

ANNEX I MODEL

**ANNUAL CORPORATE GOVERNANCE REPORT ON
PUBLICLY TRADED COMPANIES**

IDENTIFYING DATA OF ISSUER

CLOSING DATE OF THE FINANCIAL YEAR OF REFERENCE

2017

Tax ID Code A- - 95786562

Company Name NEINOR HOMES, S.A.

Registered Address: C/ Ercilla 24, Bilbao

**ANNUAL CORPORATE GOVERNANCE REPORT ON
PUBLICLY TRADED COMPANIES**

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the company's share capital

Complete the following table on the company's share capital	Share capital	Number of shares	Number of voting rights
28/03/2017	790,050,340	79,005,034	79,005,034

Are there different types of shares with different associated rights?

Yes No

Class	Number of shares	Nominal unit	Unit number of voting rights	Different rights

A.2 Provide details of the direct and indirect owners of significant holdings in your company at year end, excluding directors:

Name or company name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
LONE STAR CAPITAL INVESTMENTS, S.A.R.L.	0	10.209.030	12,92%
ADAR CAPITAL PARTNERS, LTD	0	4.108.261	5,20%
KSAC EUROPE HOLDINGS, L.P.	0	3.317.421	4,20%
WELLINGTON MANAGEMENT GROUP, LLP	0	6.743.869	8,54%
INVESCO LIMITED	0	3.962.101	5,01%
FMR, LLC	0	5.444.315	6,89%
BANK OF MONTREAL	2.433.355	0	3,08%

Name or company name of the indirect owner of the stake	Through: Name or company name of the direct owner of the stake	Number of voting rights
LONE STAR CAPITAL INVESTMENTS, S.A.R.L.	NEINOR HOLDINGS, S.L.	10.209.030
ADAR CAPITAL PARTNERS, LTD	ADAR MACRO FUND, LTD	4.108.261
KSAC EUROPE HOLDINGS, L.P.	KSAC EUROPE INVESTMENTS, S.A.R.L.	3.317.421
WELLINGTON MANAGEMENT GROUP, LLP	WELLINGTON GRIUP HOLDINGS, LLP	6.743.869
INVESCO LIMITED	INVESCO ASSET MANAGEMENT LIMITED	3.900.478
INVESCO LIMITED	INVESCO ADVISERS, INC	61.623
FMR, LLC	FIDELITY MANAGEMENT AND RESEARCH COMPANY	3.062.235
FMR, LLC	FMR INVESTMENT MANAGEMENT (UK) LIMITED	2.382.001
FMR, LLC	FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY	79

Indicate the most significant changes in the shareholder structure during the year

Name of shareholder (person or company)	Date of the transaction	Description of the transaction
NEINOR HOLDINGS, S.L.	13/09/2017	Fell from 39.549% to 12.922% of the share capital

A.3 Complete the following tables on the members of the company's board of directors who have voting rights over shares in the company:

Name of board member (person or company)	Number of direct voting rights	Indirect voting rights	% of total voting rights
Juan Velayos Lluís	287.299	0	0,36

% of total voting rights held by the board of directors	0,36%
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Complete the following tables on the members of the company's board of directors who have rights over shares in the company:

A.4 Indicate, where applicable, any family, commercial, contractual or corporate relations between the holders of significant shareholdings, where they are known by the company, unless such relations are irrelevant or arise from normal trading activities

A.5 Indicate, where applicable, any commercial, contractual or corporate relations between the holders of significant shareholdings, and the company and/or its group, unless such relations are irrelevant or arise from normal trading activities:

A.6 Indicate whether any shareholder agreements have been notified to the company that affect it under Articles 530 and 531 of the Ley de Sociedades de Capital (Spanish Companies' Act) If so, describe them briefly and specify the shareholders bound by such agreements

Yes No

Participants in shareholders agreement	% of share capital affected	Brief description of agreement

Indicate whether the company knows of the existence of any concerted actions between its shareholders. If so, describe them briefly

Yes No

Participants in concerted action	% of share capital affected	Brief description of concerted action

If any modification or cancellation of these covenants, agreements or concerted actions has taken place during the year, please make express mention of this:

N/A.

A.7 Indicate whether there is any individual person or corporate entity that exercises, or may exercise, control over the company, pursuant to Article 5 of the Ley del Mercado de Valores (Securities Market Act) If so, identify this person or entity

Yes No

Name

Observations

A.8 Complete the following tables on the company's treasury stock:

At the close of the financial year

Number of direct shares	Number of indirect shares (*)	% of share capital
233.258	0	0.30%

(*)Through:

Explain any significant changes occurring during the year, pursuant to Royal Decree 1362/2007:

Explain any significant changes
The company started a treasury stock program through which it acquired 200,000 of its own shares between 04/05/2017 and 20/09/2017
Subsequently, on 22/09/2017, the company signed a liquidity contract for which it contributed 28,000 of its own shares and 500,000 euros. On 5/10/2017, the company withdrew 27,046 shares from the account associated with the liquidity contract and contributed an additional 675,871.11 euros.
At the end of the fiscal year, the company's treasury stock amounted to 233,258 shares, of which 199,406 are deposited in a securities account and 33,852 are deposited in the account associated with the liquidity contract.

A.9 Give details of the terms and conditions corresponding to the General Meeting of Shareholders' current mandate to the board of directors to issue, acquire or assign own shares.

The Sole Shareholder of the company before the IPO authorized the Board on 6 March, 2017 the following aspects:

1) Issuance of debt and any other securities of a similar nature, convertible into newly issued shares of the Company and / or exchangeable in outstanding shares of the Company, as well as warrants or other similar securities that may directly or indirectly entitle the subscription or acquisition of shares of the company, either newly issued or already in circulation, with the following conditions:

- Securities: debt, bonds and other fixed-income securities of a similar nature, exchangeable for shares of the Company, of any other Company, whether or not it belongs to its group and / or convertible into shares of the company, promissory notes, preference stock and warrants.
- Delegation term: 5 years.
- Maximum amount: 500.000.000 €.

2) Derivative acquisition of own shares, by the company or its subsidiaries, for a term of 5 years, for a maximum amount equal to 10% of the share capital and for a price or equivalent value that ranges between a minimum equivalent to its nominal value and a maximum equivalent to that which is greater than (i) 105% of the quoted price of the Company's shares on the Continuous Market at the time of acquisition or of the closing price of the last trading session prior to the acquisition and (ii) the result of increasing by 10% the maximum share price of the three months prior to the moment at which the acquisition takes place. Said shares may be used for their sale or cancellation as well as for their delivery directly to the employees or managers of the company or as a consequence of exercising the stock options that they may hold.

A.9 bis Estimated free float:

	%
Estimated free float	87,5%

A.10 Indicate whether there are any restrictions on the transfer of securities and/or any other restrictions on voting rights. In particular, any type of restrictions that may make it difficult to take control of the company by the acquisition of its shares on the market must be reported.

Yes No

Description of the restrictions

A.11 Indicate whether the General Meeting has agreed to adopt neutralization measures against a takeover bid by virtue of the provisions in Law 6/2007.

Yes No

If applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they grant.

B ANNUAL GENERAL MEETING

B.1 Indicate and, where applicable, list the differences with respect to the minimum regime under the Companies Act with of the quorum for establishing the Annual General Meeting.

Yes No

B.2 Indicate and, where applicable, list the differences with respect to the regime under the Companies Act for adopting the company resolutions:

Yes No

Describe how they differ from the rules established in the Companies' Act (LSC).

B.3 Indicate the rules applicable to the modification of the company's bylaws. In particular, report the majority required to amend the bylaws and, where applicable, the rules for preserving the rights of shareholders in the amendment of the bylaws.

Article 28.1 of the Statutes establishes that, when modifying the bylaws, even if they appear in the same item on the agenda, each article or group of articles that has its own autonomy must be voted on separately.

Article 30 of the Regulations of the Annual General Meeting establishes that the modification of Bylaws will require an absolute majority if the capital present or represented exceeds 50%, or two thirds of the capital present or represented when the second call is attended by shareholders representing 25% or more of the subscribed capital with the right to vote without reaching 50%.

B.4 Indicate the attendance figures at the General Meetings held each year to which this report refers and those of the previous year:

Date of Annual General Meeting	Attendance data				Total
	% physical presence	% representation	% remote voting		
			E-voting	Others	
01/01/2017	0,00%	0,00%	0,00%	0,00%	0,00%

B.5 Indicate whether there is any restriction in the bylaws establishing a minimum number of shares needed to attend the AGM:

Yes No

Number of shares necessary to attend AGM	
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B.6 Repealed section.

B.7 Indicate the direction and form of accessing the information on corporate governance through the company's website and other information on AGMs that should be made available to the shareholders through the Company's website

You can find information on the Company's corporate governance at the following address:
<https://www.neinorhomes.com/accionistas-inversores>

C MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of directors

C.1.1 The maximum and minimum number of directors set forth in the bylaws are:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following table with the members of the board:

Name of director (person or company)	Repre-sentative	Director status	Position on the board	Date of first appoint-ment	Date of last appointment	Election procedure
Ricardo Martí Fluxá		Independent	Chairman	08/03/2017	08/03/2017	Appointed by sole shareholder
Anna M. Birulés Bertrán		Independent	Voting member	08/03/2017	08/03/2017	Appointed by sole shareholder
Alfonso Rodés Vilà		Independent	Voting member	08/03/2017	08/03/2017	Appointed by sole shareholder
Juan José Pepa		Proprietary	Voting member	14/05/2015	08/03/2017	Appointed by sole shareholder
Felipe Morenés Botín Sanz-de Sautuola		Proprietary	Voting member	14/05/2015	08/03/2017	Appointed by sole shareholder
Juan Velayos Lluís		Executive	CEO	14/05/2015	08/03/2017	Appointed by sole shareholder
Alberto Prieto Ruiz		Independent	Voting member	31/10/2017	31/10/2017	Cooptation

Total number of directors	7
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Indicate any resignations that have taken place in the Board of Directors during the reporting period:

Name of director (person or company)	Status of director at time of resignation	Date of resignation
Andre Collin	Proprietary	08/03/2017
Donald Quintin	Proprietary	08/03/2017
William David Young	Proprietary	08/03/2017
Vinay Khandelwal	Proprietary	08/03/2017
Philippe Couturier	Proprietary	08/03/2017
Denis Baudillon	Proprietary	08/03/2017
Dominique Jean Marie Cressot	Proprietary	31/10/2017

C.1.3 Complete the following tables on the members of the board and their status:

EXECUTIVE DIRECTORS

Name of director (person or company)	Position in the company's organization chart
Juan Velayos Lluís	CEO

Total number of executive directors	1
% of the total board	14,29%

EXTERNAL PROPRIETARY DIRECTORS

Name of director (person or company)	Name of significant shareholder represented or proposing appointment
Juan José Pepa	Neinor Holdings S.L.
Felipe Morenés Botín Sanz-de Sautuola	Neinor Holdings S.L.

Total number of proprietary directors	2
% of the total board	28,57%

EXTERNAL INDEPENDENT DIRECTORS

Name of director (person or company)	Profile
Ricardo Martí Fluxá	<p>Mr. Martí Fluxa is the Chairman of the Spanish Association of Real Estate Consulting Companies (ACI) and Director at Liteyca y Bodesa, S.A.U.</p> <p>He was Secretary of State for Security from 1996 to 2000. As a member of the Spanish Diplomatic Corps, he held different positions abroad and was finally appointed Chief of Protocol and Activities of His Majesty the King of Spain In the private sector, he was the Chairman of Industria de Turbo Propulsores, S. A. (ITP), President at Marco Polo Investments, Board Member of the Tomás Pascual Group, Member of the Advisory Board of the investment bank Arcano Capital, Board Member of Ibersecurities, Board Member of the technology firm IKUSI and member of the Executive Committee and Chairman of the Remuneration Committee of Caja de Ahorros y Monte de Piedad de Navarra.</p> <p>Currently, he is the President of the Board at Reina Sofia Art Centre Museum, Secretary of the Spanish Royal Academy of Language Studies Foundation, Trustee of The Prado Museum Friends Foundation, Chairman at the Tomás Pascual Institute for Nutrition and Health and President of the Ankaria Foundation</p>
Anna M. Birulés Bertrán	<p>Ms. Birulés is an independent board member, coordinating director, Chairman of the Audit and Compliance Committee, member of the Management and Investment boards at Grupo Pelayo Mutua de Seguros y Reaseguros a Prima Fija. She is also an independent board member of the Audit and Risk Committee and member of the Remuneration and Appointments Committee at Banco Mediolanum and independent board member of IDOM, Consulting, Engineering, Architecture, S.A.U. She is member of several advisory boards.</p> <p>Ms. Birulés is a former Minister of Science and Technology for the Spanish Government and the Former General Secretary of the Board of Banco Sabadell. She has a PHD in Economics and began her career in the Department of Industry and Energy of the Generalitat of</p>

	<p>Catalonia, eventually becoming General Director of the Information and Business Development Centre (CIDEM) and President of the Consortium for the Commercial Promotion of Catalonia (COPCA). She was CEO of Retevisión (now part of Grupo Abertis and of Vodafone Group), where she led the expansion process of the telecommunications operator, through its subsidiaries.</p> <p>She is member of the Circle of Entrepreneurs and the Barcelona Business Circle Board. She has a close relationship with the leading business schools: IESE, where she chairs Finaves, the international centre for fostering initiatives through seed capital, and Esade, where she is member of its Professional Advisory Board.</p>
Alfonso Rodés Vilà	<p>Mr. Rodés is the President of Havas Group Media, President of Havas Group Spain and Deputy CEO at Havas S.A., a multinational media company which is part of the Vivendi Group and has market capitalization of over 4 billion euros.</p> <p>Previously, Mr. Rodés was CEO of Media Planning Group (“MPG”). MPG was a company controlled by the Rodés family that merged with Havas in 2001. Mr. Rodés joined MPG in 1996 as Head of Corporate Development after a period in private banking. Mr. Rodés has been Executive Director at Havas S.A. since 19 June, 2012.</p> <p>He also participates in other investment vehicles controlled by the Rodés family.</p>
Alberto Prieto Ruiz	<p>Mr. Alberto Prieto is Senior Advisor of Real Estate and Financial Advisory at BDO Spain. He joined the firm in September 2016 and he is responsible for the design, management and execution of large real estate transactions, as well as M&A and Corporate Finance transactions.</p> <p>Alberto possesses a deep understanding of the Spanish residential and commercial real estate markets and before joining BDO, he worked at Knight Frank from 1996 to 2016. In 2011, he was appointed CEO of the Spanish Branch and a permanent member of the European Executive Board.</p> <p>Mr. Prieto holds a Bachelor in Journalism and Information Sciences and a Master in Economic Journalism from the Universidad Complutense de Madrid. He is also a member of ASPRIMA (Madrid Real Estate Developers Association) and sits on several of its boards. He is also one of the four founders of ACI (Spanish Association of Real Estate Consultants).</p>

Total number of independent board members	4
% of total board	57,14%

Indicate whether any director classified as independent receives any sum or benefit from the company or from its group, for an item other than the remuneration of directors; or has or has had in the last year a business relationship with the company or with any company in its group, whether in his or her own name or as a significant shareholder, director, or senior manager of a company that has or may have had such a relationship.

N/A

Where appropriate, a reasoned statement must be included from the board on the reasons why it is considered that this director may perform his or her functions as independent director.

Name of director (person or company)	Description of relationship	Reasoned statement
Alberto Prieto Ruiz	BDO performed a valuation of the properties for the Company's IPO.	<p>BDO turnover with Neinor Homes and with its main shareholder, Neinor Holdings, S.L. in fiscal year 2017, at the date on which Mr. Prieto was appointed as director, only represented 4% of the total revenue of the department of the company of which he is managing director (BDO Financial Advisory Services).</p> <p>Consequently, the Board considered that this business relationship was not material, so there were no reasonable grounds to believe that Mr. Prieto could not perform his duties without being conditioned by his relationship with the company or its significant shareholder, so that none of the conditions of incompatibility mentioned in art. 529 duodecies 4.e) of Spanish Corporations Law.</p> <p>Additionally, Mr. Prieto has renounced any commercial relations with the company.</p>

OTHER EXTERNAL DIRECTORS

Please name any other external directors and describe the reasons why they are not proprietary or independent directors, and any links held with the company, its executives or shareholders:

Indicate any changes that may have arisen during the reporting period, in each director's status:

C.1.4 Complete the following table with information on the number and status of female directors at the closing date of the last 4 financial years:

	Number of female directors				% over the total directors in each category			
	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3
Female executive	0	N.A.	N.A.	N.A.	0%	N.A.	N.A.	N.A.
Proprietary	0	N.A.	N.A.	N.A.	0%	N.A.	N.A.	N.A.
Independent	1	N.A.	N.A.	N.A.	25,00%	N.A.	N.A.	N.A.
Other female external directors	0	N.A.	N.A.	N.A.	0%	N.A.	N.A.	N.A.
Total:	1	N.A.	N.A.	N.A.	14,29%	N.A.	N.A.	N.A.

C.1.5 Explain the measures that may have been adopted to ensure that there is a balanced presence of women and men on the board of directors.

Explanation of measures
<p>In 2017, the company approved a policy for recruiting directors that favours the diversity of gender, experience and knowledge of its directors and aims to avoid unconscious biases that may lead to any type of discrimination, especially any biases that hinder the recruitment of female board members.</p> <p>In this regard, Neinor Homes has set the target of ensuring that female directors represent at least 30% of the total number of the members on its Board of Directors by 2020.</p> <p>You can find this policy at: https://www.neinorhomes.com/corporate-governance-and-sustainability/codes-and-policies</p>

C.1.6 Explain the measures that may have been agreed by the appointments committee so that the recruitment procedures do not include any implicit bias that prevent the selection of female directors, and so that the company deliberately searches for and includes women with the appropriate profile among the potential candidates:

Explanation of measures
<p>In 2017, the company approved a policy for recruiting directors that favours the diversity of gender, experience and knowledge of its directors and aims to avoid unconscious biases that may lead to any type of discrimination, especially any biases that hinder the recruitment of female board members.</p> <p>In this regard, Neinor Homes has set the target of ensuring that female directors represent at least 30% of the total number of the members on its Board of Directors by 2020.</p> <p>On an annual basis, the Appointments and Remuneration Committee will review compliance with this policy and will take the necessary measures to effectively comply with the aspects indicated in this section and the rest of the policy's content.</p> <p>You can find this policy at: https://www.neinorhomes.com/corporate-governance-and-sustainability/codes-and-policies</p>

When despite the measures that may have been adopted, the number of female directors is zero or limited, explain the reasons justifying this:

Explanation of the reasons
The time horizon for the aforementioned measures is 2020.

C.1.6 bis Explain the conclusions reached by the Appointment Committee on verified compliance with the director recruitment policy. In particular, include how this policy is working towards the target that by 2020 the number of female directors represent at least 30% of all the Board members.

The Appointments Committee has not yet carried out the verification of compliance with the director recruitment policy, as it was approved on July 26, 2017 and enough time has not passed since its creation to determine to what degree the company has complied with this policy.

C.1.7 Explain the form of representation in the board of directors of the shareholders with significant holdings.

During fiscal year 2017, the main shareholder was Neinor Holdings, S.L., which was represented by three proprietary directors (Juan José Pepa, Felipe Morenés Botín Sanz-de Sautuola and Dominique Jean Marie Cressot). On 31 October 2017, Dominique Cressot resigned as a result of the accelerated book-building performed by the aforementioned shareholder, being replaced by an independent director (Alberto Prieto Ruiz) by co-optation.

C.1.8 Explain, where applicable, the reasons for the appointment of proprietary directors at the suggestion of shareholders whose holding is below 3% of the share capital:

Indicate whether formal petitions have been met for the presence of shareholders on the board whose holding is equal to or greater than that of others at whose request proprietary directors may have been appointed. In this case, explain the reasons why they have not been granted:

Yes

No

C.1.9 Indicate whether any director has resigned before the end of his or her term in office, if the said director has explained the reasons for the resignation and how, to the board, and if the resignation was in writing to all the board, explain at least the reasons given:

Name of the board member	Reason for resignation
Dominique Jean Marie Cressot	Sale of the shares held by the shareholder he represented through an accelerated book-building offering

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name of director (person or company)	Brief description
Juan Velayos Lluís	The Chief Executive Officer has been delegated with all the Board of Directors powers, apart from those which cannot be delegated in accordance with the Bylaws and with the law (the power to acquire land, in particular).

C.1.11 Identify, where applicable, the members of the board who occupy positions as directors or executives in other companies that form part of the group of the traded company:

Name of director (person or company)	Company name of the company in the group	Position	Does he have executive functions?
Juan José Pepa	Neinor Norte, S.L.U. Neinor Península, S.L.U. Neinor Sur, S.A.U. Promociones Neinor 1, S.L.U. Promociones Neinor 2, S.L.U. Promociones Neinor 3, S.L.U. Promociones Neinor 4, S.L.U. Promociones Neinor 5, S.L.U.	Joint Administrator until 10 July, 2017, the date on which Juan Velayos Lluís was appointed as the Sole Administrator of the aforementioned companies.	No
Juan Velayos Lluís	Neinor Norte, S.L.U. Neinor Península, S.L.U. Neinor Sur, S.A.U. Promociones Neinor 1, S.L.U. Promociones Neinor 2, S.L.U. Promociones Neinor 3, S.L.U. Promociones Neinor 4, S.L.U. Promociones Neinor 5, S.L.U.	Joint Administrator until 10 July, 2017, the date on which Juan Velayos Lluís was appointed as the Sole Administrator of the aforementioned companies.	Yes

C.1.12 Identify, where applicable, the directors of the company who are members of the board of directors of companies not in your group that are traded on official stock exchanges, and that have been reported to the company:

C.1.13 Indicate, and where applicable, explain whether the company has established rules on the number of boards of directors that its directors may be members of:

Yes No

Explain the rules
The Board of Directors Regulations establishes directors cannot sit on more than four boards of traded companies (apart from the Company).

C.1.14 Repealed section.

C.1.15 Indicate the Board of Directors' global remuneration:

Remuneration of the Board of Directors in thousands of euros)	1.598.000
Total remuneration corresponding to the pension rights accumulated by directors (in thousands of euros)	0
Total remuneration corresponding to the pension rights accumulated by former directors (in thousands of euros)	0

C.1.16 Identify the members of senior management who are not also executive directors, and indicate the total remuneration paid to them during the year:

Identity or company name	Position(s)
Silvia López Jiménez	Director of Legal Department (Secretary of the Board of Directors)
Jordi Argemí García	Chief Financial Officer
Mikel Etxebarria Dobarán	Chief Corporate Officer
Gabriel Sánchez Cassinello	Chief Business Officer
Mario Lapiedra Vivanco	Chief Property Officer
Julio Egusquiza González-Gil	Chief Servicing Officer
Juan Gómez Vega	Chief Investor Relations Officer
José Carlos Saz Gimeno	Chief Operations Officer
Álvaro Conde Herranz	Chief Internal Auditor

Total remuneration of senior management (thousands of euros)	1.474.257,96
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C.1.17 List, if applicable, the identity of those directors who are likewise members of the boards of directors of companies that own significant holdings and/or group companies:

List, if appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies:

C.1.18 Indicate if any changes have taken place to the regulation of the board of directors during the year:

Yes

No

Describe changes
Modifications necessary for its adaptation to traded company regulations.

C.1.19 Indicate the selection, appointment, re-election, assessment and removal procedures for board members. Specify the competent bodies, the procedures to follow and the criteria to use in each of the above procedures.

Selection:

The company has approved a Policy for Appointing Directors that details the procedure to be followed for their selection. It establishes that the selection process is based on a prior analysis of the needs of the Company made by the Board of Directors, with the advice of the Appointments and Remuneration Committee. The Appointments and Remuneration Committee will define the functions and capacities of the candidates and will evaluate the time and dedication required for each vacancy, so that the requested responsibilities can be adequately fulfilled.

In order to carry out the needs analysis and the annual evaluation of compliance with the selection policy, the Company may request external advice.

In relation to the guidelines for the selection or re-election of directors, candidates must meet the requirements detailed in point 4.2 of the Policy (that they be honourable persons, of recognized competence and solvency, with the experience, qualifications, training, availability and commitment to perform the function and in those that do not meet the incompatibility requirements indicated in that section).

The Company will foster the diversity of gender, experiences and knowledge of its directors and will ensure that there are no unconscious biases that may lead to any type of discrimination, especially any that hinders the recruitment of female directors.

Appointment and re-election:

The Directors are appointed by the General Meeting or by the Board of Directors by co-optation, following a report from the Appointments and Remuneration Committee or, in the case of independent directors, at the proposal of the latter.

The directors shall hold office for a term of three years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

The directors appointed by co-optation will hold their position until the first meeting of the Annual General Meeting held after their appointment, and must step down from the position in the event that the aforementioned Annual General Meeting does not ratify their appointment.

Before proposing the re-election of directors to the Annual General Meeting, the Board of Directors will evaluate, with the abstention of the affected parties, the quality of the work and the dedication to the position of the directors proposed during the previous mandate.

Evaluation:

Regarding the Board's evaluation, the Regulations of the Board of Directors establish, in article 18, that the Board will evaluate annually (i) its operation and the quality of its work, (ii) the performance of its duties by the Chairman of the Board of Administration and by the Chief Executive Officer, based on the report submitted by the Appointments and Remuneration Committee, (iii) the diversity in the composition and powers of the Board of Directors, and (iv) the functioning of its Committees, based on the report that they send it. To this end, the Chairman of the Board of Directors will organize and coordinate with the Chairmen of the Commissions the aforementioned evaluation process.

Every three years, the Board of Directors will be assisted in the evaluation by an external consultant, whose independence will be verified by the Appointments and Remuneration Committee.

On the basis of the results obtained in the annual evaluation, the Board of Directors will propose an action plan to correct the deficiencies detected with respect to the quality and efficiency of the functioning of the Board, the functioning and composition of its committees, diversity, the performance of the Chairman and Chief Executive Officer and the performance and contribution of each director.

Removal:

The directors shall cease to hold office when the period for which they were appointed has elapsed and when the Annual General Meeting so decides.

The directors must place their position at the disposal of the Board of Directors in the cases indicated in article 21.2 of the Regulations of the Board (see section C.1.21 below).

The Board of Directors may only propose the removal of an independent director before the expiration of the statutory term when there is just cause, so deemed by the Board of Directors following a report from the Appointments and Remuneration Committee. The removal of independent directors may also be proposed as a result of public takeover bids, mergers and other similar corporate transactions that involve a change in the capital structure of the Company, provided that such changes are supported by good corporate governance recommendations applicable to the Company at any given time.

C.1.20 Explain to what extent the Board’s annual evaluation has entailed relevant changes in its internal organization and procedures applicable to its activities:

Describe changes
<p>So far the company has not made any evaluation of the operation of the board, since it was not a listed company until March 2017 and therefore a calendar year had not elapsed at the end of fiscal 2017.</p> <p>Following the recommendations of the National Securities Market Commission’s technical guide 3/2017, the company plans to conduct an internal autonomous evaluation of the operation of the committee each year and an external evaluation every three years also in accordance with the recommendations of the Unified Code of Good Governance.</p> <p>The evaluations will be linked to action plans for measures of improvement.</p> <p>The first internal evaluation of the operation of the committee will be conducted after one calendar year has passed from the start of the company’s listing for two basic reasons:</p> <ul style="list-style-type: none">• The addition during 2017 of four new Independent Directors, one of them the Chairman, which means that 57% of the members of the Board are new.• The company’s wish to consider a full cycle, in which the actions taken and meetings held in the period of a calendar year can be included for analysis and evaluation in order to obtain greater clarity and objectivity regarding compliance with the recommendations for Good Corporate Governance.

C.1.20.bis) Describe the evaluation process and the areas evaluated by the Board of Directors, with the assistance of an external consultant, as the case may be, with respect to diversity in its composition and competences, the operation and composition of its committees, performance of the Board Chairperson and Company CEO and performance/contributions made by each director.

See C.1.20

C.1.20.ter) Provide a breakdown, as the case may be, of the business relations that the consultant or any group company holds with the Company or any group company.

It does not apply because the Company has not yet carried out the first annual evaluation of the Board since a year has not elapsed since it has started trading on the stock market.

C.1.21 Indicate the cases in which directors are forced to resign.

The directors must place their position at the disposal of the Board of Directors in the following cases:

- when they resign from the executive position to which their appointment as director is associated;
- when they are involved in any case of incompatibility or legal or statutorily prohibited provision;
- when they are seriously reprimanded by the Board of Directors for having infringed their obligations as directors;
- when their remaining on the Board may jeopardize or damage the interests, credit or reputation of the Company or when the reasons for which they were appointed disappear, including, without limitation, when there are significant changes in their professional situation or in the conditions under which they would have been appointed director;
- when they are prosecuted for an allegedly criminal act or are subject to disciplinary proceedings for serious or very serious misconduct opened by supervisory authorities;
- in the case of proprietary directors, (i) when the shareholder they represent sells its shareholding in its entirety or reduces it substantially; and (ii) in the corresponding number, when said shareholder reduces its shareholding to such a degree that the number of proprietary directors must be lowered;
- when they sit on more than four boards of directors of other listed companies (different from the Company);

- when the director remaining on the Board, in its opinion, causes serious damage to the corporate equity or reputation due to reasons attributable to the director.

C.1.22 Repealed section.

C.1.23 Are reinforced majorities other than those under law required for any type of decision?

Yes No

If yes, describe the differences.

C.1.24 Indicate whether there are specific requirements other than those relating to directors, to be appointed chairman of the board of directors.

Yes No

Description of the requirements
.

C.1.25 Indicate whether the chairman has a casting vote:

Yes No

Matters where there is a casting vote
.

C.1.26 Indicate whether the bylaws or the regulation of the board of directors establishes any age limit for directors:

Yes No

Age limit: Chairperson

Age limit: Chief Executive

Age limit: Board Member

C.1.27 Indicate whether the bylaws or regulation of the board of directors establishes a limited mandate for independent directors, other than that established by law:

Yes No

C.1.28 Indicate whether the bylaws or regulation of the board of directors establishes specific rules for delegation of votes in the board of directors, the method of casting such votes, and in particular the maximum number of delegated voters that a director may hold; and whether the delegated vote must be delegated to a director of the same type. If so, give a brief outline of these rules.

Neither the bylaws nor the regulations of the board of directors establish specific rules for the delegating the vote in the board of directors or limitations regarding the categories in which it is possible to delegate, beyond the limitations imposed by law.

C.1.29 Indicate the number of meetings that the board of directors has held during the year. Also indicate the number of times, where applicable, that the board has met without the chairman being present. For the purposes of this calculation, attendance will include votes delegated with specific instructions.

Number of board meetings	4
Number of meetings of the board without the chairman being present	0

If the chairman is an executive director, indicate the number of meetings held, without the presence or representation of any executive director and under the chairmanship of the coordinating board member.

Number of meetings	0
--------------------	---

Indicate the number of meetings held in the year by the different board committees:

Number of meetings of the audit committee	5
Number of meetings held by the appointments and remuneration committee	4
Number of meetings held by the Real Estate Investment Commission (LIC)	4

C.1.30 Indicate the number of meetings held by the Board of Directors during the year with all members present. For the purposes of this calculation, attendance will include votes delegated with specific instructions.

Number of meetings with all directors present	3
% of attendance out of the total votes during the year	96.42%

C.1.31 Indicate whether the individual and consolidated annual accounts submitted for approval to the board have been previously certified:

Yes No

Where applicable, identify the person(s) who has/have certified the company's individual and consolidated annual accounts for their preparation by the board:

C.1.32 Explain, where applicable, the mechanisms established by the board of directors to prevent the individual and consolidated accounts prepared by it to be presented to the general meeting of shareholders with qualifications in the auditor's report.

In accordance with article 39.3 of the Board of Directors Regulations, the Board will strive to draft the final financial statements in such a way that the auditor will not have any reservations or qualifications. In the exceptional cases, both the Chairperson of the Audit and Control Committee and the external auditors will clearly explain the content of such reservations or qualifications to the shareholders. Nevertheless, when the Board believes that it should maintain its criteria, it will publicly explain the content and the scope of the discrepancy.

In accordance with article 9.1 (d) of the Board of the Audit and Control Committee establishes that the Board will strive to draft the final financial statements in such a way that the auditor will not have any reservations or qualifications. In the exceptional cases, both the Chairperson of the Audit and Control Committee and the external auditors will clearly explain the content of such reservations or qualifications to the shareholders.

Likewise, Article 9.6 (e) of the Regulations of the Audit and Control Committee establishes that the Commission will meet periodically with the external auditor (which includes once in the planning phase before the audit and once after the audit). in the generation phase of reports) and, at least once a year, without members of the management team of the Company being present, to discuss the role of the auditor and the issues arising from the audit.

C.1.33 Is the secretary of the board a director?

Yes No

If the secretary is not a director, complete the following table:

Name of the Secretary	Representative
Silvia López Jiménez	

C.1.34 Repealed section.

C.1.35 Indicate, where applicable, the mechanisms established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.

The company has approval, selection and evaluation procedures established for all relevant suppliers that contribute to and strengthen transparency in bidding processes.
 Within the services considered in this section, the company contracts the external audit services to which, like the rest, the procedures mentioned in the previous paragraph are applicable.
 Additionally, with the objective of preserving the external auditors' independence, the company has established the following policies which are approved by the audit and control committee:

- Employment policy for former auditors.
- Policy for the provision of services other than auditing by the external auditor.
- Annual internal audit report on the external auditor's independence.
- Annual statement/independence report provided by the external auditor.

C.1.36 Indicate whether during the year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:

Yes No

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor and the reasons for this:

C.1.37 Indicate whether the audit firm carries out other tasks for the company and/or its group other than those of auditing. If so, specify the amount of fees received for this work and the percentage this amount represents of the total fees invoiced to the company and/or its group:

Yes No

	Company	Group	Total
Amount of other work other than those of auditing (thousands of euros)	0	379.200	379.200
Amount for work other than auditing / total invoiced by the audit firm (as %)	0,00%	79,13%	79.13%

C.1.38 Indicate whether the audit report on the annual accounts for the previous year includes any reservations or qualifications. In this case, indicate the reasons given by the chairman of the audit committee to explain the content and scope of these reservations or qualifications.

Yes No

C.1.39 Indicate the number of continuous years that the current audit firm has been carrying out the audit of the company and/or its group's annual

accounts. Also, indicate the percentage that the number of years audited by the current audit firm represents out of the total years in which the annual accounts have been audited:

	Company	Group
Number of continuous years	4	4

	Company	Group
No. of years audited by the current audit firm / No. of years the company has been audited (%)	100%	100%

C.1.40 Indicate and, where applicable, specify whether there is a procedure for which directors can have external advice:

Yes

No

Detail of procedure
<p>The Board of Directors Regulations establish that the Audit and Control Committee and the Appointments and Remuneration Committee, respectively, can receive advice from external experts to better comply with their functions.</p> <p>The appointment must deal with specific problems of certain importance and complexity that arise in the performance of the position and may only be vetoed by the Board of Directors in the assessed and accredited cases established in the Regulations.</p> <p>The decision to employ external advisors from the Company must be communicated to the Chairman of the Board of Directors.</p>

C.1.41 Indicate and specify, where applicable, whether there is a procedure for directors to have the information needed to prepare the meetings of the management bodies in sufficient time:

Yes

No

Detail of procedure
<p>Article 16 of the Board of Directors Regulations establishes that this body must be convened at least 72 hours before the meeting and the notice must always include the agenda and the duly prepared and summarized relevant information. In practice, both the call and the submission of documentation must be made with 6-7 days' prior notice through an exclusive access tool to the directors that guarantees the security of the information.</p> <p>The agenda must clearly state the items for which the Board must adopt a resolution so that the directors can previously study or receive the information required.</p> <p>Moreover, article 23 of the Board of Directors Regulations establishes that the directors can request information about any matters in the Board's powers and, in this sense, they can examine its books, registers, documents and other documentation.</p> <p>They must request this information from the Board Secretary, who will submit this to the Chairperson and to the appropriate liaison officer at the Company.</p> <p>The Secretary will notify the directors of the confidential nature of the information requested and received and of their duty of confidentiality in accordance with the provisions of the Board Regulations.</p> <p>The Chairperson can refuse to provide the information if he believes that: (i) it is not necessary for the proper performance of the duties entrusted to the director; or (ii) the cost thereof is not reasonable in view of the importance of the problem and of the Company's assets and income.</p>

C.1.42 Indicate, and specify where applicable, whether the company has established rules that oblige directors to inform or resign in cases that may

damage the credit and reputation of the company:

Yes

No

Details of rules
The Board Regulations establish in article 21.2 (iv) that directors must submit their resignation to the Board of Directors and formalize, if deemed appropriate, the corresponding resignation, when their remaining on the Board may put the Company at risk or harm its interests, credit or reputation.
In these cases, the director must set out the reasons in a letter which must be sent to all the Board members, and the reasons must be stated in the Annual Corporate Governance Report.

C.1.43 Indicate whether any member of the board of directors has informed the company that he or she has been prosecuted or legal proceedings have been initiated against him or her, for any of the offences specified in Article 213 of the Companies Act:

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 Specify the significant agreements that the company may have concluded and that enter into force, are amended, or terminate if the control of the company changes due to a takeover bid, and its effects.

The majority of the financing agreements signed by the company with financial entities establishes the need for the creditor's prior consent to the company's change of control.

C.1.45 Identify as a whole, and indicate in detail the agreements between the company and its administrative and managerial positions or employees who have compensation, guarantee or golden parachute clause, when these directors resign or are dismissed unfairly, or if the contractual relationship reaches its conclusion due to a takeover bid or other types of operations.

Number of beneficiaries: 0

Type of beneficiary:

0

Description of the resolution:

The agreements between the company and its management and executive positions or employees do not contain operative or armor clauses. The compensation to be paid in the event of unfair dismissal is as established in the current legislation.

In cases that may arise in the future, a fact that the company does not presently contemplate, these agreements must be reviewed by the appointments and remuneration committee and approved by the Board of Directors.

Please indicate whether these contracts need to be reported to and/or approved by the bodies of the company or its group:

	Board of directors	General Meeting
Body authorizing the clauses	Yes	No

	YES	NO
Is the General Meeting informed of the clauses?		X

C.2 Committees of the Board of Directors

C.2.1 Specify all the committees of the Board of Directors, their members and the proportion of executives, proprietary, independent and other external directors who are members of them.

APPOINTMENT AND REMUNERATION COMMITTEE

Name	Position	Professional level
Ricardo Martí Fluxá	Chairman	Independent board member
Juan José Pepa	Voting member	Proprietary board member
Alfonso Rodés Vilà	Voting member	Independent board member

% executive directors	0%
% proprietary directors	33.33%
% independent directors	66.67%
% other external directors	0%

Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarize its most relevant activities during the year.

<p><i>Procedure and rules of organization and operation:</i></p> <p>Article 43 of the Bylaws establishes the following:</p> <p>1. The Board of Directors must establish a permanent Appointment and Remuneration</p>
--

Committee, an internal body of an informative and advisory nature, without executive functions, with powers of information, advice and proposal within its scope of action indicated in section 5 of this article. The Appointments and Remuneration Committee shall consist of at least three and a maximum of five directors appointed by the board itself at the suggestion of the Chairperson of the board, and they must be non-executive directors. Most of the members of the Appointments and Remuneration Committee shall be independent directors.

2. The Board of Directors must also appoint its Chairman from among the independent directors who are part of the Committee. In addition, the Board of Directors may appoint a Vice Chairman if deemed appropriate, the provisions of the appointment of the Chairman being applicable to the appointment of the Vice Chairman.
3. The position of Secretary of the Appointments and Remuneration Committee shall be held by the person who is appointed by the board and may be a secretary who does not sit on the Appointments and Remuneration Committee, in which case it shall not be necessary for them to be a board member. The Secretary of the Appointments and Remuneration Committee may be other than the Secretary of the Board.
4. The directors who sit on the Appointments and Remuneration Committee shall perform their duties in this role while their appointment as directors of the company remains effective, save where the board decides otherwise. The renewal, re-election and removal of the Committee directors shall be governed by agreement of the Board of Directors.
5. Without detriment to any other tasks that may be allocated at any time to it by the board, the Appointments and Remuneration Committee shall exercise the following basic functions independently:
 - (i) Evaluate the competences, knowledge and experience necessary in the Board of Directors: For these purposes, the functions and aptitudes required of the candidates who will cover each vacancy will be defined, and the time and dedication necessary for them to effectively perform their task will be evaluated.
 - (ii) Establish a representation target for the least represented gender on the board and prepare guidance on how to achieve this.
 - (iii) Submit proposed appointments of independent directors to the board for them to be designated by co-option or made subject to a resolution by those at the Shareholders' General Meeting, as well as proposals for the re-election or removal of these directors by those at the Shareholders' General Meeting.
 - (iv) Report on proposed appointments of the remaining directors for them to be designated by co-option or subject to a resolution at the Shareholders' General Meeting, as well as on proposals for their re-election or removal by those at the Shareholders' General Meeting.
 - (v) Report on the proposed appointment and removal of executive personnel and the basic conditions of their contracts.
 - (vi) Examine and organise the succession of the Chairperson of the board and the most senior company executive and, where applicable, make proposals to the board with a view to said succession taking place in an orderly and planned manner.
 - (vii) Propose to the board a remuneration policy for directors and general managers or those who perform roles as senior managers and report directly to the board, to executive committees or executive directors, as well as individual remuneration and other terms of executive directors' contracts, while checking and ensuring that such policy is adhered to.
6. The functioning of the Appointments and Remuneration Committee shall be governed by the rules decided on by the board in its relevant regulations.

On the other hand article 15 of the board regulations additionally lays down the following:

The Appointments and Remuneration Committee shall meet regularly every three months or at least four times per annum. It shall likewise meet at the request of any of its members and whenever called to do so by its Chairperson, who shall have to do this whenever the board or the Chairperson thereof requests that a report be issued or proposals adopted, and in any event whenever appropriate for the proper performance of its duties.

The Appointments and Remuneration Committee shall be quorate when the majority of its members attend in person or by proxy and its resolutions shall be adopted by an absolute majority of votes.

The committee shall have to take down minutes of its meetings, a copy of which shall be sent to all of the board members.

The committee shall have to consult the Chairperson and the senior executive of the company,

particularly when the issue at hand involves executive directors and managerial staff.

Key activities of the Committee over the financial year:

- (i) Selection and proposal of candidates to be independent directors
- (ii) Approval, either direct or for referral to the board, of the following policies and procedures:
 - a. Senior management remuneration policy
 - b. Employee remuneration policy

AUDIT COMMITTEE

Name	Position	Professional level
Anna M. Birulés Bertran	Chairperson	Independent board member
Ricardo Martí Fluxá	Voting member	Independent board member
Felipe Morenés Botín-Sanz de Sautuola	Voting member	Proprietary board member

% executive directors	0%
% proprietary directors	33.33%
% independent directors	66.67%
% other external directors	0%

Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarize its most relevant activities during the year.

Procedure and rules of organization and operation:

Article 42 of the Bylaws establishes the following:

1. The Board of Directors must establish a permanent Audit and Control Committee (ACC), an internal body of an informative and advisory nature, without executive functions, with powers of information, advice and proposal within its scope of action indicated in section 5 of this article. The ACC must have a minimum of three and a maximum of five directors, appointed by the Board of Directors, who must be non-executive directors. The majority of the members of ACC must be independent and at least one must be appointed taking his/her knowledge and experience in accounting or auditing or both into account.
2. The Board of Directors must also appoint its Chairman from among the independent directors who are part of the Committee. The Board may also appoint a Deputy Chairperson, if it deems this appropriate.
3. The post of Secretary to the Audit and Control Committee shall be the person whom the Board appoints, who does not have to be a member of the Audit and Control Committee.
4. The position of Chairperson is exercised for a maximum of four years, at the end of which he/she cannot be re-elected as such until one year has elapsed since then, without prejudice to his/her continuation or re-election as a member of the ACC.
5. The ACC shall have the following duties:
 - (i) Inform those at the Shareholders' Meeting regarding the issues raised there by shareholders concerning its competency and the findings of the audit.
 - (ii) Supervise the effectiveness of internal oversight of the company and its group, internal auditing and risk management systems, including those relating to tax matters.
 - (iii) Supervise the process of preparing and presenting the regulated financial information and submit recommendations or proposals to the Board of Directors, aimed at safeguarding their integrity.
 - (iv) Propose the selection, appointment, re-election or replacement of auditors for approval at the Shareholders' Meeting.
 - (v) Supervise the activity of the Company's internal audit.
 - (vi) Establish suitable liaison with auditors to obtain information on any issues that

- might compromise their independence.
- (vii) Issue a report annually, prior to the issue of the audit report.
 - (viii) Inform the Board in advance regarding all matters provided for in law, the bylaws and the regulations governing the board.
 - (ix) With regard to the external auditor: (i) ensure that their remuneration does not compromise the quality of their work or their independence, (ii) supervise that the company notifies the CNMV of any change of auditor as a material fact (iii) ensure that the company and the external auditor respect the prevailing standards.
 - (x) Summon any employee or executive of the company.
 - (xi) Any other duties assigned to it by the Board in its regulations.

6. The ACC shall meet as a matter of course every quarter to review the regular financial reporting that has to be sent in to the stock exchange authorities, as well as the information that the Board is obliged to approve and include within its annual publicly-released documentation. It will likewise meet at the request of any of its members and whenever called to do so by its Chairperson. Its meetings shall be deemed quorate when at least half plus one of the committee's members either attend in person or by proxy, while its resolutions are passed by a majority vote. In the event of tied voting, the Chairperson shall not have a casting vote.

On the other hand, article 14 of the committee regulations also establishes the following:

- (i) Reporting on transactions that imply or might imply conflicts of interest.
- (ii) Reporting on any structural and corporate modifications that the company plans, the financial terms and accounting impact thereof, in particular, on any applicable exchange ratio.
- (iii) Supervision of a mechanism that allows employees to give confidential notification of any irregularities observed within the company that are potentially significant.

The ACC committee shall prepare an annual report on its activities.

The company shall have an internal audit department which shall oversee the proper functioning of the reporting and internal control systems under the supervision of ACC. The internal audit function shall report operationally to the non-executive Chairperson of the board or the ACC.

Key activities of the ACC over the financial year:

- (i) Definition of a new structure for administrative bodies and powers as a result of the stock market flotation
- (ii) Re-election of Deloitte as the company's auditor
- (iii) Approval, either direct or for referral to the board, of the following policies and procedures:
 - a. Treasury stock portfolio.
 - b. Dividend policy.
 - c. Investment and financing policy.
 - d. Fiscal risk policy.
 - e. Director selection policy.
 - f. Policy of reimbursable expenses to the Directors.
 - g. Rules on the functioning of the shareholder forum.
 - h. Compliance with the Code of Good Tax Practices.
 - i. Employment policy for former employees of the auditor.
 - j. Policy for services to be provided by the auditor other than auditing.
 - k. Rules for the compliance function.
 - l. Programme of activities of the compliance function.
- (iv) Review of the actions carried out and the monitoring processes implemented in fields such as conflicts of interest, related-party transactions, anti-money laundering, data protection, etc.

Identify the director that sits on the audit committee who has been appointed bearing in mind their knowledge and experience in the field of accounting or auditing or in both areas and disclose the number of years for which the Chairperson of the committee has held this position.

Name of the director with experience	Anna M. Birulés Bertrán
No. of years as Chairperson	1

REAL ESTATE INVESTMENT COMMITTEE

Name	Position	Professional level
Juan José Pepa	Chairman	Proprietary board member
Juan Velayos Lluís	Voting member	Executive director
Ricardo Martí Fluxá	Voting member	Independent board member
Felipe Morenés Botín Sanz-de Sautuola	Voting member	Proprietary board member
Alberto Prieto Ruiz	Voting member	Independent board member

% executive directors	20%
% proprietary directors	40%
% independent directors	40%
% other external directors	0%

Explain the tasks assigned to this committee, describe any procedures and organization/operation rules and summarize its most relevant activities during the year.

Procedure and rules of organization and operation:

The internal regulations of the Real Estate Investment Committee (REIC) lays down the following, among other issues:

1. The committee shall comprise at least three and up to seven members.

The REIC members shall be appointed by the board at the proposal of the Appointments and Remuneration Committee and subject to prior consultation of the Chairperson of the REIC.

2. A majority of the members of the committee shall be non-executive directors. All of the committee members must have extensive, recent and suitable professional, technical and financial experience in the real estate sector and financial investment, be this in securities or in real estate assets.

3. Only REIC members shall be entitled to attend committee meetings.

Even so, other directors and employees, as well as other natural persons and external advisers, may be invited to attend committee meetings on a regular basis, it being similarly possible to invite other persons not on the committee to attend all or part of a meeting whenever considered necessary and appropriate. Only REIC members shall be entitled to vote on committee resolutions, while the other attendees shall only be allowed to speak.

4. REIC members shall be appointed for three years at most, this period being extendable for a maximum of a further two periods of three years, as long as the committee members continue to be board members.

5. The board shall be in charge of appointing the chairperson of the committee. In the absence of the chairperson of the committee and/or the person who has been appointed to cover for them, the other committee members at the meeting shall have to choose one of their number to chair the meeting.

6. The position of Secretary of the Real Estate Investment Committee shall be held by the person designated by the board for such purpose.

7. Resolutions shall be passed by simple majority. All of the committee members who attend its meetings shall have to vote on all of the points in the order of business, save where there might be any conflict of interest, in which case the committee member concerned shall leave the meeting and shall not take part in deliberations or vote on any of the points with regard to which they might have a conflict of interest.

8. All reports prepared by the committee and which it submits to the board for consideration prior to approval of a resolution by the latter shall have to make express reference to compliance with prevailing legislation for any proposals made by the committee.

9. The REIC must meet at least four times a year as well as whenever this becomes necessary. Even so, the committee shall meet whenever any of its members asks for this or when it is validly called by the committee's Chairperson.

10. The Chairperson must call a committee meeting whenever the board or its Chairperson requests that a report be prepared or a proposal approved and, in any event, whenever this seems appropriate for the committee's duties to be performed properly.

11. The sessions of the committee must be called by the committee secretary at the request of any of its members or the Chairman of the Board.

12.	The call to meet each time must be sent to each of the committee members, to all other persons who have to attend the meeting and to all of the other non-executive directors at least three (3) working days before the date set for the meeting.
13.	The REIC can hold its meetings via teleconference or videoconference, or using other, similar media.
14.	The committee will have to perform the following duties for the company and its key subsidiaries: <ul style="list-style-type: none"> (i) Define general investment policies and strategies, investment targets, the rules and limitations that apply to the acquisition and disposal of real estate assets and all other investment policies. (ii) Revise all of the above strategies and targets at least annually and adopt and approve modifications thereof. (iii) Weigh up and take the ultimate decision, whether affirmative or negative, on the potential acquisition of real estate assets, possible property developments and the funding of those acquisitions and/or property developments carried out by the company. (iv) Prepare and present to the board the relevant reports on all issues analysed by the committee, in particular those matters where current legislation makes it mandatory to obtain a board resolution. (v) Analyse and observe the company's returns on investment in relation to the investment strategies, targets, policies, rules and limitations which have been approved by the committee. (vi) Approve the measurement methods which the company must follow for acquiring or disposing of real estate portfolios or assets. (vii) Any others that might be confined to the scope of duties entrusted to the committee.
15.	The committee shall have to report to the board on any acquisition, investment or disposal of land for property development prior to approval, as appropriate, from the board, whenever the transaction amount concerned exceeds 10,000,000 euros.
16.	The Committee shall draft a report on its activity, detailing the investments and divestments carried out, as well as a brief summary of the executed transaction and the conclusions of the Committee's report on each of them.
<u>Key activities of the Committee over the financial year:</u>	
(i)	Approval for the purchase of all land acquired by the company.
(ii)	Approval for the launch of all developments launched by the company and for all the related capex funding.

C.2.2 Fill out the following table with the information on the number of female directors on the board's committees at the close of the past four fiscal years:

	Number of female directors			
	Fiscal year t	Fiscal year t-1	Fiscal year t-2	Fiscal year t-3
	Number %	Number %	Number %	Number %
Appointments and remuneration committee	0	0,00%	0,00%	0,00%
Audit committee	1	33,33%	0,00%	0,00%
Real estate investment committee	0	0,00%	0,00%	0,00%

C.2.3 Repealed section.

C.2.4 Repealed section.

C.2.5 Indicate, as applicable, any regulation of board committees, the place where this is available for consultation, and any changes that have been implemented over the year. Please also indicate whether any annual report has been voluntarily prepared on the activities of each committee.

Each of the three committees has its own regulations. All of them are available on the company's website at www.neinorhomes.com, in the Shareholders and Investors section, sub-section Corporate Governance and Sustainability.

The current regulations were approved on 8 March 2017, prior to the company's flotation on the stock market, and have not been amended since then.

C.2.6 Repealed section.

D RELATED-PARTY AND INTRA-GROUP TRANSACTIONS

D.1 Where applicable, explain the procedure for approving related-party and intra-group transactions.

Procedure for reporting on the approval of related-party transactions	
<p>The procedure followed by the company to report on the approval of related-party transactions is included in the policy on conflicts of interest and related parties approved by the board on the company's website.</p>	
<p>The following aspects are described in this:</p>	
1)	<p>When the company's responsible parties know about a potential related-party transaction, they must inform the general secretariat of the board of the company and the compliance officer as soon as they become aware of the transaction.</p> <p>If after scrutiny it is held that this is a related-party transaction, the responsible party must prepare a written report for the general secretariat of the board of the company and the compliance officer to justify that the transaction is being conducted in market conditions and respects the principle of equal treatment among shareholders.</p>
2)	<p>Those transactions which, in the opinion of the legal officer and the compliance officer, may lead to a conflict of interest shall be reported to the Chairperson of the Appointments and Remuneration Committee (the "Committee") to be examined at the committee's next meeting. The report shall be included among the documentation submitted to the committee for discussion. All transactions without an accompanying report shall only be submitted to the Committee in exceptional circumstances and the reason for presenting such a transaction shall be forward to the General Secretariat of the Board of Directors, which shall forward it to the Committee for evaluation.</p>
3)	<p>The Committee will evaluate the transaction and if appropriate it may request reports from independent experts. When a transaction might affect the equality of treatment of all shareholders, please refer to paragraph 4.1.4. of the policy.</p>
4)	<p>Once approval has been received from the Committee, the transaction shall be submitted to the Board of Directors for review and approval. If a Board Member has a conflict of interest in relation to the transaction, he or she must withdraw from the decision-making process.</p> <p>Approval of transactions may be delegated to an Executive Committee in urgent cases and that Committee shall be ratified thereafter by the Board of Directors.</p>
<p>The Company's Compliance Department shall carry out, at least quarterly, (i) a review of compliance with the requirements set forth in this Standard and (ii) a confirmation that the transactions have been performed under the approved terms and conditions. A report on the review will be provided to the Chairman of the Audit and Control Committee.</p>	
<p>The Audit and Control Committee may request clarification as to a particular transaction and/or request additional documentation to assess whether the transaction has been carried out in accordance with the approved terms and conditions.</p>	

D.2 Detail those transactions that are important due to their amount or relevant due to their content matter, carried out between the company or the entities of its group, and important company shareholders:

Name or company name of significant shareholder	Name or company name of the company or entity of its group	Type of relationship	Type of transaction	Value (thousand euros)
Lone Star Capital Investments, S.A.R.L	Neinor Homes S.A	Corporate	Others	3.071

D.3 Detail those transactions that are important due to their amount or relevant due to their content matter, carried out between the company or the entities of its group, and the board members or executives of the company:

D.4 Report on important transactions made by the company with other entities belonging to the same group, always provided that they are not eliminated in the process of drawing up consolidated financial statements and do not form part of the regular business of the company insofar as its purpose and conditions are concerned.

In any case, information shall be provided on any intra-group transactions with entities established in countries or territories regarded as tax havens:

D.5 Indicate the sum of the transactions with other related parties.

(thousands of euros): 5.251

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group and its board members, executives or important shareholders.

The mechanisms established to detect, determine and resolve possible conflicts of interest may be found in the Policy on Conflicts of Interest and Related Parties approved by the Board and published on the company's website.

In addition to the policy and to that which is stipulated therein, the company has implemented an internal control structure with regard to this matter, which is based on the following components that provide reasonable assurance to the company's governance bodies:

- A communication channel set up to report transactions with related parties or those that may generate conflict of interest.
- Registration of the transactions and their analysis.
- A letter of compliance, acceptance and notification or communication to board members, senior management and other executives who may be taken into consideration on account of the performance of their duties, concerning the transactions or the conflicts of interest they may have incurred.
- Periodic reviews and analysis of related transactions by Internal Auditing.
- Report to the Auditing and Control Committee on related transactions and conflicts of interest communicated to and analysed by Internal Auditing.

D.7 Is more than one company of the Group listed in Spain?

Yes

No

Identify the affiliated societies that are listed in Spain:

Indicate whether the respective areas of activity and possible business relationships between them have been publicly and precisely defined, as well as those of the dependent listed company with the other companies of the group;

Yes

No

Define the possible business relationships between the parent company and the listed affiliated society, and between this latter and the other companies of the group

Identify the mechanisms set in place to resolve possible conflicts of interest between

the listed affiliated society and the other companies of the group:

Mechanisms to resolve possible conflicts of interests

E CONTROL SYSTEMS AND RISK MANAGEMENT

E.1 Explain the scope of the company's Risk Management System, including those of a fiscal nature.

Neinor Homes has defined an Integrated Control System (ICS), which has been communicated to the entire organization, in which risks are associated with strategic objectives, processes and to control activities. It also includes those responsible for the implementation and monitoring of such controls, as well as the evidence on which the system is based.

The continuous monitoring of this model makes it possible to respond to day-to-day operations and contingencies, and to facilitate the management of all areas of risk that may affect the achievement of the company's objectives (e.g.: business, financial, fiscal, regulatory risk, etc.). In short, the Neinor Homes model integrates all environments of regulatory compliance, with all the control and business risks structured in a uniform manner, to obtain a transversal perspective, which encourages synergies and eliminates duplication.

The following are the main inputs of the ICS:

- Compliance risks and controls: covering the internal control of financial information, money laundering, data protection, the prevention of criminal responsibility, conflicts of interest, fraud and corruption, etc.
- Corporate risks and controls: covering external factors, the competitive environment, cyber security, people, etc.
- Business risks and controls (value chain): including the acquisition of land, product, recruitment, commercial management and sales, among others.

On the other hand, the Risk Management methodology used by Neinor Homes is based on "Enterprise Risk Management" (also known as COSO II), which makes it possible to provide added value through the identification, management and monitoring of the management of business risk.

E.2 Identify the bodies of the company responsible for preparing and implementing the Risk Management System, including tax risk.

As set out in Article 5.6 of the Regulations of the Board of Directors, the powers of this body includes the adoption of the policy of risk control and management, including tax risks, as well as the periodic monitoring of the internal systems of information and control.

In addition, the Board delegates these functions to the Audit and Control Committee (ACC), and therefore, as detailed in article 9.7 of the Regulations of the Audit and Control Committee, insofar as risk management is concerned, the ACC is responsible for:

- Identifying and evaluating the different types of risk (transactional, technological, financial, legal, social, environmental, political, tax, reputational, etc.) to which the Company is exposed, including among the financial or economic risks, the contingent liabilities and other off-balance-sheet risks of the company.
- Identify the levels of risk that the Company considers acceptable.
- Identify the measures put in place to reduce the impact of the identified risks, were they to occur.
- Identify the information and internal control systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

However, in Neinor Homes the initial responsibility for the supervision of the Integrated Risk Management and Control System corresponds to each involved business area. The periodic review by the Directorate for Compliance and the Directorate for Internal Audit as the second and third lines of defence, respectively, and the final validation of the Audit and Control Committee and the Board of Directors.

E.3 Point out the main risks, including tax risks, which may affect the achievement of the business objectives.

Neinor Homes has classified the various risks to which it is exposed in 6 global categories:

- External factors: related to the housing sector and the cyclical nature of the business.
- Competitive environment: associated with the competitiveness of the various agents involved in the housing sector.
- Operational model: including how the internal and external processes work, as well as the business structure.
- Commitment to third parties: relating to compliance with the expectations agreed upon with the

client and/or shareholder, as well as third-party relationships (suppliers such as construction and marketing companies).

- Governance and compliance: covering adaptation to standards and applicable regulations, ethical activities and conduct, etc.
- People: which primarily has to do with training and mechanisms for the attraction and retention of talent.

Given that the Integrated Control System (ICS) that has been implemented is a dynamic tool intended to provide continuous and up-to-date information about the potential risks faced by the company; Neinor Homes regularly collects from the various defined sources of risk detection, occurrences / events that might become a risk, in order to facilitate their analysis and continuous monitoring and to take measures to remedy them, and also where appropriate, the addition of a control, or the analysis of the effectiveness and efficiency of an existing one within the ICS.

E.4 Identify whether the entity has a level of risk tolerance, including tax risk.

The levels of risk tolerance are defined in the basis of evaluation of risks used by Neinor Homes to evaluate the potential risks to which it is exposed, classifying those risks that the company is willing to assume or reject and setting such risks down on the Risk Map.

The bases of evaluation consider both the economic and the reputational impact that may arise were the risk being evaluated to become a reality.

In addition, the final evaluation of the risk within the bases of evaluation considers the likelihood of that risk becoming a reality, taking both already past historical data and future estimates into consideration.

The risks are evaluated at the inherent level and the residual level, that is to say, after having implemented the control measures established in each case which makes it possible, in this way, to prioritise the totality of risk events.

The final classification of the risks incorporates qualitative elements such as those that might affect the achievement of the company's strategic objectives or interfere in the mission, vision and values that it has established.

The analysis that is carried out contrasts both the opinion of external third parties interested in the company, and that of internal sources.

The Audit and Control Committee is the body responsible for reviewing these variables annually and to update and approve them.

E.5 Indicates what risks, including tax risks, have become a reality during the fiscal year.

During the 2017 fiscal year, certain inherent risks in the Neinor Homes' housing sector business materialised, although they have not had a material impact on the development and operation of the company.

In particular, the currently uncertain political situation in Catalonia has affected the pace of sales there, although its impact has not had an important impact on the overall profitability of Neinor Homes, given the significant number of pre-sold units in that region and the company's territorial diversification.

On the other hand, during the 2017 fiscal year (1 June 2017) auditing actions began to check and investigate the companies of the group NEINOR SUR (2014-2015 Value Added Tax; 2012-2015 Company Tax) and NEINOR PENÍNSULA (2015-2016 Value Added Tax; 2015 Company Tax). Such actions are ongoing and to date no contingent liabilities have been detected that might pose a risk to the companies.

E.6 Explain the response and monitoring plans for the institution's principal risks, including tax risks.

During the process of updating the company's Corporate Risk Map, not only have the risks and risk events that affect the business objectives and regulatory compliance of Neinor Homes been defined, the control activities that make it possible to mitigate those events have also been defined.

For each of the controls that have been set in place, those responsible for their implementation and monitoring have been identified and the evidence that supports and justifies their successful execution has been determined.

In this sense, among the duties included in their Annual Activity Plans, both the Directorate for Compliance and the Directorate for Internal Auditing have established the periodic review of such control activities to ensure their effectiveness, and in the case of any control weaknesses being detected, to establish recommendations and action plans that should be implemented.

The periodic review of the control activities is an essential part of the company's entire control structure which

integrates different compliance models that have been introduced since the company was established in May 2015, such as the ICFR, the prevention of criminal responsibility, the prevention of money laundering and the financing of terrorism, data protection, related transactions and conflicts of interest, the prevention of fraud and corruption...

In order to integrate all the compliance models in an effective and efficient manner, they have all followed the same process of uniform and standardised implementation. The steps taken are as follows: the analysis of expectations and external and internal risk appetite, the analysis of policies and the applicable national and international best practice regulations, risk analysis, policy creation, the analysis of the existing internal control structure, the implementation and where appropriate the design of additional controls / protocols for improvement, the identification of the model of Governance (execution / monitoring / reporting), training and transfer to the organisation.

In addition, the Audit and Control Committee regularly receives a report for its monitoring purposes, on the evolution of the risk management carried out by the company, the state of the critical risks and the monitoring and level of progress of the agreed response plans.

F INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT IN RELATION TO THE PROCESS FOR ISSUING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms that make up the control and risk management systems in relation to the process for issuing financial information (ICFR) in your institution.

F.1 The institution's control environment

Indicating their main characteristics, report at least on:

F.1.1. Which organs and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its monitoring.

Article 5.4 of the Regulations of the Board of Directors establishes the powers of the Board of Directors and, in particular, point xxi refers to “the ultimate responsibility for the existence and maintenance of an adequate and effective system of internal control of financial information (ICFR)”.

The implementation of this ICFR rests with the actual business areas that are defined in Neinor Homes, as they are responsible for putting into practice the monitoring mechanisms and activities designed to ensure the reliability of the financial information of the company.

To ensure the adequate development and execution of the system, the Board is supported by the Audit and Control Committee (ACC), which, as indicated in article 9.3 of the Regulations of the Audit and Control Committee, will be responsible for the following activities:

- Evaluate the adequacy and effectiveness of internal financial controls and the internal control and risk management systems, including the monitoring of the Systems for the Internal Control of Financial Reporting (ICFR), in such a way that the main risks can be properly identified, managed, evaluated and communicated.
- To ensure that these systems conveniently reduce the risks, within the context of the policy that the Board of Directors were to have established, as the case may be.

F.1.2 Whether the following elements exist, especially with regard to the process for preparing financial information:

- **Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring there are sufficient procedures for the proper dissemination thereof in the institution.**

Among its powers, the Board of Directors of Neinor Homes has that of defining the structure of the company, therefore it is ultimately responsible for establishing responsibilities in the process of preparing and monitoring financial information, and ensuring that such functions are being properly communicated to each of the areas involved.

Primarily, the GFD (the General Financial Directorate) is the area responsible for preparing the financial information, although all areas of the company must promote the transparency and the accuracy of the information managed and supplied to the market.

- **Code of good conduct, approval body, degree of dissemination and instruction, included principles and values (indicating whether there are specific references to the registration of transactions and processing of financial information), the body responsible for analysing noncompliance and for proposing corrective actions and sanctions.**

The purpose of the Code of Ethics of Neinor Homes is to establish a catalogue of ethical principles, values and standards of behaviour that should guide the actions of all the companies and individuals that form part of the company. This document is sent to all employees on an annual basis, including any new additions, for their knowledge and referral. It is signed on

acceptance.

In addition, annual training in ethics and compliance is provided for the entire company.

In particular, annex 4 of this Code specifies that in order to ensure that the information displays a faithful image of the equity, the financial situation and the results of the company, “the individuals who are responsible for entering data into the different types of records, whether physical or logical, processed by the company during the financial information preparation process, must necessarily guarantee their reliability, integrity, accuracy and updating”.

Both the company’s Code of Ethics and the Code of Good Conduct of third parties and many of the Compliance and Good Practices Policies and Manuals that are mandatory for all staff, are published on the company’s website (Shareholders & Investors / Corporate Governance and Sustainability / Codes and Policies). The principles and values of the company are set out in the Code of Ethics itself and in the “Mission, Vision and Values” document which has also been published.

In addition, “the effectiveness of the ICFR as a whole is subject to annual review by the Directorate for Internal Auditing”.

On the other hand, one of Neinor Homes governing principles, as specified in its Code of Ethics, is transparency. As a result, the company establishes that it “will provide to the authorities, to its shareholders, to the markets in which it operates and to its customers, truthful and transparent financial and accounting information in accordance with the legislation in force”.

The body responsible for analysing breaches of the Code of Ethics and for proposing corrective actions and sanctions is the company’s Monitoring and Control Committee, formed by the Directors of the Legal, Human Resources, Compliance and Internal Auditing departments.

- **A channel for complaints, which makes it possible to communicate to the Audit Committee any irregularities of a financial and accounting nature, as well as any possible breaches of the Code of Good Conduct and irregular activities in the organisation, advising where appropriate if this channel is of a confidential nature.**

Neinor Homes has established an Ethics Channel that allows people to communicate (by letter or e-mail) any irregular or inappropriate behaviour related to accounting, control, risks and financial information, as well as other relevant issues related to the integrity, conduct and transparency of transactions within the internal and external operations of the company.

Neinor Homes has published on its website its Complaints Management Procedure in which the operation of said Ethics Channel is regulated.

Only communications in which the complainant is duly identified are formally accepted. The total confidentiality and anonymity of the person providing the information is however guaranteed and the system does allow communication even if the person has not identified him- or herself. These communications are received by the Directorate for Compliance and the Directorate for Internal Auditing, and after their prior analysis, they are forwarded to the Monitoring and Control Committee for resolution.

In addition to the Ethics Channel which is disseminated externally and internally, the company has internally implemented a confidential channel for the communication of inefficiencies, breaches of protocols, malpractices or inappropriate behaviour on the part of employees. Access to this channel is restricted to the Internal Auditing Director and the Quality Director.

- **Training programmes and regular refresher training for staff involved in preparing and reviewing financial information, as well as in evaluating the ICFR, covering at least: accounting standards, auditing, internal control and risk management.**

The Directorate of Internal Auditing has given a training course on the ICFR to those areas involved in preparing and reviewing the financial information.

The Directorate of Internal Auditing together with the External Auditor have given a course to the accounting department on the obligations as a listed company in the area of financial information made available to the market and on Good Corporate Governance.

In addition, staff involved in preparing and reviewing financial information receive regular training and periodic updating in accounting standards, internal control, risk management and regulatory compliance.

During the course of the 2017 fiscal year and in relation to these subjects, the following topics have been dealt with:

- Updating and changes in International Financial Reporting Standards (IFRS).
- New Audit Report.
- Components and principles of entrepreneurial Risk Management, COSO 2017
- Key aspects of Technical Guide 3/2017 of the CNMV on Audit Committees of public-interest entities.
- New additions to data protection regulations.

The target groups for such training belong to the accounting (perimeter and servicing), management control and legal departments.

In addition, during the 2017 fiscal year, all of the company's staff has received training on cybersecurity, use of the company's ERP, control of information security, ethics, prevention of money laundering and data protection.

Training protocols in the field of compliance, internal control and risk management provide for evaluations of the course content, the quality of the course and of the trainer as well as an evaluation of the knowledge acquired.

F.2 Financial information risk assessment

Report, at least, on:

F.2.1. What are the main features of the risk identification process, including error or fraud risks, in terms of:

- **Whether the process exists and is documented.**

Neinor Homes has a procedure for calculating the scope of the processes that are to be incorporated into the ICFR and for identifying relevant business cycles.

Additionally, a matrix of controls has been defined that are associated with potential risks and accounting or administrative processes in each process incorporated into the ICFR. For each control, those responsible for executing and supervising the associated policies/procedures and the required audit evidence have been established.

The company has established a risk management methodology that is replicated in the design and implementation process of any internal control structure and regulatory compliance that takes into account:

- Internal and external information for identifying risks.
- Rating scales for risk assessment.
- Holding interviews and workshops to prioritize risks.
- The economic and reputational impact for classifying risks.
- Past, present and future probability in risk materialization analysis.

All of the company's compliance environments, such as the ICFR, are incorporated into an integrated system of internal control and continuous risk management. The main characteristics of this model are:

- Identifying each risk event, the associated corporate/strategic risk, the strategic objectives, procedures, controls and associated evidence, integrated in a control panel that prevents duplication between the controls and risks defined by each regulatory or operational compliance environment.
- Implementing processes and protocols that enable the risks that materialize to be continuously identified and taken into account in redesigning and improving the internal control model, as well as taking the corresponding corrective actions into consideration.
- Monitoring and continuous reporting on the model's operation and the materialized risks to the company's audit and control committee.

The company's Control and Risk Management Systems are further detailed in section E.

- **Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and with what frequency.**

The process defined in Neinor Homes covers all financial information objectives:

- Existence and occurrence: the transactions, facts and other events collected by the information do exist and are registered at the appropriate time.
- Integrity: the information reflects all transactions, facts and other events in which the entity is an affected party.
- Valuation: transactions, facts and other events are recorded and valued pursuant to applicable regulations.
- Presentation and disclosure: transactions, events and other events are classified, presented and disclosed in the information pursuant to the applicable regulations.
- Rights and obligations: the information shows, on the corresponding date, the rights and obligations through the corresponding assets and liabilities, pursuant to applicable regulations.

These objectives are reviewed and updated when there are significant changes in the company's operations with an impact on financial information.

- **A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, shell corporations and special purpose vehicles.**

The identification of the scope of consolidation with the detail of the corporate interests, as well as the corporate operations carried out that affect share capital or reserves, is transferred quarterly by the Legal Advisory Office to General Financial Management (GFM).

This provides the company with the updated equity situation and the GFM integrates the new companies into the financial statements, accounting for these transactions appropriately.

Within the Neinor Homes Group scope of consolidation, there are no complex corporate structures that could give rise to interpretations or value judgments that could affect the comprehension of the Financial Statements. Any corporate transaction or operation that could lead to the scope of consolidation has been consulted with the company's external auditors in order to correctly record them in the Annual Accounts.

- **Whether the process addresses other types of risks (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.**

The ICFR is one of the components of Neinor Homes Integrated Control System (ICS). In this model, as already mentioned in section E.1, the main risks that affect regulatory compliance are also considered, such as fraud and corruption risks, money laundering, data protection, etc.; as well as corporate risks and the risks inherent to the company's operation and activity (e.g., land acquisition, product, sales, procurement, among others).

Please see section E.3 to see the detail of the risks that are integrated at the corporate level.

- **Which of the Company's governing bodies is responsible for overseeing the process?**

As mentioned in section F.1.1, the Board of Directors through the Audit and Control Committee (ACC) is the body in charge of supervising the ICFR to guarantee that the main risks can be identified, managed, valued and communicated appropriately. To carry out this function, the ACC relies on the company's Internal Audit Department.

F.3 Control activities

Inform, indicating the main characteristics, whether it has at least:

F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, measurements and projections.

As indicated in Article 14.5.iii of the Regulations of the Board of Directors, the ACC is delegated the responsibility of supervising the process of preparing and presenting the regulated financial information in order to safeguard its integrity. For this purpose, this Commission relies on the General Financial Management and the Internal Audit Departments.

The procedure for reviewing and authorizing financial information initially consists of a double check from the sub-directorate and Accounting Directorate. A review is subsequently made from the company's Management Control area and finally, a final check is made by Financial Management.

The financial results are transferred to the Audit and Control Committee monthly.

On a quarterly basis, prior to the Board of Directors approval of the financial information and its subsequent publication, the Audit and Control Committee reviews and authorizes the financial information at the committee meeting, received sufficiently in advance to provide a reasonable margin for analysis.

The Internal Audit Department reviews the effectiveness and efficiency of the ICFR yearly and reports its findings to the Audit and Control Committee.

At the end of the year, the company has 212 procedures/policies and manuals in which non-compliance could directly or indirectly impact the financial statements. General Financial Management is responsible for 23 of these procedures that cover the main functions of the Directorate such as accounting, the financial information control system, guarantees, financing, payments and collections, receipt of invoices, dividends, bank reconciliations and treasury, among others.

With regard to the accounting closing procedure, Neinor Homes has established a schedule with the milestones and the dates that must be met at each monthly closing. In this sense, the Accounting Department, according to the dates established in this schedule and to avoid errors in the accounting information, closes the accounting periods sequentially by work group. The management system does not allow the users included in those work groups to post if the accounting period has been closed for them. Additionally, each person responsible for the posting checks that the closing checklist has been completed correctly.

There are also individual and specific control activities for the supervising estimate and provision calculations (e.g. provisions for bonus and extra pay, legal contingencies, fiscal contingencies, etc.). This financial information obtained independently by the different areas involved is subject to further review, since it is validated by the Management Control Department before being transferred to the Accounting Department and an analytical verification is also carried out by the Strategic Financial Planning Directorate or the Internal Audit Department.

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and separation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Neinor Homes manages most of its business activities on Information Systems, which provide basic support for internal operations, service management and sales development. The information handled by the different systems and applications, as well as the communications infrastructure, together with the people, are the company's main asset for the normal development of business operations.

To this end, the Security Policy has been developed, which is made up of the organizational structure, human and technical resources, processes, plans, procedures and protocols related to prevention and response measures against security risks of a physical and logical nature and compliance with applicable regulation and good corporate governance.

The security requirements and objectives are determined by the Information Security Committee based on the criteria derived from Neinor Homes policies and the needs determined by those responsible for information assets and those responsible for business processes. Their scope includes all activities related to physical security and information security with a special focus on logical security. They apply to the provision of activities and services that are directly related to the security of the organization itself and also third parties, following their directives and instructions with an advanced, complete and comprehensive approach.

The purpose of this Policy is to achieve adequate protection of Neinor Homes information assets, within the scope defined for the Information Security Management System, preserving the following security principles:

- Confidentiality: ensure that the information is accessible only to those who are authorized to access it.
- Integrity: guarantee the accuracy and completeness of the information and its processing methods.
- Availability: ensure that authorized users have access to the information and its associated assets when required.

These basic principles must be preserved and assured on any media the information is on, whether electronic, printed, visual or spoken form, and regardless of whether it is processed within or outside of Neinor Homes premises.

In this sense, the company has high levels of security on access, continuous training on cybersecurity, reviews of the information sent, protocols for the use of mobile devices, daily backups of the servers, restricted access to external devices, etc.

Neinor Homes has approval processes for invoices and payments, which are configured on the computer tool used, which enables the people involved in each Directorate and the existence of separate roles to be identified.

On the publication date of this document, Neinor Homes is certified by the Information Security ISO 27001.

F.3.3. Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as evaluation, calculation or valuation aspects entrusted to independent experts that may materially affect the financial statements.

Neinor Homes has a procedure for selecting, approving and evaluating suppliers/third parties (e.g. architects, construction marketing firms, consultants, among others) in which these external companies are valued in an objective way, to select and hire those that are considered most suitable for providing their services in compliance with the company's legality and internal procedures (including the correct treatment of financial information and not disclosing it without authorization, among others).

Neinor Homes believes that the scope of internal control procedures for third parties should take into account suppliers due to their materiality, strategic suppliers due to their significant impact on financial information and reputational level, suppliers for the use of confidential information or for the relevance of their professional services, as well as external auditors, independent experts in the valuation of assets, etc., which must always demonstrate their experience, independence and reputation in the market.

The reports issued by an independent expert are reviewed by the company's personnel with experience and technical skills in the matters addressed.

The company also has a Code of Conduct for third parties that establishes the ethical standards that must be met by significant collaborators that provide some type of service to Neinor Homes. Among these principles is compliance with legal and fiscal obligations and preventing committing criminal offenses, fraud and corruption. This Code is accepted and signed by all strategic third parties that work with the company.

F.4 Information and communication

Inform, indicating the main characteristics, whether it has at least:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) up to date and settling doubts or conflicts over their interpretation, maintaining regular communication with the persons responsible for the organization's transactions, as well as an updated accounting policy manual that is provided to all the company's operating units.

Neinor Homes General Financial Management (GFM) establishes the processes and also the applicable accounting policies and norms, and is also responsible for coordinating between the different departments involved in preparing the financial information. On the other hand, the Administration and Accounting Area, dependent on GFM, assumes responsibility for defining and resolving the queries arising from interpretation of the accounting policies.

In this sense, Neinor Homes has an Accounting Policy Manual developed internally in May 2016 and contrasted by independent accounting experts, which defines the classification and valuation criteria for preparing the financial statements.

The personnel involved in the process of preparing and reviewing the financial information are constantly informed of the accounting and tax updates through continuous communication with their tax advisors, their external auditor and other alerts and notifications received from the main audit firms and professional offices.

The Audit and Control Committee is entrusted with supervising and reviewing the annual accounts pursuant to current regulations, in compliance with generally accepted accounting principles.

When applying the regulation entails a certain complexity in its interpretation, the company seeks advice from its external auditor and other advisors or regulatory body.

F.4.2. Mechanisms in standard format for capturing and preparing financial information, which are applied and used in all units within the company or group, and support its main financial statements and attached notes as well as disclosures concerning ICFR.

The financial information preparation process is defined in Neinor Homes and incorporates the description of the different standardized activities that are carried out in closing the accounts and preparing the financial statements, as well as the persons responsible for their execution and review.

A common IT tool (ERP) is also available, which works with the financial information of all the companies, and which facilitates the subsequent consolidation.

Additionally, a single Account Plan is used, which is implemented to carry out and manage the accounting of all companies.

F.5 Monitoring of the functioning of the system

Indicating their main characteristics, report at least on:

F.5.1. The ICFR monitoring activities undertaken by the Audit Committee and an internal audit function whose competencies include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. The scope of the ICFR evaluation conducted during the year and the procedure by which the person responsible for executing the evaluation communicates its results is also informed, whether the entity has an action plan detailing possible corrective measures, and whether its impact on financial information is considered.

As indicated in section F.1.1, in order to ensure the correct development and execution of the ICFR, Neinor Homes Board of Directors relies on the Audit and Control Committee (ACC) and the latter, in turn, delegates these monitoring functions to the Internal Audit Department.

The Internal Audit Department is, therefore, an objective function independent of the other areas, since it depends directly on the Audit and Control Committee and indirectly but functionally on the Chief Executive Officer.

The functions attributed include supervising the operation of the ICFR, having to evaluate the effectiveness of the internal control system and reasonably ensure efficiency and effectiveness in the use of resources, the reliability of financial information and compliance with legality and internal policies and procedures.

The first internal audit on the ICFR was also carried out in 2017.

In the ICFR review, the design and effectiveness of the controls is considered annually, the integrity of the evidence that supports these controls. Based on these reviews during 2017, measures have been implemented to improve the ICFR model derived from the recommendations made by the internal audit function and other independent experts.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its Audit Committee or Board of Directors. State also whether the company has an action plan to correct or mitigate the weaknesses found.

Neinor Homes issues a quarterly report to Senior Management and the Audit and Control Committee in which the Internal Audit Department presents the analysis and monitoring of the internal control and risk management system implemented, as well as the main issues identified and the action plans to be implemented.

This report also includes the results of other obligatory compliance audits carried out in collaboration with the Compliance Department (e.g. data protection, money laundering, etc.).

The external auditors also communicate the semiannual and annual financial statements, as well as the weaknesses detected during their audit.

The Internal Audit Department, the Compliance Department and the external auditor also hold regular meetings with the ACC without the presence of Senior Management, to report on the operation of the control systems.

To address weaknesses or breaches related to ethical or fraud issues, there is a Monitoring and Control Committee, which meets periodically and at least four times a year.

F.6 Other relevant information

N/A.

F.7 External auditor report

Report from:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The Group's Management has decided to submit the information on the ICFR, included in this section F of the Annual Corporate Governance Report for 2017 prepared by the Group's Management, to be reviewed by the external auditor. The Auditor's Report referring to information regarding Neinor Homes S.A. internal control system over financial information (ICFR) corresponding to the year ended 31 December 2017 is attached to this Annual Corporate Governance Report.

Since 2016, the external auditor's strategy to focus on the audit is based on trust in controls, so information is gathered to know how the entity is covering the risk of errors for each of the significant business cycles (e.g. procurement, sales, inventories, etc.).

G LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE REGULATIONS

Please describe the extent to which the company has complied with the recommendations of the Code of Good Governance for Publicly Traded Companies.

If any recommendation is omitted or only partly followed, a detailed explanation must be given of the reasons for this, in order to ensure that the shareholders, investors and the market in general have enough information to be able to assess the company's conduct. General explanations will not be accepted.

- 1. The Bylaws of listed companies do not limit the number of votes that may be issued by the same shareholder, nor do they contain any other restrictions that hinder the taking of a company's control by purchasing its shares on the market.**

Compliance Explain

- 2. If the parent company and one of its dependent companies are both listed, a public and accurate definition of the following:**

a) The respective areas of activity and possible business relations between them have been identified precisely, as well as those of the publicly traded subsidiary with other companies in the group.

b) The devices foreseen to resolve any future conflicts of interest that may arise.

Compliance Compliance in part Explain Not applicable

- 3. During the General Shareholders' Meeting, as a supplement to the distribution in writing of the annual corporate governance report, the chairman of the Board of Directors informs the shareholders verbally, in sufficient detail, of the most relevant corporate governance aspects of the company, and in particular:**

a) Of the changes that have occurred since the previous General Shareholders' Meeting.

b) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and of any alternative rules that may be applicable in this matter.

Compliance Compliance in part Explain

At December 31, 2017, the company has not held a General Meeting of Shareholders since it was not listed on a stock exchange until March 2017. The company will hold its first General Meeting of Shareholders in the first half of 2018, at which time it intends to comply with this section.

- 4. The company defines and promotes a policy of communication and contact with shareholders, institutional investors and proxy advisers that is fully respectful of the rules against market abuse and gives a similar treatment to shareholders that are in the same position.**

The company makes public this policy through its website, including information relating to the way in which it has been implemented and identifying the contacts or those responsible for carrying it out.

Compliance Compliance in part Explain

5. **The Board of Directors does not submit to the General Meeting of Shareholders a proposal for delegating powers to issue shares or convertible securities, except for the right to preferential subscription, for an amount greater than 20% of the share capital at the time of delegation.**

And when the Board of Directors approves any issue of shares or convertible securities, not including the right to preferential subscription, the company immediately publishes on its website the reports on this exclusion referred to by company law.

Compliance Compliance in part Explain

6. **Listed companies preparing the reports mentioned below, whether as an obligation or voluntarily, publish them on their websites in sufficient time before the General Meeting of Shareholders, even if their publication is not mandatory:**

- a) **Report on the independence of the auditor.**
- b) **Reports on the operation of the Auditing and Appointments and Remuneration committees.**
- c) **Auditing Committee report on related operations.**
- d) **Report on the Corporate Social Responsibility policy.**

Compliance Compliance in part Explain

At December 31, 2017, the company has not held a General Meeting of Shareholders since it was not listed on a stock exchange until March 2017. The company will hold its first General Meeting of Shareholders in the first half of 2018, at which time it intends to comply with this section regarding publication of the following reports already made by the company:

- a) Report on the independence of the auditor.
- b) Auditing Committee report on related operations.
- c) Report on the Corporate Social Responsibility policy.

The company will generate performance reports of the audit and appointments and remuneration commissions after one calendar year of the operations of these commissions has transpired from the company's IPO, so as to provide greater visibility of their operations and of the new directors' performance.

These reports, once approved by the committees and by the Board of Directors, will be published on the company's website and serve as a reference for evaluating the committees' operation. See section C. 1. 20 bis

7. **The company broadcasts the general meetings of shareholders live via its website.**

Compliance Explain

At December 31, 2017, the company has not held a General Meeting of Shareholders since it was not listed on a stock exchange until March 2017. The company will hold its first General Meeting of Shareholders in the first half of 2018, at which time it intends to comply with this section.

8. **The Auditing Committee oversees the Board of Directors to ensure that if possible it presents the accounts to the General Meeting of Shareholders without any limitations or qualifications in the auditor's report; and that in the exceptional cases when there are qualifications, both the chairman of the Auditing Committee and the auditors explain clearly to the shareholders the content and scope of these limitations or exceptions.**

Compliance Compliance in part Explain

9. **The company posts publicly and permanently on its website, the requirements and procedures that it will accept to accredit the ownership of the shares, the right of attendance to the General Meeting of Shareholders and the exercise of delegation of this voting right.**

These requirements and procedures favour attendance and the exercise of voting rights by the shareholders and are applied in a non-discriminatory way.

Compliance Compliance in part Explain

At December 31, 2017, the company has not held a General Meeting of Shareholders since it was not listed on a stock exchange until March 2017. The company will hold its first General Meeting of Shareholders in the first half of 2018, at which time it intends to comply with this section.

10. **When a duly registered shareholder has exercised the right to add to the Agenda or present new proposed resolutions before the general meeting of shareholders, the company:**

- a) **Immediately makes public these supplementary points and new proposed resolutions.**
- b) **Makes public the model of attendance card or form of delegating the vote or distance vote, together with the precise modifications, so that the new points on the Agenda and the alternative proposed resolutions can be voted on in the same terms as those proposed by the Board of Directors.**
- c) **Subjects all these points or alternative proposals to the vote and applies to them the same voting rules as those issued by the Board of Directors, including in particular any assumptions or deductions regarding voting intention.**
- d) **Following the General Meeting of Shareholders, reports the breakdown of the vote on these supplementary points or alternative proposals.**

Compliance Compliance in part Explain

At December 31, 2017, the company has not held a General Meeting of Shareholders since it was not listed on a stock exchange until March 2017. The company will hold its first General Meeting of Shareholders in the first half of 2018, at which time it intends to comply with this section.

11. **If the company plans to pay attendance bonuses for shareholders who attend the general meeting, it should establish in advance a general policy on such bonuses and this policy should be stable.**

Compliance Compliance in part Explain Not applicable

12. The Board of Directors performs its duties with a single purpose and with independent criteria, treats all shareholders who are in the same position in the same way and is guided by the corporate interest, in other words by the achievement of a profitable and sustainable business in the long term that promotes its continuity and the maximization of the company's economic value.

In aiming for the corporate interest, as well as respecting the laws and regulations and a good behavior based on good faith, ethics and respect for commonly accepted customs and good practices, it aims to reconcile the corporate interest with the legitimate interests of its employees, suppliers, customers, and the other stakeholders that may be affected, as appropriate, as well as the impact of the company's activities on the community as a whole and on the environment.

Compliance Compliance in part Explain

13. The Board of Directors is of the right size to ensure effective and participative operation, which means that it is advisable for it to have between five and 15 members.

Compliance Explain

14. The Board of Directors approves a policy on appointing directors that:

- a) is specific and verifiable.
- b) Ensures that the proposals for appointment or re-election are based on a prior analysis of the needs of the Board of Directors.
- c) Favors diversity of knowledge, experiences and gender.

The result of the prior analysis of the needs of the Board of Directors is included in the justificatory report from the Appointments Committee published when calling the General Meeting of Shareholders to which the ratification, appointment or re-election of each director is subject.

The policy for selecting directors fosters the target that in 2020 the number of female directors should represent at least 30% of all the members of the Board of Directors.

The appointments committee shall check compliance with the policy for selecting directors every year and report on this in the Annual Report on Corporate Governance.

Compliance Compliance in part Explain

15. The nominee and independent directors constitute a broad majority of the Board and the number of executive directors is the smallest possible, taking into account the complexity of the corporate group and the percentage participation held by executive directors in the company's capital stock.

Compliance Compliance in part Explain

16. The percentage of nominee directors out of the total number of non-executive directors is not greater than the proportion between the company's capital stock represented by these directors and the rest of the capital.

This criterion may be eased:

- a) In companies with high capitalization, when there are few shareholdings that are legally considered to be significant.**
- b) In the case of companies where there are a number of shareholders represented on the Board and there is no relation between them.**

Compliance Explain

With the accelerated placement of shares that it carried out on September 14, 2017 (see section C.1.9), Neinor Holdings, S.L. reduced its holding in the Company from 39.5% to 12.9%. On October 31, 2017 one nominee director, Dominique Cressot, resigned, leaving Neinor Holdings, S.L. with two directors on the Board (Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola). Consequently, from the accelerated placement until December 31, 2017, the percentage of directors representing Neinor Holdings, S.L. has been slightly higher than the proportion between the capital stock held by Neinor Holdings S.L. and the rest of the capital stock. This situation was subsequently corrected by (i) the resignation of Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola of Lone Star (the owner of Neinor Holdings, S.L.), (ii) the second accelerated placement of shares by Neinor Holdings, S.L. on January 10, 2018, on which date it reduced its holding in the Company from 12.9% to 0.4% and (iii) the change in the classification of the Directors Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola decided by the Board on January 22, 2018, when they were reclassified as external directors. As a result of the above, on the date of on which this report is issued, there are no nominee directors on the Board, and accordingly the Company is in compliance with this recommendation.

17. The number of independent directors is at least half of the number of all the directors.

However, when the company does not have a high market value, or when it does but has one shareholder or a number acting together who control more than 30% of the capital stock, the number of independent directors is at least a third of the total number of directors.

Compliance Explain

18. The companies publish and keep updated the following information on their directors on their website:

- a) Professional and personal background.**
- b) Other boards of directors to which they belong, whether or not of listed companies, as well as information on other remunerated activities they engage in, whatever their nature.**
- c) Indication of the type of director, specifying in the case of nominee directors, the shareholder they represent or to which they are related.**
- d) Date of the initial appointment as director of the company, as well as of subsequent re-elections.**
- e) Shares in the company, and options on such shares, that they own.**

Compliance Compliance in part Explain

19. The annual report on corporate governance, following review by the appointments committee, explains the reasons for the appointment of the nominee directors at the request of shareholders whose holding is under 3% of the capital; and, where appropriate, explains the reasons for not approving formal requests for representation on the Board from shareholders whose holding is equal to or greater than that of others at whose request nominee directors have been appointed.

Compliance Compliance in part Explain Not applicable

20. Nominee directors resign if the shareholder they represent fully transfers its shareholding. They also resign, in the necessary number, if said shareholder reduces its shareholding to a level that requires a decrease in the number of nominee directors.

Compliance Compliance in part Explain Not applicable

21. The Board of Directors does not propose the removal of any independent director before expiration of the term of appointment specified in the by-laws, without due cause ascertained by the Board subject to a prior report from the Appointments Committee. In particular, due cause will be deemed to exist if the director takes on a new position or undertakes new duties that prevent him from dedicating the time needed to perform the duties of director, infringes the duties inherent to his office or is involved in any of the circumstances entailing loss of independence under applicable law.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations, entailing a change in the company's capital structure, if such changes in the board's structure are triggered by the proportionality principle indicated in Recommendation 16.

Compliance Explain

22. The companies establish rules obliging their directors to report and, if necessary, to resign in any situation that may damage the company's creditworthiness and reputation. In particular, they are obliged to inform the board of directors of any criminal proceedings in which they are charged, including any subsequent procedural vicissitudes.

If a director is prosecuted or an order initiating a public trial is delivered against him, for any of the offences foreseen in company law, the Board examines the case as soon as possible and, in light of the specific circumstances, decides whether or not the director should remain in his post. The Board reports all of the foregoing, in a reasoned manner, in the Annual Report on Corporate Governance.

Compliance Compliance in part Explain

23. All directors may clearly expressly their disagreement if they consider that any proposed decision presented to the Board may be contrary to the corporate interest. The foregoing will also apply, in particular, in the case of independent directors and other directors not affected by a potential conflict of interest, for decisions that may be detrimental to shareholders not represented on the Board.

If the board of directors adopts significant or reiterated decisions on which a director has expressed serious reservations, the latter may reach the necessary conclusions and, if he decides to resign, explain his reasons in the letter referred to in the following recommendation.

This recommendation also covers the Secretary of the Board of Directors even if he does not hold director status.

Compliance Compliance in part Explain Not applicable

24. If because of resignation or for another reason, a director abandons his office before the end of his term, he may explain his reasons for this in a letter sent to all of the Board members. Without prejudice to such abandonment being notified as a relevant event, the Annual Report on Corporate Governance explains the reasons for the abandonment.

Compliance Compliance in part Explain Not applicable

25. The appointments committee ensures that non-executive directors have sufficient time available for the correct performance of their duties.

The regulations of the board establish the maximum number of boards of directors to which its directors may belong.

Compliance Compliance in part Explain

26. The Board of Directors meets as frequently as necessary to perform its duties effectively, and at least eight times a year, following the schedule of dates and issues it establishes at the start of the year. Each director may individually propose agenda items other than those initially included.

Compliance Compliance in part Explain

27. Non-attendance by directors is limited to unavoidable cases that are listed in the annual Corporate Governance Report. When non-attendance has to occur, a proxy is granted with instructions.

Compliance Compliance in part Explain

28. When the directors or the secretary express concern regarding a proposal, or in the case of directors, on the performance of the company, and these concerns are not resolved by the Board of Directors, this is noted in the minutes at the request of the person who has raised the concerns.

Compliance Compliance in part Explain Not applicable

29. The company establishes appropriate channels allowing directors to obtain the necessary advice on the performance of their duties, including, if circumstances require, external advice at the company's expense.

Compliance Compliance in part Explain

30. Apart from the knowledge required from the directors to perform their duties, the companies also offer their directors refresher courses to update knowledge where required by the circumstances.

Compliance Compliance in part Explain

31. The agenda clearly states the items on which the board of directors must resolve so that the directors can previously study or gather the information required to adopt the resolution.

Exceptionally, when because of an emergency, the chairman wishes to submit motions to the board of directors for approval that are not included on the Agenda, the prior consent of the majority of directors present will be required, and due note of this will be included in the minutes.

Compliance Compliance in part Explain

32. The directors are regularly informed of changes in the shareholder structure and of the opinions of significant shareholders, investors and ratings agencies on the company and its group.

Compliance Compliance in part Explain

33. The chairman, as responsible for the efficient operation of the Board of Directors, not only performs the duties established by law and the bylaws, but prepares and submits to the board of directors a schedule of dates and business to be discussed; organizes and coordinates the regular evaluation of the Board, and where appropriate, of the company's chief executive; is responsible for the management of the Board and for its effective operation; ensures that it dedicates sufficient time to discussion of strategic questions, and agrees and reviews the programs for updating each director's knowledge, where advisable.

Compliance Compliance in part Explain

34. When there is a coordinating director, the bylaws or the regulations of the board of directors grant him the following powers, in addition to those granted to him by law: to chair the board of directors in the absence of the chairman and of the deputy chairmen, if any; to respond to the concerns raised by the non-executive directors; to maintain contact with investors and shareholders to discover their points of view in order to form an opinion on their concerns, in particular in relation to the company's corporate governance; and to coordinate the succession plan for the chairman.

Cumple Compliance in part Explain Not applicable

35. The Secretary of the Board of Directors pays particular attention to ensuring that the actions and decisions of the board of directors take into account the recommendations on good governance included in this Code of Good Governance that are applicable to the company.

Compliance Explain

36. The full Board of Directors evaluates once a year and adopts, where appropriate, an action plan to correct any deficiencies identified with respect to:

- a) The quality and efficiency of the board's operation.
- b) The operation and composition of its committees.
- c) The diversity in composition and abilities of the board of directors.
- d) The performance of the chairman of the board of directors and of the company's chief executive.
- e) The performance and contribution of each director, with particular attention to those responsible for the different board committees.

The evaluation of the different committees is based on the report that they submit to the Board of Directors, and the evaluation of the board of directors is based on the report submitted by the appointments committee.

Every three years, the board of directors will be assisted in carrying out the evaluation by an external consultant, whose independence will be verified by the appointments committee.

Any business relationships that the consultant and any company in his group have with the company or any company in its group must be disclosed in the annual report on corporate governance.

The process and the areas evaluated will be described in the annual report on corporate governance.

Compliance Compliance in part Explain

So far the company has not made any evaluation of the operation of the board, since it was not a listed company until March 2017 and therefore a calendar year had not elapsed at the end of fiscal 2017.

Following the recommendations of the National Securities Market Commission's technical guide 3/2017, the company plans to conduct an internal autonomous evaluation of the operation of the committee each year and an external evaluation every three years also in accordance with the recommendations of the Unified Code of Good Governance.

The evaluations will be linked to action plans for measures of improvement.

The first internal evaluation of the operation of the committee will be conducted after one calendar year has passed from the start of the company's listing for two basic reasons:

- The addition during 2017 of four new Independent Directors, one of them the Chairman, which means that 57% of the members of the Board are new.
- The company's wish to consider a full cycle, in which the actions taken and meetings held in the period of a calendar year can be included for analysis and evaluation in order to obtain greater clarity and objectivity regarding compliance with the recommendations for Good Corporate Governance.

37. When an executive committee exists, the structure of participation by the different categories of directors is similar to that of the board of directors, and its secretary is the secretary of the board.

Compliance Compliance in part Explain Not applicable

38. The Board is always informed of the business discussed and of the decisions adopted by the executive committee, and all the board members receive a copy of the minutes of all executive committee meetings.

Compliance Compliance in part Explain Not applicable

39. The members of the audit committee, and in particular its chairman, are appointed taking into account their knowledge and experience in matters of accounting, auditing and risk management, and most of them are independent directors.

Compliance Compliance in part Explain

40. There is a unit under the supervision of the audit committee that assumes the internal audit function and ensures the correct operation of the information and internal control systems. It answers to the non-executive chairman of the board of directors or of the audit committee.

Compliance Compliance in part Explain

41. The person in charge of the unit that assumes the function of internal auditing presents his annual work plan to the audit committee, directly reports any incidents that may arise and presents a report on activities at the end of each financial year.

Compliance Compliance in part Explain Not applicable

42. In addition to those specified by law, the audit committee has the following duties:

1. In relation to information and internal control systems:

- a) To supervise the preparation process and the completeness of the financial information relating to the company and, where appropriate, to the group, to check compliance with regulatory requirements, the appropriate specification of the scope of consolidation and the correct application of accounting criteria.
- b) To ensure the independence of the unit that assumes the internal auditing function; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for this service; to approve the approach and the work plans, while ensuring that its activity is focused mainly on significant risks to the company; to receive periodic information on its activities; and to check that senior management takes into account the conclusions and recommendations made in its reports.
- c) To establish and supervise a procedure that enables employees to report confidentially and, if possible and considered appropriate, anonymously any irregularities of potential importance, particularly financial and accounting irregularities, that they notice within the company.

2. With regard to external auditors:

- a) If an external auditor resigns, examine the circumstances that may have caused this.
- b) Ensure that the remuneration of the external auditor for his work does not compromise his quality or independence.
- c) Ensure that the company informs the National Securities Market Commission of a change of auditor, as a relevant event, and that it attaches a statement about any disagreements with the outgoing auditor and the content thereof.
- d) Ensure that the external auditor holds a meeting every year with the full Board of Directors to inform it about the work done and changes in the accounting situation and risks to the company.
- e) Ensure that the company and the external auditor respect the regulations in force on provision of services other than auditing, the limits to the auditor's business concentration and, in general, the other regulations on the independence of auditors.

Compliance Compliance in part Explain

43. The Auditing Committee may summon any company employee or executive, and even order them to appear without the presence of any other executive.

Compliance Compliance in part Explain

44. The audit committee is informed of any structural and corporate modifications planned by the company in order to review them and informs the board of directors in advance of their financial conditions and their accounting impact, in particular on the proposed exchange ratio, where applicable.

Compliance Compliance in part Explain Not applicable

45. The risk control and management policy identifies at least:

a) The different types of financial and non-financial risk, (among others, operational, technological, legal, social, environmental, political and reputational) faced by the Company. The financial or economic risks include tax risk, contingent liabilities and other off-balance-sheet risks.

b) A specific risk threshold that the company considers acceptable.

c) The measures planned to mitigate the impact of the identified risks, if they materialize.

d) The information and internal control systems that will be used to control and manage these risks, including contingent liabilities and off-balance-sheet risks.

Compliance Compliance in part Explain

46. Under the direct supervision of the audit committee or, where appropriate, a specialized committee of the board of directors, there is an internal risk control and management function exercised by an internal unit or department in the company that has the following functions expressly attributed to it:

a) To ensure the proper operation of the systems of risk control and management; in particular to appropriately identify, manage and quantify all the important risks affecting the company.

b) To participate actively in preparing the risk strategy and the important decisions with respect to its management.

c) To ensure that the risk control and management functions mitigate the risks sufficiently within the framework of the policy defined by the board of directors.

Compliance Compliance in part Explain

47. When appointed, the members of the appointments and remuneration committee — or of the appointments committee and the remunerations committee, if they are separate — should have the knowledge, attitudes and experience that are appropriate to the functions they are to perform and most of them should be independent directors.

Compliance Compliance in part Explain

48. Companies with high capitalization should have a separate Appointments Committee and Remunerations Committee.

Compliance Explique Not applicable

49. The Appointments Committee should consult the Chairman of the Board of Directors and the Company's chief executive, particularly in matters relating to executive directors.

Any director may request that the appointments committee take potential candidates into account if he considers them suitable to fill director vacancies.

Compliance Compliance in part Explain

50. The remunerations committee should exercise its functions independently and, in addition to the tasks attributed to it by law, it has the following duties

- a) To propose to the board of directors the basic terms and conditions of the contracts of senior managers.
- b) To ensure compliance with the remuneration policy established by the company.
- c) To review periodically the remunerations policy applied to directors and senior management, including the share-based remuneration systems and their application; and to guarantee that individual remuneration is proportionate to what is paid to other directors and senior managers in the company.
- d) To ensure that possible conflicts of interest do not harm the independence of the external advice provided to the committee.
- e) To verify the information on the remuneration of directors and senior managers contained in the different corporate documents, including the annual report on directors' remuneration.

Compliance Compliance in part Explain

51. The remuneration committee should consult the company's chairman and its chief executive, particularly in matters relating to executive directors and senior managers.

Compliance Compliance in part Explain

52. The rules on the composition and operation of the supervision and control committees appear in the regulations of the board of directors and are consistent with those applicable to the legally mandatory committees in accordance with the above recommendations, including:

- a) They are composed exclusively of non-executive directors, with a majority of independent directors.
- b) Their chairmen are independent directors
- c) The board of directors appoints the members of these committees taking into account the knowledge, skills and experience of the directors and the tasks of each committee. It deliberates on their proposals and reports and ensures that they render accounts of their activity at the first full meeting of the board of directors following their meetings and that they answer for the work done.
- d) The committees may have recourse to external advice when they consider it necessary to perform their duties.
- e) Minutes of the meetings are drafted and made available to all the directors.

Compliance Compliance in part Explain Not applicable

53. Supervision of compliance with the rules on corporate governance, the internal codes of conduct and the policy on corporate social responsibility is attributed to one committee or is divided between a number of committees of the board of directors. They may be the auditing committee, the appointments committee, the corporate social responsibility committee (if there is one), or a specialized committee that the board of directors, in the exercise of its faculty of self-organization, decides to create for this purpose, to which the following minimum tasks are specifically attributed.

- a) Supervision of compliance with the internal codes of conduct and the rules of the company's corporate governance.
- b) Supervision of the communication strategy and relationship with shareholders and investors, including small and medium shareholders.
- c) Periodic evaluation of the appropriateness of the company's system of corporate governance, to ensure that it accomplishes its mission of promoting the corporate interest and takes into account the legitimate interests of any other stakeholders.
- d) Review of the company's corporate social responsibility policy, ensuring that it is geared to creating value.
- e) Monitoring of the strategy and practice of corporate social responsibility and evaluation of the level of compliance.
- f) Supervision and evaluation of the processes of engagement with the different stakeholders.
- g) Assessment of everything related to the company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the process of reporting non-financial information and information on diversity, in accordance with the applicable regulations and relevant international standards.

Compliance Compliance in part Explain

54. The corporate social responsibility policy includes the principles or commitments assumed by the company voluntarily in its relations with the different stakeholders, and identifies at least:

- a) The goals of the corporate social responsibility policy and the development of support instruments.
- b) The corporate strategy related to sustainability, the environment, and social questions.
- c) The specific practices on questions related to: shareholders, employees, customers, suppliers, social questions, the environment, diversity, tax responsibility, respect for human rights and prevention of illegal conduct.
- d) Methods or systems for monitoring the results of the application of the specific practices specified in the above point, associated risks and their management.
- e) Mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that prevent the manipulation of information and protect integrity and honour.

Compliance Compliance in part Explain

55. The company should report on the issues related to corporate social responsibility in a separate document or management report, using some of the internationally accepted methodologies for this purpose.

Compliance Compliance in part Explain

56. The remuneration of directors should be sufficient to attract and retain the directors

with the required profiles and to remunerate the dedication, qualification and responsibility required by the position, but not so high that it compromises the independent judgement of non-executive directors.

Compliance Explain

57. Variable remuneration linked to the company's performance and personal performance should be limited to executive directors, as should remuneration based on delivery of shares, options or rights to shares, or instruments that depend on the value of the shares and the systems of long-term savings such as pension plans, retirement plans or other social insurance systems.

Delivery of shares may be used as remuneration for non-executive directors when it is conditional on their being held until their end their period as directors. The above will not be applicable to shares that the director may need to dispose of in order to pay the costs related to their acquisition.

Compliance Compliance in part Explain

58. In the case of variable remuneration, the remuneration policies include limits and precise technical thresholds to ensure that the remuneration is related to the professional performance of their beneficiaries and does not only derive from the general movements of market prices or the company's sector of activity, or other similar circumstances.

And in particular, the variable components of remuneration:

- a) Should be linked to predetermined and measurable performance criteria, and these criteria should consider the risk assumed to obtain a result.
- b) Should promote the company's sustainability and include non-financial criteria that are appropriate for the creation of value in the long-term, such as compliance with the company's rules and internal procedures and its policies for risk control and management.
- c) Should be organized on the basis of a balance between compliance with short-, medium- and long-term objectives, which make it possible to remunerate performance continued over a period of time that is sufficient for its contribution to the sustainable creation of value to be appreciated, so that the elements for measuring this performance do not solely involve one-off, occasional or extraordinary events.

Compliance Compliance in part Explain Not applicable

59. The payment of a significant part of the variable components of remuneration is deferred for a minimum period of time that is sufficient to confirm that the previously established conditions for performance have been satisfied.

Compliance Compliance in part Explain Not applicable

60. Remunerations related to the Company's results must take into account any reservations declared in the external auditor's report that may negatively affect said results.

Compliance Compliance in part Explain Not applicable

61. A significant percentage of the variable remuneration of the executive directors

should be linked to the delivery of shares or financial instruments linked to their value.

Compliance Compliance in part Explain Not applicable

62. Once the shares or options or rights on the shares corresponding to the remuneration systems have been allocated, the directors may not transfer the ownership of a number of shares equivalent to twice their fixed annual remuneration, nor may they exercise the options or rights for at least three years from the time of their allocation.

The above will not be applicable to shares that the director may need to dispose of in order to pay the costs related to their acquisition.

Compliance Compliance in part Explain Not applicable

In accordance with the Regulations of the Company's Long-Term Incentive Plan for 2017-2021, the Company's Executive Directors are obliged to keep the shares received (net of the applicable deposit for personal income tax) for a period of one year following delivery.

63. The contractual agreements include a clause that allows the company to claim repayment of the variable components of remuneration when the payment has not met the performance conditions or when payment has been made based on data that is subsequently proved to be erroneous.

Compliance Compliance in part Explain Not applicable

64. Severance payments should not be greater than the equivalent of two years of total annual remuneration and should not be paid until the company has confirmed that the director has complied with the previously established performance criteria.

Compliance Compliance in part Explain Not applicable

H OTHER INFORMATION OF INTEREST

- 1. If there is any relevant aspect on the matter of corporate governance in the company or in the members of the group that has not been included in the other sections of this report, but which should be included in order to provide more complete and detailed information on the structure and practices of governance in the company or its group, please provide it here briefly.**
- 2. This section may also include any other information, clarification or distinction related to the foregoing sections of this report, insofar as it is relevant and not repetitive.**

Specifically, the company will indicate whether it is subject to laws other than those of Spain on corporate governance and, if applicable, include any other information that it is obliged to provide other than that required in this report.

- 3. The company may also indicate whether it has voluntarily adhered to other codes of ethics or good practice, whether international, sectoral or in another sphere. If so, please provide the code and date of adhesion. In particular, it will also state whether it has adhered to the Code of Good Tax Practices of 20 July 2010.**

H.1

Regarding section A.2: The Shareholder Bank Of Montreal participates indirectly in Neinor Homes, S.A. through several companies within its group but we ignore in which percentage participates each of them. Therefore, we have included the participation of Bank Of Montreal in Neinor Homes, S.A. as direct voting rights or direct holding.

Regarding section C.1.3: There were no other external directors in the fiscal year covered in this report Notwithstanding the aforementioned, the two proprietary directors mentioned in the table of External Proprietary Directors of this section have ceased to provide services for the shareholder who appointed them, Neinor Holdings, S.L (Lone Star) effective 31 December 2017, and the Board reclassified them as other external directors in January 2018.

Regarding section C.1.37: The main amount of the fees invoiced for work other than auditing by the external auditor mainly corresponds (91%) to due diligence services that were provided on when the company was listed on the stock exchange. In this sense, this work entailed verifying and validating the financial and business information transferred to the market.

The rest of the amount corresponds mainly to the limited auditing due diligence work of the first half of the 2017 financial year.

Other relevant events:

Because Neinor Homes is fully aware of its business, institutional, and social importance as a home development company that is used as a benchmark in Spain, it cannot — and does not want — to be a company other than one that conducts all its operations with the utmost diligence in the area of Good Governance, ethics and transparency

Below we have included the information we consider necessary for a better understanding of our Corporate Governance and the efforts made by the company to improve in this regard.

The document “Mission, Vision and Values of Neinor Homes” is included in annex J in order to highlight the company’s goals.

The principal code of Neinor Homes is its mandatory Code of Conduct, which includes the principles and main criteria that govern the behaviour of all Neinor Homes employees. This code is copied, accepted and observed by all employees every year.

In accordance with the preceding paragraph, Neinor Homes has included its rules of Corporate Governance in its Articles of Association, in the Regulations of the Board of Directors and of the General Meeting of Shareholders, in the Regulations of the Boards Committees, and in the Internal Code of Conduct in Securities Markets. All the above have been approved by the Board of Directors and are applicable as from the first day on which the shares in the Company are admitted to listing on the Spanish Stock Exchanges.

In this regard, Neinor Homes has drawn up a series of mandatory policies and regulations which are monitored by

the integrated control system in order to support the regulations of its governing bodies in Corporate Governance matters. Some of said regulations are published on the corporate web site:

- Code of Good Conduct for third parties.
- Procedure for conflicts of interest and linked transactions.
- Code of Good Practices for Real Estate Agents.
- Model for the prevention of corporate criminal liability.
- Director selection policy.

- Fiscal Policy and Good Tax Practices.
- Compliance Unit Regulations.
- Internal Audit Operating Manual.
- Policy for the provision of services other than auditing by the auditor.
- Employment policy for former auditors.
- Electronic Shareholders' Forum operating standards.

Finally, we consider that we must stress that since the day on which the company was formed, its Board of Directors has reflected deeply on the relations that the company should maintain with its Stakeholders as leaders in the transformation of the sector that we wish to carry out. Furthermore, looking beyond its shareholders and the financial community, many actions have been taken that we hope will be reflected in our way of doing things and be beneficial for our team, our providers, the environment, regulatory bodies, the media, and society in general, etc. Some of them are:

1. **Continuous Internal Control and Risk Management Model.** See section F
2. **Model of Continuous Improvement in Corporate Governance:** This basically consists of two actions:
 - The company has created a tracking and continuous monitoring structure for the continuous improvement goals of the non-financial projects in which it is involved relating to the environment, quality, innovation...
 - The company has implemented a Model for the continuous management of Good Governance which monitors the activities related to Good Governance that the company has to perform during the year. It has done this by making an in-depth analysis of national and international regulations and recommending the mandatory activities that each Council and Commission must have on its agenda. It then makes an annual diagnosis of the degree of compliance with the recommendations of the Unified Code of Good Governance, the Companies Act, the New Auditing Act, the National Securities Market Commission Guides, and best international practices. (King IV, Federal Sentencing Guidelines...).
3. **Creation of the White Book** NH has created the first White Book for the residential sector. This is a design and construction manual intended to standardize the parameters of quality, sustainability, and design that define all the real estate developments so that all the processes that are required throughout the life cycle of NH's products are systematized and described and can be followed by architects and builders with the high standards defined by the company.
4. **BREEAM Certification.** In most NH developments. BREEAM encourages sustainable construction that results in economic, environmental, and social benefits for everyone connected with the life of a building (tenants, users, developers, owners, managers, etc) while transferring Corporate Social Responsibility from the company to society and to the market in a way that is unequivocal and easily perceived.
5. **Certification of NH's integrated management system.** Neinor Homes holds the following certifications: Quality Management (ISO 9001), Environmental Management (ISO 14001), R+D+I Management (UNE 166002) and Occupational Health and Safety Management (OHSAS 18001) issued by AENOR in December 2016 and renewed in 2017. It is the first real estate developer of the new cycle to obtain these four certifications.

Furthermore, on the date of this report Neinor Homes has now obtained ISO 27001 certification for information security management.

6. **Preparation of the first memorandum of Corporate Social Responsibility based on GRI Standards,** making visible and public the efforts and resources employed by the company in social responsibility. It includes an analysis of materiality, which is extremely valuable from the strategic point of view since it throws a spotlight on the social, environmental, and economic matters that are relevant to the company's and have a bearing on the creation of value for its stakeholders.

Our principal goal is to grasp the opportunity provided by the transformation and consolidation of the housing sector to create sustainable value for all our stakeholders with margins and returns that are appropriate to the risk of the developer by building homes where people come first, establishing stable relationships with our suppliers, and increasing the value of our employees.

7. **EFQM 300+ European Seal of Excellence.** In 2017 Neinor Homes was awarded the EFQM 300+ European Seal of Excellence from the Excellence in Management Club. With this, Neinor became the first company in the Spanish housing sector to obtain this European benchmark for business evaluation and management, which consolidated it as a driving force in the transformation of the sector.

The EFQM Model provides a comprehensive tool which makes it possible to perform an objective structural analysis of the company's operations in order to attain excellence in the management of the processes involved in its business and to set priorities for action. The principles of the model are based on the effects on customers, persons, society, and the business.

EFQM certification is part of Neinor Homes' ambition to become excellent in corporate management. The total transformation that we are championing in property development in Spain calls for processes of quality and practices with the maximum level of excellence. That is why we believe that subjecting organizations to this type of examination can only bring improved results and sustainable growth. We hope that our adherence to the EFQM model will inspire other companies in the sector so that together we can give a definitive boost to the new age of residential development.

During the process of obtaining certification from the Excellence in Management Club, Neinor Homes stood out mainly for alliance and resource management, its commitment to industrialization, and the integrated model of compliance and risk management.

The EFQM model is based on the Values of Excellence, eight essential foundations for achieving sustained excellence over the course of time:

1. adding value for customers by understanding and anticipating needs and opportunities;
2. creating a sustainable future by improving the economic, social, and environmental conditions of the world surrounding the company;
3. developing the organization's capacity for increasing efficiency;
4. making good use of creativity and innovation;
5. leading with vision, inspiration, and integrity;
6. managing opportunities and threats nimbly;
7. achieving success through the talent of our people;
8. maintaining outstanding results over the course of time.

Neinor Homes will be able to submit its degree of implementation of the EFQM model of excellence to external evaluation every two years. Accordingly, it is working on continuous improvement to raise its level of excellence.

H.2

Since it was approved by its Board of Directors on 26 July 2017, Neinor Homes has complied with the Code of Good Tax Practices promoted by the Forum of Large Businesses and the Spanish Tax Authority

This annual report on corporate governance was approved by the company's board of directors when it met on 21 February 2018.

Indicate whether there are directors who voted against the approval of this report, or who abstained.

Yes

No

Name or company name of the director that did not vote to approve this report	Reason (objection, abstention, non-attendance)	Explain reasons