

Prepared by Reviewed by Approved by

Secretary to the Board Internal Audit Department Board of Directors





# **TABLE OF CONTENTS**

1.	General matters3	
2.	Purpose and scope4	
3.	Board of Directors5	
	3.1. Functioning5	
	3.2. Composition 6	
	3.3. Meetings held and attendance	
	3.4. Activities carried out	
4.	Audit and Control Committee (Comisión de Auditoría y Control, "CAC")11	
	4.1. Functioning	
	4.2. Composition	
	4.3. Meetings held and attendance	
	4.4. Activities carried out	
5. <i>Re</i> i	Appointments and Remuneration Committee ( <i>Comisión de Nombramientos y tribuciones</i> , "CNR")16	
	5.1. Functioning	
	5.2. Composition	
	5.3. Meetings held and attendance	
	5.4. Activities carried out	
6.	Real Estate Investment Committee ( <i>Comisión de Inversiones Inmobiliarias</i> , "CI 20	l")
	6.1. Functioning	
	6.2. Composition	
	6.3. Meetings held and attendance	
	6.4. Activities carried out	



#### 1. General matters

Neinor Homes S.A. (hereinafter, "Neinor Homes" or the "Company"), with its firm commitment to position its corporate governance practices to achieve the highest standards, channels its strategy and endeavours to apply the regulations and good practices in management and operations on an ongoing basis.

In this regard, in compliance with Recommendation 6 of the Code of Good Governance of listed companies approved by the Board of the National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, hereinafter, CNMV) in February 2015:

"It shall prepare, on a mandatory or voluntary basis, and shall publish on its website sufficiently in advance of the holding of the Ordinary General Shareholders' Meeting, a report on the operation of the Audit and Appointments and Remuneration Committees."

Therefore, this Activity Report includes the activities not only of the aforementioned Committees, but also of the rest of the existing delegated Committees (the Real Estate Investment Committee), as well as of the Board of Directors.

Given that Neinor Homes became a listed company last March 2017, a complete cycle has been taken into consideration in the preparation of this Report, i.e. a calendar year since the IPO. This decision has been taken in order to ensure greater transparency and objectivity of actions carried out and, also, to cover the holding of all meetings of a current year in which all the new directors of the Company have participated. For this reason, the period covered by this report is from March 2017 to March 2018.

It should be noted that the Board and its delegated Committees have for the performance of their supervisory and control functions the ongoing support of:

- The Chief Executive Officer.
- The Board Secretary.
- The Internal Audit Department.
- The Heads of Departments.

The above are at their disposal to meet the requirements of the Neinor Homes governing bodies, and to ensure their proper functioning and compliance with all obligations established in applicable legislation and good governance practices. In addition, they provide information required by directors sufficiently in advance to allow for review and analysis (between 7 and 12 days before meetings are held). Furthermore, they channel any questions that directors



may raise and issue the opportune documentation and evidence to ensure understanding thereof.

Moreover, Neinor Homes has drafted a training plan for its Board of Directors and its Committees, in which it offers a directors' knowledge updating program. During the tax year 2017, the following contents were transferred:

#### • November 2017:

- COSO II. Business risk management integration with strategy and performance.
- The new audit report.
- Updates of technical auditing standards.

#### • December 2017:

- Key aspects of the CNMV Technical Guide 3/2017 on Audit Committees of Public Interest Entities.
- New developments in the New Data Protection Regulation.

Finally, it should be noted that this Activity Report has been presented and approved by the Board of Directors on 16 March 2018. It will also be made available to the Company's shareholders through the webpage before the Ordinary General Shareholders' Meeting is held.

#### 2. Purpose and scope

The purpose of this document is to detail the functioning and composition of the Board of Directors and its three Committees: the Audit and Control Committee, the Appointments and Remuneration Committee and the Real Estate Investment Committee, and describe the main activities and actions carried out by each body during the reporting period (March 2017 - March 2018).



#### 3. Board of Directors

The Board of Directors of Neinor Homes is a body authorised and with powers to manage, direct, administer and represent the Company, following applicable regulations and best practices in matters of good governance. As a general rule, it will delegate the ordinary management to its Committees and the management team, establishing the content, limits and modalities of such delegation, and will focus its activity on supervision and on the consideration of those matters of particular importance for the Company. The principles for action of the Board of Directors, as well as the basic rules for its organization and operation and the rules of conduct for its members are detailed in the Rules of the Board, available on the corporate website:

https://neinorhomes.com/uploads/documentos\_corporativos/24/documento/20170417\_Reglamento\_Consejo\_de\_Administracin.pdf.

#### 3.1. Functioning

As stipulated in Article 16 of the Rules of the Board of Directors, it will meet "at least once every three months" and "at the initiative of the Chairman, as many times as he/she deems appropriate for the proper functioning of the Company", or also, according to Article 9 of the aforementioned Rules, "when so requested by members of the Board that constitute at least one third of the members of the Board of Directors".

The calls of the Board will be made by the Secretary "with a minimum notice of seventy-two hours before the day of the meeting".

In this regard, the Board of Directors shall be deemed validly constituted "when one-half plus one of the number of members set by the General Shareholders' Meeting at the relevant time attend the meeting in person or represented by another director."

In addition, the adoption of resolutions will be by an absolute majority of the directors attending the meeting.

The Secretary will be responsible for taking minutes of the meetings, recording the attendees and people present, as well as the actions taken and the resolutions adopted.



## 3.2. Composition

Article 7 of the Rules of the Board of Directors of Neinor Homes establishes that "the Board of Directors shall consist of a number of members of not less than five nor more than fifteen, which shall be determined by the General Shareholders' Meeting." Likewise, it specifies that "as far as possible, in the composition of the body, directors representing significant shareholders ('consejeros dominicales') and independent directors shall represent a majority of the Board of Directors, ensuring that the number of independent directors represents at least one third of the total number of members of the Board of Directors." The Chairman of the Board "shall be chosen from among its members." As at 31 March 2018, the composition of the Board is as follows:

Name	Position	Category
Ricardo Martí Fluxá	Chairman	Independent director
Anna M. Birulés Bertrán	Director	Independent director
Alfonso Rodés Vilà	Director	Independent director
Juan José Pepa	Director	External director <sup>1</sup>
Felipe Morenés Botín-Sanz de Sautuola	Director	External director <sup>1</sup>
Juan Velayos Lluis	CEO	Executive director
Alberto Prieto Ruíz	Director	Independent director

In addition, the Board has a Secretary, Silvia López Jiménez, who is not a member of the Board of Directors and therefore does not have the right to vote.

It can be seen that Neinor Homes meets the aforementioned requirements, as it has 7 directors, of which 4 are independent, 2 are external and only 1 is executive (CEO).

The curriculum vitae of each director can be found on the corporate website:

https://neinorhomes.com/gobierno-corporativo-y-sostenibilidad/consejo-de-administracion/composicion-y-comisiones

<sup>&</sup>lt;sup>1</sup> As explained in section H.1 of the 2017 Annual Corporate Governance Report, the directors Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola were reclassified as external directors in January 2018, having been directors representing significant shareholders ('consejeros dominicales') for the period prior to that date.



## 3.3. Meetings held and attendance

The Board of Directors has met in person during the reporting period a total of 4 times, with meetings held on the following dates:

- 26 April 2017 (Madrid).
- 26 July 2017 (Bilbao).
- 31 October 2017 (Bilbao).
- 21 February 2018 (Madrid).

All the directors<sup>2</sup> have attended the meetings of the Board, as well as the Secretary, except for Mr Alfonso Rodés Vilà who was absent from the meeting of 31 October 2017. Other members have also participated, as detailed in the following table:

	Meetings attended				
Other attendees	26/Apr/17	26/Jul/17	31/Oct/17	21/Feb/18	
Head of Finance Department	~	~		<b>&gt;</b>	
Head of Investor Relations Department	~			>	
Head of Real Estate Department	~				
Head of Business Department	<b>~</b>				

#### 3.4. Activities carried out

The Board of Directors, on the occasion of the Company's flotation in March 2017, requested from the Internal Audit Department a study of the compliance obligations, responsibilities and activities that the Board and its Committees would have to carry out over the financial year, with regard to which the following steps were taken:

- A diagnosis was made of all supervisory activities, reports, policies and measures that are mandatory for the Board and its respective Committees included both in the external regulations (Capital Company Law ("LSC"), Stock Exchange Law ("LMV"), New Auditing Law), as well as the self-imposed commitments included in the procedures and regulations of the Board and internal Committees.
- The required documentation was prepared and transferred to the company or published.

<sup>&</sup>lt;sup>2</sup> In the first three meetings the composition of the Board was different and included Dominique Cressot as a director, instead of Alberto Prieto Ruíz (member from 31 October 2017).



- A Corporate Governance control chart was created with the aim of supporting the monitoring and planning of the work schedule of the Board and its Committees, as well as the preparation of their respective agendas.
- Finally, the Internal Audit Department prepared an assessment and coordinated review and documentation activities in relation to Compliance with Circular 3/2015, of 23 June, of the National Securities Market Commission, on technical and legal specifications and information that should be included on the websites of listed public limited companies and savings banks that issue securities admitted for trading in secondary securities markets.

Additionally, the Board also gave instructions to the Internal Audit Department so that, as every year, it could make an assessment of the degree of compliance with the recommendations of the Unified Code of Good Governance, establishing the appropriate measures for the correct implementation of the same.

#### Activities and points dealt with in the meetings of the Board of Directors.

The main activities analysed and dealt with at each Board meeting are listed below, aligned with the functions and powers attributed to them.

#### Meeting of 26 April 2017:

- Approval of the investor communication policy.
- Approval of the new composition of the governing bodies of the subsidiary companies, of the structuring of the company's powers and of the approvals flowchart.
- Approval of first quarter financial results.
- Review of activities relating to the prevention of money laundering.

## Meeting of 26 July 2017:

- Approval of:
  - Treasury stock policy.
  - o Dividend policy.
  - Investment and financing policy.
  - Tax risks policy.
  - o Director selection policy.



- Policy of expenses reimbursable to directors.
- o Operating rules of the electronic shareholders' forum.
- Code of Good Tax Practices.
- Regional tax consolidation regime.
- Approval of the financial results of the first six months and the results of the accounts audit.

## Meeting of 31 October 2017:

- Appointment of Alberto Prieto Ruiz as director by co-optation to replace Dominique Jean Marie Cressot.
- Approval of:
  - Recruitment policy for former employees of the auditor.
  - o Policy regarding other services to be provided by the external auditor.
  - o General remuneration policy.
  - o Remuneration policy for managers.
- Approval of financial results for the third quarter.
- Review of the status of activities connected with internal audit, risk management, compliance and corporate governance.

## Meeting of 21 February 2018:

- Preparation of 2017 Financial Statements, approval of proposed income allocation and approval of the Annual Financial Report.
- Approval of the 2018-2022 Business Plan.
- Approval of the issue of up to 300 million euros in convertible bonds.
- Reappointment of auditors (Deloitte) for 2018.
- Review of treasury stock status.
- Approval of the report on the independence of the auditors, provision of nonauditing services and related transactions.
- Approval of a new remuneration policy and an increase in the maximum amount of annual remuneration of directors in their capacity as such.



- Ratification and re-election of Alberto Prieto Ruiz as independent director.
- Approval of the proposed call and date of the next General Shareholders'
   Meeting, as well as other aspects related to it.
- Review of the measures adopted to ensure compliance with the Stock Exchange Internal Conduct Regulations.
- Approval of the Annual Corporate Governance Report and the Annual Remuneration Report for the year 2017.
- Approval of the activities report of the Internal Audit function for the year 2017 and the annual work schedule for 2018.
- Approval of the 2017 Corporate Social Responsibility Report.



#### 4. Audit and Control Committee (Comisión de Auditoría y Control, "CAC")

The Audit and Control Committee (CAC) of Neinor Homes was created by the Board of Directors of the Company on 14 May 2015 as an internal body of an informative and consultative nature, without executive functions and with powers to report, advise and propose within its sphere of influence, which is detailed in its Rules, published on the corporate website:

https://neinorhomes.com/uploads/documentos corporativos/29/documento/20170417 Regla mento\_CAC.pdf.

#### 4.1. Functioning

Article 4 of the CAC Rules establishes that it will meet "at least four times a year with the appropriate frequency in the audit and financial information cycle, and otherwise as necessary" or also, "at the request of one of its members, the main external audit partner or the person responsible for internal audit, as well as when it is convened by its Chairman. The Chairman shall call the meeting whenever the Board of Directors or its Chairman requests the issuance of a report or the approval of proposals and, in any event, whenever it is appropriate for the proper exercise of its authority."

The meetings will be called by the Secretary of the Committee, sending the call to each attendee at least three working days before the date scheduled for the meeting.

The Committee will be validly constituted when half plus one of the directors that form part of the Committee are present or represented, adopting their resolutions by absolute majority of votes of the members present.

For each meeting, the Secretary will be charged with drafting minutes recording the participants, the topics discussed and the resolutions approved.

#### 4.2. Composition

As established in Article 14 of the Rules of the Board of Directors of Neinor Homes, the CAC "shall be composed of a minimum of three and a maximum of five directors, appointed by the Board of Directors itself, and they must be non-executive directors. The majority of the members of the Audit and Control Committee shall be independent". In addition, "the Chairman of the Audit Committee shall be appointed from among the independent directors who form part of it.".



As of 31 March 2018, the composition of the CAC is as follows:

Name	Position	Category
Anna M. Birulés Bertrán	Chair	Independent director
Ricardo Martí Fluxá	Member	Independent director
Felipe Morenés Botín-Sanz de Sautuola	Member	External director <sup>3</sup>

In addition, the Committee has a Secretary, Silvia López Jiménez, who is not a member of any Committee or the Board of Directors, and therefore does not have the right to vote.

It can be seen that the Company meets the established requirements by having 3 members in its CAC, 2 of them independent, among whom is the Chair.

The curriculum vitae of each of the directors is available on the corporate website:

https://neinorhomes.com/gobierno-corporativo-y-sostenibilidad/consejo-de-administracion/composicion-y-comisiones

## 4.3. Meetings held and attendance

The Audit and Control Committee has met 5 times during the reporting period, with the meetings being held on the following dates:

- 26 April 2017 (Madrid).
- 26 July 2017 (Bilbao).
- 31 October 2017 (Bilbao).
- 5 December 2017 (Madrid).
- 21 February 2018 (Madrid).

100% of the directors<sup>4</sup> and the Secretary to the Committee were present at all the meetings. In addition, other members have participated, as detailed in the following table:

	Meetings attended				
Other attendees	26/Apr/17	26/Jul/17	31/Oct/17	5/Dec/17	21/Feb/18
CEO	~	~			>

<sup>&</sup>lt;sup>3</sup> As explained in section H.1 of the 2017 Annual Corporate Governance Report, the director Felipe Morenés Botín-Sanz de Sautuola was reclassified as an external director in January 2018, having been a director representing a significant shareholder (*'consejero dominical'*) for the period prior to that date.

<sup>&</sup>lt;sup>4</sup> In the first three meetings the composition of the Committee was different and included Dominique Cressot as a director, instead of Felipe Morenés Botín-Sanz de Sautuola.



	Meetings attended					
Other attendees	26/Apr/17	26/Jul/17	31/Oct/17	5/Dec/17	21/Feb/18	
Head of Finance Department	~	~	~	<b>~</b>	~	
Head of Investor Relations Department	~		~		~	
Head of Internal Audit Department		<b>~</b>	~		>	
External auditor		~		<b>&gt;</b>	<b>&gt;</b>	
Other directors	~					

#### 4.4. Activities carried out

The Internal Audit Department, at the request of the Committee Chair, has prepared an assessment of the impact on Neinor Homes of the Technical Guide 3/2017 on Audit Committees of public interest entities of the CNMV, specifying the measures that must be taken to apply the defined best practices and subsequently implement them.

Moreover, in the exercise of the functions attributed to the CAC, the main activities reviewed and analysed by said Committee are detailed below:

## Meeting of 26 April 2017:

- Presentation of the Rules and the functions of the Committee.
- Review of the obligations and prohibitions derived from the Internal Code of Conduct in the Securities Markets.
- Review of the company's supervision system, the 2017 audit plan and the auditor's independence report.
- Review of the integrated risk control and compliance system.
- Presentation of the changes to be made to the composition of the governing bodies of the subsidiary companies, in the flowchart of approvals and in the structuring of powers.
- Presentation of first quarter financial results.

## Meeting of 26 July 2017:

- Presentation of the financial results of the first semester and the results of the accounts audit.
- Review of the status of the integrated control system.



- Review of the status of activities relating to corporate social responsibility.
- Review of the calendar for reporting of governance, internal audit, risks and compliance.
- Presentation of the implications of the Technical Guide 3/2017 on Audit Committees of public interest entities of the CNMV.
- Approval of various defined policies: treasury stock, dividends, investment and financing, tax, selection of directors, reimbursement of directors' expenses and rules of operation of the shareholders' forum.
- Review of the Code of Good Tax Practices.
- Approval of the application of the special Companies Tax consolidation regime.

#### Meeting of 31 October 2017:

- Approval of financial results for the third quarter.
- Review of the status of the activities in terms of internal audit, risk management, compliance and corporate governance.
- Review of the status of activities regarding corporate social responsibility.
- Approval of various defined policies: employment for former auditors, provision
  of non-audit services by an external auditor and regulation of the compliance
  unit.
- Approval of the calendar of activities of the Committee for 2018.

#### Meeting of 5 December 2017:

- Presentation of the accounts audit plan established for 2017.
- Review of key audit issues (KAMS: Key Audit Matters).
- Ratification of the independence of the external auditor.

## Meeting of 21 February 2018:

- Approval of the financial statements and the individual and consolidated management report for the year 2017.
- Approval of the 2018-2022 Business Plan.
- Approval of the bond issue.



- Approval of the re-election of the account auditors.
- Review of treasury stock status.
- Approval of information on the Financial Information Internal Control System
   (Sistema de Control Interno de la Información Financiera, "SCIIF") to be
   included in the 2017 Annual Corporate Governance Report.
- Approval of the report of activities of the Internal Audit function for the year 2017 and the annual work schedule for 2018.
- Approval of the Corporate Social Responsibility Report for the year 2017.
- Approval of the report of independence of the auditors, the provision of non-audit services and related operations.
- Review of the Annual Corporate Governance Report for the year 2017.



# 5. Appointments and Remuneration Committee (Comisión de Nombramientos y Retribuciones, "CNR")

The Appointments and Remuneration Committee (CNR) of Neinor Homes, set up by the Board of Directors of Neinor Homes on 14 May 2015, is an internal body with an informative and consultative nature, without executive functions, with powers to report, advise and make proposals within its sphere of influence, which is established in its Rules, available on the corporate website:

https://neinorhomes.com/uploads/documentos corporativos/67/documento/Espaol Reglame nto\_del\_Comite\_de\_Nombramientos\_y\_Retribuciones.pdf.

#### 5.1. Functioning

As established in Article 4 of the Rules of the CNR "the Committee must meet at least every three months or, at least, four times a year" or "whenever requested by any of its members or when it is validly convened by the Committee Chairman. The Chairman must call a Committee meeting whenever the Board of Directors or its Chairman requests the preparation of a report or the approval of a proposal and, in any event, whenever it is appropriate for the proper performance of its duties."

To convene a meeting of the CNR the Committee Secretary will send the call to each member and to all other persons who must attend, as far in advance as is reasonably possible of the date it is to be held.

Likewise, there will be a valid quorum when one half plus one of the directors who are members of the Committee are present in person or through representation, and resolutions must be approved by a simple majority of the members present.

The Secretary is in charge of taking minutes of the meetings, recording the attendees and people present, as well as the actions taken and the resolutions adopted.

## 5.2. Composition

Article 15 of the Rules of the Board of Directors of Neinor Homes stipulates that the CNR "shall consist of a minimum of three and a maximum of five directors, appointed by the Board of Directors itself, who must be non-executive directors. The majority of the members of the Appointments and Remuneration Committee shall be independent." Likewise, the Board of



Directors shall appoint the Chairman "from among the independent directors who are part of said Committee". As at 31 March 2018, the composition of the CNR is as follows:

Name	Position	Category
Ricardo Martí Fluxá	Chairman	Independent director
Juan José Pepa	Member	External director <sup>5</sup>
Alfonso Rodés Vilà	Member	Independent director

In addition, the Committee has a Secretary, Silvia López Jiménez, who is not a member of any Committee or the Board of Directors, and therefore does not have the right to vote.

In this connection, Neinor Homes complies with the established requirements given that it has 3 directors in its CNR, 66.67% of whom are independent, among whom is its Chairman.

The professional profile of each member of the CNR is available on the corporate website:

https://neinorhomes.com/gobierno-corporativo-y-sostenibilidad/consejo-de-administracion/composicion-y-comisiones

#### 5.3. Meetings held and attendance

The Appointments and Remuneration Committee has held 5 meetings in the reporting period, and they were held on the following dates:

- 26 April 2017 (Madrid).
- 26 July 2017 (Bilbao).
- 31 October 2017 (Bilbao).
- 22 January 2018 (Madrid).
- 21 February 2018 (Madrid).

All the members of the CNR<sup>6</sup> and the Committee Secretary have attended the meetings held by the Committee, except Mr. Alfonso Rodés Vilà who was absent from the meeting of 26 April 2017. In addition, the following members have participated:

<sup>&</sup>lt;sup>5</sup> As explained in section H.1 of the 2017 Annual Corporate Governance Report, the director Juan José Pepa was reclassified as an external director in January 2018, having been a director representing a significant shareholder ('consejero dominical') for the period prior to that date.

<sup>&</sup>lt;sup>6</sup> In the first three meetings the composition of the Committee was different and included Felipe Morenés Botín-Sanz de Sautuola as a director, instead of Juan José Pepa.



	Meetings attended				
Other attendees	26/Apr/17	26/Jul/17	31/Oct/17	22/Jan/18	21/Feb/18
CEO	~	~	~	~	~
Other directors	~				

## 5.4. Activities carried out

In accordance with the functions that have been attributed to the CNR, the main issues dealt with are listed below:

## Meeting of 26 April 2017:

- Presentation of the Rules and the functions of the Committee.
- Presentation of the composition of the workforce and the remuneration structure, as well as the significant growth in the number of people, the number of workplaces and their distribution.
- Presentation of the structure of the Long Term Incentive Plan and the additional remuneration granted to people who are not part of it.
- Information about the costs of the IPO (Initial Public Offering) and its distribution between Lone Star and Neinor Homes.

#### Meeting of 26 July 2017:

- Information on the change in the composition of the workforce.
- Information on the treasury stock status.
- Presentation of the professional profile of the new Director of Human Resources.
- Delivery to the members of the Board of the formal appointment letter clearly stating what is expected of them in terms of dedication of time, work in the Committee and commitments aside from the Board meetings.

## Meeting of 31 October 2017:

- Information on the change in the composition of the workforce.
- Information on the treasury stock status.
- Review of the proposals of new director candidates, following the resignation of Dominique Cressot, analysing the experience and knowledge in the sector and the suitability of each one for the position. Finally, selection of Alberto Prieto



Ruíz as new independent member and presentation of the consequent changes in the composition of the three Board Committees.

• Approval of defined policies: general and managerial remuneration.

## Meeting of 22 January 2018:

- Review of the classification of Juan Pepa and Felipe Morenés as directors representing significant shareholders (consejeros dominicales).
- Analysis of compliance with objectives of the CEO and the rest of the staff and approval of the incentives to be paid.
- Setting the incentives of the CEO and the rest of the staff for 2018.
- Review of the second cycle of the Long-Term Incentive Plan and submission to the Board for approval.

## Meeting of 21 February 2018:

- Approval of the measures and beneficiaries of the second cycle of the Long Term Incentive Plan.
- Review of the Directors Annual Remuneration Report for the 2017 tax year and the Annual Corporate Governance Report.
- Ratification and re-election of Alberto Prieto Ruiz as independent director.
- Approval of the proposal to increase the maximum amount of the annual remuneration of all the directors in their capacity as such.
- Approval of the proposed amendment to the Remuneration Policy.



## 6. Real Estate Investment Committee (Comisión de Inversiones Inmobiliarias, "CII")

The Real Estate Investment Committee (CII) of Neinor Homes was created by the Board of Directors of Neinor Homes on 14 May 2015 and is a body with powers to report, supervise, advise and make proposals in matters within its competence specified in its Rules.

#### 6.1. Functioning

Article 4 of the Rules of the CII states that the Committee must meet "at least four times a year", as well as "whenever requested by any of its members or when it is validly convened by the Committee Chairman. The Chairman must call a Committee meeting whenever the Board of Directors or its Chairman requests the preparation of a report or the approval of a proposal and, in any event, whenever it is appropriate for the proper performance of its functions".

The meetings of the CII will be convened by the Committee Secretary, sending the call "to each of the Committee members, to all other persons who must attend it and to all the other non-executive directors within a maximum of 3 working days before the date of the meeting."

In addition, the agreements taken at the CII will be approved by simple majority.

The Secretary is responsible for taking the minutes, which will record the actions and decisions, the names of the attendees and people present, as well as the details of the voting.

#### 6.2. Composition

The composition of the CII is established in the Rules of the Real Estate Investment Committee of Neinor Homes, specifically in Article 1, i.e. "a minimum of three and a maximum of seven members," which "shall be nominated by the Board of Directors of the Company", and where "the majority of the members of the Committee shall be non-executive directors". On the other hand, "the Board of Directors shall be in charge of appointing the Committee Chairman".

As of 31 March 2018 the composition of the CII is as follows:



Name	Position	Category
Juan José Pepa	Chairman	External director <sup>7</sup>
Juan Velayos Lluis	Member	Executive director
Ricardo Martí Fluxá	Member	Independent director
Felipe Morenés Botín-Sanz de Sautuola	Member	External director <sup>7</sup>
Alberto Prieto Ruíz	Member	Independent director

In addition, the Committee has a Secretary, Silvia López Jiménez, who is not a member of any Committee or the Board of Directors, and therefore does not have the right to vote.

It can be seen that Neinor Homes complies with the established requirements since it has 5 members in its CII, with 80% being non-executive directors (40% independent and 40% external).

The professional profile of each member of the CII can be found on the corporate website:

https://neinorhomes.com/gobierno-corporativo-y-sostenibilidad/consejo-de-administracion/composicion-y-comisiones

#### 6.3. Meetings held and attendance

The Real Estate Investment Committee has held 4 meetings in the reporting period, with the meetings taking place on the following dates:

- 26 April 2017 (Madrid).
- 26 July 2017 (Bilbao).
- 31 October 2017 (Bilbao).
- 21 February 2018 (Madrid).

100% of the directors of the CII<sup>8</sup> and the Committee Secretary have attended the meetings. In addition, other members have taken part, as detailed in the following table:

<sup>&</sup>lt;sup>7</sup> As explained in section H.1 of the 2017 Annual Corporate Governance Report, the directors Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola were reclassified as external directors in January 2018, having been directors representing a significant shareholder (*'consejeros dominicales'*) for the period prior to that date

<sup>&</sup>lt;sup>8</sup> In the first three meetings the composition of the Committee was different and included Dominique Cressot as a director, instead of Alberto Prieto Ruíz (member from 31 October 2017).



	Meetings attended					
Other attendees	26/Apr/17	26/Jul/17	31/Oct/17	21/Feb/18		
Head of Business Department	~	~	~	~		
Head of Real Estate Department	<b>~</b>	~	~	~		
Head of Finance Department	<b>~</b>	~				
Other directors	<b>~</b>	<b>~</b>	<b>&gt;</b>			

## 6.4. Activities carried out

The main activities analysed and dealt with by the Committee, based on the competences assigned to it, are listed below:

# Meeting of 26 April 2017:

- Presentation of the Rules and the functions of the Committee.
- Presentation of 2nd GO developments.
- Presentation of land acquisition pipeline.
- Approval of the launch of developments (Goiegi Homes).
- Approval of land acquisition in Las Rozas Marazuela (Madrid) and Estepona Las Mesas (Malaga).

#### Meeting of 26 July 2017:

- Presentation of the result of the land evaluation.
- Presentation of 2nd GO developments.
- Presentation of the sale of land and acquisition pipeline.
- Development launch approvals (Riverside Homes, Iturribarri Homes and Cañada Homes).
- Approval of land acquisition at Colinas del Limonar RP-2 (Malaga), Avenida Juan XXIII (Benicalap, Valencia) and Montcada i Reixac (Barcelona).
- Presentation of the land acquisition program for 2018 and information on the terms of the bridge financing in negotiation with JP Morgan.

## Meeting of 31 October 2017:

Presentation of the land acquisition pipeline.



- Presentation of 2nd GO developments.
- Development launch approvals (Can Mates Homes II).
- Approval of land acquisition in Quatre Carreres (Valencia).

## Meeting of 21 February 2018:

- Presentation of the update of the status of acquisitions and launches for the year 2017.
- Review of the program of land acquisitions and development launches for 2018.
- Development launch approvals (Plaza Europa 14 Homes and Natura Homes).
- Approval of land acquisition in Rio Real (Marbella), Ormaza (Getxo), Sant Cugat
   & Gavá (Barcelona), Mijas (Malaga), Torrejón de Ardoz (Madrid), La Medina (Madrid) and Torrent (Valencia).

Additionally, when temporarily the times for investment for the acquisition of a site or the launch of a development do not coincide with the dates scheduled for the holding of a meeting of the CII, the documentation relating to said investment (ICM "Investment Committee Memorandum" and EV "Feasibility Study" of 2nd GO, mainly) is sent to the directors for their analysis and approval. Therefore, these activities are also carried out by the Committee, without the need to hold a face-to-face meeting.