** the obligation to develop a Health and Safety plan to be presented to the Health and Safety Coordinator prior to breaking ground
- **Law 31/1995**, dated November 8, on Workplace Accident Prevention
- **Royal Decree 1627/1997**, dated October 24, on minimum Health and Safety provisions at construction sites
- **Company commitments** to workers, information, and training



Gifts and presents

- It is **strictly forbidden to request gifts, favors, services under favorable circumstances, or invitations to suppliers, customers, intermediaries, agents, advisors, or others**



Corruption and bribery

- **Appropriate policies regarding corruption and bribery**, or compliance with that established by NH
- Declaration of **understanding and accepting** the regulations contained in its **Anti-corruption Protocol**
- The **commitment to report** the NH's Ethics Channel of any cases of bribery or corruption



Anti-Money Laundering

- **Law 10/2010**, of April 28, on money laundering and the financing of terrorism
- **Royal Decree 304/2014**, dated May 5, applicable to individuals and legal entities involved in real estate promotion activities
- **Manual for the Prevention of Money Laundering and the Financing of Terrorism**

9.4. Training of suppliers and raising their awareness

Neinor Homes' health and safety standards are much more stringent than customary market levels, and as such part of this commitment to health and safety conducts training programs for its suppliers. This is why Neinor Homes organizes **awareness-raising talks** given at building sites by renowned external consultants and specialists in the field; these same individuals analyze and audit Neinor Homes' safety procedures. The talks are given to all promotion workmen, technical staff, and project managers to reduce issue and accidents on-site, and is one of the reasons why Neinor Homes' **accident rates are well below those of the sector average**.

Neinor Homes offers health and safety awareness talks to its suppliers thereby keeping their accidents rates well under the sector average

9.5. Communication and collaboration with suppliers

As a solid reflection of Neinor Homes' commitment to quality and continuous improvement, it performs ongoing evaluations of its suppliers; the results are analyzed jointly during periodic meetings. This favors **bi-directional communication** which fosters improvement in the poorer aspects, while strengthening the most noteworthy ones.

Neinor Homes also boosts and favors **collaboration initiatives** with its partners and suppliers. An example is the possibility for them to attend Innovation Committee meetings held periodically by Neinor Homes to jointly analyze new construction processes, materials, or ideas worth applying to its promotions; this is reflected in a spirit of continuous improvement for all parties involved.

Neinor Homes keeps fluid and continuous lines of communication open with its suppliers and keeps them up to date on assessments made with joint participation in committees

10. About this Report

Scope of the information

For the second time, Neinor Homes is presenting its Corporate Social Responsibility Report (2017) under **Global Reporting Initiative** (GRI) directives. The Report is intended to respond to its commitment to spreading awareness on its activities, such as the intention to report to its stakeholders and society. The information included in this Report covers 2017.

To facilitate the understanding of our business and assess Neinor Homes' performance, the previous year's figures and events are discussed to offer an all-encompassing perspective. Information on the future is taken from an analysis of the current context and forecasted performance, but is not binding.

This information contained herein is complemented by other corporate documents of interest in addition to that already available on www.neinorhomes.com:

- 2017 Financial Statements
- 2017 Annual Corporate Governance Report

International standards

This Report was prepared based on the directives established in the **Global Reporting Initiative** Guide for preparing **GRI Standard** Sustainability Reports, based on the essential conformity option. The selection of relevant aspects was made based on the results of the new materiality analysis conducted in 2017, and explained as follows:

The GRI Content Index table included at the end of this Report reflects on which pages the related information can be found.

Preparation of the Report and identification of stakeholders

To prepare this Report, Neinor Homes used the results of the materiality analysis performed in 2017, and the interest group identification therein.

Neinor Homes considers its stakeholders as those which are directly or indirectly affected by its business activity, and as such, can also directly or indirectly affect its performance. It identified the following stakeholders based on this premise*:

Stakeholders	Why are they relevant?
Investors and shareholders	Shareholders are an excellent trust thermometer for taking a company's temperature and evaluating its financial health
Customers	Customers are the reason for existing, and as such, Neinor Homes seeks to offer unparalleled service and quality to ensure maximum satisfaction
Employees	Employees are Neinor Homes, and therefore it is paramount we ensure their satisfaction and pride in belonging to the company to gain maximum efficiency and be competitive on the market
Suppliers	Neinor Homes works with many different suppliers, who are in charge of building its homes, and a crucial factor in maintaining our utmost quality standards
Company	Neinor Homes' activity has strong repercussions on society, creating indirect employment and contributing to the social and economic development wherever its promotions are based

**Further information on stakeholders and communication channels is available in section 3.4. Communication with stakeholders*

Neinor Homes has pinpointed a number of matters based on its analysis of diverse sources of information, some which are specifically-tailored to the Real Estate market, and has contemplated the perspective of stakeholders as regards their relationship with the different company areas. These were subsequently analyzed based on their relevance for the company as well as its stakeholders, and includes the direct consultation process.

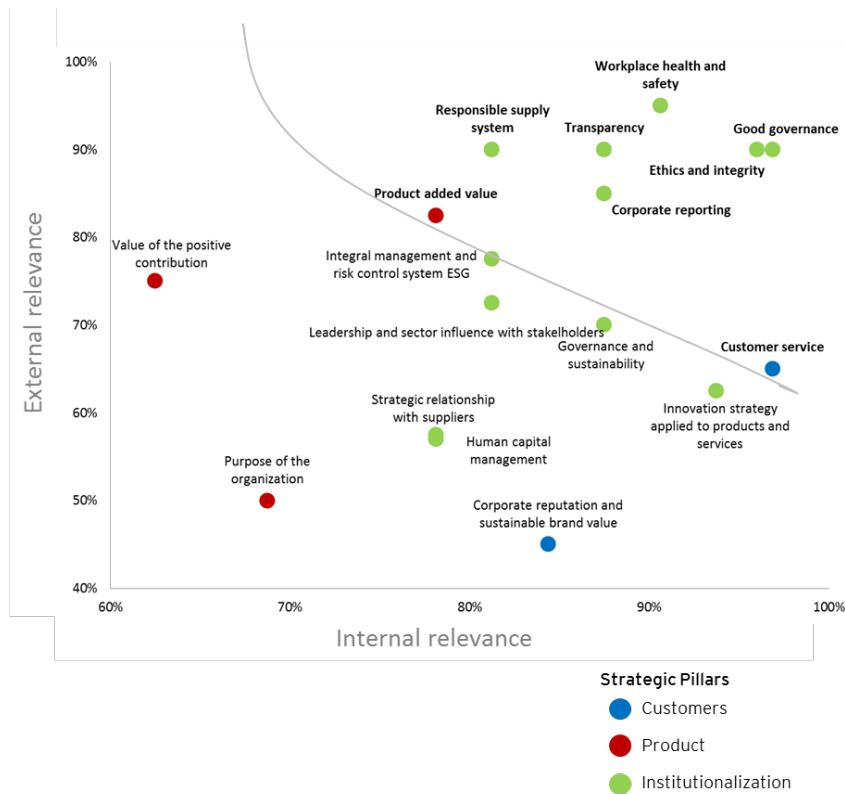


Based on assessments of the relevance of these different matters, have been identified those with special relevance for Neinor Homes. The following table shows the relationship between these matters and other aspects contemplated in the Guide for preparing the Global Reporting Initiative Sustainability Reports:

Relevant aspects for Neinor Homes	GRI Standards aspects
Good governance	Strategy Organizational profile Environmental compliance Governance
Ethics and integrity	Ethics and Integrity Anti-corruption Public policy Anti-competitive behavior Socioeconomic compliance Diversity and equal opportunity Non-discrimination
Workplace health and safety	Occupational health and safety
Transparency	Organizational profile Stakeholder participation Economic performance
Corporate reporting	Principles for preparing reports
Responsible supply system	Procurement practices Materials Energy Effluents and waste Supplier environmental assessment Supplier social assessment
Product added value	Customer health and safety Marketing and labeling
Customer service	Customer privacy

In the edition of this Report different departments have been involved, ensuring the accuracy and completeness of the information reported. In addition, Neinor Homes has continued advancing in the scope of the information with the data of the previous year facilitating the comparability of the relevant aspects (except some information which is reported for the first time in 2017). It should also be noted that this Report is published together with the financial information, making easier for the stakeholders to consider it together with the rest of the company’s relevant information.

Neinor Homes materiality matrix



Compliance with regulatory updates on non-financial information

Although it is not obligatory for the Company to apply it, this Report was prepared based on the requirements established in Royal Decree Law 18/2017 dated November 24, which amended the Code of Commerce, the revised Spanish Corporation Law enacted by Royal Decree 1/2010, of July 2, and Law 22/2015 dated July 20 on the Audit of Accounts as regards non-financial and diversity information. Since this Report complies with the same approval, filing, and publication criteria established for Management Reports, it therefore complies with these regulations as it includes the most relevant information on Neinor Homes' activities on:

- Description of the business model - "Business model" section
- Information on environmental and social policies applied, as well as those related to personnel and the fight against corruption and bribery - Sections "Good Governance" and "Corporate Social Responsibility Strategy"
- Results of these policies - Sections "Good Governance" and "Corporate Social Responsibility Strategy"
- Main related risks and their management - "Risk management" section
- Key non-financial indicators - Throughout the document

Matters related to the respect for human rights are limited to the appropriate management of employees and ensuring compliance with these basic rights through the Ethics Code, which is a catalog of work-life balance measures and other initiatives described therein.

This Report also includes key information on relevant aspects identified during the above materiality analysis.

11. GRI Content Index

Legend



Contents verified according to the scope of the information described in the reference

Fundamentos

Indicator	Reference (page)	Verification
101 Principles for reporting	50-52	

General contents

Indicator	Reference (page)	Verification
102-1 Name of the organization	7	✓
102-2 Activities, brands, products, and services	7-9	✓
102-3 Location of headquarters	Ercilla street 24, Bilbao	✓
102-4 Location of operations	7	✓
102-5 Ownership and legal form	7-9	✓
102-6 Markets served	7-9	✓
102-7 Scale of the organization	7-9, 11-12, 40	✓
102-8 Information on employees and other workers	40-45	✓ ⁽¹⁾
102-9 Supply chain	46-49	✓
102-10 Significant changes to the organization and its supply chain	7-9, 11-12, 46-49	✓
102-11 Precautionary Principle or approach	15-16	✓
102-12 External initiatives	16, 17, 34, 44, 48	✓
102-13 Membership of associations	13 & 17	✓
102-14 Statement from senior decision-maker	5-6	✓
102-15 Key impacts, risks, and opportunities	23-25	✓
102-16 Values, principles, standards, and norms of behavior	9, 25-29	✓
102-18 Governance structure	19-23	✓
102-40 List of stakeholders groups	17-18, 50	✓
102-41 Collective bargaining agreements	40	✓
102-42 Identifying and selecting stakeholders	17-18, 50-52	✓
102-43 Approach to stakeholder engagement	17-18, 43, 50-52	✓
102-44 Key topics and concerns raised	50-52	✓
102-45 Entities included in the consolidated financial statements	7	✓
102-46 Defining report content and topic Boundaries	50-52	✓
102-47 List of material topics	50-52	✓
102-48 Restatements of information	No relevant information was restated with respect to the prior year	✓
102-49 Changes in reporting	No significant changes were made in the preparation of this report vs. the prior year	✓
102-50 Reporting period	50	✓
102-51 Date of most recent report	2016	✓
102-52 Report preparation cycle	Annual	✓
102-53 Contact point for questions regarding the report	silvia.lopez@neinorhomes.com	✓
102-54 Claims of reporting in accordance with the GRI Standards	50-52	✓
102-55 GRI content index	53-56	✓
102-56 External assurance	57-58	✓

Management approach

Indicator	Reference (page)	Verification
103-1 Explanation of the material topic and its Boundary	50-52	✓
103-2 The management approach and its components	12, 17, 19-23, 25-29, 30-33, 34-36, 44, 46-49, 50-52.	✓
103-3 Evaluation of the management approach	19, 22, 26, 32-33, 34-36, 44, 47-48, 50-52	✓

Economic performance

Indicator	Reference (page)	Verification
201-1 Direct economic value generated and distributed	12	✓

Procurement practices

Indicator	Reference (page)	Verification
204-1 Proportion of spending on local suppliers	46	✓

Materials

Indicator	Reference (page)	Verification
301-1 Materials used by weight or volume	17	✓

Energy

Indicator	Reference (page)	Verification
302-1 Energy consumption within the organization	17	✓

Environmental compliance

Indicator	Reference (page)	Verification
307-1 Non-compliance with environmental laws and regulations	During 2017 no fines or sanctions related to infringing environmental policies were received	✓

Supplier environmental assessment

Indicator	Reference (page)	Verification
308-1 New suppliers that were screened using environmental criteria	47-48	✓

Employment

Indicator	Reference (page)	Verification
401-1 New employee hires and employee turnover	40-41	✓
401-3 Parental leave	44	✓

Occupational health and safety

Indicator	Reference (page)	Verification
403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44	✓
403-3 Workers with high incidence or high risk of diseases related to their occupation	No high-risk illnesses were identified, or any others related to company activities	✓
CRE6 Percentage of staff verified and certified in health and safety by an international organization	100%	✓

Training

Indicator	Reference (page)	Verification
404-1 Average hours of training per year per employee	42	✓
404-3 Percentage of employees receiving regular performance and career development reviews	42	🌐

Diversity and equal opportunity

Indicator	Reference (page)	Verification
405-1 Diversity of governance bodies and employees	19-23, 40-41	✓

Non-discrimination

Indicator	Reference (page)	Verification
406-1 Incidents of discrimination and corrective actions taken	During 2017 there were no claims filed for discrimination	✓

Supplier social assessment

Indicator	Reference (page)	Verification
414-1 New suppliers that were screened using social criteria	47-48	✓

Anti-corruption

Indicator	Reference (page)	Verification
205-3 Confirmed incidents of corruption and actions taken	During 2017, no cases of corruption were detected through our whistleblowing channel or internal audits performed	✓

Public policy

Indicator	Reference (page)	Verification
415-1 Political contributions	Neinor Homes' Code of Ethics prohibits any contributions to political parties and/or representatives. During 2017 no infringements of the Ethics Code were detected related to these matters	✓

Anti-competitive behavior

Indicator	Reference (page)	Verification
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During the year no complaints were received in this regard	✓

Socioeconomic compliance

Indicator	Reference (page)	Verification
419-1 Non-compliance with laws and regulations in the social and economic area	Note 16 (Provisions) on the consolidated annual financial statements	✓

Customer health and safety

Indicator	Reference (page)	Verification
416-1 Assessment of the health and safety impacts of product and service categories	34-35	✓
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	During 2017, no claims were filed related to lack of compliance with product and service health and safety	✓

Marketing and labeling

Indicator	Reference (page)	Verification
417-1 Requirements for product and service information and labeling	33-35	✓

Customer privacy

Indicator	Reference (page)	Verification
418 -1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	There were no claims received during the year in this area	✓

¹ There are no reports of other workers who are not employees of their own.

² The economic value generated and distributed by interest group is not broken down. The cost of sales includes the variation in the provision of assets sold.

³ The number of local suppliers is reported on the total number of providers.

⁴ It is exclusively reported on consumption in offices.

⁵ Information is not disaggregated by age.

⁶ The number of accidents related to own personnel is reported.

⁷ It is reported the rates related to the own personnel.

⁸ The information is not disaggregated by gender or by job category.

12. External assurance

