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# Annual Report 2017: Conflict of Interest and Related Party Transactions



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## Neinor Homes Conflict of Interest and Related Party Transactions

As established in the Capital Companies Act<sup>1</sup> and in the internal regulations<sup>2</sup>, the Audit and Control Committee must analyze, among other matters, the transactions with related parties carried out by Neinor Homes, to report the Board of Directors for approval.

### Model background

- **Conflict of Interest and Related Party Transactions Standard** (version 1.02) approved by the Board of Directors on Sep. 15th, 2015, and circulated within the organization.
- The **procedure** works as follows:
  - **Continuous communication channel** for related party transactions and conflict of interest.
  - **Every operation reported is analyzed, recorded and documented** and either approved or denied by the Compliance Officer, who can request the help of the head of legal.
  - **The approval is shared with the one concerned** with a written authorization.
  - **Denied operations are raised** to the Chairman of the **Appointments and Retributions Committee, with an executive report** of the operation.
  - Records with all the Conflicts of Interests and Related Party Transactions are kept in an ad hoc **Registry by the Governance, Risk and Compliance Area**.
  - **Reporting annually** about operations with the related party transactions to the **Audit and Control Committee**.
  - Sending and **receiving a written letter signed by the members of the management board with their confirmation** of not being exposed to any conflict of interest nor participated or being aware of any related party transactions.
  - **Analysis of the invoicing received or carried out with companies related** to the board of directors or the management directors.

### Annual Report 2017 (operations carried out between the closing date and today)

- a** 2 operations of asset purchasing by **related parties to Neinor employees or management team**.  
Checked market prices, not below business plan. ERP prices unaltered, nor any discount applied over recorded prices. **Authorized operation, analyzed and recorded by Compliance.**
- b** 3 operations of asset purchasing by **related parties to a sales force company of Neinor**.  
Checked sales prices are adequate with market prices. The established order selection of properties has not been respected by the sales force company. **Analyzed operation and provided training and instructions on the procedures to the sales force company by Internal Audit.**
- c** Selection of a **new director who is also a director of a related company**.  
A positive report of the independent expert requested by Legal Department. Verification of the candidate's professional profile. Checked results by the Appointments and Retributions Committee. **Analyzed, audited and recorded by Internal Audit and Compliance.**
- d** Operations with **financial institutions related to members of the Board of Directors and/or to Neinor Homes**.  
Checked prices according to the market; comparison analysis done to assure the conditions of the institutions related to NH balance with the rest of the offerings received. **Analyzed, audited and recorded by Internal Audit.**
- e** Operations with **other companies related to shareholders**.  
Transaction carried out with market prices. ERP prices unaltered, nor any discount applied over recorded prices. **Authorized operation, analyzed and recorded by Compliance.**

### Final 2017 Assessment

- **No conflicts of interest** nor related party transactions have aroused.
- **No special operations** to bring before the Audit and Control Committee.
- **No major risks** regarding conflicts of interests and related party transactions within Neinor Group.

<sup>1</sup> The regulation referred to is Article 529 ter and Article 529 quaterdecies of Royal Legislative Decree 1/2010, of July 2nd, approving the revised text of the Capital Companies Law.

<sup>2</sup> The internal regulations referred to are Regulations of the Board of Directors (Article 5.4.xvi), Audit and Control Committee Charter (Article 10.c) and Standard of Conflict of Interest and Related Party Transactions.