



# **CORPORATE SOCIAL RESPONSIBILITY REPORT 2018**

**Considering people  
and environment**

**NEINOR HOMES S.A.**

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# 1. Executive summary

Who are we?

**Neinor Homes, the residential property developer aiming to transform the sector**

**Strategic Pillars**

- Customer**: Contemplate their **real needs** with customers at the center of the strategy
- Product**: Commitment to **quality, innovation, and sustainable construction**
- Institutionalization**: Business model based on process **systemization, rigor, and transparency**

**VISION**  
Stand out as the **benchmark** in residential property development

**MISSION**  
Generate **sustainable value** for stakeholders

**VALUES**

- Customers are the heart of the decision-making process
- Coexisting talent
- Pragmatic innovation
- A product with social DNA (sustainability)
- Leading with humility
- Good Governance

How do we create value?

**We create value based on a responsible business model**

**Industrialized model**

Promotion of first and second homes, and purchase of terminated land and/or in advanced stages of development

- Systematization
- Standardization
- Rigor
- Surroundings
- Innovation
- Technology

Neinor Homes also manages all the phases of its value chain residential promotion process

1.7 million m<sup>2</sup> land bank  
1,873 million euros asset value

193 developments and 13,256 homes ready for development

Nearly 1,000 homes delivered  
125 developments with 100 under construction

**Value creation**

Employment generation: 271 direct jobs + 6,429 indirect jobs

**Economic value breakdown**

**Economic value generated**: 382 million euros  
(ordinary income + other income + gains/(losses) on disposals of non-current assets)

**Economic value distribution**: 322 million euros  
(costs of inventory, operating, finance, and personnel costs)

**Economic value retained**: 60 million euros

**Quality and environment management**

- Quality, Safety, and Environmental Policies
- ISO 14001 Environmental Management Certification
- ISO 9001 Quality Certification
- 295,521 kWh consumed
- 3,665 kg paper consumed
- 25.1% reduction in paper consumption

What role does CSR play at Neinor Homes?

**Corporate Social Responsibility as internal activity framework**

**Corporate Social Responsibility Policy**

Objectives:

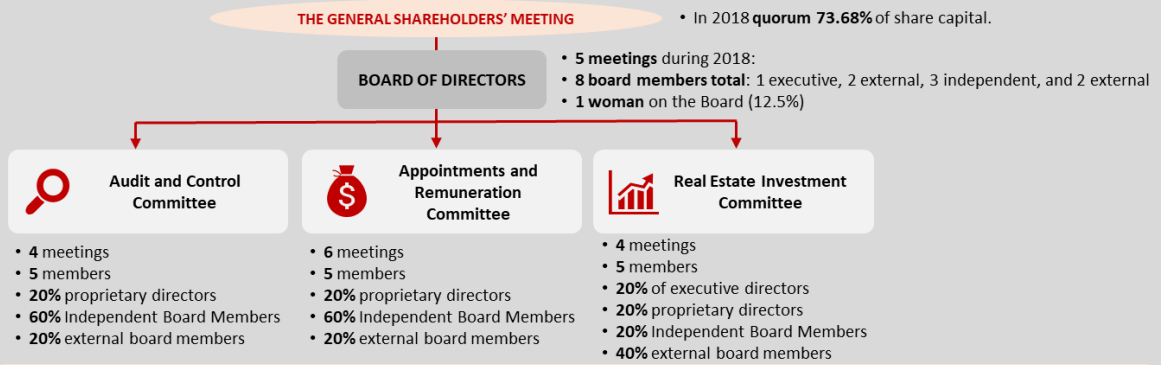
- Lead **sector transformation**
- Define **good governance and environmental commitments**
- Serve as foundation for **integrating sustainability**

**Corporate Social Responsibility Master Plan: 2020 Vision**

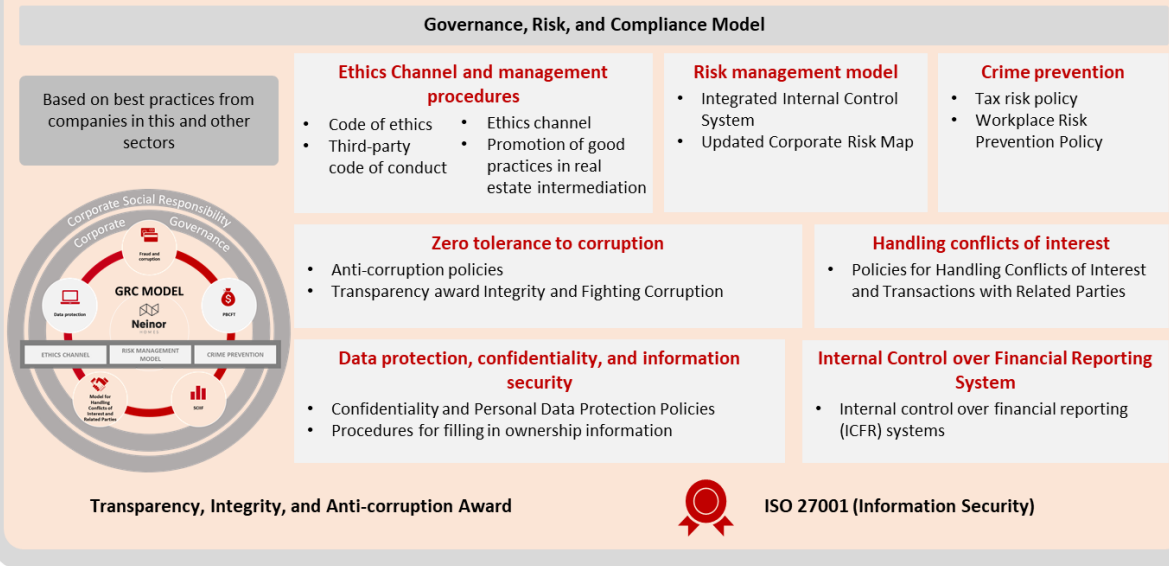
Customer	Product	Institutionalization
<ul style="list-style-type: none"> <li>Decision-making</li> <li>Experience</li> <li>Communication</li> </ul>	<ul style="list-style-type: none"> <li>Product excellence</li> <li>Product sustainability</li> <li>Social and economic contribution</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers</li> <li>Investors and stakeholders</li> <li>Governance, transparency, and integrity</li> <li>ESG risks</li> <li>People as strategic asset</li> </ul>

What is the basis for our governance model?

## Our activities are based on a responsible governance model



### An integral Control, Compliance, and Assurance model



What added value do we offer our customers?

## We offer personalized, tailored service to our customers

### Improved understanding of our customers

- Implementation of CRM, Customer Centric, and Big DATA tools
- Gaming survey



4,500 customers



53,569 sessions on the website



1,679 downloads Neinor Exp. App.



3,765 enquiries

### The Neinor Experience

- Exclusive customer services
- Neinor Experience Agent at each promotion
- Neinor Responds channel



18,835 incidents



1.6 days average response time



2 workshops Open day

## We build homes with added value

### Value-added services

- Insurance Family Home Protection
- Neinor Replace
- Neinor Smart Sun
- Google Home
- Neinor Mobility Pack

### Quality homes

- Investigation + Listening + Development Process
- White Paper standardization
- Personalization alternatives
- Sustainability: BREEAM certification
- Safety and health: Spatium seal of approval

### Innovation driving transformation

#### Neinor Next

- New innovation ecosystem
- Alliances with startups

#### Innovation committee

- Strategic decision-making
- 6 meetings during 2018:

#### Neinor Lab

- Corporate entrepreneurship program
- Employees generating ideas and projects

#### Collaborative innovation

- Exchanging experiences and solutions
- Agreements with sector companies and financial entities

#### Digital transformation and Big Data

- Digital transformation plan
- Added value digital initiatives



↑ 8.6% pre-sales vs. 2017



69% developments with BREEAM certificates since 2015



9 developments with the Spatium seal of approval



1,319,333 euros invested in innovation



4 startups chosen in Neinor Next



37 employees involved in Neinor Lab









36 ideas arising from the Neinor Lab



3 projects included in the value chain

Who forms part of Neinor Homes?

### Our employees are committed

<p><b>Strategic human resources plan</b></p> <ul style="list-style-type: none"> <li>• Strategic Human Plan</li> <li>• Loyalty Scheme</li> </ul>	<p><b>Equality and diversity</b></p> <ul style="list-style-type: none"> <li>• Equality plan</li> <li>• Code of conduct</li> <li>• Code of ethics</li> </ul>	<p><b>Professional personnel d</b></p> <ul style="list-style-type: none"> <li>• Internal promotion</li> <li>• <i>Welcome Pack</i></li> <li>• Attractive and flexible remuneration</li> </ul>	<p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Training platform</li> <li>• Co-learning Fridays</li> </ul>
<p> <b>271 employees</b> Average age <b>40.3</b></p>	<p> <b>48% female</b> <b>52% male</b></p>	<p> <b>86 incorporations</b> <b>15 promotions</b></p>	<p> <b>14.5 hours per employee</b> <b>139,812 euros invested</b></p>
<p><b>Wellbeing and work-life balance</b></p> <ul style="list-style-type: none"> <li>• Work-life balance plan</li> <li>• Measures decalogue</li> </ul>	<p><b>Safety and health</b></p> <ul style="list-style-type: none"> <li>• Workplace risk prevention audits</li> <li>• Workplace risk prevention training</li> </ul>	<p><b>Communication, satisfaction, and initiatives for involving employees</b></p> <ul style="list-style-type: none"> <li>• Meetings with the CEO</li> <li>• Growing up together</li> <li>• Workplace satisfaction survey</li> <li>• Outdoor Toledo</li> <li>• Neinor Day</li> <li>• Christmas party</li> </ul>	
<p> <b>179 Workplace risk prevention training hours</b> <b>1.8% absenteeism</b></p>		<p> <b>71% satisfaction index</b> <b>58% survey participation</b></p>	

How do we work with our suppliers?

### We are strategic partners with our suppliers

<p><b>Responsible purchasing management</b></p> <ul style="list-style-type: none"> <li>• Procedure for managing purchasing</li> <li>• Mandatory clauses</li> <li>• Construction firm bidding process</li> </ul>	 <p><b>FRAMEWORK AGREEMENTS</b> with manufacturers aimed at win-win resolutions and to become strategic partners</p>	<p><b>Selection and qualification of suppliers</b></p> <ul style="list-style-type: none"> <li>• There are acceptance and inclusion procedures</li> <li>• 100% of contracts feature ESG clauses</li> <li>• Sustainability and environmental requirements</li> </ul>	
<p><b>Safety, health, and awareness requirements</b></p> <ul style="list-style-type: none"> <li>• Manual of good practices</li> <li>• Safety coordinator</li> <li>• Safety and health audits</li> </ul>	<p><b>Communication, satisfaction, and collaboration</b></p> <ul style="list-style-type: none"> <li>• Bilateral communication</li> <li>• App. to assess perception of Neinor Homes</li> <li>• Collaboration initiatives</li> </ul>		
<p> <b>171 suppliers</b> admitted in 2018</p> <p> <b>375 outsourcers</b> assessed</p>	<p> <b>67.3% local suppliers</b> in 2018</p> <p> <b>50 safety and health audits</b></p>	<p> <b>434 million euros</b> in approved purchases</p> <p> <b>80.7%</b> comply with the Good Practices Manual</p>	<p> <b>105 suppliers</b> admitted in 2018</p> <p> <b>27.92</b> accident frequency index</p>

## 2. Interview with the CEO

### **Considering Spain's current social and economic environment, how would you analyze its real estate sector during 2018?**

2018 was a year in which the sector's expansion phase was consolidated. The residential sector underwent a serious transformation after the economic crisis unleashed in 2008; after a decade of progress, with past errors rectified, the sector today is mature and professionalized, with a long road ahead.

Positive macroeconomic indicators including employment growth and the interest in real estate as an investment, accompanied by interesting financing conditions consolidated today's growing demand for homes, with an insufficient supply to meet it.

### **Focusing more closely on Neinor Homes' activities - what were the company's key benchmarks in 2018?**

This year was significant for Neinor Homes as a company, in that we were able to cap off the year's developments, transforming into the first property developer in this new cycle positioned to deliver over 1,000 homes in 2018. Thanks to all the efforts made over the past three years, we are currently launching, selling, and delivering ready homes.

In summary, we have moved forward and worked hard to establish this new sector in line with our customers' current needs while still focusing on our key principles of innovation, industrialization, and the construction of a new solvent and mature market.

### **Customers are considered one of Neinor Homes' strategic pillars; what actions do you take to be able to offer unparalleled service while also meeting your stringent standards?**

People now demand quality service; when the conversation turns to real estate, the discussion is focused on what will probably be the most important purchase decision they will ever make. Customers have changed a great deal: today's homebuyer uses a much more rigorous approach based on the expectation of excellent service, and as a company, we should keep this mind when taking the challenge while advancing forward in our capacity to respond. We must take that extra step and state that yes, our customers are our priority, and back this statement up with actions. In this vein, in 2018 we launched our new NE call center devoted to handling our customers' needs; in any event, we must continue advancing in this direction, as this represents one of our biggest future challenges.

### **You at Neinor Homes are keen on differentiating yourselves to be able to offer innovative products: what sets your homes apart from the rest?**

We at Neinor Homes understand innovation as a matter of survival, a need that all sector players must assume. The company's innovation is borne out of the firm conviction that the real estate market is ripe for a radical transformation, and must evolve so as not to die on the way. This is why innovation is at the heart of the company, reflected in aspects such as new collaborative work methodologies, sustainability - healthy, safe homes which are BREEAM and Spatium Seal certification candidates -, or unique real estate development services, such as using insurance to cover unexpected economic burdens, or facilities to help sell their former homes.

### **For a company having grown as quickly as Neinor Homes has, attracting and retaining good talent is key. What are its main employee-related actions?**

Indeed, we are a company currently immersed in a period of continuous growth, and therefore we take a very responsible approach to managing our personnel. In reality, it is our employees who are leading the necessary sector transformation with their diligence and talent.

Neinor Homes is a point of reference for its workers as well as other sector companies. 2018 was a very internal year professionally in the real estate market, with new players coming onstage, willing to set up new teams practically from scratch, creating internal waves in companies. We are aware that Neinor Homes employees are among the top talent around, and as such, these companies do their best to attract our staff. This is why we, to retain our talent, are faced with the challenge of offering better incentives (both economic and emotional in nature) which foster a feeling of belonging to Neinor Homes. We are proud of our fantastic team of over 271 professionals, and are convinced that we will continue to lead the pack as benchmarks in the Spanish residential home market.

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

Without a doubt, the hugest challenge in the sector will be emerging from this real estate cycle totally adapted to society's new housing needs, and we are quite optimistic as it's clear that we are not the only entity heading in that direction.

However, there are still many challenges ahead before we reach that goal. It will be crucial to establish a dialogue between the public and companies making it possible to enact the necessary legislative amendments to simplify laws currently on the books, and create technical and de-politicized organs generating land based on each town's technical needs and reasons.

We should also deal with this situation by granting market entry to the new generation, seeking a buying experience which differs from those their parents and grandparents experienced.

In short, our focus must be on consolidating this new sector in line with customers' current needs, based on a rigorous, disciplined, and industrialized approach, thereby gaining the trust of all our stakeholders, confident in our sure and clear business model.



## 3. Neinor Homes, the residential property developer aiming to transform the sector

*As a promoter of residential properties, we apply best practices throughout our activity with warm and responsible relationships with our customers; we are by their side during what is likely the most important decision they will ever make: choosing a home.*

### 3.1. Our identity

Neinor Homes is a listed Spanish company in the **residential promotion** sector, selling first and second homes for customers in the median/median-high segments, and homes designed for lease through specialized intermediaries. Unlike other Spanish residential property developers, our business model is based on **best practices**. Its motto “We build homes with people in mind” emphasized the company's commitment to its customers; we are convinced that our **customers have to be at the heart** of all the decisions we make.

Our *raison d'être* arises from **three strategic pillars**:

#### Customers



At Neinor Homes, we create new homes with peoples' **real needs** in mind, and that's why we pay attention to their requests and demands. Our **customers** are at the heart of this strategy, and we proactively accompany them throughout the sale and after they have been presented their keys.

#### Product



At Neinor Homes we take special care with **the design and distribution** of our new homes, forging a close bond through our **quality, innovation, and sustainable construction**, characterized by maximum energy efficiency and user comfort. They all have energy ratings of A or B, BREEAM® Certificates, and the Spatium safety and health seal of excellence.

#### Institutionalization



We try new approaches and continually optimize our processes thanks to a business model based on **process-systematization, rigor, and transparency**. As a result, we can evolve and become more efficient by always offering our customers quality unlike any other on the market.

### 3.2. A new trajectory, a long road travelled

Neinor Homes began operating formally in **May 2015** with the clear objective of **leading the transformation of the real estate sector**, to become the **benchmark for customer service and quality**. Despite its short lifespan, the firm is supported by nearly 30 years of experience thanks to its predecessor, the Kutxabank real estate subsidiary; Neinor Homes was spun off, to become an **independent real estate development firm**. Currently we are immersed in a professional partnership with the financial institution, in which Neinor Homes acts as servicer.

Neinor Homes reached new heights on March 29, 2017 thanks to its **launch on the Spanish Stock Exchange**: it is listed on the Madrid, Barcelona, Bilbao, and Valencia secondary markets. It was the first stock market launch by a residential promoter in Europe during the past decade, a huge success which launched the demand for shares into the stratosphere starting the first day.

***In just three years, Neinor Homes has become Spain's benchmark real estate developer***

**Achievements and our rapid growth** until now (over 1,000 homes delivered during the past year) are the fruit of our firm strategy, solid investments in innovation and technology, and the talent of our professionals; we are now the **sector's gold standard company**. This is how we managed to increase our headcount 3.4 times, going from 80 to 271 employees.

Neinor Homes' goal and ambition is to apply innovation to a sector which has historically been resistant to change, incorporating best practices and ideas taken from other sectors, with the commitment to a culture of permanent innovation across all the company's areas. We are looking towards a **new business model** which is more

professional, customer-focused, rigorous, ethical, transparent, and clearly aimed toward industrialization. This involves the professionalization of the Spanish residential real estate sector based on an industrial and business model established on three strategic pillars: institutionalization, the product, and our customers.

### 3.3. Mission, vision, and values

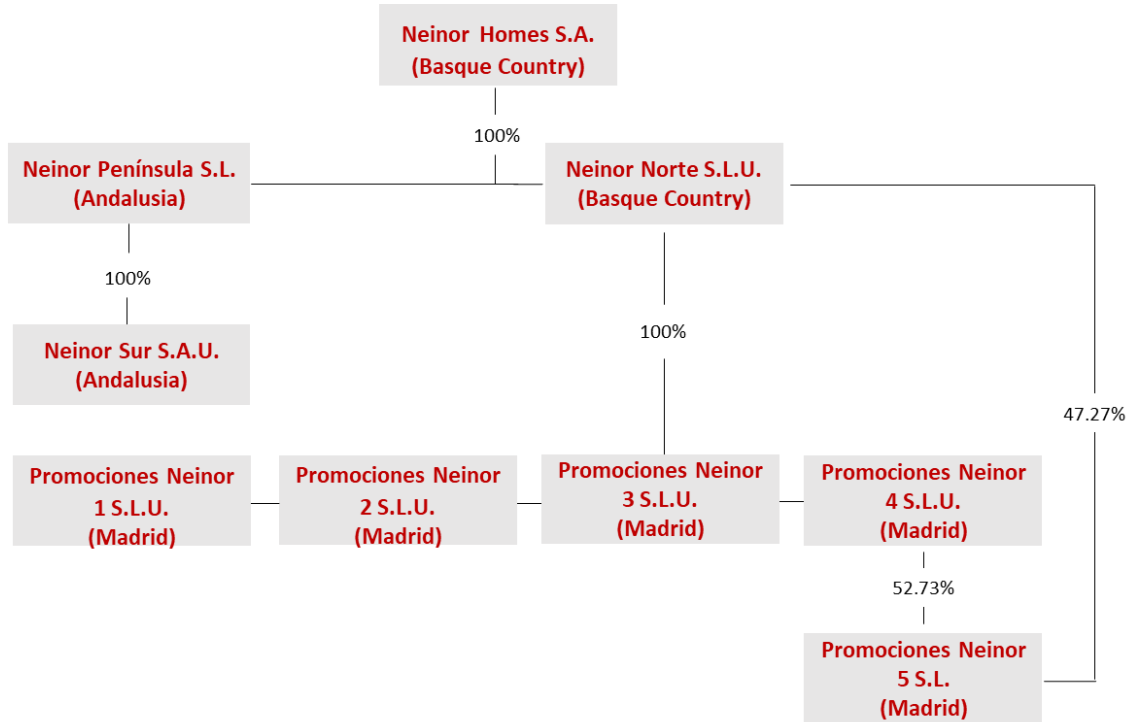
Neinor Homes performs its activity in a highly competitive environment based on its mission and vision which state its **aspirations** and **objectives**, based on a foundation of **values** which are closely linked to its three strategic pillars: customers, product, and institutionalization.



### 3.4. Property structure

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

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



## 4. We create value based on a responsible business model

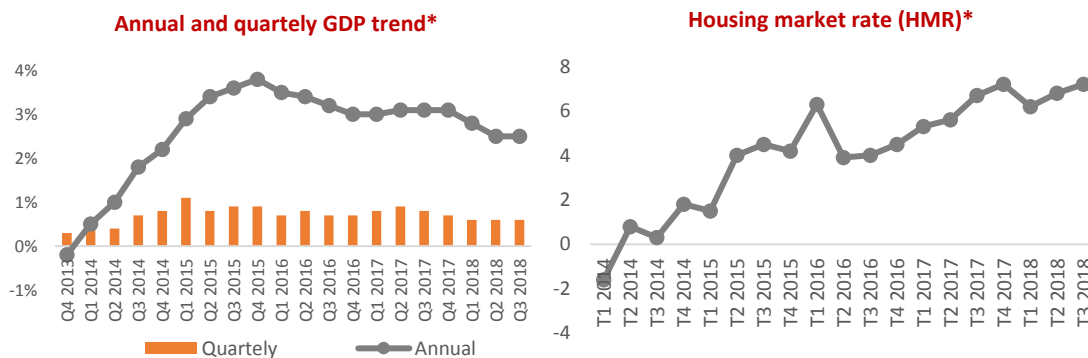
*Customer satisfaction is at the heart of our business model, which is based on the responsible performance of our activities while meeting our stakeholder commitments.*

### 4.1. Economic and social environment

In previous years, the **housing market** in Spain suffered a grave crisis underpinned by the country's general economic situation. In 2016, the first indications of a reactivation in the real estate business became evident; recovery was confirmed in 2017. Based on the most recent GDP figures published by the National Statistics Institute (INE), during 2018 the Spanish economy grew 2.5%, against a global backdrop which coloured **Spain's economy**.

*Neinor Homes embraces change, fostering innovation, new technologies and sustainability*

For two sectors (real estate and construction) which are mainly bolstered by the strong **demand for housing**, the above data serves as a solid foundation for steady growth. Employment and construction still generate greater quantity than other sectors, while consumer confidence and industry in general eroded during the year, although construction sturdily withstood the challenge. **Low interest rates** are increasing consumer confidence, and substantially improving Spaniards' degree of access to home ownership. Financial entities are beginning to offer new facilities for **access to mortgages**. All the above has reverberated on baseline data, which indicates that the housing market will remain stable in the principal Spanish markets, with a **recurring demand** despite the generalized respective price increase in new and used homes of 7.2% during the year. The interest buying a home is growing in the minds of visitors to Spain, fostering the sector's activity in the more touristic areas, and partially explaining the rise in the price of second homes.



\*Source: National Statistics Institute

Within the **context of a certain degree of economic stability**, with the housing promotion sector involving a complex chain of events featuring a number of different protagonists under the influence of the more transcendental trends and tendencies in the current climate, such as urban development, demographic growth, diminishing resources, environmental impact, and emerging technologies, Neinor Homes stands tall in the face of these factors thanks to critical analysis based on **cutting-edge technology, innovation, and sustainability**. The internal and external **use of Big Data** allows the company to gain a better understanding of its trajectory, helping it to make strategic decisions in a climate which is increasingly vulnerable to change, making it necessary to **grab and take advantage** of opportunities as they arise. Improved skills related to **listening to and hearing our current and potential customers** give us a better understanding of the direction in which the market is headed. During 2018,

Neinor Homes managed **sales totalling 830 million euros** (including *servicing* sales), thereby surpassing 2017 by 8.59%.

### Neinor Homes transforming the sector

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

Neinor Homes is aware that the future of the sector is contingent on committing to new trends and technologies which will transform the homes of the future, and offering novel services and options to customers who are increasingly demanding. We launched our *Home Innovation Center*, which is a space devoted to fostering the transformation of the residential real estate sector, developing initiatives such as *Neinor Next*, Neinor Homes' *startup* accelerator. The idea is to establish a meeting point between residential construction and cutting-edge technologies applied in the sector, to create a new promotion model and design the homes of the XXI century.

**Economic scenarios** contemplate a **soft GDP deceleration** in upcoming years, ranging from 2.6% in 2018 to 2% in 2021. However, **real estate sector forecasts are more heartening**: they reflect a demand for homes which thus far has not reached its ceiling, maintaining **stable growth** in 209. Housing supply has a long road ahead of it, and should advance in a balanced manner in upcoming years, with a sustained drop in unemployment and increased gross income in Spanish homes.

*The outlook of the real estate sector is positive thanks to the sustained growth expected as a result of the demand for homes*

After last decade's precedent, in which the sector reacted far too slowly to the economic crisis unleashed, it seems difficult to foresee when the next episode might take place. Nonetheless, we can state that the effect on the sector should not be quite as traumatic, as the **absolute quantity of new homes is more modest**.

## 4.2. Securities portfolio performance

Neinor Homes **shares were launched on the market on March 29, 2017** at 16.46 euros per share, and the placement of 60.45% of the capital by Lone Star. On December 31, 2017, the company shares were listed at 18.30 euros, increasing its value 11% in under a year.

However, during 2018 Neinor Homes shares **dropped 29% to 13 euros per share**, while the **IBEX 35 withdrew 15%**, and the **IBEX Small Cap 7%**.



Sector companies witnessed a general drop in share price, chiefly as a result of three factors:



**Uncertain license-obtainment procedures:** several long delays occurred in the process for granting licenses during the year, with a serious impact on project deadlines.



**Inflated building costs:** this has been the biggest worry within the market this year. Investors and analysts are being especially careful in the fact that increased construction costs created by a lack of qualified labour will negatively affect margins.



**Global economy slowdown:** at the end of the year, markets underwent corrections due to signs of slowing down global economies. In particular, Spain should continue growing over the European average, but growth estimates were moderated by top governmental agencies; as a result, sectors which are more cyclical in nature (including real estate) were the most punished.

In efforts towards transparency, and to guarantee the quality standards of the homes planned for delivery in these current market conditions, during February 2018 Neinor Homes released more realistic forecasts during its presentation of the 2017 annual results. Estimated deliveries for 2018 and 2019 were forecasted to drop, considered an appropriate step for shareholders in the long term.

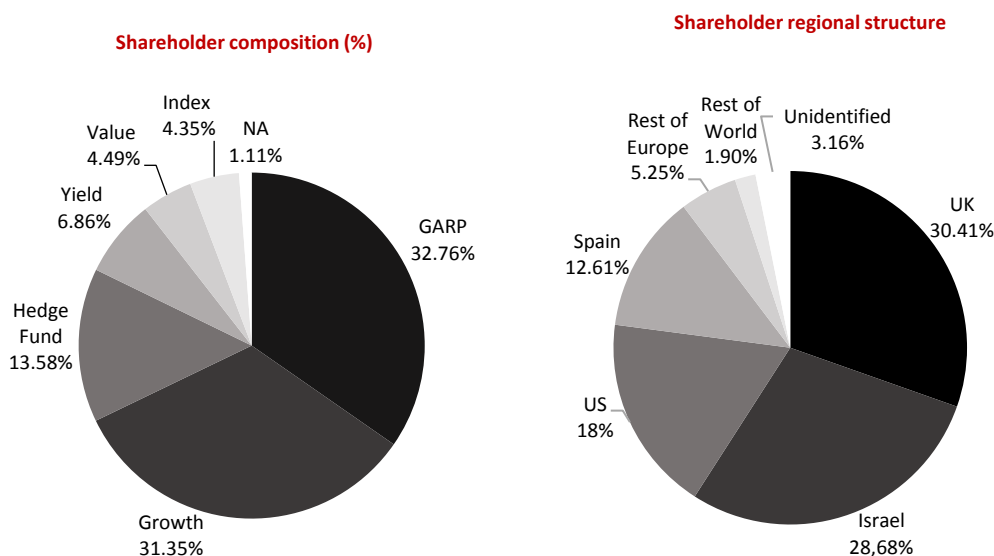
**According to analysts, the objective median sales price has a 43% likelihood of valuation potential**

Throughout the year the number of **company analysts** rose to 17 when *Link Securities* and *Goldman Sachs* came into play. *Deutsche Bank* ceased its coverage of HN as its analyst departed. As a result of the *profit warning*, the analysts revised their estimates downward. Even with these measures, the objective median price is 18.65 euros, representing **43% of revaluation potential**.

Bank	Analyst	Recommendation	Share price (euros)	Latest update
<b>Alantra</b>	Fernando Abril-Martorell	BUY	17	10/18/2018
<b>Bankinter</b>	Juan Moreno	BUY	18.55	7/24/2018
<b>Caixa-BPI</b>	Flora Trinidad	BUY	21.35	6/13/2018
<b>Citi</b>	Ami Galla	NEUTRAL	16.34	2/23/2018
<b>Credit Suisse</b>	Samuel Thomas	BUY	21	4/24/2018
<b>EXANE BNP</b>	Michael Burt	BUY	19.3	11/7/2018
<b>Fidentiis</b>	Pepa Chapa	BUY	19.74	6/14/2018
<b>Goldman Sachs</b>	Alex Fries	BUY	20.8	12/10/2018
<b>Capital markets</b>	Daniel Gandoy	BUY	21.5	7/23/2018
<b>JPMorgan</b>	Emily Biddulph	NEUTRAL	17.3	7/24/2018
<b>Link Securities</b>	Paula Sampedro	BUY	19.67	3/15/2018
<b>Mirabaud</b>	Ignacio Méndez	BUY	17.4	7/24/2018
<b>Norbolsa</b>	Nagore Diez	BUY	17	10/17/2018
<b>Sabadell</b>	Ignacio Romero	BUY	19.6	6/4/2018
<b>Santander</b>	José Cravo	BUY	18.8	11/7/2018
<b>Société Générale</b>	Alvaro Soriano de Miguel	BUY	19	11/1/2018
<b>Kepler Cheveraux</b>	Mariano Miguel	SELL	12.1	11/7/2018

During the month of November of 2018, Neinor Homes hired a third party to conduct a **study of the shareholders' registry** to analyze the estimated composition of the company's shareholder structure. The study indicated that 32.76% of share capital was in the hands of **GARP** investors (those who chose companies with moderate growth forecasts), while 31.35% are in the hands of **Growth** investors (investors preferring strong potential for growth), and 13.58% held by **Hedge Funds** (investors with short-term investment cycles). The final 1% is held by **Specialist** investors (specialized in investments in real estate sector companies). The remaining 16.81% of capital is distributed among Yield, Value, and Index investors.

In regard to the **geographical distribution**, Neinor Homes' shareholders are chiefly from the United Kingdom (30.41%) and Israel (28.68%).



The following table presents our **shareholder structure** on December 31, 2018:

Name or corporate name of shareholder	% shareholder voting rights		% voting rights linked to exercising financial instruments	% total voting rights
	Direct	Indirect		
	0	26.02%	2.66%	28.68%
BANK OF MONTREAL	0	5.21%	0	5.21%
INVESCO LIMITED	0	5.02%	0	5.02%
JULIUS BAER GROUP, LTD	0	4.27%	0.74%	5.01%
KSAC EUROPE HOLDINGS, L.P.	0	4.20%	0	4.20%
NORGES BANK	2.67%	0	1.89%	4.56%
PORTSEA AM	0	0	3.27%	3.27%

### 4.3. Industrialized, customer-focused business model

Neinor Homes **promotes first and second homes in Spain** under the motto: "We build homes with people in mind." Unlike other sector companies, it **purchases developed land** at market rates and **strategic land in a late urban development** stage without running financial risks should it not be terminated, thereby obtaining a profit margin from transforming the land into homes. Neinor Homes also manages **all the phases of its value chain residential promotion process**, including the acquisition of land, and the management, design, construction, and sale of its products, as well as post-sales service. Its business model is based on the industrialization and systemization of processes, involving all company participants in its objectives and business strategy. This involves **all our employees in creating a different real estate promoter**.

*Neinor Homes also manages all the phases of its value chain residential promotion process*

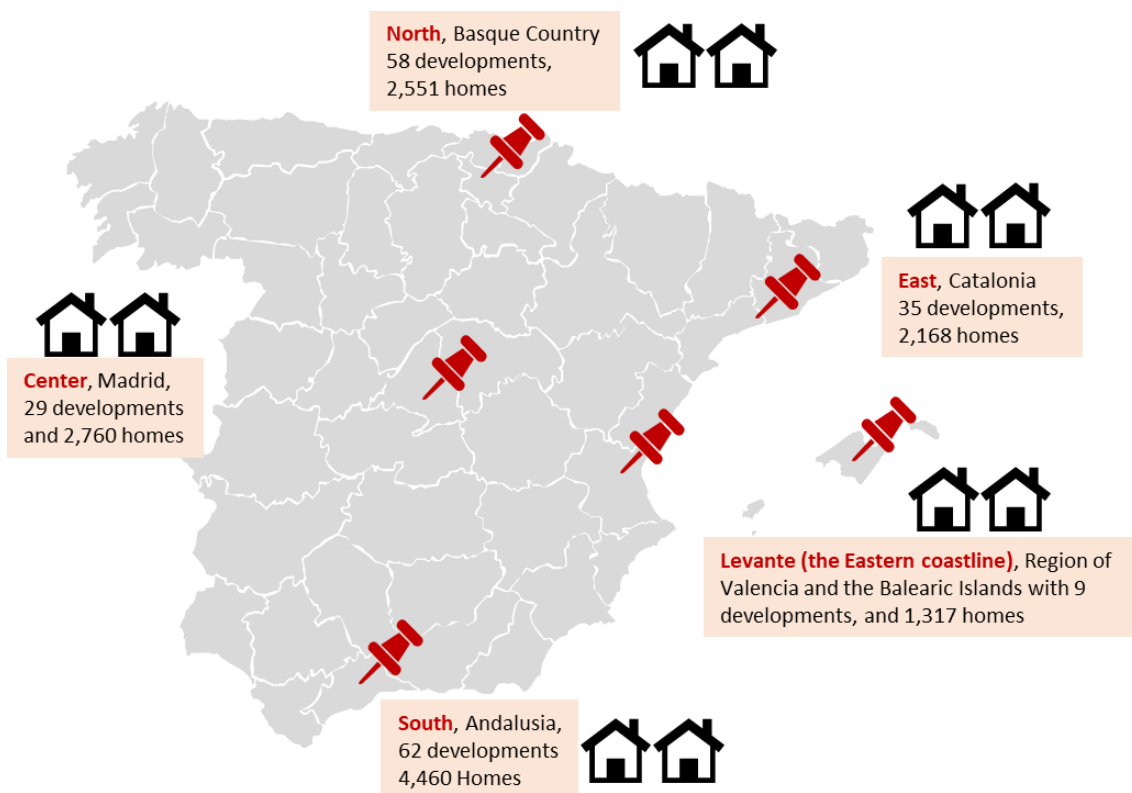
Neinor Homes uses an **industrial model based on 6 key pillars**:

<p><b>Systematization</b></p> <p>Systemizing the company's processes allows us to <b>work under clearly-defined rules</b> for all our promotions.</p>	<p><b>Standardization</b></p> <p>Neinor Homes wrote its <b>construction White Paper</b>, which establishes its design criteria and product attributes, which are adapted and applied to all its products.</p>	<p><b>Rigor</b></p> <p>Rigorous <b>compliance with development deadlines</b> focused on margins are clear aspects of the company's industrial model, which is a big part of how it meets its commitments with customers and shareholders.</p>
<p><b>Surrounding</b></p> <p>Neinor Homes teams form part of a <b>production chain</b> made up of diverse roles and processes.</p>	<p><b>Innovation</b></p> <p>Thanks to <b>innovation</b>, Neinor Homes <b>optimizes</b> the development of different processes, incorporates new services, building systems, technologies, and materials.</p>	<p><b>Technology</b></p> <p>The overall value chain is integrated into a <b>digital environment</b>, in order to increase productivity, foster collaborations, and decision-making based on reliable data.</p>

We are responsible and committed to **protecting the environment**, and as such, are devoted to **sustainable building**: all our homes are **eco-efficient**, offering our clients maximum energy efficiency and user comfort.

### 4.3.1. Key Neinor Homes figures

Neinor Homes currently featured **the largest portfolio of quality developed land in Spain**, covering a surface of **1.7 million m<sup>2</sup>** at an approximate asset value of **1,873 million euros**. There is surface **capacity to develop 193 promotions and 13,256 homes**. It is distributed geographically across **Madrid, Catalonia, the Basque and Valencia regions, Balearic Islands, and Andalusia**, including the Costa del Sol.



Neinor Homes' other fundamental business model component in its value chain is its **residential promotion launches**. 2018 was a year of deep institutional development, with Neinor Homes consolidated as Spain's gold-standard promoter, thanks to **delivering over 1,000 homes, with another 100 promotions underway**. Over the year, a total of 1,600 newly-built homes were pre-sold, surpassing data for 2017. In upcoming years the number of promotions and deliveries planned will rise, thus consolidating use as the country's leading residential promoter.



We never take our focus off our **customers, at the heart of our company**: our challenge is to set sector trends within a framework which **stands out thanks to its seriousness, commitment, and closeness, based on continuous improvement** as part of our DNA.

### 4.3.2. Creation of value for our stakeholders



#### Economic value

Neinor Homes is one of the **engines** driving the Spanish real estate sector forward **economically**. During 2018, our **investments** in land totaled 246 million euros. Total income for the year amounted to **380 million euros**, representing positive **net profit** of 46.0 million euros, which was also greatly affected by the 4 million euros in expenses to be devoted to the economic input-output matrix (MIP). Adjusting these expenses leaves **net profit** of 50.0 million euros. **Total operating EBIDTA** was 52.3 million euros, yet when adjusted by eliminating the above MIP of 56.3. The **net carrying amount of Neinor Homes' stock** was 1,230 million euros, which is 7.6% more than during 2017\*.

#### Economic value generated

**382 million euros**  
(ordinary income + other income + gains/(losses) on disposals of non-current assets)



#### Distributed economic value

**322 million euros** (costs of inventory + operating costs + finance + personnel costs)



#### Retained economic value

**60 million euros**

\*Further information is available on the Financial Statements.



#### Social value

Apart from contributing to the transformation, professionalization, and recovery of the Spanish residential sector, Neinor Homes seeks to sell homes which **meet its customers' needs, and assist social and economic development** wherever they are located.

Neinor Homes has used outsourcing since its origins. **Our 271 employees work with the sector's best outside professionals**, ranging from architects to project managers working in construction firms, quality control, geology, etc. Therefore, Neinor Homes is at the head of the sector, with a solid nationwide presence; in 2018, indirect employment was generated for **6,429 professionals**. During the upcoming years a total of 10,000 home will be built and delivered, representing the creation of 6,000 additional indirect jobs.



**271**  
**direct**  
**employment**



**6,429**  
**indirect**  
**employment<sup>1</sup>**

<sup>1</sup>Based on criteria of the Madrid Association of Real Estate Promoters (ASPRIMA), indirect employment = 2,678 homes made available in 2018 x 2.4



### Environmental value

Neinor Homes is committed to protecting the environment and within the scope of its possibilities, **preserves and respects** it, marking demanding challenges for working in a more sustainable manner, while seeking out solutions that allow it to reduce the environmental impact of all its corporate activity. This pledge is reflected in that the majority of its homes feature the prestigious **BREEAM sustainability certificate**. Of 88 developments currently registered in Spain for obtaining BREEAM certificates, 28 belong to Neinor Homes; 60% of the total number of certified homes in Spain are ours.

During December 2016, AENOR certified Neinor Homes as **ISO 14001-compliant** in Environmental Management thanks to its measures designed to protect the environment reflected in its sustainable and energetically efficient buildings. Another reflection of Neinor Homes' dedication to preserving the environment is that in 2017 it approved **Quality, Safety, and Environmental Policies** which expect all employees to comply with environmental protection legislation and promote the use of sustainable techniques in the company's homes and daily activities. Environmental sensitivity campaigns are held to spread awareness to employees of the importance of reducing their energy consumption and use of paper; indeed, in 2017 a paperless campaign began including recommendations on how to drop consumption, with more new initiatives carried out in 2018 to reduce energy consumption.



**Quality, Safety,  
and  
Environmental**



**ISO 14001  
Environmental  
Management**

### 4.3.3. The Neinor Homes brand

Neinor Homes brand is positioned as the leader of the Spanish residential real estate market, which strengthens our image and attractiveness to investors as a **stable and solvent company in both financial and shareholding terms**. This solid and unique corporate image is based on a **differentiating** ourselves from the competition, based on **positioning** reflecting innovation, quality, and customer focus.

Our **customers and products represent the solid foundation** supporting Neinor Homes, and with this in mind, attractive and innovative marketing campaigns have been developed to communicate clear and direct messages using a graphic identity which four the company's message, and represents our values. All other online and offline marketing materials are focused on providing our clients **the most complete, truthful, and quality information** possible to help them make their purchase decision. During the last quarter of 2018, a new marketing promotion campaign was addressed to potential customers. Activities used to accurately pinpoint the customer target group included more effective marketing campaigns, and always offering a product which best adapts to the needs of our potential customers.

***Neinor Homes offers a corporate brand differentiated from the competition***

Neinor Homes' real estate agents receive continuous and specialized training based on advanced technological resources, allowing customers to indulge in a unique home-buying experience. Service quality is monitored on a continuous basis through the implementation of auditing systems as well as Mystery Shoppers.

## 4.4. Corporate Social Responsibility as internal activity framework

### 4.4.1. Corporate Social Responsibility Policy

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

Neinor Homes' Social Corporate Responsibility is managed by the **Sustainability Committee**, which reports

#### **CSR General Policy Objectives**

Neinor Homes' CSR objectives include:

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

to the CEO, as established in the principles outlined in its **Corporate Social Responsibility General Policy**. Supervision and monitoring the application of the Policies falls to the Audit and Control Committee.

#### 4.4.2. Corporate Social Responsibility Master Plan: 2020 Vision

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

**86% of established objectives were met in 2018, with the remainder to be covered in 2019**



#### Customer

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

<p><b>Decision-making</b></p> <p>At all times Neinor Homes focuses on customers at the center of the decision-making process by listening to and <b>considering their needs</b> so as to assist in every aspect of choosing the perfect home, including handing over the keys as well as during the post-sales process. This is translated into constantly <b>focusing on customer satisfaction</b>, aligning expectations with project profitability.</p>	<p><b>Experience</b></p> <p>“Customers as our reason for existing” is a key principle guiding our search for better technical and economic solutions for each one. <b>This involves continuously following up the quality of service provided</b>, thanks to satisfaction questionnaires, to thereby offer stellar service.</p>	<p><b>Communication</b></p> <p>Neinor Homes has developed a strategy of <b>continuous, transparent, and two-way communication</b> with our customers throughout the overall home-purchasing life cycle. It is always at the vanguard of new communication tools in this regard.</p>
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## Product

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

### Product excellence

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

### Product sustainability

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

### Social and economic contribution

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

## Institutionalization

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

### Suppliers

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

### Innovation

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

### Investors and stakeholders

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

### Governance, transparency, and integrity

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

### ESG risks

Neinor Homes uses a risk management process to **identify, analyze, and mitigate** any possible events which might affect the company, while integrating the process within our business strategy.

### People as strategic assets

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

## Corporate Social Responsibility Master Plan monitoring:

In July 2018, **the most recent update of the Corporate Social Master Plan objectives assessment** took place. Of the 50 objectives, **a total of 86% were achieved**, representing a total of **43 concluded or near conclusion**. Therefore, only 7 goals remain, which should be met during 2019.

### Corporate Social Responsibility Master Plan objectives achieved in 2018

The following activities were performed/concluded as part of the Corporate Social Responsibility Master Plan since February 2018, including achievements until now:

Strategic pillars	Action plan
Customers	Incorporate feedback on matters such as ESG issues related to developing products and services
	Monitor financing data provided by customers
	Boost the usage of Big Data to gain a better understanding of our customers, their needs, and expectations
	Listen to our clients to include their visions and needs during the home-design process
	Continue to create actions to ensure the protection of customer data
Product	Our Strategic Environmental and Quality Plan offers a special approach to the collection and reporting of key environmental and quality indicators
Institutionalization	Improve the quality of financial and non-financial reporting based on international standards (GRI, IIR, or bodies such as EPRA).
	Advance forward with CSR recommendations taken from the CNMV's Code of Good Governance: board assessment, responsibility matrix, remuneration report, etc.

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

In order to make further progress to be considered the benchmark in Corporate Social Responsibility, the Sustainability Committee proposed a new list of 33 goals for 2018-2019, which can be broken down as follows:

- **Customers:** 9 goals, including: reduce the time it takes to respond/resolve customer issues, improve the Neinor Experience platform, design tutorials on the house's ecological features, or foster easier access to mortgages
- **Product:** 3 goals on recycling and new materials to be included when constructing the homes in a more sustainable and safe fashion
- **Institutionalization:** 21 goals on prevention of money laundering, Corporate Social Responsibility, maintaining ISO Certificates, etc.

The **Audit and Control Committee oversees the Corporate Social Responsibility Master Plan** and follows up compliance with objectives

### Sector analyses and focus on international standards

Apart from attaining 86% of the initial objectives outlined in the CSR Plan, during 2018 Neinor Homes took **further steps in CSR direction**, such as joining associations or adhering to international principles:

#### Alliance with Forética

Forética is a leading association in Spain and Latin America, with corporate and professional members who lead in terms of corporate social responsibility and sustainability. Its mission is to **foster social integration, the environment, and good governance** in strategies and managing companies and organizations. There are currently some 200 members, with 40% of the IBEX 35 companies involved, including multinationals, SMEs, and several outstanding NGO's.



Neinor Homes **joined** in December of 2017 and is a member of the following clusters:

- **Transparency, Good Governance, and Integrity:** comprised of 59 corporations representing 20% of Spain's GDP in invoicing volume, designed to serve as the meeting point for matters such as leadership, knowledge, sharing, and dialogue.
- **Social impact:** made up of 60 large companies included listed IBEX 35 corporations, multinational subsidiaries, and family businesses. It serves as a meeting point for discussions on leadership, knowledge, sharing, and dialogue on matters related to social impact.

#### Inclusion in the Circular Economy Compact

Neinor Homes is onboard the Circular Economy Compact fostered by the Ecological Transition Ministry, which is focused on **involving Spain's leading economic and social stakeholders in making the transition to a new economic model** based on using the most durable materials and resources on the market to reduce waste generation.

Neinor Homes was recently awarded the **IV Good Governance and Shareholders' Forum Award** granted jointly by the consulting firm ATREVIA and IESE Business School. The main purpose of the award is to **identify best practices and reward especially-notable efforts** made by listed Spanish companies to improve relations with and care for their shareholders; this edition's focus was on the **commitment to transparency** and innovation. This award is a relevant step forward for Neinor Homes as a listed company.

**Neinor Homes was awarded in 2018 the IV Good Governance and Shareholders' Forum Award granted by ATREVIA and IESE**

#### Sector associations to which Neinor Homes belongs

- Association of Real Estate Developers of Vizcaya (ASCOBI)
- Association of Catalan Promoters (APCE)
- Association of Real Estate Developers of Madrid (ASPRIMA)

### 4.4.3. Quality and environment management

By applying established CSR principles inherent to our commitment to offering our customers and other stakeholders unparalleled quality standards in all our products and activities, Neinor Homes must efficiently manage the quality and environmental effects of our day-to-day activities. Neinor Homes **Quality, Environment, and Innovation Policies** were just recently reviewed in September of 2017, and are focused on attaining management excellence in satisfying our stakeholders' expectations and needs. Thanks to our inspiring leadership abilities, and with our 3 key strategic pillars as foundation, Neinor Homes shows our commitment to our customers by offering and guaranteeing exclusive and personalized customer service, and responding to our needs throughout the entire life cycle when acquiring their homes. The continual focus on a search for innovation is a fundamental part of the company's DNA, reflected in our commitment to the environment which is evident in our sustainable, energy-efficient projects.

Since 2016 Neinor Homes' **Quality Committee** has been in charge of establishing annual objectives towards excellence and monitoring them, holding meetings every 6 weeks. The Committee members are top executives from the areas and departments involved in quality, with the company CEO heading the meetings. During 2018, the priority was systemizing and ensuring the good implementation of the lessons learned during prior years. Other areas will be focused on during the year, including:

- **Delving deeper into the EQFM model** and the areas for improvement detected during an external assessment:
  - ✓ Focus on working on improving the personal criteria improvement areas
  - ✓ Design an EQFM dashboard
  - ✓ Gain a better understanding of stakeholder needs and expectations
  - ✓ Contrast performance and competence
- Approval of procedures arising from nonconformity, observations, and **areas for improvement** included in the audit report for the following **certifications: ISO 9001, ISO 14001, and UNE 166002** performed in November 2017.
- Action plan to handle the **areas deemed worst in the Neinor survey** distributed to key suppliers
- Critical review, cohesion, and **simplification of procedures**
- Prepare a new, **revised training procedures**

#### AENOR quality, environment and innovation as well as information security certifications

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

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

Neinor Homes was granted the **European Excellence Model award (EFQM 300+)**, which reflects its solid commitment to internal and external quality, and continuous improvement. The related assessment report indicated the following as the company's **best practices**: internal compliance control system, management of

suppliers as necessary and critical business allies, and a strong commitment to industrializing real estate promotion services.

Neinor Homes' activity involves a large number of suppliers and contractors who collaborate on the projects. To ensure **sterling quality standards**, they must all comply with the terms of the contracts, as well as the implications in the White Paper, a design and construction manual intended to standardize quality, sustainability, and design standards of all the real estate developments. During 2015, 69% of the promotions launched included the requirements for being awarded the **BREEAM sustainability certificate** of Good or higher, which is an indication of the extraordinary level of sustainability of its buildings. 100% of our promotions launched during the year attained energy certificate B or higher.

**Neinor Homes was granted the European Excellence Model award (EFQM 300+)**

Reducing the environmental impact of all our offices is yet another key focus for Neinor Homes; therefore, we also devote our efforts to minimize the consumption of energy, as well as paper and toner:

#### Contracting green energy



Green energy was contracted with Alcanzia Energia in August 2018 for our **offices in Bilbao, Barcelona, and Cordoba**; the Valencia office has been using it since 2017.

#### Measures for reducing energy consumption



**New LED light bulbs** are now used in installations. The Bilbao office has installed **movement sensors** which turn off the lights automatically when there is no one present.

#### Paperless policies



During 2017, we established our paperless policies throughout the company, including **recommendations on how to decrease paper consumption** (for example, double-side printing, sending employees quarterly reminder emails, etc.)

#### Dual display screens



Another measure adopted to reduce paper consumption was the inclusion of more dual-screen working spaces: these help **avoid unnecessary printing** for teams needing to increase the size of their documents (i.e., an accounting team)

By applying all the above measures, Neinor Homes has noted continuous improvement in our offices' **environmental indicators**. **Energy consumption** rose 2018 14.8% vs. 2017 in our offices, a total of **295.521 kWh**. However, this increase is associated to a 13.28% rise in staff **paper consumption** dropped 25.14% in 2018 vs. 2017, with total consumption amounting to **3,665 kg**, 1,527 packages, and an average per-person consumption of 1.5 packages (2017: 2,039 packages and 5.4 kg per person).

Neinor Homes applies applicable legislation to **selective waste collection** when collecting and treating confidential papers, fluorescent bulbs, toner, batteries, and sanitary napkins, and outsources these tasks to an external-treatment firm, which collects office waste. During 2018, a total of **5,848 kg of confidential papers were generated, 0.6 kg fluorescents, 98 kg toner, 9.9 kg batteries, and 90 kg sanitary napkins**.

### 4.5. The relevance of communicating with our stakeholders

Neinor Homes communicates the corporate and professional work it carries out openly and visibly. Communication plays a starring role, and is especially focused on the company's contributions to improving and professionalizing the sector in which it competes. Neinor Homes is aware that if it doesn't proudly communicate and reveal all it does, it is unlikely the market and customers will be aware; that's why our efforts are focused on **effectively communicating our market attributes** (innovation, customer safety, sector professionalization, industrialization, financial know-how, leadership, etc.) which have all made it the sector's shining star. The final objective is to generate change in the sector, and **generate trust and closeness with our customers**.

**Effective communication is crucial for transmitting Neinor Homes' differentiation attributes.**

A **communications ecosystem** exists within the company, **involving all the different corporate areas; it oversees the messages sent to the market** via press releases, the website, interviews, sales brochures, and other means, so that a clear, transparent, common message is shared. Shareholder communications receive special attention so that all messages, data, and transactions are strictly true to reality. All information shared on the **Neinor Experience** is also closely revised to ensure our tone is familiar and warm, to foster open, bilateral communication.

Neinor Homes' communications are based on 360° formats, with different channels interacting with one another to reap the best rewards, reaching the most stakeholders possible, and always sharing reliable and verified information to minimize reputational risk. Throughout the performance of our work, Neinor Homes interacts with 5 basic groups of stakeholders through our **communications channels**, in the attempt to forge durable relationships.

Stakeholders	Why are they relevant?	Communication channels
 <p><b>INVESTORS AND SHAREHOLDERS</b></p>	<p>Shareholders are a <b>useful trust thermometer</b> for taking a company's temperature and evaluating its financial health</p>	<ul style="list-style-type: none"> <li>• Shareholders' day</li> <li>• Shareholders' General Meeting</li> <li>• Investor Relations Website</li> <li>• Email communications</li> <li>• Press releases</li> <li>• Corporate and product presentations</li> <li>• Earnings releases</li> <li>• Forums, fairs, and conferences</li> <li>• <i>Roadshows (Deal &amp; Non-Deal)</i></li> <li>• Onsite construction work visits</li> </ul>
 <p><b>CUSTOMERS</b></p>	<p>Customers are our <b>reason for existing</b>, and as such, Neinor Homes seeks to offer unparalleled service and quality to ensure maximum satisfaction</p>	<ul style="list-style-type: none"> <li>• Open days</li> <li>• <i>Neinor Experience</i> website</li> <li>• <i>Neinor Experience</i> App</li> <li>• Points of sale</li> <li>• <i>Newsletters</i></li> <li>• Satisfaction surveys</li> <li>• <i>Neinor Key Day</i></li> <li>• <i>Neinor experience</i> telephone number and email address</li> <li>• <i>Neinor experience</i> agent workshops</li> <li>• Communication of relevant benchmarks</li> <li>• Social networks</li> <li>• Ethics channel</li> </ul>
 <p><b>Employees</b></p>	<p>Our employees <b>make Neinor Homes what it is</b>, and therefore it is paramount we ensure their satisfaction and pride in belonging to the company to gain maximum efficiency and be competitive on the market</p>	<ul style="list-style-type: none"> <li>• Meetings with the CEO</li> <li>• Workplace satisfaction survey</li> <li>• Ethics channel</li> <li>• Corporate email address</li> <li>• Desktop App</li> <li>• 360° performance evaluations</li> </ul>
 <p><b>SUPPLIERS</b></p>	<p>Neinor Homes works with many different suppliers, who are in charge of building its homes, and a <b>crucial factor in maintaining our utmost quality standards.</b></p>	<ul style="list-style-type: none"> <li>• Continuous dialogue</li> <li>• Regular meetings</li> <li>• Neinor Homes evaluation App</li> <li>• Building Committees</li> <li>• Supplier evaluations</li> <li>• Ethics channel</li> </ul>
 <p><b>COMPANY</b></p>	<p>Neinor Homes' activity has strong repercussions on society, creating <b>indirect employment and contributing to the social and economic development</b> wherever its promotions are based</p>	<ul style="list-style-type: none"> <li>• Corporate website</li> <li>• Participation in sector debate forums</li> <li>• Collaboration with universities and associations</li> <li>• Social networks</li> </ul>



To boost our external and internal communications profile, during 2018 Neinor Homes hired a Communications Director to lead and manage communication, relationships with stakeholders, and the company's image. This involved encompassing all the company's communication objectives **under one roof** to share congruent messages based on a well-defined strategic plan. **Social networking sites** are now used for communication purposes, thereby generating higher-quality content on a regular, set basis in the same style as reflected on the website and corporate blog. The presence of the company's different representatives at sector events and forums also bolsters Neinor Homes' leading position in the market.


Neinor Homes endeavours to foster and improve **communication from within to boost employee pride in belonging**, so that all our employees push in the same direction to reach the pinnacle of the Spanish real estate sector as the key player in its transformation. There are currently a number of different channels available to our employees:

- The **Ethics or Whistleblowing Channel** is used to anonymously report matters representative of infringement of the company's Code of Ethics.
- **Inefficiencies Channel** available for: discussions on grey areas of responsibility, discussions on company activities, etc. It is managed by the Quality and Internal Audit areas, a differentiating aspect which encourages continuous improvement.
- **Security and Safety Channel**


Facing 2019, an **internal newsletter** will reinforce the feeling of belonging, and the conviction that everyone is headed in the same direction. It will feature internal messages on business achievements and advances, and share other crucial messages related to our sector.


#### Neinor Homes in the social media

In 2018 Neinor Homes started using social networking sites, which resulted in a significant growth of the number of its followers:

 **Twitter Neinor Homes:** 2.128 followers

**Twitter Neinor Experience:** 148 followers

 **Facebook:** 5133 followers

 **LinkedIn:** 9.927 followers

***Internal communication is a key tool for boosting employee pride in belonging***

## 5. Our activities are based on a responsible governance model

*We at Neinor Homes understand that commitment to responsibility- and ethics-based governance system goes beyond compliance with general regulatory standards to which we may be subject. We voluntarily apply best practices to ensure that our governing bodies simultaneously and sustainably respond to our stakeholders' needs.*

### 5.1. Corporate Governance Principles

Corporate Governance encompasses the mechanisms which serve value generation in a simultaneous and sustained manner for all company stakeholders. As part of its desire to become Spain's benchmark promoter, Neinor Homes carries out its activities in a **transparent and responsible** manner, with **good corporate governance** as a core objective of its Corporate Social Responsibility Policies at the heart of the company.

*Neinor Homes voluntarily adopts the best corporate governance practices and applies strictest standards than it is required by law*

This is translated into providing an efficient response to each key aspects from investors, shareholders, and other sector companies. Good governance is nowadays a key corporate tool, as **stakeholders increasingly demand further information** on different related matters which elicit **different responses** from Neinor Homes:



Measures applied to combat **fraud and corruption**



Evaluations to assess the **correct functioning of the governing bodies**: the Board of Directors and our committees were evaluated in order to better understand their activities with increased visibility and objectivity.



Financial/business model **transparency**: all our financial information of interest to our stakeholders is available on our corporate website. We created "**corporate governance dashboard**" which includes an implemented and functioning Governance, Risks, and Compliance (GRC) Model.



Long-term company **viability and purpose**: In our Strategic Plan, Neinor Homes defines our mission as: "taking advantage of the huge opportunity for transforming and consolidating the real estate sector to generate sustainable value for all our *stakeholders*, with margins and returns in line with developers' business risks, building homes with people in mind, building stable relationships with suppliers and increasing the value of our employees."



Responsible **sustainability** and impact on people and the environment: several benchmarks achieved reflect Neinor Homes' **ethical commitments** and positive impact on the environment and people.

There is also **obligatory legislation and standards on corporate governance** which listed companies must comply with; there is also an **increasing trend for corporate good governance recommendations and standards** prepared by Spanish and foreign public/private bodies which are much more demanding than legal stipulations. Neinor Homes orients our corporate governance practices to attaining maximum compliance and competitiveness standards by **voluntarily adopting the best practices** of listed companies.

Neinor Homes regularly performs **corporate governance analyses** to assess compliance with the **CNMV's Code of Good Governance**, through which **new areas of improvement** are detected, and governance action follow-up plans. The most recent assessment certified Neinor Homes as meeting all CNMV recommendations.

A number of analysts indicate that **markets grant special value** to companies demonstrating **high good governance and business conduct standards**, as well as indicating **continuous efforts to improve**. Thus, in part thanks to our solid commitment to good governance, Neinor Homes faces a scenario of value growth and excellent defence of our margins, to thereby consolidate our top position within the sector, as well as capitalize on market opportunities.

### Good governance regulations and policies

Dating back to our beginnings in 2015, Neinor Homes has based all our activity on a solid devotion to the best practices in good governance matters; our launch on the stock exchange in 2017 was another clear reflection of this commitment, which we further bolstered by formally implementing certain measures which previously had been voluntary. The following is a summary of these key measures:

- Corporate Bylaws:
- General shareholders meeting regulations
- Internal Code for Conduct on the Securities Markets
- Compliance function policy
- Electronic Forum for Shareholders regulations
- Corporate Governance policies
- Communication and Contact with Shareholders, Institutional Investors, and Voting Advisors Policies
- Tax risk control and management policies Inclusion of Tax Authorities' Code of Good Practice
- Board member appointment policy
- Board member remuneration and expense reimbursement policies
- Employee remuneration policies
- Investment and financing policy
- Treasury share policy
- Dividend policy
- Incentives policy
- Tax policies and good practices
- Policies for communicating with investors
- Policies for services to be provided by auditors other than the audit team
- Employment policies for audit alumnae
- Third-party code of conduct
- Equality program
- Environment and Innovation policies

The trend is clearly turning towards **stricter good governance regulations** forcing companies to described actions implemented to comply with this standard in their Annual Corporate Governance Report. The "Draft King IV Report on Corporate Governance for South Africa 2016" stands out as the best international practice in matters of good governance; it states that the need for Boards of Directors to exercise their functions ethically will take on ever-increasing relevance, by approving corporate strategies which prioritize the creation of sustainable value within an economic, social, and environmental context which defines actions in the short-, medium-, and long-term. Members should represent a widespread diversity of profiles, and always keep the interests, needs, and expectations of shareholders, investors, and other shareholders in mind.

*Neinor Homes is a reference point in the Real Estate industry in regard to corporate governance and management as well as a model for the companies in the sector*

## 5.2. Shareholders' General Meeting

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

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

General Shareholders Meetings may be **ordinary or extraordinary**. The Board of Directors is in charge of calling them. Ordinary meetings take place within the first six months of the year. Extraordinary meetings may be called whenever deemed necessary. Should 3% of the shareholder structure call a General Shareholders Meeting, the Board of Directors must convene it within a period of 2 months. The call to both ordinary and extraordinary General Shareholders Meetings must take place at least a year in advance, and be announced on the Neinor Homes corporate website, the CNMV website, and the Companies Registry Official Gazette, or one of Spain's leading newspapers.

***All information on the 2018 General Shareholders Meeting can be found on [www.neinorhomes.com](http://www.neinorhomes.com) under Shareholders and Investors***

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

#### **General Shareholders Meeting Powers**

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

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

On April 18, 2018, during second call, **the first Neinor Homes General Shareholders Meeting** was held, with a **quorum of 73.86% of share capital** (0.65% present and 73.04% represented). The meeting was livestreamed on the corporate webpage, and can still be viewed online. All the documentation generated as a result is available to the public on our website, Neinor Homes' gesture and commitment to transparency with our shareholders.

#### **Agreements reached during the 2018 General Shareholders' Meeting**

The following **agreements** were reached during the 2018 General Shareholders Meeting:

- Approval of the separate and consolidated financial statements of the company and our subsidiaries for the year ended December 31, 2017.
- Approval of the separate and consolidated financial statements of the company and our subsidiaries for the year ended December 31, 2017.
- Approval for the Board of Directors' actions and management during 2017.
- Reappointment of the company's auditor or audit firm for 2018.
- Approval of proposed appropriation of 2017 profit
- Establishment of Board members and ratification of their appointment, and reelection of the following: Alberto Prieto Ruiz, Jorge Pepa, and Francis Btresh
- Approval of amendments to board member remuneration policies applicable during 2017, 2018, and 2019
- Approval of total maximum annual remuneration of board members
- Delegation of powers to arrange and execute all the agreements adopted by the shareholders during their general ordinary meeting registered by public deed for interpretation, correction, complementation, development, and registration
- Advisory vote on annual report on 2017 board member remuneration

Neinor Homes' **Electronic Forum for Shareholders** fosters fluid communication between our shareholders from the moment the General Shareholders Meeting is called until it is held; it established the guarantees, terms, and conditions for access and use. It may be used to **publish proposals** for including items on the agenda, as well as any **offers/requests for voluntary representation**, among others.

### 5.3. Board of Directors

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

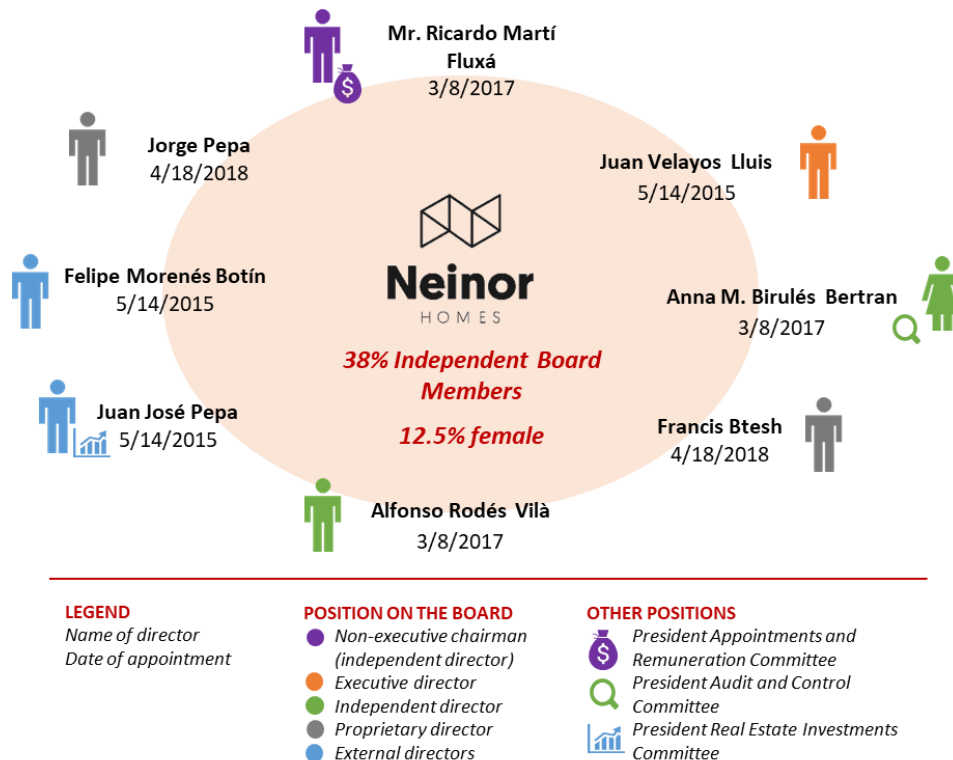
#### Responsibilities and Powers of the Board of Directors

The Board of Directors has the following **responsibilities and powers**:

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

The Board of Directors shall be made up of no fewer than 5 and no more than 15 **members**, to be determined by the General Meeting of Shareholders. **Independent directors** must represent at least a third of the entire Board, ideally more than half. The **Chairman** is elected by members based on a previous report submitted by the Appointments and Remuneration Committee. Board members exercise their positions for **three years**; subsequently they may be re-elected. The Board meets as often as deemed necessary in order to correctly perform our functions, at least every three months.

At year-end 2018, the **Board was comprised of**:



In summary, the Board of Directors is comprised of 1 executive director (12.5%), 2 proprietary directors (25%) and **3 independent directors** (37.5%). The **percentage of women** on the Board of Directors is **12.5%**. The Board secretary is represented by Silvia López Jiménez, who is not a Board member.

The Board met 5 times during 2018. During 3 out of **5 meetings**, matters related to Corporate Social Responsibility were covered.

**During 2018, Alberto Prieto Ruiz (independent director) stepped down from the Board (11/20/2018)**

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

During the year, Neinor Homes conducted the first **quality and efficiency assessment** on the Board of Directors and committees' **functioning and performance**; in contrast to an external evaluation, it offered the following advantages:

- Increased accessibility to internal confidential **information**
- Greater **depth of review**
- **Flexibility** in adapting to board member availability
- **Lower costs** for the company

The assessments were made based on the following work **approaches/assessment types**:

<b>Assessment</b>	Review of <b>internal documentation and its functions</b> , as well as determining degree of dedication, commitment, involvement, and awareness of our board members, and an analysis of compliance with responsibilities
<b>Self-assessment</b>	<b>Assessments and understanding of the effectiveness of performance and functioning carried out by board members</b> , using anonymous personal interview questionnaires.
<b>Benchmarking</b>	<b>Comparative analysis</b> of Neinor Homes' Corporate Governance practices <b>vs. those of the competition and the sector</b> , and other considered national standards of reference in terms of best practices.

All reviewed 10 areas covering different items under review for each:

Review area or block	Matter reviewed
<b>Composition</b>	Number of members on the Board and our committees
	Number of Board members by type: executive directors, external directors, independent directors, and others
	Years each member has spent on the Board
<b>Diversity</b>	Number of female members on the Board and committees
	Number of foreign members on the Board and committees
<b>Experience and background</b>	Evaluate board member sector experience (based on CV)
	Corporate Governance background of each board member as compared to others in which he/she participates (other than Neinor Homes)
	Contrast educational background received by the Board and committees
<b>Board Member succession</b>	Verify that a succession plan is in place for the CEO and other board members
<b>Organization and operation</b>	Review calendar planning for sessions and effective meetings
	Check timing and schedule ahead of calling meetings, as well as their agenda
	Verify handling of legally-mandated matters during meetings by reviewing their minutes
	Duration of Board and Committee Meetings

<b>Quality of information</b>	Verify appropriateness and quality of data supplied to board members used in decision-making processes
	Board and Committee Meeting absences
<b>Board Member dedication / involvement</b>	Analyze matters brought up by board members on information received prior to meetings
	Review matters brought up by board members during meetings
	Verify additional requests from board members on occasional company work/assignments
<b>Contact with management and/or external parties</b>	Assess management/external auditor participation during Board meetings and their related Committees without CEO presence
	Verify the <i>tone at the top</i> regarding how the Board and our Committees perform in the areas of ethics, compliance, transparency, etc.,
<b>Comply with best practices</b>	Analyze the Board and our Committees' awareness and interest in complying with CNMV recommendations
	Assess degree of compliance and effective implementation of CNMV recommendations
<b>Board of Directors' remuneration</b>	Verify the use of comparative market analyses performed by external experts on board member remuneration

The following **areas of improvement** were detected thanks to this review:

- Periodic **presentations** to the Board on specific **updates** in CSR matters, and the Corporate Social Responsibility Master Plan's performance in this regard
- **Increase number of Board meetings**
- Expand onsite **training for board members**
- Prepare new **policies**, such as Corporate Governance or Succession Plans
- Celebrate **Investors' Day**

#### **Board of Directors training**

Neinor Homes' offers training programs for the members of the Board and Committees with knowledge updates. The following subjects were covered in 2018:

- Duties and commitments of directors/board members as established in Capital Companies Law
- Implications of compliance of listed companies and the Internal Code of Conduct for new Board members
- Key Board Committee functions
- Neinor Homes Integrated Control System
- Notable aspects of the CNMV's Technical Guide for the Appointments and Remuneration Committee, dated November 20, 2018
- Updated laws on non-financial information and diversity approved on December 13, 2018
- Real estate sector risks

In 2018, our **Board of Directors Remuneration Policies were modified**; they are applicable to 2017, 2018, and 2019, and all Appointments and Remuneration Committee members must favourably report and explain proposed increases to the maximum amount of annual remuneration for all the Board members. This increase was proposed to guarantee compliance with the Company's Remuneration Policies as regards compensation paid to board members for their participation. The second major change is that it includes the category of board member extensive to include those considered "other external" to permit the Company's Board members to earn competitive remuneration to attract and retain talent, thus adding value.

#### **5.3.1. Board committees**

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



## THE AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee is an **internal informative and consultation body**, with no executive functions; it provides information, advisory services, and proposals within its scope of action. It is comprised of between **3-5 board members** appointed by the Board of Directors at the proposal of the Appointments and Remuneration Committee, which also appointing a **Chairman** and **Secretary** from among its members.

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

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

During 2018, the Committee's **key actions** included:

- Reappointment of Deloitte as the company's external auditor
- Directly approve or send the Board the following policies and procedures:
  - ✓ CSR policy
  - ✓ Bond issue program
  - ✓ Asset valuation procedure
  - ✓ Risk identification and internal control system.
  - ✓ Annual work plan of the Audit and Control Committee
  - ✓ Compliance function policy
  - ✓ Activities calendar for compliance function

### During 2018

<b>4</b> Meetings	<b>5</b> Members	<b>20%</b> Proprietary directors	<b>60%</b> Independent Board	<b>20%</b> External Board
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## APPOINTMENTS AND REMUNERATION COMMITTEE

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

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

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

During 2018, the Committee's **key actions** included:

- Board proposals and amendments for "other external" board member candidates
- Approve membership changes made to: the Audit and Control, Appointments and Remuneration, and Real Estate Investments Committees, by growing their composition in the respective numbers of 2, 2, and 1
- Present and approve the new General Operations Manager
- Approve raising the number of Committee meetings to 6
- Directly approve or send the Board the following policies and procedures:
  - ✓ Remuneration Policies for top executives
  - ✓ Employee remuneration policies
  - ✓ Employee retention policies
  - ✓ Equality plan
  - ✓ Succession plan
  - ✓ Corporate Governance Policy

**During 2018**

<b>6</b>	<b>5</b>	<b>20%</b>	<b>60%</b>	<b>20%</b>
<b>Meetings</b>	<b>Members</b>	<b>Proprietary directors</b>	<b>Independent Board</b>	<b>External Board</b>



## REAL ESTATE INVESTMENTS COMMITTEE

The Real Estate Investments Committee should be formed by a **minimum of 3 and a maximum of 7 members**, who are appointed by the Board of Directors upon recommendation of the Appointments and Remuneration Committee. The majority of the Committee members should be **non-executive directors**, with widespread, recent, and sufficient technical professional and financial experience in the real estate sector, as well as with financial investments. The Board is the party responsible for appointing the **Chairman and Secretary** of the Committee.

It must meet **at least 4 times a year** and whenever deemed necessary. However, the Committee meets whenever any of its members calls for one. The Committee carries out the following **functions**, among others:

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

During 2018, the Committee's **key actions** included:

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

**During 2018**

<b>4</b>	<b>5</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>40%</b>
<b>Meetings</b>	<b>Members</b>	<b>Executive directors</b>	<b>Proprietary directors</b>	<b>Independent Board</b>	<b>External Board Members</b>

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

#### 5.4. An integral Control, Compliance, and Assurance model

Neinor Homes' activities are carried out in a sector and environment where it crucial to adapt to national and international internal control and compliance standards as soon as possible, with continuous technological transformations in business relationships. With this in mind, Neinor Homes developed **Combined Assurance, an integral Control, Compliance, and Assurance model**; it is based on best practices and examples taken from companies in the sector and

*Neinor Homes has developed an integral Control, Compliance, and Assurance model based on best practices and examples taken from companies in the sector and others*

others. The system makes it possible to **integrate and align assurance processes** so that top management and audit and supervisory committees may gain an **overall, holistic vision of governance efficacy, as well as the organization's risks and controls**. It simultaneously makes it possible to **establish priorities and determine the necessary measures** to be taken. There were both **internal and external reasons** for establishing this system:

##### Internal reasons

- Taking advantage of work/developments/projects under different reporting requirements: **Internal Audit - Quality - CSR**
- **Rationale and integration** of action plans
- Develop action plans through **knowledge-sharing and synergies**
- Maintain **100% of resources**
- Create an **integrated report** for the CEO, Steering Committee, etc., to thereby reduce the number of excess presentations

##### Reasons given by third parties

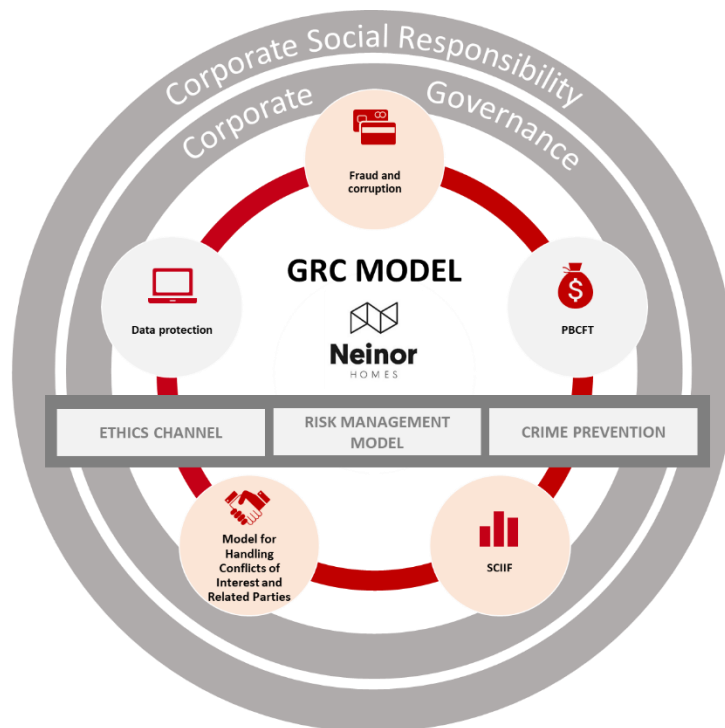
- Assurance **efforts** are **devoted to the most relevant risks**
- Risks and organizational problems are approached **once under a shared vision and taxonomy**
- **Efficient information gathering and reporting** processes
- **Cost savings** are attained thanks to **improved allocation of resources and greater coverage**
- **Efficiencies** are improved through **knowledge-sharing**
- Alignment with **best practices**
- **Protection scheme for board members, investors, directors, and other stakeholders**

Thanks to the above system, the door opens for creating a new organization chart and **breakdown of key responsibilities** based on the same integrated model encompassing Audit, Risks, and Compliance. Thus, they all comply with the same Control, Compliance, and Assurance model (CCA), with the main priority **integrating Corporate Social Responsibility strategies** into the business to thereby increase our exposure and relevance. The following goals will also be achieved:

- **Meet Quality Management System commitments**, conclude **processes**, and maintain **certificates**
- **Optimize and rationalize the Money Laundering Prevention structure**
- **Integrate** reporting and **supervision** plans for CSR, Quality, and Human Resources
- **Focus** on projects and jobs with **strategic value**
- **Increase coordination and information** between 3 lines of assurance
- **Boost efficacy**
- **Decrease time and resources** devoted by other areas while creating and following up action plans (CEO)

The above was designed to **respond to our stakeholders' expectations**, good governance legislation, and the need for a foundation of effective and dynamic risk management.

As mentioned previously, in order to respond to all regulatory requirements and perhaps even take a further step forward in the adoption of best practices in this area, Neinor Homes' **Governance, Risks, and Compliance (GRC) Model** is aligned with national and national internal control and compliance standards; it has been implemented and is now functioning in all the organization's departments:



Neinor Homes' comprehensive GRC Model is articulated upon **two transversal axes: Corporate Governance and Corporate Social Responsibility**. Corporate governance covers all the mechanisms at the service of simultaneous and sustained value-generation for all our stakeholders, and thus adopts best practices to become a sector standard. Our commitment to Corporate Social Responsibility is clearly reflected in Neinor Homes' CSR Policies, as well as the Corporate Social Responsibility Master Plan until 2020. For further information on these two topics see: "Corporate Governance Principles" and "Corporate Social Responsibility as an internal guidance framework"

The **three fundamental pillars** upholding the model are: **ethics channel, risk-management model, and prevention of criminal liability**. **5 key items/management issues** guide the model: the prevention of fraud, money laundering, and corruption, the financing of terrorism, internal control systems for financial reporting, conflicts of interest and related parties, and data protection. From each arise a number of policies and responsibilities:

Operating models	Policies /responsibilities	
<b>Fraud and corruption prevention model</b>	<ul style="list-style-type: none"> <li>Expense policies and reporting procedures</li> <li>Supplier selection, inclusion, and evaluation</li> <li>Promotion of good practices in real estate intermediation</li> </ul>	<ul style="list-style-type: none"> <li>Code of ethics</li> <li>Third-party code of conduct</li> <li>Whistleblowing Channel and registration</li> <li>Gift policy and registration</li> <li>Monitoring and Control Committee</li> </ul>
<b>Money Laundering Prevention</b>	<ul style="list-style-type: none"> <li>Prevention of money-laundering and financing of terrorism manual</li> <li>Internal Control Body</li> <li>Specific Prevention of Money-Laundering unit</li> <li>Practical guide to the Prevention of Money-Laundering</li> <li>KYC files for legal and natural persons</li> <li>Sales conformity form and questionnaire</li> </ul>	<ul style="list-style-type: none"> <li>Prevention of money-laundering and management of singular and retail assets</li> <li>Prevention of money-laundering procedures for new construction</li> <li>External Audit</li> </ul>
<b>Internal Control and Risk Management Systems</b>	<ul style="list-style-type: none"> <li>Appropriateness of data for the 16 CNMV-mandated indicators (risk matrix and controls for functioning processes and assigned responsibilities, accounting policies manual, file storage, etc.).</li> </ul>	
<b>Conflicts of Interest and Related Parties</b>	<ul style="list-style-type: none"> <li>Registration of situations representative of Conflicts of Interest and Related Parties</li> <li>Evaluation and approval of related-party transactions</li> </ul>	<ul style="list-style-type: none"> <li>Conflicts of Interest and Related Parties</li> <li>Channel for communicating transactions</li> </ul>

	<ul style="list-style-type: none"> <li>• Reporting to/ratification by the Board and the Audit Committee</li> </ul>
<b>Data Protection and Privacy Model</b>	<ul style="list-style-type: none"> <li>• Policy Policies</li> <li>• Incidents Management Procedures</li> <li>• Rights policies for interested parties</li> <li>• SGSI Procedures</li> <li>• Procedures for Managing Personal Data Systems</li> <li>• Personal Data Protection Regulations and Policies</li> <li>• Life Cycle Procedures for handling personal data</li> <li>• Regulatory consultation procedures</li> <li>• PIAC Procedures</li> <li>• Data Security Committee</li> <li>• Communication channels</li> </ul>

The GRC model is **dynamic and continually updated**. There are **standardized methodology** consisting of 9 basic steps:



#### 5.4.1. Ethics Channel and management procedures

Neinor Homes has taken on the responsibility for responding to the current situation of the responsibility, in which transparency and ethics still have a long way to go, committed to helping improve our image thanks to our role as a leading Spanish real estate promotion company. In the awareness that ethics and transparency are decisive for generating trust and commitment in the area of corporate governance is to **operate under the strictest corporate ethics and transparency guidelines**, to thereby ensure that all personnel, members of our governing bodies, and related entities behave in an ethical manner in line with the company's values, thus avoiding any potentially unethical or unprofessional actions which might damage our corporate image.

With a focus on this objective, we analyzed all the indicators established by Neinor Homes' Internal Audit Director, adopted by the Institute of Internal Auditors, to thereby offer the possibility of elaborating an **Internal Ethics Audit Plan** launched in August of 2018; our Technical Committee is led by Neinor Homes' Internal Audit Director, and other internal audit managers from different entities and companies.

In 2015, Neinor Homes approved its **Code of Ethics** which establishes a catalogue of ethical values and standards of conduct which should efficiently guide the behaviour of all the companies and people forming part of the company. It was most **recently updated** in March of 2017.

The Code of Ethics is applicable to all the companies comprising Neinor Homes, and is of **obligatory compliance** for all parties in any of

#### Monitoring compliance with the Code of Ethics

The Compliance Manager **ensures strict compliance with the Code of Ethics and prepares a compliance report once a year**.

The position's responsibilities comprise:

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

these subsidiaries. The Code is applicable to the individuals and entities with contractual and business relationships with Neinor Homes, thanks to the inclusion of mandatory clauses indicating awareness and acceptance of the Code of Ethics. Therefore, it is critical that all employees receive periodic training in person and online, as do certain suppliers. This information is **publicly available** on the company's corporate webpage.

***The Codes of Ethics and Conduct applicable to third parties are available on: [www.neinorhomes.com](http://www.neinorhomes.com)***

During December 2017 Neinor Homes' **Code of Conduct for Third Parties** was approved, which establishes the utmost in ethical standards which all **third parties providing any type of service to Neinor Homes** must comply with, while also committing to spread awareness about it. Its principles and values are based on the best market practices and **principles of the United Nations Global Compact**.

#### **Third-party relationship principles and values**

Upon signing the Code of Conduct for third parties, they agree to comply with the following principles and values:

- **Compliance with legal and tax obligations:** comply strictly with legal and tax commitments and behave in good faith. Also comply with **legal and social obligations**, ensuring that all employees are hired legally and have their respective degrees and certificates, making payments in appropriate and timely manners.
- Meet all workplace **safety and health guidelines:** foster a safe and stable workplace, taking the sufficient occupational hazard risk prevention appropriate to each work station, in strict compliance with Neinor Homes standards. Holding a Health and Safety Management System Certificate is viewed in a very positive light.
- **Anti-bribery, anti-corruption, and crime prevention:** professional activities are performed based on principles of ethics and integrity, working to fight corruption in all our facets, to thereby ensure no crimes are committed.
- **Fair competition:** Avoid participating in the unlawful use of confidential information, price-setting, bid-rigging, or any type of collusion related to transactions affecting Neinor Homes.
- **Conflicts of interest:** avoid any hiring representative of a conflict of interest or related party transaction.
- **Confidentiality:** not making inappropriate use of confidential/insider information on the company, even when the relationship has been terminated.
- **Intellectual property:** Make no use of the name of Neinor Homes, our logos, brands, or any other identifying symbols, except where expressly authorized to do so.
- **Human rights:** respect the principles and values of human rights, thereby contributing to eliminating forced labor, abolish child labor, or ensure equality and diversity of gender, among other aspects.
- **Sustainability:** Work actively to protect the environment, applying the opportune measures to avoid/minimize any potential negative environmental or social impact, in line with Neinor Homes' CSR policies. Its Environmental Management System Certificate is viewed in a very positive light.

Neinor Homes does not collaborate with third parties who do not comply with the terms outlined in the Code of Conduct, and reserve the right to terminate the relationship the moment either infringe our stipulations. The **Head of Compliance** periodically reviews the Code, notifying the **Audit and Control Committee** of any significant changes, and other, less significant adjustments are reported to the **Monitoring and Control Committee**, with annual reports delivered to the Audit and Control Committee on changes made.

#### **Promotion of good practices in real estate intermediation**

Activity in the real estate sector is occasionally tarnished by actions carried out by brokers or dealers, who tend to make basic market recommendations to potential buyers, without any powers to do so, while also demanding the payment of commissions. The above behavior places the market's credibility at risk, and breaks the most elementary rules of good faith.

In this vein, Neinor Homes uses our **code of good real estate intermediation practices to boost the definitive professionalization of real estate intermediation**. It is applicable to any transaction or broker presenting themselves in a company transaction, and should be met with great acceptance in the sector, as it contributes to defending the legitimate work performed by real estate intermediaries, and thereby restore trust in the sector.

The main **principles** outlined in Code and the **best practices adopted** by Neinor Homes are:

- **Transparency of the relationship between the broker and Neinor Homes:** Measures have been adopted, such as a Framework Brokerage Contract as a requirement for brokers to present an asset/transaction, sending an Engagement Letter, and taking care to not duplicate fees.
- **Percentage of commissions payable by Neinor Homes:** Percentages of commissions payable by Neinor Homes based on brokerage volumes.
- **Exclusivity:** Neinor Homes will not sign an Engagement Letter if another already exists for the same asset.
- **Good faith and notification of unlawful behavior:** Neinor Homes agrees to behave in good faith, and apply the utmost standards of ethics when dealing with real estate brokers, and has the same expectations for them, and is prepared to blow the whistle on any irregular actions detected.

**Training** sessions are held annually to guarantee **awareness**, and favour the **application** of all internal ethics and transparency regulations and tools in force. The accounting (perimeter and servicing), legal, and management control areas received training sessions on the following during 2018:

- Updates and changes in International Financial Reporting Standards (IFRS)
- Corporate Governance
- New audit report
- Components and principles of business Risk Management
- Key aspects of the CNMV's Technical Guide 3/2017 on Audit Committees in public interest entities
- Updates on General Personal Data Protection Regulations

Some of the company employees received **training** on the following during the year:

Training topic	Audience	Date	Type
Ethics and compliance	New retailers	Ongoing	On-site
Prevention of money laundering and terrorist financing	ICB	October, 2018	On-site
	Back Office/Sales Agents	Fourth quarter 2018	On-site
	Sales agents	Fourth quarter 2018	Legal compliance
IT security and data protection	Madrid and Bilbao office employees	Year-end 2018	On-site

Neinor Homes periodically offers our staff training on matters related to ethics and compliance. Another session will be held in February of 2019. Other training sessions on accounting and financial statements are scheduled for all Accounting Department employees during the first quarter of 2019,

Neinor Homes' **Whistleblowing Channel** (or **Ethics Channel**) has been in place since 2015: interested parties must report any matters potentially representing lack of compliance with the Code of Ethics, such as: irregular/inappropriate conduct in the accounting/financial reporting areas, or any aspects related to integrity, conduct, and transparency. The Ethics Channel is available on the corporate webpage, and offers a whistleblowing email address ([canal.etico@neinorhomes.com](mailto:canal.etico@neinorhomes.com)).

***In 2018 Neinor Homes filed and managed 20 claims through the Whistleblowing Channel, with an average response time of 4 days***

All claims are **handled confidentially and anonymously**; whistle-blowers need not fear reprisals or negative consequences from filing a report, unless where internal investigations determine the claim is false or has been made in bad faith. In June of 2017, the Monitoring and Control Committee approved the company's **General**

**Whistleblowing Procedures**; they were **first reviewed in May of 2018**. Once a claim is received, the process begins; if legal actions are merited or if it infringes the Code of Ethics, the **Monitoring and Control Committee's** calls a meeting to establish appropriate protocols. The Whistleblowing Process is made up of two phases:

- The **investigation and processing phase** begins with a preliminary analysis of the claim undertaken by the Head of Internal Audit, in conjunction with the Compliance Director, and if deemed necessary, the Monitoring and Control Committee. The latter analyzes the basis for the claim, and has the Head of Internal Audit perform the necessary investigations. Throughout the entire process, the whistle blower is informed and allowed to provide a detailed account and offer proof.
- After the investigation stage comes **resolution/communication** through a report prepared by the Internal Audit Head and the Compliance Director including a description of the accusation, accompanying information, work performed, supporting documentation, and the outcome along with proposed measures. The outcome is communicated to the interested party within a week.

The **Board of Directors** receives an annual report on any claims filed. During 2018, a total of 20 claims were filed through the Ethics Channel with no cases of discrimination reported.

### Monitoring and Control Committee

Neinor Homes' Monitoring and Control Committee is the body which **studies, processes, and resolves any claims filed** through the Ethics Channel. The following are on the Committee:

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

This Committee may meet in person or via video conference, and minutes are taken so as to take the necessary precautions to protect the whistleblower's anonymity. So that this Committee can be fully effective, it has **open access to all documentation** considered useful by Neinor Homes.

### 5.4.2. Risk Management Model

Neinor Homes has an **Integrated Control System (ICS)**, an **integrated dashboard** associated to **strategic targets, processes, and control activities** which involve those in charge of their execution and supervision, and any evidence supporting them. The specific **objectives** of the ICS are as follows:



Have a **risk supervision and control model** making it possible to handle daily operations and contingencies



**Manage risks** aligned with mission, vision, and values focused on controlling and mitigating any which might make it difficult to meet targets



Standardize and integrate compliance, control, and business risks to **achieve a transversal understanding**, thereby fostering synergies and eliminating duplications



**Support the Audit and Control Committee** by providing security and making the *reporting* process smoother while covering its growing responsibilities



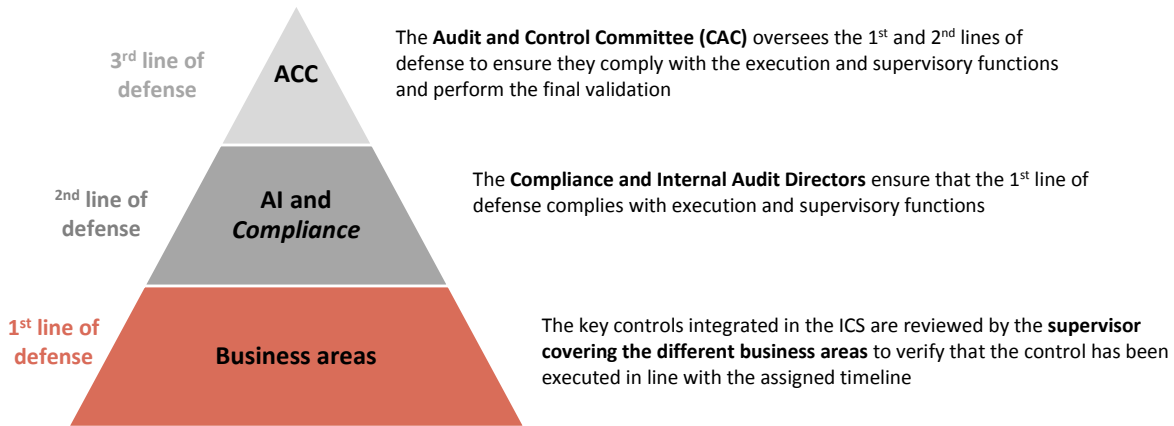
**Create trust** in the company, CEO, and third parties

To consider the ICS a **dynamic and permanently-updated model**, it is crucial that we be able to avail ourselves of continuous internal and external communication channels, as well as the commitment from all parties comprising Neinor Homes. **External updates** are generally assisted by legal experts, advisors, forums, networks, or suppliers. The most relevant **internal risk-updating process** is through our employees, through the permeability of **ethical behaviour**: all information received is also shared with the workforce, while also modelling appropriate behaviour for all our employees. Internal outlets available are:

- It **reflects issues** reported during processes, infringements, inefficiencies, or grey areas
- **Ethics Channel, network awareness, and customer care handled by Neinor Experience**
- **Internal audits and internal control reviews** conducted by external auditors
- **Review of the value chain and critical areas**
- **Internal update of risk map** through interviews, workshops, etc.
- **Help Desk incidences**
- **Dashboards**
- **Workplace satisfaction survey**
- **Customer satisfaction surveys**
- **Other types of internal information on Neinor Homes' activities making it possible to identify potential risks and opportunities**

***Neinor Homes has a dynamic and permanently-updated risk management model***

Supervision of the model can be summarized in the **three lines of defence**:



The main ICS inputs are as follows:

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

Neinor Homes conducted an **analysis of the company** and the real estate sector to identify **corporate risks**; the experience of Neinor Homes' managers and other sector experts was also contemplated. The Internal Audit Director participates alongside the Compliance Director throughout the risk-identification process, with involvement from all the parties responsible for risks and controls throughout the different company areas. This phase revealed a **preliminary list of 70 risks**; subsequent to the standardization process, the list had been whittled down to 54, and once integrated and defined, we were left with **13 corporate risks classified into 6 different categories**:



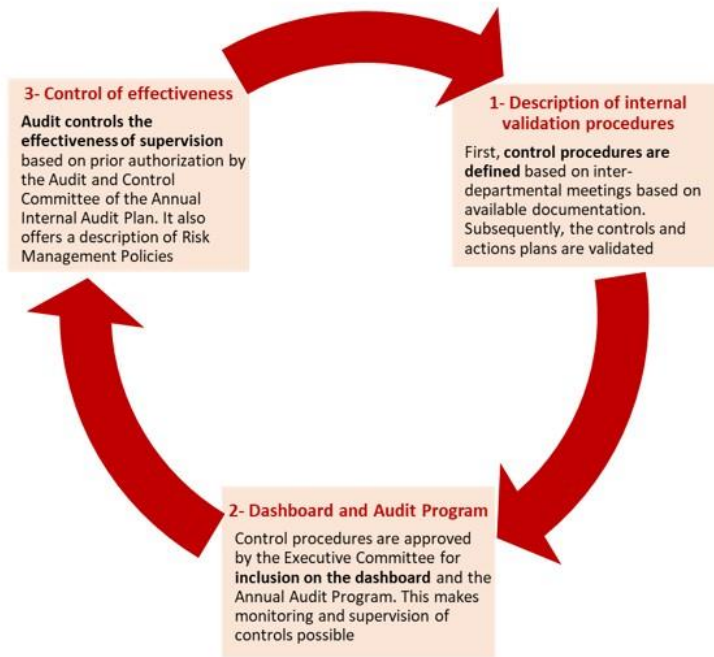
The **Corporate Risk Map** is reviewed at least once a year, and as a result is fully dynamic, thanks to continuous monitoring.



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

<b>Risk</b>	<b>Description of risk</b>	<b>Prevention measures</b>
<b>Business cyclicity</b>	<b>Difficulties in adapting to sector changes</b> arising as a result of demand fluctuations	<b>Flexible workforce</b> , with outsourced business activities; <b>Business diversification</b> thanks to the Servicing line
<b>Excessive business ties to the financial sector</b>	<b>Limited access and concession of customer mortgages</b> , decreasing sales of new homes, and obtaining financing for building promotions	<b>Limited promotion financing</b> ; <b>Analyses and market studies</b> on the demand for development launches
<b>Governmental issues in this sector</b>	<b>Numerous administrative incidences</b> during business development arising from political/economic instability and/or regulatory changes	<b>Continuous communication</b> with public bodies, explanations on economic impacts; Full <b>compliance with regulations, and transparent business</b> and institutional operations
<b>Non-standardized competition</b>	<b>Less-institutional competitors</b> requiring differing returns on the property, aggressive sales strategies unleashing market volatility	<b>Industrialization of the value chain</b> ; Transformation of operations to the customer's benefit; Customer service relationships model
<b>Increasing competition</b>	Rise in land acquisition/construction costs mainly due to the <b>entry of new sector participants</b>	<b>Disciplined investment/sales launch decision-making processes</b> ; <b>Continuous market monitoring</b> Continuous project supervision; Construction contract <b>clauses</b>
<b>Inadequate adaptation to the industrial model</b>	<b>Inefficient implementation of the industrial model</b> , and/or inadequate functioning due to failures to synchronize across areas or lack of awareness	Implementation of new procedures accepted by and worked with in all areas, project monitoring; Lessons learned; Coordination by transversal areas, and <b>greater visibility</b> ; Quality audit
<b>Loss of know-how due to outsourced processes</b>	<b>Loss of critical know-how</b> due to the outsourcing model for suppliers and the sales force	<b>Continuous monitoring</b> of the business 360º <b>supplier assessments</b> ; Dashboards with indicators for monitoring performance and best practices
<b>Business structure unaligned to cycle changes</b>	<b>Organizational/business structure not in line with sector cycle changes</b> , and not aligned with Neinor Homes' growth, thereby hindering the achievement of goals and operational development	<b>Strategic analysis of leased promotions</b> <b>Servicing</b> business line
<b>Lack of supplier alignment</b>	Inefficiencies and/or <b>supplier delays, as well as lack of alignment with Neinor Homes standards</b> , creating obstacles to launching promotions in a timely and correct fashion, delivering the homes with the agreed-upon quality standards	Processes for <b>selecting, including, and assessing suppliers</b> ; Infringement clauses and penalties Project supervision
<b>Lack of correct, timely compliance with home deliveries</b>	Did not meet expectations/commitments agreed upon with client/shareholder and/or deficiencies or errors during the delivery of properties	Processes for <b>selecting, including, and assessing suppliers</b> ; Infringement clauses and penalties Project supervision Provide customers <b>continuous updates</b> on project changes and advances; Monthly <b>newsletters</b> ; Established communication channels
<b>Fraudulent behaviours / actions (bribery and corruption)</b>	Inappropriate conduct by third parties and Neinor Homes personnel engaged in to obtain personal benefit or the favour of public bodies	Implementation of an <b>Integrated Control System</b> encompassing the supervision of all the company's operating and compliance processes Risks and controls <b>dashboard</b>
<b>Lack of regulatory compliance</b>	Activities or omissions potentially representative of lack of compliance with applicable legislation in matters related to urban development, the criminal code, etc.	<b>Compliance policies</b> <b>Communication channels</b> Continuous <b>training</b> Functions <b>overseeing compliance and the code of ethics</b>
<b>Difficulties in attracting / retaining talent</b>	Failure of mechanisms designed to make joining and belonging to the company attractive, favouring the consideration of Neinor Homes as a continuous education center	Integral HR plan " <b>Growing up together</b> " which basically includes measures designed to foster work-life balance, training, and retention plans

Neinor Homes' risk management methodology is based on our most recent version of "**Enterprise Risk Management**" (also known as COSO III), which add value based on identifying, managing, and monitoring business risk management.



### Awards in risk management and internal compliance

Neinor Homes was awarded the **European Excellence Model EFQM 300+** which found the following aspects noteworthy: **good practices within the company's internal control system**, as it integrates legal requirements as well as those which are **voluntary** in financial, economic, corporate governance, and crime risk control. The Report considered our COSO III-based risk management policies as worth highlighting, with Neinor Homes standing out as a **benchmark in this area**. The **ISO 9001 Aenor audit** is stressed as a **positive aspect** our **risk-assessment methodology** (both strategic and process-related), stating that **management reflects leadership and commitment** in the implementation and supervision of management systems, fostering a process-based approach, as well as determining risks and opportunities.

All Neinor Homes' employees believe in risk management and the company's good governance model, demonstrating their **commitment and involvement** with directives. Transforming people to create this movement is fundamental for this model to work successfully, as well as for Neinor Homes' internal management to become a benchmark inside and out the sector.

*Employees demonstrate their involvement and commitment with the internal management and good governance model*

### 5.4.3. Crime prevention

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

#### Crime Risk Prevention Policy

The Crime Risk Prevention Policy is based on the following **principles**:

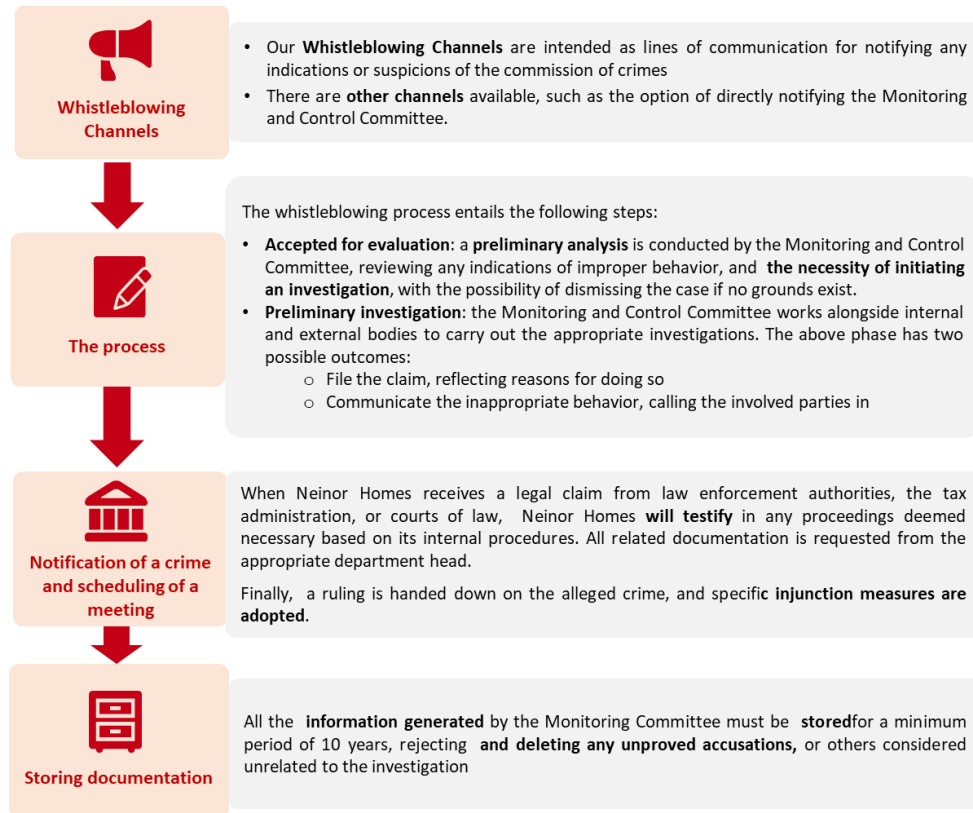
- Creating awareness and communicating the principles and rules governing behavior to all levels
- Periodically identifying any activity which might represent criminal risk
- Establishing controls in different processes
- General task segregation principles
- Models for monitoring and reporting to supervisory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

The **Crime Prevention Model Manual** is the framework which outlines Neinor Homes' crime-prevention measures, and was created to clarify the rules of behaviour governing our activity, as well as the control systems implemented to prevent the commission of crimes defined in the Criminal Code. Other **main objectives** of the Manual are to:

- Generate a genuine **business culture based on ethics** and regulatory compliance
- Optimize and **foster the continuous improvement** of Neinor Homes' risk prevention system
- Build a **structured** and organic prevention and control **scheme** to reduce the commission of criminal activity
- **Report** any infractions to **legal representatives**, managers, and other personnel to stress the importance of complying with opportune measures and policies
- **Publicize** Neinor Homes' condemnation and **express** rejection of any type of illegal behaviour

- **Update processes to existing control measures** so as to ensure immediate and agile intervention

Should any indications exist that any of Neinor Homes' managers, employees, or subsidiaries are engaging in illicit activity, the following **protocol is followed**:



The first Manual was issued in June, 2017, and future updates will be the responsibility of the Head of Compliance, and submitted to the Monitoring and Control Committee for approval. Reports are presented before the Board of Directors annually on any changes made.

***Neinor Homes provides periodic training to our employees on the Prevention of Crime Risk***

The **Manual and its contents are shared** with all personnel on the intranet and via email. New hires receive a copy of the Code of Ethics in their Welcome Pack. Neinor Homes has **especially-tailored Crime Risk Prevention training programs** to guarantee that the code is refreshed among staff through periodic training, and aptitude tests on their content.

#### **5.4.4. Zero tolerance to corruption**

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

### Anti-corruption policies

Anti-corruption policies oversee and prohibit the following situations:

- **Offering or giving gifts, favors, or services** under favorable circumstances: applicable to gifts or favors to government employees, juries, arbiters, mediators, independent experts, directors, or employees of private companies. The Compliance Director keeps a file on Neinor Homes gifts distributed.
- **Requesting or receiving gifts, favors, or services under favorable circumstances:** in line with the above.
- **Donations, sponsorships, and other non-profit contributions:** any donations should be used for social purposes and addressed to entities with recognized track record. Any donations should be communicated to the Compliance Director.
- **Professional meetings, congresses, conventions, seminars** and other events: attendance must be authorized by the Compliance Director, who keeps a register of related expenses.
- **Influence peddling:** Exercising any type of influence on public employees to take advantage of their positions is prohibited.
- **Contracting of advisors, agents, intermediaries, and suppliers:** contracting must undergo checking and valuation procedures, and remuneration should be in line with that of the market

Reflecting our firm commitment to fight corruption, and to generate an ethical internal and external culture in order to transform the Spanish real estate sector, Neinor Homes candidacy was submitted for the third edition of the **Transparency, Integrity and Anti-corruption Awards**; the jury was presented all our models and policies which differentiate us from other Spanish companies. 100% of our employees and Board members have reaffirmed their commitment to the Code of Ethics and group policies: specific training was provided to staff in 2017, and in May 2018 for new Board members, with a third course on ethics and compliance slated for 2019.

### 5.4.5. Handling conflicts of interest

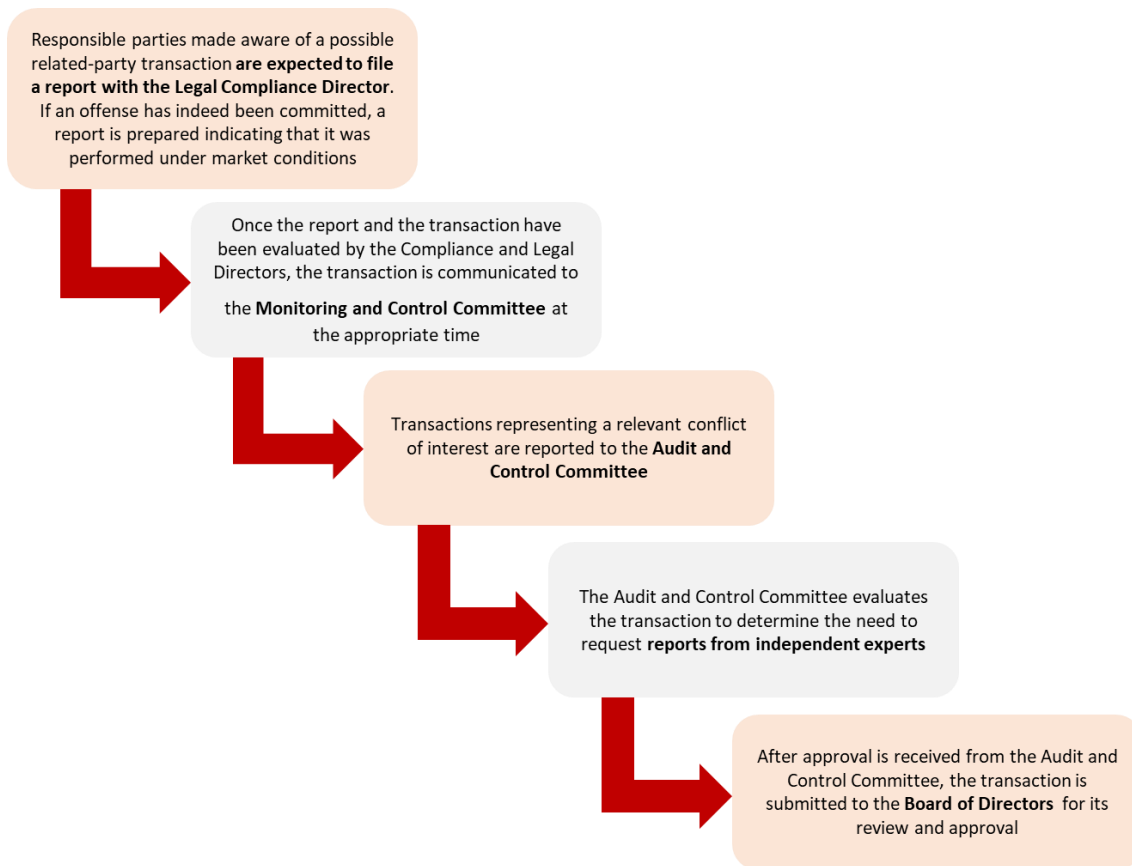
Neinor Homes is prohibited from involvement with situations representing clear conflicts of interest, and all parties must behave by placing the interest of the company and its customers ahead of their own, and those of family members or other related individuals. Neinor Homes' **Policies for Handling Conflicts of Interest and Transactions with Related Parties** is applicable for all responsible parties, and establishes criteria and procedures for approving transactions with related parties, understood as those with significant influence on the financial or operating decisions made by the other. The Policies were defined in 2015; however, during February 2018 some small amendments were made.

#### Policies for Handling Conflicts of Interest and Transactions with Related Parties

The **obligatory requirements** for executing a third-party transaction are:

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

**Procedures to follow for approving Related-Party Transactions** are:



The Compliance Director conducts a **review** (at least on a quarterly basis) that **the above meets established norms**, with transactions conducted in the terms outlined for this purpose; an annual report is sent to the President of the Audit and Compliance Committee. The latter is entitled to request any clarifications considered necessary on any particular transaction.

#### 5.4.6. Prevention of money laundering and terrorist financing

The real estate sector is an area of economic activity which has been attracting the attention of national and international authorities involved in the fight against money laundering and the financing of terrorism. The countless approaches for legally registering ownership of a property, and subjective character of real estate appraisals are factors potentially favourable to laundering money. Neinor Homes is firmly committed to complying with legislation in this regard, and hence prepared the **Money Laundering and Terrorism Financing Prevention Manual**, which establishes the regulations which all Neinor Homes' employees and sales agents must be familiar and comply strictly with.

Neinor Homes' money-laundering and terrorism financing prevention model indicates the **Board of Directors** as the party responsible for preventing these activities, and adopts the appropriate measures to ensure compliance with these regulations. The Internal Control and Communication body oversees the PML model.

During October, 2018, the Neinor Homes **Money Laundering and Terrorism Financing Prevention Manual** was fine-tuned so as to:

- **Boost efficiency**
- **Lead the digital transformation** with online sales, as well as use of the offline sales platforms
- **Reduce number of alerts** by refocusing risk on the funds' origins
- **Bolster collaboration and coordination** with all parties involved in the process to convey **greater assurance to our customers**

***Neinor Homes' Money Laundering and Terrorism Financing Prevention model was reviewed and audited by an external company***

The process-optimization model was created based on **6 basic steps**:



In our endeavour to attain maximum transparency, and in accordance with the Manual and the money-laundering prevention model, Neinor Homes is at all times entitled to refuse a purchase-sale transaction between private individuals and legal entities **incurring in any of the circumstances making it ineligible to do so**, as outlined in the Manual. Similarly, when similar circumstances arise during the course of the relationship between Neinor Homes and the client, the former terminates the contractual arrangement.

#### Neinor Homes' admission policies

Neinor Homes **does not admit** the following individuals or entities:

- Parties **residing in jurisdictions subject to fines or embargoes** enacted by international entities (North Korea, Iran, Syria, Sudan, and Southern Sudan)
- Individuals and organizations included **on lists of criminal activity** or for whom there are indications of illicit/criminal activity
- Individuals **with businesses with activities or funds are unverifiable as legitimate**
- Parties or institutions **not providing the information and data required** for identification
- Legal persons who do not document their ownership/control structure, or precise information and data on their activity
- **Financial entities without a physical presence registered in countries/areas** and do not belong to a regulated financial group
- Customers involved in **transactions** initiated in the name of one individual, with the **intention of registering in the name of a third party**, or in which the intention is **for an unrelated third-party to make payments**

Neinor Homes relies on **due diligence measures** in the prevention of money laundering within our customer-awareness policies; therefore, customers are asked to present formal identification and explain the purpose and nature of their business relationships.

Compliance with our Money Laundering Prevention Manual is mandatory for all Neinor Homes employees; lack of compliance may lead to the corresponding **disciplinary or labour fines**, so therefore each party is responsible for being aware and in observance. This is the reason **training** programs are offered to employees and sales agents, who must duly document attendance and be able to pass a test on the topic. They are available onsite and online.

In February, 2018, an external company issued a report on the **review of the Neinor Homes 2017 Money Laundering and Terrorism Financing Prevention Manual**, which concluded that the **internal control policies and systems applied are sufficient and efficient**. It certified that **all the recommendations made** during the prior year's review **were implemented**.

### 5.4.7. Data protection, confidentiality, and information security

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

Neinor Homes gives a copy of our **Privacy and Data Protection Policy** to customers prior to entering into a contractual relationship; it outlines the different uses of personal data, and the company's purpose for keeping it. It establishes a 10-year period for saving the above data under the corresponding security measures, and as long as customers does not exercise their erasure rights. There are **procedures for compliance with owners' rights** approved during March, 2018, which details the minimum necessary directives for ensuring that the interested parties are provided the necessary mechanisms to exercise their data protection rights. These procedures must be observed by all company employees handling data as part of their jobs.

Direct application of the **European Regulation (EU) 2016/679, or General Data Protection Regulations** entering into force on May 25, 2018 led to the development and execution of a road map designed to adapt Neinor Homes to regulatory requirements so that 100% of the company may adapt prior to its becoming effective. Neinor Homes thus guarantees that, apart from the above data, information is handled in accordance with the Regulation's terms and conditions.

#### Procedures for Updating General Personal Data Protection

- 1.** Hold **interviews and meetings** with the different parties responsible for handling the company's personal data to determine actions to implement in order to adapt to new regulations

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- 2.** **Update** the following **procedures**:
  - Privacy Policies
  - Procedures for handling suppliers
  - Incidents Management Procedures
  - Owner rights
  - IT design, development, and maintenance procedures
  - Data security management system, and training on data protection
  - Whistleblowing Procedures

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- 3.** Creation of **new procedures**:
  - Personal data protection policies and regulations
  - Procedures for Managing Personal Data
  - Procedures for consulting the authorities
  - Training program
  - Procedures for Managing Personal Data Systems
  - Data Privacy Assessment (DPA) procedures

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- 4.** **Other considerations**:
  - Update Call Center discussion briefs
  - Update contractual Data Protection clauses
  - IT Tool Map
  - Define period during which personal data is stored
  - Update personal data confirmation under "Work with us" on the website
  - Privacy Data Assessment (PDA) in the following cases in where personal data is managed: claims, prevention of money laundering and the financing of terrorism, legal disputes, and occupied homes
  - Appointment and communication to the AEPD of our Data Protection representative

During 2018, Neinor Homes received **1 claim** related to privacy violations and loss of personal data, and **5 claims** related to customer rights in this area.

A related activity was implemented to adapt to the new European Regulations: there are now controls for new users added through a ticketing tool. The **Data Protection Officer** position was created to act preventively and proactively to supervise, coordinate, and share data protection policies within the company and beyond. In this regard, training was provided to Neinor Homes' employees and network users on new European Regulations and cybersecurity guidelines.

Neinor Homes is aware of the high exposure to cyber threats in today's digital world. Faced with the global panorama of risks, threats, and vulnerabilities, the challenge is to maintain the security of the company's operations based on a number of innovative alternatives making it possible to attain a favourable and efficient position over said risk factors. Neinor Homes considers that information and its associated systems are critical aspects worth protecting, thereby making **cybersecurity** a key part of its digital strategy. This concern led the company to hire the services of the third party, Redes Limpias, which protects the perimeter against common threats to email, safe navigation, and filtering contents.

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

Therefore, it developed applicable rules and procedures and good corporate governance to prevent and respond to security risks which are physical, logical, and compliance related.

***Due to its excellent information security management, Neinor Homes obtained the AENOR ISO 27001 certification***

#### **Regulatory framework for the Information Security Management System**

This regulatory framework is designed to sufficiently protect Neinor Homes' data, within the scope defined by our IT Security Management System, preserving the following security **principles**:

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

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

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

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

Also, a business contingency plan is executed annually, including a **simulated cyberattack**/ethical hacking incident.

#### **Cyberattack simulation**

For the first time, during 2016 Neinor Homes simulated a third-party cyberattack on all its IT systems; this was repeated in 2018. The audit took place in accordance with the Audit Plan approved by the Committee, consisting of an unannounced cyberattack (controlled by an external auditor). The attack focused on three areas:

- **Website**: the customer application was attacked, with user passwords leaked for the Neinor Experience website
- **Internal intrusion**: reveals all the criticism received on the intranet
- **External intrusion**: system access denied, indicating a certain strength in security against external attacks. It would be a good idea to generate a password for this network which functions like a domain password

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

In upcoming years, Neinor Homes plans to continue focusing on improving cybersecurity so to always be one step ahead of the constant threats and risks inherent to the digital environment. For example, in 2019 a **network monitoring system** will be installed, and users will be continually reminded about the importance of cybersecurity.



#### 5.4.8. Internal Control over Financial Reporting System

Neinor Homes has a number of different mechanisms within its **internal control and risk-management systems arising from the internal control over financial reporting (hereinafter, ICFR) system**. Each company's business area is responsible for implementing the ICFR system, and enable the control mechanisms and activities which ensure the reliability of the company's financial information. The Board of Directors oversees the system's correct development and execution, supported by the Audit and Control Committee, which does the following:

- Assess appropriateness and effectiveness of internal finance controls, internal control systems, and risk management, including ICFR
- Guarantee that these systems do indeed reduce risks within the context of the Policies established by the Board of Directors

The Finance Director supervises the preparation of financial information, although all company areas are expected to foster the **transparency and veracity** of data handled and supplied to the market. The Audit Director provided training in this area for all parties involved in preparing and reviewing financial information.

Also, as a reflection of our commitment to the veracity of the information we share, Neinor Homes voluntarily submits the annual Corporate Governance Report to **independent external audits**, with very satisfactory results. Other **internal audits** are performed each year to complete the published financial information.

## 6. We offer personalized, tailored service to our customers

*We are aware that our customers trust us when making one of the most important decisions they will ever make in their lives, and this is why we take care with each and every detail of our service. All of our processes reflect our commitment to continuous improvement, with the application of novel technologies and the implementation of specific measures to elicit increased satisfaction.*

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

Several actions were carried out during 2018 to increase the awareness of Neinor Homes in the minds of our customers, and offer the products and services which best adjust to the needs and demands of customers in the 21<sup>st</sup> century customers:



Develop and implement the **CRM, Customer Centric**, and **Big Data** tools which are unique to the real estate sector: they make it possible to gain a very detailed understanding of customer needs so as to build promotions which are better adapted to their home expectations.



A **gaming survey** is distributed to collect demographic, economic, and home preference information on matters such as qualities, materials, location, etc. The survey can be taken on the corporate website, by arranging a meeting through the call center, or at one in the Neinor Stores.

Being aware that a home purchase is a momentous occasion, a life choice, and crucial financial decision for the customers, Neinor Homes offers **unique services** in Spain: we listen, pay attention, and understand their concerns and needs, and respond to any concerns arising from the moment they show interest in a home until after the sale is closed. Neinor Homes considers its customers as unique, and therefore offers them **personalized service**, accompanying them at all times and keeping them permanently informed through its newsletters, communications, the private area of its website, calls, and emails. Neinor Homes also designs all its projects with its customers' needs in mind; each promotion is based on deep analyses conducted on the market and buyers. At year-end 2018, Neinor Homes had 4,500 customers.

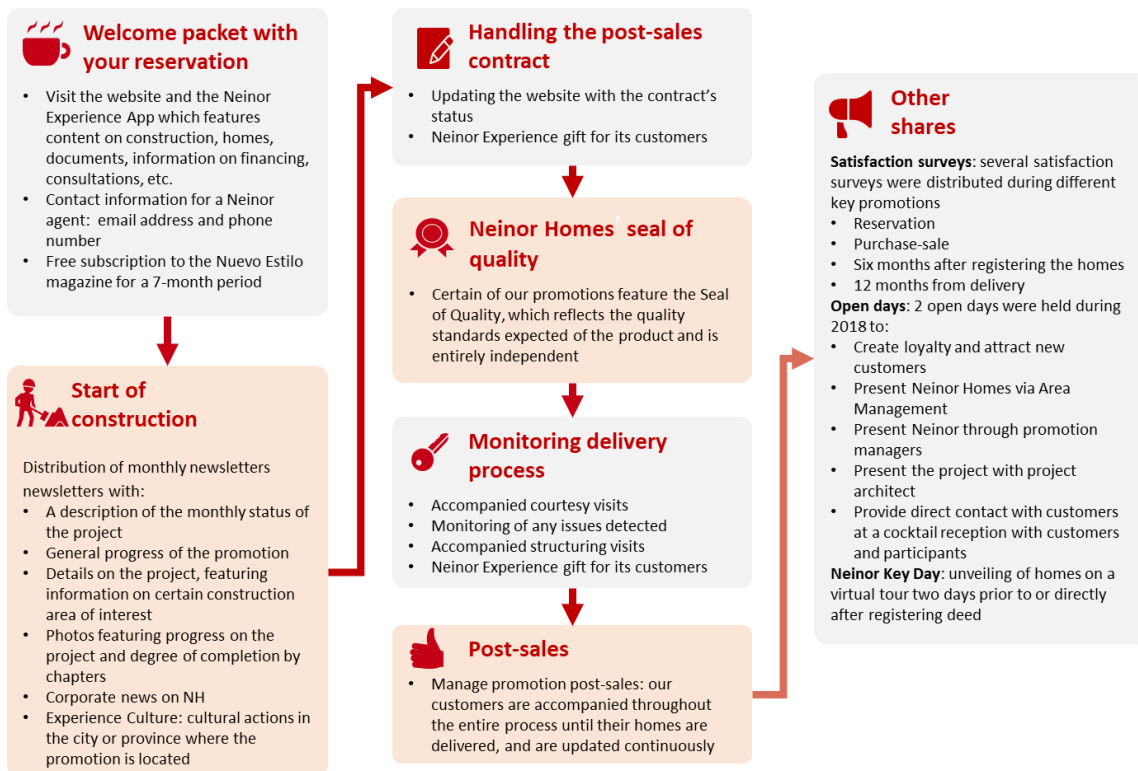
*In 2018, important actions have been carried out to better understand the needs and demands of our potential clients such as CRM tools, Big Data or gamification surveys.*

### 6.1. The Neinor Experience

The Neinor Experience is Neinor Homes' **exclusive customer service** for all its customers: it starts when they reserve a home, and continues through to key handover and post-sales attention, with guaranteed maximum transparency. Starting the minute customers pay a deposit on a home, they become **Neinor Experience** clients, and may immediately begin requesting information by email or phone. Monthly newsletters are sent until up to the date for registering the public deed arrives, providing information on construction work progress, and featuring percentages and explanations on advances during the month. **Neinor Experience manager** manages these aspects for each promotion by handling customer queries and defending their interests wherever necessary.

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

*Neinor Experience is a personalized customer care service unique in the sector*



A few weeks prior to filing the deed, Neinor Experience contacts our customers to arrange a courtesy visit to see the property, and receive explanations on certain aspects of the home and our installations. Once the deed is registered, the owners have a few days to prepare a **list of deficiencies** detected, which is then sent to collaborating companies and the construction firms so that they may resolve them. Neinor Homes monitors these tasks, and periodically receives notifications of satisfactory termination from customers.

**Customers can access their Neinor Experience platform through the website [www.neinorexperience.com](http://www.neinorexperience.com) or through the App Neinor Experience**

### 6.1.1. Neinor Experience communication channels

Neinor Homes provides our customers a widespread choice of bi-directional communication channels. The **Neinor Experience website** is used by customers to consult the progress of their home throughout the buying process. Each customer has his or her own **private web area** which incorporates all the documentation related to the transaction, such as: reservation agreement, purchase-sale agreement, property blueprints, guarantees, personalized options, or information on payments made. Other options are: specify time/date of courtesy visit, confirm personalized options for the home consult companies and suppliers involved in the project, or review Neinor Homes' agreements with different moving and car rental companies, etc.

#### Updates to the Neinor Experience website during 2018

Some of the abovementioned services were included on the website during 2018:

- **Guarantees:** customers receive an alert when the guarantees are available, and may consult them online
- **Courtesy visits:** time and dates are arranged with each client on the phone, although they are able to choose these automatically on the website
- **Personalization:** customers may continue to see the different finishings at the showroom, although they may now see and choose them on the web
- **Access and contact information for the sales agents** are provided

As discussed previously, monthly **newsletters** are published on the customer's private webpage, included under the "project details" section, featuring a description of relevant aspects about the construction work's progress, including information on the identity of the tradesmen, or offering details on certain bricklaying aspects such as the

wrought iron, plasterboard execution, etc. Company updates are also included, as are any possible cultural events nearby. The newsletter's criteria will be unified for all territories next year.

**Neinor Responde** is our corporate service offered to all customers whose homes are not newly built. Our call centers are rooted in the Neinor Experience, and all types of queries are welcome, although in general terms, post-sale services are covered, such as legal matters or connecting supplies.

The Neinor Homes channel features a **call center**, which in 2018 it began to internalize in order to gain better control of our customer calls and handle them more efficiently; an increasing number of homes delivered has led to an exponential increase in consultations, for which our stakeholders lack the necessary information to receive good service. With an in-house team taking calls since November, our attention to customers and agents helps terminate any incidences much more quickly and efficiently. During the upcoming year, we will continue to integrate the call center platform into the Neinor Experience to gather more in-detailed information on type of call received, customer making the call, promotion in question, etc., so as to focus service directly on our customers' needs.

***Neinor Homes offers different communication channels to its customers to meet their information needs (platform, newsletter, Neinor Responde channel, call center, etc.)***

### **Open Houses**

Neinor Homes' open houses are another approach for communicating with and getting to know our customers better. Nevertheless, currently **open houses are not offered for all our promotions**, but rather, just those in which the number of calls indicates concern, or promotions selling a bit under target. Open houses last approximately an hour, and are attended by the Neinor Experience Director, Area Manager, and Sales Manager, revealing our commitment and attention to quality, deadlines, and finishing, including a question and answer session.

In 2018, **2 open houses were held**, with 79% of invitees in attendance. Results obtained were satisfactory, with practically no complaints or negative comments from those present.

By January 2019, a total of 53,569 sessions were registered on the **Neinor Experience website**, of which 43% of the total were made using **cellphones**. Of these sessions, 9,654 were **new customers** (18% of the total). 58% of customers visiting the Neinor Experience webpage are men. The **Neinor Experience App** use continued rising, and during the year reached a total of 1,679 downloads corresponding to 72% of its customers.

In 2018, **Neinor Homes received a total of 3,765 contacts**, the majority by phone. The majority of the consultations are **technical in nature**, and about **Neinor Experience**.

## **6.2. Complaints and claims**

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

Generally speaking, very few customer complaints are received prior to the courtesy visits, and, and usually are bureaucratic or process-related. **Courtesy visits** usually signal the "before and after" in this regard, as once customers have seen their homes, storage spaces, and garage spaces, they begin to report personalization or finishing defects. Courtesy visits were not intended as a review of pending items, although any serious errors spotted are recorded.

***Good customer claim management during the sale and afterwards is key for Neinor Homes***

After the homes' deeds have been filed, and a prior period for filing any complaints due to problems related to registration periods or related necessary documentation, **post-sales claims** come up due to functioning issues, most times caused by a customer's unfamiliarity with the installations. Other common claims are related to finishing issues caused by small paint smudges, nicks in wood, etc. Upon registering the deed, customers are assured that an agent will soon be contacting them to discuss any issues (always prior to moving in) to ensure that any discrepancies or problems arising from incorrect use or bumps during moving are resolved.

### Post-sales Neinor Homes' service

Neinor Homes establishes maximum guarantee periods to meet and respond to customer complaints, in compliance with current regulations:

- **Finishes:** 1 year since the delivery of home
- Failures in **facilities**, appearance of **humidity** or filtrations: 3 years from the delivery of the keys
- Serious errors in the **structure:** 10 years from the delivery of the home

Each development's Neinor Homes' agent is in charge of communicating all the incidences on file, through the **call center** or using the **exclusive promotion email**. For urgent matters, such as a water leak, the agent immediately calls the builder, strictly monitoring the issues until they have been completely resolved. The remaining issues are studied on a case-by-case basis, and sent to the appropriate party for resolution and control. All these contacts and complaints are reflected on a document shared each month with the CEO, Managing Directors, General Managers, Territory Managers, and Technical Directors. In 2018, a total of 18,835 incidences were handled, with an average response time of 1.6 days.

In **upcoming years**, Neinor Homes will make further progress in achieving **excellence in handling claims and queries**, and is evaluating the following **options**:

- Contracts or agreements with a firm which handles urgent matters at night and on weekends.
- Division of Neinor Experience agents into customer care and post-sales service so they will not duplicate functions, while improving efficiency and response time.

***In 2018 Neinor Homes received 18,835 incidents with an average response time of 1.6 days***

### 6.3. Customer satisfaction

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

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

- Neinor Experience App and how it works
- Process of reserving a home
- Purchase-sale
- Showroom
- Newsletter
- Open House
- Filing the deed
- Courtesy visits
- Post-sales at 6 and 12 months

Despite the efforts to assess the satisfaction of all the services and processes, and reminders to our customers that there are surveys at their disposal, on occasion the response level is quite low, which hinders us from noting conclusive results. The following are the **key findings** taken from the most recent survey conducted in 2018:

	Surveys conducted	
	Surveys distributed	Participation
Neinor Experience App	579	19%
Purchase-sale process	760	24%
Open house	66	100%
Partial open house	328	36%

## 7. We build homes with added value

*Our homes are designed using the utmost standards in terms of quality, sustainability, and health, to ensure that our customers enjoy a product which will fill them with satisfaction and help them live better. Innovation and digitalization help us add further value, optimize processes, boost effectiveness, and reduce operating costs.*

The **quality of our houses** is a **priority** for Neinor Homes, and one of our calling cards, and a point of pride, considering that their foundation represents the needs and dreams of future occupants who have placed their trust in Neinor Homes when making the biggest investment of their lives. This is an enormous responsibility which starts long before the design and construction phase, based on a long period of listening to customers and market research. This is the only way to create innovative 21<sup>st</sup> century homes featuring excellent design and quality standards, which are also sustainable.

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

*Neinor Homes stands out because it “listens first and builds later”*

Based on the above criteria, Neinor Homes launched **193 promotions** during 2018 (13,256 homes). This represents an increase of 8.59% in sales vs. 2017, a clear reflection of our customers' trust in us and our good management of our image and quality standards.

### Value-added services

Neinor Homes offers customers an array of differentiated sector services to improve the customer experience, and offer security and comfort during the home-buying process. Our services include:

- **Family Homes Protection insurance policy**

Neinor Homes was the **top real estate developer to offer its customers insurance policies** covering their homes in the case of certain situations of grave or eventual economic loss, and is the only company of our kind demonstrating this type of customer protection and commitment.

By virtue of the collaboration agreement with CNP Partners, Neinor Homes offers a **Family Homes Protection** policy to customers which **covers the capital pending payment** on the home from the moment the purchase-sale contract is signed, until maturity in the case of death, permanent disability, absolute disability, and major disability. Neinor Homes is also committed to covering pending payments on the home to a maximum of 12 installations, should a customer suffer involuntary loss of employment or temporary disability/hospitalization due to an accident. The priority of the above policy is for customers and their families to feel covered and protected at all times, with the confidence and security that in the face of adversity, Neinor Homes will help them make payments on their home.

- **Neinor Replace**

In 2018, Neinor Homes launched a **service which is unique to the sector**: it offers customers who want to **sell their current homes** all the facilities to do so in ideal circumstances, with a guarantee that the sale will go through before they file a deed on their new Neinor Homes purchase.

*Neinor Replace* provides **all the services necessary to ensure a successful sale**. The initial **appraisal** process will produce a price range for the property, so our customer has an approximate idea of the available amount. Once a down payment has been made and the purchase-sale agreement has been signed by paying a 10% deposit on the price of the new home, Neinor Homes performs an appraisal to establish a **minimum selling price** for their home. A network of trusted local real estate agents hand-picked by Neinor Homes handles **the overall sale**, from appraising the property until it is sold, establishing a **maximum deadline** in line with our customers' expectations.

- **Neinor Smart Sun**

Neinor Homes has added a **photovoltaic energy panel pack and storage battery** to its range of services, so that users may generate, store, and consume their own energy. The above initiative is especially intended for buyers conscious of their carbon footprint: the use of solar energy makes it possible to reduce the consumption of non-renewable energy sources, to thereby reduce these effects.

The pack allows owners to use **photovoltaic panels** on the roofs of their homes, which **includes a storage battery**; they can benefit from this system at night or when it's cloudy outside, **maximizing savings and network autonomy**. This should lead to savings of up to 60% on the home's energy consumption, depending on different factors such as: rooms used, climatology, and the use of different electric appliances.

- **Inclusion of Google Home / Google Mini in the homes**

Neinor Homes is the **first European residential property developer** to include Google Home or Google Mini as a standard feature of all of its homes, and leads the pack in offering smart homes to the new-build residential market.

Google Home, is **Google's intelligent speaker** able to interact thanks to the virtual Google Assistant, to **make life easier in customers' new homes**. The only pre-requisite for issuing commands is to state "OK, Google" so that it can do the rest.

- **Neinor Mobility Pack**

The **Neinor Lab** is a corporate enterprise program designed to involve the entire company in innovation, with an initiative arising to offer our customers the possibility of adapting aspects of their homes to foster **livability, accessibility, and comfort**, especially under **circumstances of reduced mobility** (health issues, advanced age, pregnancy, etc.).

It is backed by **ILUNION Tecnología y Accesibilidad**, and focuses on **design, equipment, technology, and automation**, consisting of measures such as the home **personalization pack** (for further information, please see "Personalizing your home" and "Collaborative innovation."

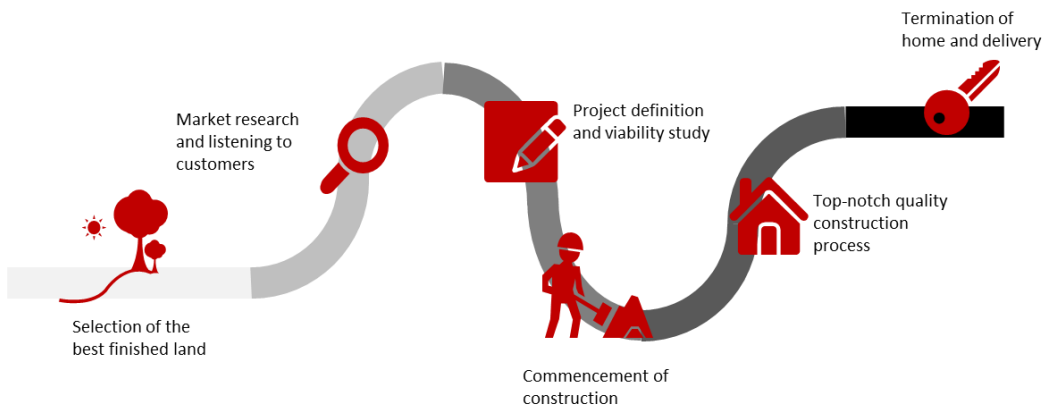
## 7.1. Managing the homes' excellence and quality standards

As stated in the "Quality and environment management" section Neinor Homes features its **Quality, Environment, and Innovation Policies** which establishes the principles guiding the company's activity related to quality, minimizing environmental impact, and boosting innovation. In 2018, the company's solid effort led to the successful implementation of the European Excellence Model (EFQM 330+), which contemplates areas of improvement (mainly in the audit area), while also keeping the AENOR ISO 9001, ISO 14001, and UNE 166002 management certificates.

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

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

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



### Characteristics of Neinor Homes promotions

All our homes have common characteristics:

- **Economy of maintenance:** the design, careful selection of materials, and innovative technological solutions help save on long-term maintenance expenses
- **Habitability and functionality:** every meter of built capacity is used to full advantage with the customers' wellbeing in mind
- **Attractiveness:** 20th century homes which adapt to their new environment and lifestyle
- **Acoustic comfort:** homes which stand out thanks to the excellent acoustics granted by its exterior insulation and interior distribution
- **Safety:** safe and secure homes in the face of natural disasters
- **Privileged surroundings:** located in urban areas very close to nature
- **Natural light**

### 7.1.1. Home quality standards through the White Paper

In the endeavour to become Spain's top residential development company in terms of quality, Neinor Homes has pioneered the creation of a design and preparation of its White Paper **design and construction manual**. The **White Paper standardizes the quality, sustainability, and design aspects** which define all our Neinor Homes promotions, with other related goals:



- Analyze and optimize the product
- Create a technical development system which optimizing timelines
- Connect experiences taken from different company areas and branches
- Minimize errors through reducing related costs
- Attain a brand image of quality
- Set construction cost goals
- Define energy and certification levels and sustainability certification

*The White Paper is a pioneering manual in the sector which helps Neinor Homes lead the transformation, thanks to standardizing parameters of quality, sustainability, and design*

The White Paper helps us assure our clients that all our promotions feature **product design criteria and attributes reflective of Neinor Homes**, adapting them to the needs of customers in each territory, and applied independently of the project's architectural study. The application of the White Paper does not mean that all promotions are the same, or that they have the same design. Our standards are independent from the designs we use, and each and **every project is individualized** for every promotion. Specifications included in the White Paper are considered minimum criteria and recommendations, so that they in no way alter planners' responsibilities when making correct technical decisions on solutions.

The White Paper is a living tool, and is successful thanks to **continuous reviews** adapting to sector and company conditions and trends, new systems, or new materials available, as well as experience acquired. **All employees are encouraged to suggest and add changes/updates** making it possible to include new sections on aspects related to the homes as a direct result of Neinor Homes' expertise and know-how. For example, the White Paper mandates certain room sizes to ensure compliance with regulatory criteria, and employ constructive solutions and materials designed with sustainability in mind, and indicates a range of characteristics designed to adapt to a wide range of needs, with different personalization options, so that homes are perfectly tailored to meet customer and market needs and demands. In 2018, over **50 changes** were requested for inclusion in the **White Paper**.

#### **Changes made to the White Paper in 2018**

During September, 2018, the **13th review** of the White Paper took place, with the following notable changes made: **quality levels** were reduced from 5 to **3** (Alpha, Beta, and Gamma), with **Framework Agreements** with suppliers introduced (see: "We are strategic partners with our suppliers"), and **changes** involved from switching specific materials or brands. Certain **amendments proposed by the different department Directors** were included, which are related to the installation of defibrillators in our communities, or distribution and sized of rooms, or finishing touches to terraces and common areas.

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

## **7.2. Personalized home design**

When someone makes the crucial decision to invest a huge sum of money in a home, they expect the home of their dreams. This is why we are so concerned that our customers are satisfied with their homes, and we offer them the possibility to **design their homes** to taste based on a catalogue of materials and terminations from which they can choose the options which are their best reflection.

Neinor Homes launched **home-personalization procedures** in 2017, applicable to all our promotions, with the purpose of defining the steps, standards, conditions, and other necessary aspect for rationally and systematically personalizing homes to ensure customers' expectations have been met. Neinor Homes offers two personalization options: standard, and premium. Both allow customers to personalize aspects of their homes which do not affect the basic plan or execution; they must be technically viable and easily-implemented during the timeline established by the builder.

### Standard personalization

This option allows customers to personalize their homes based on proposals which come at no additional cost. The proposals are broken down into 3 basic packages:

- **Bathrooms:** 3-Step personalization First, the environment is chosen from among two possible alternatives. Next, the customer decides whether to keep or reject bidet installation (should it be an option) Finally, the decision is made whether to switch the bathtub (if on the project) for a shower
- **Kitchen:** Personalization is structured into two stages: First, the environment is chosen from among two possible alternatives. Then the appliances and counter-top are chosen from three possibilities.
- **Home:** Personalization broken down into three steps. First, the flooring is chosen from among two possible alternatives. Secondly, the interior wood finishing is chosen from two options. Finally, wall paint is selected from among three choices.

### Premium personalization

Neinor Homes' Premium design-choice option offers the possibility to adapt homes for those with reduced mobility (due to age, health issues, pregnancy, etc.) thanks to the Neinor Homes *Mobility Pack*, at an additional cost. It includes items subject to modification depending on the project or the promotion's quality standards, and therefore must be submitted to the builders where this option is offered for analysis. There are three sections to the pack:

- **Architectural design:** includes different actions to adapt the home, such as widening doorways, slip-resistant bath tiles, sliding doors, or accessible electricity plugs and door handles at accessible heights.
- **Fittings:** changes in kitchen, bathroom, and closet fittings.
- **Technology and automation:** Installation of an electronic peephole, fall-detector, emergency alarm, and automation for the elderly.

These individuals participate in **home personalization**:

- **Project Manager:** issues the materials breakdown with options correctly filled in, and a folder with photos of each of the materials supervising personalization.
- **Personalization Manager:** receives the above instructions from the Project Manager, reviewing them to verify conformity
- **The Corporate Technical Director and Product/Innovation Manager:** validate the different options prior to sharing them with the customer
- **Contractor:** executes the jobs in each home according to customer choices
- **Architect:** designs the project and measurements, contemplating the different options, fittings, and installations offered

## 7.3. Environmental sustainability and health of our homes

Neinor Homes wants our homes to be sanctuaries for their residents, places where they can life alongside their families and friends in total happiness. That's why we consider criterion such as **sustainability, health, and quality** so that our homes adapt to the ever-increasing demands of our customers-

### 7.3.1. BREEAM® certification




Neinor Homes is committed to considering the **BREEAM® certification** requirements for the majority of its promotions. Since the company was formed, **70% of our promotions (86 in all) met the requisites for obtaining BREEAM sustainability certifications** of Good or Very Good starting during the design phase, which represents a total of 5,178 homes with this badge of honour. Finally, of all the promotions terminated in 2018, a total of 7 received a final BEEAM certificate: 6 good, and 1 very good, representative of a total of 330 certified homes.

A BREEAM® sustainable construction certificate at either of these two levels guarantees compliance with the strictest of demands to **foster the health and wellbeing** of all the parties involved in the life of a building (tenants, users, promoters, owners, agents, etc.), reducing functioning expenses and

***Neinor Homes is committed to environmental sustainability, considering the BREEAM® certification requirements in its promotions. That is why it has positioned as the property developer with more certifications obtained over the past few years***

minimizing the impact on the environment. This is an unequivocal and easily-observable reflection of our Corporate Social Responsibility commitments shared with the world and the market.

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

<p><b>Health</b></p> 	<ul style="list-style-type: none"> <li>• Use of <b>paint, varnish, and materials</b> with minimal harmful elements</li> <li>• Homes with <b>features for enjoyment and relaxation</b>: swimming pool, communal leisure areas, etc.</li> <li>• <b>Close to basic services</b> (nor further than 500 m from the closest bus stop, schools, grocery stores, healthcare centers, etc. )</li> </ul>
<p><b>Economic savings</b></p> 	<ul style="list-style-type: none"> <li>• Design of <b>thermal enclosures</b> making it possible to save on heating and air conditioning</li> <li>• The choice of <b>efficient elevators</b></li> <li>• Use of <b>energy-efficient</b> lamps and lighting</li> <li>• Installation of <b>solar panels</b> handling all the energy needs for the demand for hot water, representing savings and the reduction of greenhouse gas emissions</li> <li>• Installation of vegetation on roofs and in gardens, designed to create a soothing, low-maintenance ambiance using very little water, as the <b>plants are local varieties</b> not requiring much watering</li> </ul>
<p><b>Ecology</b></p> 	<ul style="list-style-type: none"> <li>• Choice of <b>water-saving faucets</b></li> <li>• Reduction of <b>number of individual car trips</b> thanks to proximity to basic services</li> <li>• <b>Reduction of CO<sub>2</sub> emissions</b></li> <li>• Use of structural, window, and insulation with <b>ecological isolation</b></li> <li>• <b>Recycling of waste</b> generated during building</li> <li>• <b>Legal acquisition</b> of lumber</li> <li>• Installation of <b>grease separators</b> to minimize water contamination</li> </ul>

Neinor Homes trains our real estate agents so that they are able to share the benefits of these certificates with users and builders. Neinor Homes' continual focus on this earning this certificate led to its current position as the **top Spanish real estate developer in terms of sustainability**.

### 7.3.2. Spatium seal

Thanks to our continual commitment to the utmost health and safety conditions, Neinor Homes was awarded the **Spatium seal** of approval for **“Safe and healthy real estate developments”** for 1 terminated promotion, and in 9 in their design stage, with ratings of Exceptional. The company will continue to endeavour and work to obtain a rating of Exceptional for more promotions in years to come, and win more awards thanks to our commitment to the excellence of our homes.

The Spatium seal is awarded by SMDos and backed by the entity granting the certificate (IMQ); it **fosters and reflects good practices aimed at health**, safety, and well-being embodied in our homes’ design, sale, and delivery, in the constant search for excellence. It groups a myriad of prevailing legislation and conduct, value, and improvements in security and safety matters. Thus it is a demonstrable guarantee of healthy and safe conditions for the users of our homes (owners and service providers) in our promotions, to thereby also make it possible to reach other related **goals**:

- Provide promotion users a visible seal of approval
- Exclusive, differentiating aspect which boosts our image of excellence thanks to cutting-edge promotion certification
- Increase the credibility of corporate social responsibility
- Generate economic return (property value, decreased insurance costs, marketing, etc.)

***Neinor Homes is the first Spanish real estate developer offering the Spatium seal’s guarantee to its clients***

### Spatium seal awarding process

The seal is comprised of 12 chapters, with a total of 100 items assessed. The promotion is awarded points for each item, adding up to a total:

- **Good** ✓: up to 65%
- **Very good** ✓ ✓: between 66% and 88%
- **Excellent** ✓ ✓: between 89% and 95%
- **Exceptional** ✓ ✓: between 96% and 100%

A “Good” rating is given based on complying with legal requirements and certain areas deemed critical. The remaining items are focused on excellence. The 12 chapters analyzed follow:

1. **Accessibility:** the building is accessible to disabled individuals (non-slip flooring, pavement irregularities, unevenness, stairs, ramps)
2. **Coordinated business activities\*:** determines the promotion’s security and safety commitments as business owner
3. **Contingencies:** preparing the property in the case of internal or external issues (i.e., accessibility to firemen).
4. **Cardioalert areas\*:** the availability of reanimation devices for patients with heart issues
5. **Emergencies and auto protection:** preparation of the property in the case of emergencies (detection and extinction devices, emergency signage and lighting, etc.)
6. **Surroundings and interferences:** analysis of services in the area, such as gas stations, synergies, communications, etc.)
7. **Function and use:** analysis of distribution, passages, interior movements, exposure to sunlight, etc.
8. **Maintenance management\*:** maintenance of regulatory installations, etc.
9. **Materials and safety:** review of the materials used and their impact on peoples’ health and safety
10. **Environmental health:** compliance with environmental protection legislation such as energy rating, storage of chemical products, etc.
11. **Transfer of risk\*:** insurance policies transferred upon delivery
12. **Water installation:** analysis of the swimming pool’s usage conditions and accessibility

\* *Verified at delivery*

**Verification** takes place either during the design or delivery stages. Doing so during the design stage involves terminating the process during the delivery stage in order to obtain the seal. This process begins when documentation is requested and provided, to subsequently analyze various aspects and perform technical verification. A report is then prepared and presented to customer on the outcome.

Neinor Homes has initiated **training programs** among our employees at all our regional branches to gain an understanding of the seal’s benefits, and to share the positive aspects of the homes warranting their consideration as better, safer, and healthier.

## 7.4. Innovation driving transformation

Innovation, technology, and digital transformation are in Neinor Homes' DNA since birth, with an outlook which helps us gain the **competitive edge, maintain our leadership position** in transforming Spain’s residential real estate market into an institutional model which is centered on our customers, rigor, ethics, and transparency, and a clear focus on an industrial model. Against a backdrop characterized by the inexorable march towards digitalization, Neinor Homes is deeply committed to introducing innovation to a sector dramatically resistant to change, and incorporating best practices and ideas taken from other sectors, aligned with a culture of permanent and pragmatic innovation across all the company’s areas.

***Neinor Homes leads the innovation in the real estate sector***

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

Based on the above idea, Neinor Homes conducted a review of 20-year **trend forecasts for the building sector**, and analyzed 11 different aspects:

- **Ethics:** it expects ethics to have a clear role in the decision-making process, especially where operations are concerned.
- **Transparency:** the transparency of information must be fostered. Any transaction or strategic decision will and must be public.
- **True focus on the customer:** our customers are at the center of what we do, as is the case in the majority of industries. We listen to and hear our customers, and offer them a product tailored to their needs and expectations.
- **Industrialization:** companies should seek out compatible pre-fabrication models, to thereby decrease production costs.
- **Sustainable construction and design:** Increase the life cycle of our buildings, respecting the environment and reducing the consumption of resources, and improving quality of life for their users and other citizens.
- The real estate market will undergo a digital transformation and changes in products, encompassing digital architecture tools, Big Data, Cloud Computing, or Artificial Intelligence to gain an understanding of sociological market trends, and adapting our product offer adapted to these trends.
- **Automation:** a new push towards automation will help attain unexplored heights of productivity, quality, and services similar to those in other industrial sectors.
- **Materials:** we will increase our research into novel sustainable, intelligent, safe, and cheap materials to speed up execution time
- **Safety and health:** there should be drastic improvements in safety and health of construction workers as well as users and citizens in general.
- **Training:** we train our people continuously using cutting-edge technologies tailored to their professional careers and the needs of society
- **Management and regulations:** these will be increased focus on regulatory standards and the use of materials, as well as construction-related matters

The context of innovation includes the key values governing Neinor Homes, at the core of the company's three corporate pillars: Institutionalization, the product, and our customers 2018 witnessed the birth of the new **Innovation Strategy and Ecosystem**, with four main activities now implemented to guide innovation in the years to come.

***In 2018 Neinor Homes invested 1,319,333 euros in innovation, slightly increasing its investment in 2017***

#### **Areas of improvement detected**

Neinor Homes has conducted audits to determine these opportunities for improvement in the field of innovation:

- Review **contextual information/interested parties** coinciding with the natural year end.
- Contemplate implementing an environmental **objective risk- and opportunities-assessment**
- Improve the **traceability of opportunities pinpointed** in the SWAT analysis against Action Plans currently underway
- For planning and overseeing purposes, separate the **opportunities for improvement** from the process indicators using a reference level
- Simplify the **method for identifying and assessing environmental aspects** during phases during which the only aspects generated are associated to office activities
- **Implement the EV Digital tools** throughout the land-acquisition process
- Analyze the **effectiveness** of the Neinor Experience **surveys**

From the standpoint of innovation, 2018 was marked by **two huge events** characterizing the year as very satisfactory, during which Neinor Homes was closely involved in intra-entrepreneurship and open innovation. The bases for future innovation within the company have been set thanks to projects which will continue during upcoming years to form part of our value chain. These two huge benchmarks were:

- Launch of the I Edition of **Neinor Next**, an alliance with innovative startups to lead the transformation of Spain's real estate sector
- Inauguration of the III Edition of the **Neinor Lab**, our platform conceived to boost innovation at the heart of the company

During 2018, Neinor Homes' **AENOR 166002:2014 certificate** was renewed, revealing the following suggested opportunities for improvement:

- Include an additional arrow on project schedules for terminated legal/administrative procedures once the project has terminated
- Mention project meeting update attendees
- Include indicators on the stage of the project which reflect progress made

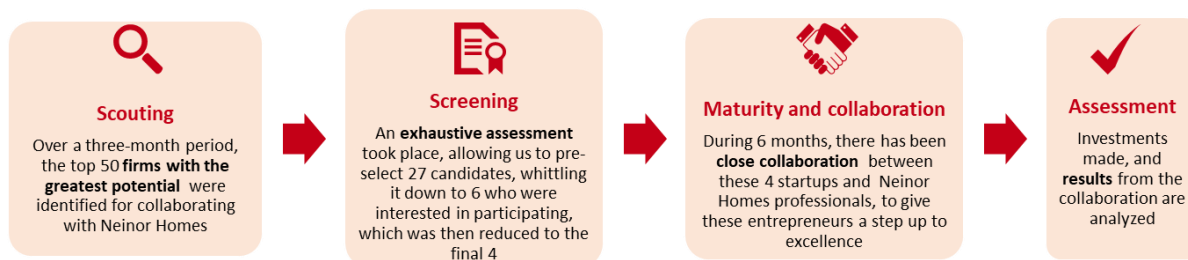
#### 7.4.1. New innovation ecosystem: *Neinor Next*

Neinor Homes' first *Neinor Next* Edition was 2018's most notable event where innovation is concerned, and was led by our CEO. It represents the creation of a **new innovation ecosystem** which seeks to create **alliances with real estate sector startups**, and was designed with the main objective of jointly leading the transformation of Spain's residential homes sector. *Neinor Next* is made up of members of Neinor Homes' management team as well as professionals from a renowned consultancy firm of prestige working on this enterprise. Its core objectives are to:

- Improve **reputation** and boost **leadership**
- Work in line with **CSR** policies
- More **efficient** business model
- **Boost innovation** in other business models
- Attract **talented** individuals and technology
- Foster **digitalization**
- Accelerate **innovation cycles**
- Generate a **culture of change**

**Neinor Next endeavors to extend our innovation ecosystem through alliances with startups**

*Neinor Next* officially became operational on **January 30** when it was presented. A selected group of **4 finalist startups** was taken from over a total of 500. There were **4 phases** to the process:



In September, the first edition concluded with the participation of the **4 selected startups**:

- **Architectures**: this firm developed an architecture app which uses artificial intelligence to design housing real estate development in just a few hour, thereby shrinking the time involved during this phase, as well as direct and indirect costs.
- **Bigle Legal**: supplier chosen to handle the online purchase and sale of dwellings on the Neinor Homes website
- **Plactherm**: underfloor, zoned, and personalized heating system allowing for energy savings of 45% vs. traditional systems
- **4 Domo**: uses architectural visualization software making it possible to industrialize marketing materials for the different promotions; it includes infographs, videos, and immersion tour of both exteriors and interiors, which greatly improves the potential customers' experience.

The above enterprise was very successful, and therefore Neinor Homes has announced the preparation of the **second *Neinor Next* edition**, which will get started in upcoming months as part of our inexorable march towards sector leadership.

#### 7.4.2. Innovation committee

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

strategic standpoint linked to company results. Meetings are held about every 5 weeks for departments to present their projects. The Committee's **functions** includes:

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

#### 2018 Innovation Committee Activity

During 2018, the Innovation Committee met **6 times**. The first held this year set the following 2018 **goals**:

- Generate an open innovation system
- Increase the ratio of ideas generated by employees
- Increase reports on innovation experiences (Newsletter)

### 7.4.3. Employees at the center of innovation: *Neinor Lab*

During 2016, Neinor Homes created its *Neinor Lab*, the platform designed to boost innovation within the company, the only of its kind on the Spanish real estate market. *Neinor Lab* is our **corporate entrepreneurship** program by virtue of which we try to involve the entire organization in the company's development and innovation projects: we do not consider that I&D are strictly areas exclusive to management.

*Neinor Lab* lets our **employees** form brainstorming groups to **generate new ideas and novel innovation projects** revolving around the company's three axes. Ideas proposed are reviewed in detail, and those

chosen are subsequently included into Neinor Homes' value chain. Thanks to the Innovation Committee and *Neinor Lab*, the company can zero in on its commitment to "continuous organizational improvement" in a more efficient and realistic manner; all it needs is for Management to set its goals. This approach gets everyone involved in the **transformation**, with the entire company representing our culture of innovation and continual improvement.

In 2018 *Neinor Lab* continued consolidation by **involving 37 employees**, 2 more than the prior year, representing a percentage increase of 5.71%. It is represented at this four large territorial branches: Bilbao, Barcelona, Cordoba, and Madrid. *Neinor Lab* has its employees break up into **three large groups** representing our strategic foundations (institutionalization, the product, and our customers), where they brainstorm to come up with novel projects related to these pillars. Every six months a **workshop** is held, in which the three groups jointly hash over ideas they've come up with.

#### *Neinor Lab* goals

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

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

### The creative process behind Neinor Lab Ideas and projects




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

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


*Neinor Lab's* innovation projects must be **efficient, strategic, and results-focused**, with a **maximum duration of six months**. **36 new ideas** resulted from *Neinor Lab* brainstorming sessions in 2018 (12, 10, and 14 respectively linked to each strategic pillar), from which **3 projects** were pinpointed; **3** of these have been introduced and terminated. These **projects** follow:

**All employees can take part in innovation through *Neinor Lab***




**Product**

- **Sun Power**: assessment of the various photovoltaic solutions on the market, to analyze the viability of offering the *Neinor Sun* pack featuring personal photovoltaic panels in our homes.
- **Google Smart Home**: an agreement with Google to be the first in the European market to incorporate the Google Home or Google Mini apps in our new homes, to thereby offer smart homes



**Customers**

- **Social media** : research into the various solutions on the market for monitoring and analyzing social networking sites.



**Institutionalization**

- **Home value calculator**: creation of a tool making it possible to automate and standardize database price-setting processes , getting away from the subjective approach.



#### 7.4.4. Collaborative innovation

We at Neinor Homes understand that innovation is at the heart of the real estate sector's transformation, and the focal point for guaranteeing sustainability in a cyclical sector, and that's why we focus on **sharing knowledge on experiences and solutions** with the rest of the real estate sector and others to seek out novel solutions in innovation which we adapt to our customers' needs. Along these lines, in 2018 Neinor Homes was still offering our **Neinor Mobility Pack** in collaboration with Ilunion Tecnología y Accesibilidad, which was Neinor Lab's first initiative. This pack offers customers with reduced mobility a home version designed with their needs in mind based on accessibility design criteria to equip their homes with the latest in specialized technology.

##### Collaboration agreement with CEMEX Ventures

A collaboration agreement was signed between CEMEX Ventures, CEMEX' the corporate risk capital and Neinor Homes to **establish synergies** between the parties to improve the construction and promotion industries. CEMEX and Neinor Homes reach **shared areas of experience**, with each covering more ground on the construction value chain to increase competencies in sectors in which the other leads.

As a result, both companies **can exchange information on startups** facilitating the search for and implementation of innovative ideas and solutions which increase the flow of communication with new business models so that entrepreneurs gain access to more investors interested in helping find an answer.



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

##### Innovation in construction

Neinor Homes is fostering agreements with firms using **cutting-edge construction sector technologies** to implement innovation throughout the production chain of our homes. Industrial processes will be applied to our buildings, featuring **panels** with final refinements; they are **easy to assemble** and quite durable.

This process is **totally innovative and a pioneer** in the sector; first applied at a pilot development, its characteristics are very positive when compared to traditional building processes:

- **Ecological:** usage of recycled and top-quality materials with virtually no negative effects on the environment.
- **Clean:** eliminates the need to use cement and water, as well as the mess they create
- **Quick:** faster construction times: a 4-story building with 8 dwellings was terminated in under 5 weeks
- **Economic:** 10-15% cost reduction vs. traditional builders
- **Premium quality:** the use of better-quality materials which are also ecologically-friendly and sustainable, with top-grade finishings

##### Alliances with financial institutions

During December of 2018, Neinor Homes and Bankia signed a **'green loan' to finance** our Amara Homes development located in Las Rozas (Madrid); it was awarded the BREEAM sustainability certificate, and as a result, has agreed to **offer a price rebate** to the buyers of our homes. Developer loans signed may be subrogated, and feature a rebate of up to 20 bps on the interest rate on the price of retail mortgages for customers acquiring a home in this Madrid suburb development.

This is a **pioneer agreement** in the sector, and another clear reflection of **Neinor Homes' commitment to sustainability**, in the awareness that this is the future of the home promotion business.

#### 7.4.5. Digital transformation and Big Data

The digital era is here to stay, and the real estate sector and market for homes are part of this trend. Customers expect new digital services, and throughout the transformation of the real estate sector, digital advances and the use of *Big Data* are especially relevant. Fully aware of these tendencies, Neinor Homes applies innovation to each link of our value chain by implementing an array of **digital initiatives which add value** and optimize processes, thereby increasing effectiveness and shrinking operating costs. All company departments are included in this **Digital Transformation Plan** through participation in the planned initiatives:



### Big Data land-acquisition tool

Big Data unifies all market data provided by Idealista, as well as data on potential customers taken from the National Statistics Institute (INE) and the land register database to **determine the best plots** to buy and build residential developments on. One can consult any point of Spain, compare land and KPIs in different towns, and establish a ranking based on the data.

It is used internally and adds internal Neinor Homes data, is unique to the sector, and provides key data **the competitive edge**.



### Land pipeline tool

It makes it possible to **load, edit, and visualize all the land under study** at Neinor Homes and monitor progress and consult documentation online.

This translates into increased **productivity**, as there is no further need for efforts to unify information, and helps in the purchase of a home decision-making process much smoother.



### Pricing tool

Using this app, **one can automatically calculate the price of each development**, using any combination of predictive algorithms based on historical data.

It represents add in that it assists **the productivity of real estate agents** and providing them assistance in comparing prices while eliminating sales bias from the decision-making process.



### Big Data Customer Centric

This tool allows us to **analyze the past behavior** of our contacts and customers to **optimize** our new **products** and boost sales.



### Neinor Stores

These are establishments where **customers can tailor their experiences** offering info graphs, virtual reality, and other digital experiences adapted to their needs. Customer experience is notched up to the next level.



### Schedule-management tool

Using this app, processes are better coordinated and supervised, representing **less internal effort**, and **improved delivery times** for promotions.

Neinor Homes' digital transformation never ceases, with several different projects and initiatives (such as **unification of the Data warehouse**) to be implemented in the short and medium term to boost productivity. Currently, an **online sales project** is under development: it will allow customers to reserve their homes online, without having any face-to-face contact with the real estate agent. To prepare it for market launch, apps which analyze customer data in real time are in development; we are studying the mandatory legal and anti-money-laundering aspects of customer-identification processes for making a down payment and generating all the necessary documentation in a single, immediate, transparent **online** procedure.

Other areas under review include: the possibility of **using blockchain technology to manage Neinor Homes' contracts** with our different partners and customers (deeds, etc.), making it possible to save on notary and legal expenses while remaining transparent.

## 8. Our employees are committed

*A key priority for Neinor Homes is to offer our human team an attractive setting in which to develop professionally, while maintaining a healthy work-life balance. This is rooted in equal opportunities, transparency, health, and safety.*

Neinor Homes, as the real estate sector's benchmark, is set in an **attractive workspace**, and generates quality employment which fosters the development of our talent while focusing on continuous training, boosting well-being, work-life balance, and safety. In a continual search for **maximum communication transparency, involving all company employees in innovation** and company growth. Only by working daily with the above values in mind will we be able to be at the vanguard in a sector which increasingly demands **greater dynamism and professionalism**.

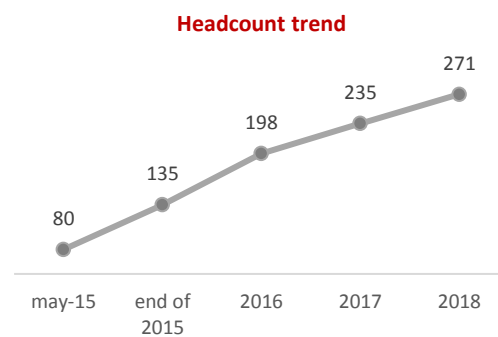
Since its creation in 2015, Neinor Homes has grown exponentially: in the past 4 years it has more than tripled its workforce. **Such** growth demands efficient people management which is determined by **Human Resources' Strategic Plan**, which is connected internally to the company's three strategic pillars.

The **loyalty plan** "Growing up together" commenced in 2018, with the implementation of new measures to foster personal wellbeing and the professional development of our employees.

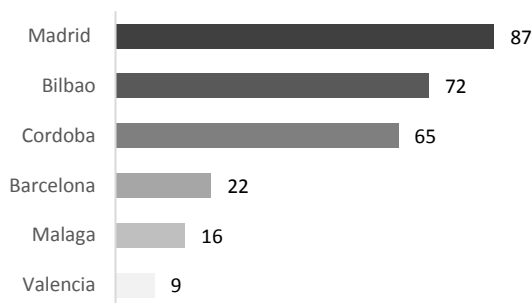
During 2018, Neinor Homes' headcount included **271 employees**, of which **52% are male and 48% female**, having added 36 workers (an increase of 15.3%) vs. 235 in 2017. Neinor Homes' commitment to talent and professionalism is clear in the teams it forms, with a diversity of profiles. The **average age** of our employees during 2018 was just over **40.3**, slightly over 2017. The **average length of service** is **4 years**, as we have grown considerably over recent years.

During the first 4 years, both the size of our staff and number of branches grew. Currently we cover **6 regions** in Spain: Madrid, Bilbao, Cordoba, Barcelona, Malaga, and Valencia.

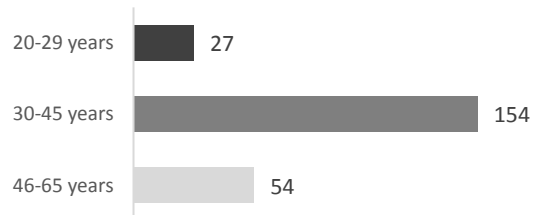
*It is key to Neinor Homes to ensure employee satisfaction and pride from belonging to the company*



**Geographic distribution of staff**



**Staff breakdown by age**



**100% of Neinor Homes' employees are subject to the construction sector's prevailing collective labour agreements** wherever they are based. Freedom of association is guaranteed, with union representatives allowed the use of our meeting rooms, with representation in the ELA Bilbao syndicate. Collective labour agreements in the construction sector establish security and safety aspects of our activity, including matters related to minimum safety requirements applicable to building jobs or training in health and safety. Therefore, they are 100% applicable to our workforce.

## 8.1. Equality and diversity

Neinor Homes is firmly committed to providing **equal opportunities, fights against discrimination, and fosters respect for diversity**, all reflected in the guiding principles of our Codes of Ethics and Conduct. This is reflected in our staff breakdown, which is almost **exactly half women and half men**, which is especially noteworthy when considering the idiosyncrasies of the sector in which it competes. The concept of equal opportunities at Neinor Homes goes beyond gender, and is focused on fostering the equality of all our employees as regards their rights and obligations. Our company practices go hand in hand with the **ten principles of the United Nations Global Compact**, particularly those covering **human rights and work**.

During 2018, Neinor Homes' Equality Plan was approved; it establishes the corresponding criteria and directives for equal treatment and opportunities to eliminate any type of discrimination based on gender, origin, age, race, culture, ideology, religion, or disability, in 2018, Neinor Homes' **Equality Plan** was approved; it establishes the corresponding criteria and directives for equal treatment and opportunities to eliminate any type of discrimination based on gender, origin, age, race, culture, ideology, religion, or disability. These directives: are

***Neinor Homes' commitment to equality and non-discrimination is reflected in its Equality Plan***

- **Promote equal opportunities:** guarantee all our employees equal treatment and employment possibilities covering: access to employment, professional rank, performance evaluations and promotions, remuneration, training, and work-life balance.
- **Respect for diversity:** rejection of any discriminatory conduct or intolerance based on gender, origin, age, race, culture, ideology, religion, or disability within the organization, and/or any other physical or social aspect: we consider diversity to be a value which enhances differing viewpoints while fostering the generation of fresh ideas, and creative and innovative approaches.
- **Integration and inclusion:** collaboration and teamwork to ensure that all our employees, regardless of their permanence in the company, any past experiences, or other matters, are able to form part of the company based on our solid commitment to inclusion of specific collectives with special needs.

### **Equality practices and measures adopted by Neinor Homes**

We at Neinor Homes are aware of the need to enact and manage measures and principles of equality within so as to combat and resolve any behavior indicative of discriminatory behavior:

- **Access to employment:** specify job offer requirements which offer equal job opportunities, and engage in recruitment processes and job interviews in which no discrimination exists.
- **Performance evaluations and promotions:** based on objective criteria. Foster the presence of females on the company Board and committees.
- **Remuneration:** Seek homogeneity in professional categories in order to compensate our employees based on their performance and development evaluations; unjustified inequalities are not permitted.
- **Training:** Training all company members to improve and increase their job skills.
- **Work-life balance:** define and implement a series of measures which foster equality, making it possible to have a healthy balance between work and personal demands.

Our **Human Resources Management** ensures that the above Equality Plan is complied with and applied in conjunction with the other Neinor Homes managers. The Internal Audit Director provides periodic reviews and reports on compliance with the Equality Plan's directives. During 2018, Neinor Homes employed 4 disabled individuals.

## 8.2. Professional and personal development of our employees

Our achievements until now, and the company's rapid growth (**86 new hires** in 2018, of which **37 were women and 49 men**, representing a staff increase of 36, and **over 70 new hires since 2016**) have been made possible thanks to the **search for the best and brightest talent** on the market; we are aware that our talent is key for reaching excellence. The identification of the top profiles and investment in their professional development is fundamental to such a competitive sector. During 2018, our hiring rate was 32%. In 2018, Neinor Homes established a new professional category classification system, with all our employees in one of three ranks: executives, middle management and technical professionals.

Neinor Homes' professional teams stand out, thanks to their huge potential, which allows us to foster **internal promotion** based on procedures which provide website job alerts posted under “Work with us.” During 2018, we have worked intensely to **internalize** the greater number of **positions**, and thereby retain valuable information taken from our selection processes. We have commenced work on creating an internal database featuring our talent should new positions open.

**Neinor Homes counts with an outstanding and talented team, which allows us to foster internal promotion**

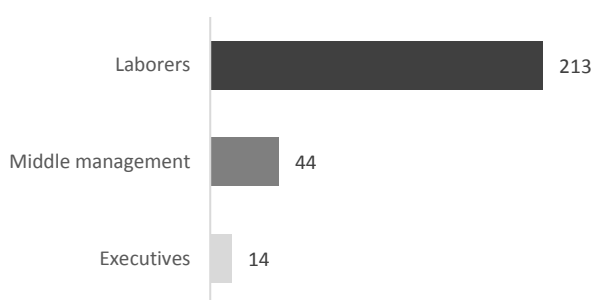
Neinor Homes is synonymous with talent, professionalism, and potential. Our Human Resources team are quite aware of the talent in our organization, and provides them opportunities to grow within the company, thanks to our **Internal Promotion** scheme. Implemented this year, it encompasses the following:

- All employees having been on staff, performing the same functions for **at least a year** my participate
- Those having received a good **performance review**
- Human Resources maintains the identity of our internal candidates in the strictest of **confidentiality** until the Business interview has been conducted
- The incorporation of the selected candidate is handled as soon as possible, **always seeking out the best possible replacement for the department he/she is leaving**, with this considered a priority.

All promotions are communicated internally. In 2018, 15 employees were promoted.

One of Neinor Homes' most notable aspects which set it apart is our professional staff. Without a doubt, this is the key to our success, as well as the central axis around which our day-to-day activities take place. Our employees amass a huge and **diverse amount of internal knowledge** (as they come from a widespread background of sectors and universities), transforming the branches where they work into authentic cradles of knowledge in which **learning is continuous**. This is one of the most popular factors according to candidates joining the company. Once they have been onboarded, they receive a **Welcome Pack** with all the tools, guides, and information necessary to help them adapt very quickly.

**Staff breakdown by professional category**



Neinor Homes defends **quality employment**, and seeks the feeling of permanence within our staff, with 96% of our employees enjoying have full-time indefinite contracts (98%) with medical insurance included. We are considered by our employees as an innovator, as well as a center of learning best practices, and as such, have achieved sector recognition and prestige. This is why our competition is attracted to the values we implement, leading to a **rotation** of 18% during 2018, despite Neinor Homes' efforts to retain talent and offer quality employment. During 2018, **5 individuals were dismissed** from the company.

**Neinor Homes works with different universities and business schools, offering students the possibility to continue their education as interns at the Company and turn into full time employees once their internship is over**

	Staff breakdown by contract type							
	Women	Male	20-29 years	30-45 years	46-65 years	Senior managers	Middle management	Skilled professionals
<b>Indefinite contracts</b>	46.49%	49.82%	7.75%	66.42%	21.77%	5.17%	15.50%	75.28%
<b>Temporary contracts</b>	1.11%	2.58%	2.21%	0.74%	0.74%	0%	0.37%	3.32%
<b>Full day</b>	46.13%	51.66%	9.23%	66.79%	21.77%	5.17%	15.87%	76.38%
<b>Partial open house</b>	1.48%	0.74%	0.74%	0.74%	0.74%	0%	0%	2.21%

Number of dismissals								
	By gender		By age			By professional category		
	Men	Women	20-29	30-45	46-65	Executives	Middle management	Skilled professionals
2018	4	1	1	2	2	2	0	3
Total	5		5			5		

Neinor Homes is working on our **Professional Development Plan** to foster the growth and professional trajectories of our employees, and is linked to individual performance. **Annual salary reviews** are performed for the majority of our employees, and are performance-linked.

#### Attractive and flexible remuneration

During 2018, Neinor Homes implemented a **new variable compensation scheme** to ensure sustainability.

Potential variable remuneration is contingent on **EBITDA** attainment (which is a key indicator for bonus payments). Incentive payments decrease or increase in line with EBITDA margin fluctuations. 100% of incentives are broken down into departmental, regional, and individual objectives. Once bonuses have been calculated using the above formula, **merits** are assessed to determine the final amount paid in recognition of a job well done.

### 8.3. Training

Neinor Homes thinks that training is the basis for developing its professionals, as it helps improve **productivity**, while improving individual promotion. Under this premise, training courses are based on needs detected by Management to achieved targets and meet areas of weaknesses detected by the employees themselves, as well as their own interest in taking external courses. We lead the sector's digital transformation, and as such, a great deal of the training we offer is in this area. The following are some of the matters and applications for which training was provided during 2018:

- *Big Data*
- *Power BI / Customer Centric*
- *Online sales platform*
- *Schedule-management tool*
- *Neinor Experience platform*
- *Productivity*

***Neinor Homes is aware that training is key and fosters experience sharing between employees***

During 2018, Neinor Homes designed a **training platform** where all the courses on offer may be consulted by our employees whenever they wish. In 2017 a total of **3,910 hours of training** were provided, representing **14.5 training hours per employee**. A total of **139,812 euros** were spent on training activities.

One of the main initiatives included in "**Growing up together**" is payment of 50% of higher training for employees requesting it. Beneficiaries agree to stay in the company for at least 2 years afterwards. In 2018, **12 employees** took advantage of this initiative.

Each of these training programs had a relevant impact, and Neinor Homes uses the most appropriate means for each case. We are betting on **diversity** as far as our training programs are concerned, with a wide array of subject types and time to assimilate the subject and apply theoretical content. Some of the onsite training programs are taught by **external collaborators**, although in 2018 we commenced our "**Co-learning Fridays**," in which employees are entitled to voluntarily attend hour-long training sessions given by other company staff members, thereby favouring training specific skills, while our employees **share their expertise** to one another.

### 8.4. Wellbeing and work-life balance

Neinor Homes considers the well-being and quality of life of employees to be very important, since those who are happy home are also happy at work, leading to increased effectiveness and improved relationships with their colleagues. We implement measures aimed at a healthy work-life balance, in which family, personal, and professional responsibilities coexist in harmony, thanks to our **Work-Life Balance Plan**.

This was based on results from our **workplace survey results and psycho-social risks**, and recommendations taken from the subsequent internal audit. Hence, in 2017 a **list of measures** created to foster this equilibrium was proposed, and completed this year with 3 additional measures.



### Teleworking

Employees are allowed to work remotely for a maximum of **3 days per month** as long as their functions make it viable to do so. To this end, all employees are given cellphones and laptop computers. Interested parties must coordinate with the Systems Department to install the VPN to be able to establish the necessary tasks; there is a calendar registry for reporting to Human Resources.



### Workday reduction on school holidays

Employees are allowed to **adjust their workdays** in accordance with the **school calendar**. **Hours are set aside** to make up time spent with children on school holidays.



### Authorization prior to maternity

**15 days paid pre-maternity leave** is an option for mothers about to give birth.



### Flexible workdays in terms of start and end times

Employees are able to opt for early **entry or departure from work**. Departments ensure that all workplace responsibilities are covered during the workday. Even our **lunch hours** are flexible.



### Nursing leave

Paid **20-day** nursing leave (vs. 13) is now an option, or until the baby turns 15 months (rather than 12).



### Leave for looking after minors

Leave is available for taking care of children **under the age of 4** (rather than age 3, as reflected in statutes).



### Economic assistance for children with disabilities

Employees with disabled children may receive economic assistance totaling **150€ gross monthly until they reach the age of 15**.



### Flexible meeting times

Apart for exceptional matters, meetings and videoconferences must be held between **10:00 a.m. and 6 p.m.**



### Leave for childbirth complications

Remunerated leave is increased to **15 days** (rather than 5) should any complications arise as a result of childbirth resulting in the infant remaining in the hospital.



### Summer hours

**From July 15 to August 31, workdays finish at 3 p.m., with revolving weekly turns in each department to provide support to incidences.**



### Workload

To reduce overtime as much as possible, we are committed to **defined workloads**.



### Respect for rest periods

Our commitment is to show **the maximum respect** for non-working hour, and as such, we have implemented control measures.



### Birthday

Birthdays are **holidays**, which can be taken on the Friday of the same week.

The above measures reflect Neinor Homes' first step towards guaranteeing quality working conditions for our employees, to subsequently include others as requests and demands are analyzed. Our Human Resources department oversees these measures, and is open to assessing new options in our endeavour to maintain Neinor Homes as a reference point in this area. Apart from these special measures, employees benefit from all legal

employment rights. During 2018, a total of **9 employees** (6 female and 3 male) accepted **maternity/paternity leave**, with all returning to their posts subsequently. Neinor Homes also provides flexible remuneration packages for its employees, including restaurant and childcare vouchers, and medical insurance for the entire family. Preference is given to employees involved in the promotion's launch; this advantage is in no way representative of a discounted price.

## 8.5. Safety and health

Neinor Homes fosters a **safe work environment**, and is committed to permanently updating its workplace risk prevention measures to adapt them to each job beyond the scope of legislated requirements. Due to the nature of their work, Neinor Homes' employees are exposed to the risks inherent to their office jobs, such as back problems, sight issues due to deficient lighting, etc. An outside company periodically handles our safety and health audits at all our offices and branches, which always meet the utmost standards in this regard.

***In 2018, a total of 179 training hours were spent on Health and Safety***

To add further support to company health and safety, during 2018 Neinor Homes continued with our commitment to training all of our staff in Workplace Accident Prevention thanks to special courses. In 2018,

a total of **179 training hours** were spent on the above topics. In 2018, there was only one *in itinere* accident involving medical leave for an employee, and no reported accidents resulting in medical leave at work. Neinor Homes' absenteeism is 1.8% for both women and men.

## 8.6. Internal communication and employee satisfaction

In 2018 Neinor Homes moved ahead with its **internal dialogue and communication** with all company members. Employees have the following communication channels at their disposal:

- **Corporate email** for sharing opinions or complaints related to workplace security and health
- Emails for communicating any violations of the **Ethics Code**
- **Screentop app** for directly and quickly sharing employee **disgruntlement** on a wide range of topics
- **Human Resources** and **recruitment** email addresses
- **Email address:** sustainability@neinorhomes.com

There are also other initiatives in place which foster two-way, transparent communication, such as: monthly **emails** to staff on incorporations and redundancies the previous month.

Neinor Homes works to ensure that all employees feel protected by company management, and therefore conducts periodic **meetings between the CEO and employees** (in groups of 8) to foster fluid bidirectional communication. The CEO shares all relevant aspects related to managing the company and its situation, while receiving *feedback* from its professionals to determine their interests and concerns, and thereby identify areas of improvement. These meetings led to "**Growing up together**," which covers all the measures adopted thanks to suggestions from our employees.

Neinor Homes is interested in the concerns of its employees, pinpointing their needs, while showing interest their perception of the brand. This helps us continue developing policies and solutions in favour of their wellbeing, while identifying opportunities for improvement to establish the company as a market leader with the knowledge that employees are satisfied, happy, and motivated. This is why we conduct workplace **satisfaction surveys** among our employees twice a year. Our most recent customer satisfaction survey distributed in in December of 2018 was responded by 58% of our staff, with a **satisfaction outcome of 71%**, which is three points over last year.

Neinor Homes also conducts certain **initiatives** designed to make our employees feel like part of a big group, sharing their satisfaction and pride from belonging to the company with families and friends:



**Outdoor Toledo:** all of Neinor Homes' staff from all our branches meet in a certain location to indulge in several training activities created so that we all get to know one another better, sharing our knowledge on the company's different activities. In 2018, Toledo was chosen for the above event.



**Christmas party:** although we currently have 6 branches located all over Spain, Neinor Homes holds an annual holiday party to which all its employees are invited to attend at a designated location, offering



buses and other means of transport for those living further away. This translates into seamless and smooth communication and relationships between them,



**Neinor Day:** once a year, close to the Christmas holidays, employees are invited to bring their children to work, with special activities, food, and drink on offer. Staff children learn more about where their parents work.

### **8.7. Initiatives designed to involve employees and raise awareness**

Thanks to the participation and awareness across the different company areas which increases employee motivation and **pride in forming part of Neinor Homes**, the company continues to move ahead in the implementation of initiatives in the area of Corporate Social Responsibility which contribute positively to society, and in which employee participation is fundamental.

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

## 9. We are strategic partners with our suppliers

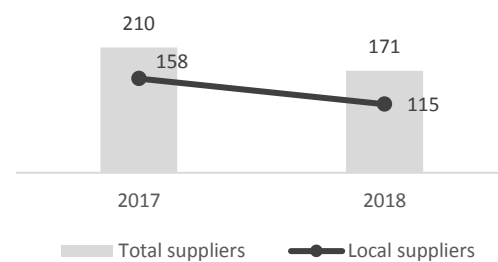
*Our relationships with suppliers and all the measures in place to ensure compliance with the minimal quality, health, and safety criteria, which is key to our success.*

### 9.1. Our supply chain

To ensure top-notch standards of excellence and quality, we work actively to successfully **manage our long-term relationships with contractors**, suppliers, and collaborating entities; Neinor Homes' values and commitments are not limited to our business activities, but rather, are applicable to the entire supply chain. We work to foster close, trust-based relationships with our suppliers, as to us, they are **strategic partners**.

Neinor Homes has relationships with **three basic types of suppliers**: construction companies, architects, and *project managers*. Other smaller construction companies and suppliers also are part of our supply chain: kitchen fittings, geotechnical and topography reports, safety and health coordinators, etc.). In 2018, Neinor Homes has worked with a total of **171 suppliers**, 19% over 2017. Of these, **115** (67.3% of the total) were local suppliers, vs. 75.23% in 2017. This large percentage of local suppliers show true loyalty and **commitment by hiring local contractors**: those working in the same region where the development is slated for construction.

**Trend of total number of local suppliers**



To attract the market's top suppliers, with the aim of making working with Neinor Homes a badge of pride, we know it is indispensable to forge **strategic bonds with providers** to achieve a win-win situation. This is the only way we can offer our customers superb quality homes at contained costs, and optimized delivery. During 2018, Neinor Homes began negotiating a **framework agreement** with manufacturers (flooring and tiling, bathroom fittings, appliances, heating/cooling, elevators, laminated wood carpentry and floors) which will stand out as unique to the real estate sector as it establishes a novel approach to contracting and managing these types of relationships.

### 9.2. Responsible purchasing management

Neinor Homes' purchasing control is based on **obligatory compliance principles** before, during, and after contracting. Throughout the process, suppliers must comply with our values and integrity policies based on Neinor Homes' Ethics Code, specific supplier contracting clauses, and the Code of Conduct for third parties which is sent to them to sign.

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

*Neinor Homes should comply with Neinor Homes' values and integrity policy*

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

Neinor Homes' **Bidding Procedures for Builders** establishes the bases and documents necessary for selecting the firms which will carry out the work at the projects. It was last reviewed in July 2018. Key aspects such as architects and builders are hired through the submission of sealed competitive bidding and the opening of tenders, involving the *Compliance* Department. From among the offers received by the Purchasing Department, several companies are chosen based on the following criteria:

#### Mandatory supplier clauses

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

- Safety and health
- Protecting the environment
- Tax and labour responsibilities
- BREEAM sustainability: management, waste, health and well-being, pollution, energy, the use of land and ecology, transportation, water, materials, and innovation.
- Prevention of Money Laundering
- Confidentiality
- Corruption
- Due diligence
- Data privacy
- Internal audit
- Measures to fight bribery, corruption, and to prevent crime

<b>Certification of suppliers</b>	Companies <b>certified and accepted as</b> Neinor Homes suppliers
<b>Technical solvency</b>	Firms with <b>demonstrable experience</b> in executing similar projects
<b>Economic solvency</b>	Companies with <b>financing wherewithal</b> as regards income and payment deadlines
<b>Geographic presence</b>	Companies with presence (branch or office) near the building site
<b>Local expertise</b>	Firms with solid local expertise (suppliers, outsources, prices; local execution customs and procedures, experience with local and regional legislation, etc.

The bid process lasts **12 weeks**, and is comprised of three rounds. Should any extraordinary circumstances take place during the process, other pre-approved companies may be asked to participate, with an additional round possible.

After the above is finished, a definitive approval report is written, proposing the company selected to carry out the work. In accordance with internal authorization procedures, the report is sent to the **Steering Committee** for approval, and the chosen firm is notified, with indications on the subsequent steps to take to sign the contract; the Back Office is then informed of the identity of the designated company.

### Departments involved in the purchasing process

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

- **Contracting and Purchasing Department:** creates and coordinates all unit tendering and contracting processes necessary for executing all the promotions. Specifically, the Contracting Manager, purchasing department technicians, and purchasing administration participate
- **Technical Department:** participates in the selection process for constructors, solves doubts and reviews the project. The following individuals participate: technical directors, project managers, and building managers for each zone
- **Project Manager:** supports the purchasing department throughout the tendering process as well as prepares a report on the process. Moreover, project manager analyses the project in order to identify potential errors that could have occurred in the project.
- **Compliance Department:** participates in opening of the sealed offers, guaranteeing the integrity of the process
- **General Operations Manager:** is in charge of approving contracts
- **CEO:** is in charge of approving contracts
- **Management Committee:** approves contracts of higher amounts
- **Intern Audit Management:** carries out regular audits on the purchasing process and its compliance

Each promotion has specific **purchasing needs** reflected on the **project execution** documents prepared by the architect, featuring the contractor's scope of responsibilities in the contract. There are model **framework agreements** reflecting the scopes and needs of each contract for all similar units and services. Neinor Homes is facing the challenge demanded of all builders, which is to meet standardization demands, working under stringent quality standards and to firm deadlines.

**The hiring in 2018 has amounted to 434 million euros**

In 2018, Neinor Homes **approved purchases totalled 434 million euros**, with a volume increase of 58.2% over 2017 unleashed by a greater number of business, and partly due to the higher price of materials and labour costs. Neinor Homes pays all its suppliers within 60 days.

### 9.3. Supplier selection, inclusion, and evaluation

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

Neinor Homes identified our key **environmental and social risks** which might pop up anywhere along the supply chain, such as accident rates, incorrect waste management, or the impact on biodiversity. Our current inclusion process detects these risks for each supplier, and rejects any with negative assessments, excluding them from the process.

As mentioned already, during 2018 Neinor Homes commenced the process for signing **Framework Agreements** with certain suppliers. Thanks to these, Neinor Homes will *partner* with the different manufacturers of finishings indicated for each development, establishing certain conditions related to costs, materials used, sustainability of building processes, etc. This results in a **win-win outcome** for both Neinor Homes, with **improved quality and price conditions**, and for manufacturers, thanks to **increased business volumes** and **enhanced image**, as they are on a team with the most renowned, prestigious real estate developer. Our sub-contractors also benefit from the opportunity to take advantage of the prices and conditions Neinor Homes achieves. This relationship is also reflected in **better quality**, thanks to commitments to excellence indicated by all involved parties.

**Framework Agreements signed for the first time in 2018 benefit both parties and foster equal opportunities and a fairer breakdown of positions**

Framework Agreements are also representative of a serious shift in the sector, since **equal opportunities** and a **fairer breakdown of promotions** among companies signing the agreement. Software was designed which makes it possible to manage and monitor Framework Agreements.

#### Framework Agreements signed in 2018

Neinor Homes signed a total of **29 Framework Agreements** in 2018 with the following manufacturers:

- Flooring and tiling 5 companies
- Bathroom fittings: 4 companies
- Appliances: 1 company
- Heating/cooling 5 companies
- Laminated flooring: 4 companies
- Elevators: 5 companies
- Carpentry: 5 companies

During 2018, Neinor Homes continued to increase its **sustainability and environmental impact requirements** to include suppliers. Our inclusion procedures, which set the criteria necessary for being accepted, were last reviewed in July of 2018. Architects and builders are expected to comply with White Paper guidelines, and the application of BREEAM sustainability measures (waste, contamination, energy, materials, etc.) is also considered quite positively. The remaining inclusion criteria follow:

- **Background in residential construction:** firms having built under 100 homes over the past 15 years are excluded.
- **Invoicing** during the last year: any under 2.5 million euros are excluded
- **Geography:** branches or headquarters in Catalonia, Madrid, the Basque Country, Valencia, and Andalusia.
- **Internal organization**
- Experience with **BREEAM-certified projects**
- **Seals of approval** (ISO, OHSAS, environmental, R&D&i)
- Letters of **reference**
- **Insurance** policies
- Experience **executing projects using BIM**
- **Company image** and experience
- Assessment based on **supplier-evaluation procedures**

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

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

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

 <p><b>Safety and health</b></p> <ul style="list-style-type: none"> <li>• <b>Health and Safety Plan:</b> the obligation to develop a Health and Safety plan to be presented to the Health and Safety Coordinator prior to breaking ground</li> <li>• <b>Law 31/1995</b>, dated November 8, on Workplace Accident Prevention</li> <li>• <b>Royal Decree 1627/1997</b>, dated October 24, on minimum Health and Safety provisions at construction sites</li> <li>• <b>Company commitments</b> to employees, information, and training</li> </ul>	 <p><b>Gifts</b></p> <ul style="list-style-type: none"> <li>• <b>It is strictly forbidden to request gifts, favors, services</b> under favorable circumstances, or invitations to suppliers, customers, intermediaries, agents, advisors, or others</li> </ul>
 <p><b>Corruption and bribery</b></p> <ul style="list-style-type: none"> <li>• <b>Appropriate policies regarding corruption and bribery</b> or compliance with those of Neinor Homes</li> <li>• Declaration of understanding and accepting the regulations contained in its Anti-corruption Protocol</li> <li>• <b>The commitment to report</b> any instances of bribery or corruption through Neinor Homes' Ethics Channel</li> </ul>	 <p><b>Anti-Money Laundering:</b></p> <ul style="list-style-type: none"> <li>• <b>Law 10/2010</b>, of April 28, on the prevention of money laundering and the financing of terrorism</li> <li>• <b>Royal Decree 304/2014</b>, dated May 5, applicable to individuals and legal entities involved in real estate promotion activities</li> <li>• <b>Manual for the Prevention of Money Laundering and the Financing of Terrorism</b></li> </ul>

**171 suppliers** were contracted during the year, with 105 officially included during 2018. They were all subjected to ESG criteria. Neinor Homes also asks key suppliers to assess the quality of our commercial relationships. 70 completed assessments were received in 2018. The hiring and purchasing manager creates and maintains a register featuring contracts surpassing 10,000 euros which include analyses on supplier management the selection process, and assessments made based on established a procedure.

Neinor Homes' in-house **assessment system for outside contractors** working with our suppliers and builders, which detects improvements, and avoids those which do not meet quality and deadline standards. The Purchasing Department monitors outsourcers, while the Technical Department and the *Project Manager* perform assessments using software designed for this purpose, covering the following:

- **Deadline** compliance
- Execution **quality**
- **Safety** and health
- Involvement and capacity to **resolve unexpected issues**
- Technical **capacity**
- **Documentation** to provide the builder, and rapid delivery
- **Environmental issues**
- **Recommendations** for future construction work or projects
- **Touch-ups** after the building work has concluded
- **After-sale customer care**

Neinor Homes conducts quantitative assessments of supplier-related subcontractors. **375** assessments were made for 228 subcontractors during 2018, with 365 obtaining favourable marks, for 100% of the developments.

#### 9.4. Safety, health, and awareness requirements

The current market is still in recovery from the recent severe financial crisis in Spain, but there is a huge demand for manpower in the construction sector, which was punished severely over recent years, with a massive decline in related sector jobs. Currently, there are **workers in the sector with very little experience**, and in some cases, they are not sufficiently qualified, which leads to irregular quality work, lack of compliance with deadlines, and occasionally even **increased workplace accidents**.

Neinor Homes considers safety and workplace risk prevention as major factors in all real estate promotions, and fosters safe working environments by applying health and safety **measures which go far and beyond regulations and market standards**.

Neinor Homes' **Good Practices Manual** reflects and increased level of safety at our promotions' construction sites, enacted to prevent, eliminate, or minimize the risks to which our personnel is exposed, so that our buildings are constructed with **0 accidents**. The measures included in this manual include access controls, supervision of required documentation for contractors, subcontractors, workers, and machinery, safety measures during the different phases of the job, and the construction site Emergency Plan.

***Neinor Homes hires a third party to perform health and safety audits at construction sites with measures which go far and beyond the regulations as well as continuously organizes awareness-raising talks***

All of Neinor Homes' projects have designated **safety coordinators** during the building phase, in charge of overseeing that prevailing legislation is followed, while also ensuring that the Good Practices Manual is followed. Each contractor must designate at least one worker to be permanently present onsite, with part of the workday devoted to enacting preventive measures; another employee monitors worker safety and health.

A well-known consulting firm conducts occupation risk prevention awareness courses on health and safety in order to communicate the importance of complying with occupational hazard prevention regulations. All the promotions' operators, technicians, employees, and *project managers* take part, with three different talks available at each promotion, depending on our current stage:

- The first takes place when construction **work begins**, and covers land movement, cementing, and containment
- The second deals with **structure**, and is held once cementing work has finalized
- Third comes **masonry**, affecting installations and finishing work to be done.

The above discussions involve an introduction, summary of work site accidents, a round for proposing possible solutions to ensure they do not reoccur, and specific contents depending on the types of jobs still left to finish.

The same consulting firm gives our safety and health audit talks, based on very strict guidelines, which are much more demanding than sector regulations. Each promotion must undergo at least three audits.

***During 2018, 50 safety and health audits took place***

#### **Agreement with occupational health and safety criteria**

Our safety and health audits on each development consist of 2 parts: The job's conformity with prevailing **current legislation** is reviewed (agreement); it must **comply with 100%** of the standards, and if any errors are detected, the audit result is noncompliance. The job's **status is compared with the Neinor Homes Good Practices Manual guidelines**, with **conformity with at least 75%** necessary to consider the audit successful. Should the supplier fail to be accepted under either of these conformity standards, Neinor Homes automatically rejects its candidacy.

**50 audits** took place during 2018, with **97.2%** of the promotions in compliance with prevailing health and safety regulations, and **80.7%** with Neinor Homes' Good Practices Manual.

Thanks to the above health and safety commitments, Neinor Homes is delighted to report that our **accident rates fall well below the sector average**. In 2018, **121 accidents** were reported, with a frequency index of **27.92**, and a gravity index of **0.60**. No fatal accidents took place.

### **9.5. Communication, satisfaction, and collaboration with suppliers**

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

Neinor Homes considers the brand image of our suppliers to be of crucial importance. Our IT tool is at their disposal for them to **evaluate their perception of Neinor Homes**. The areas deemed worst were:

- **Project Manager:** quality of project execution
- **Architecture study:** project development schedules (the area receiving the worst survey scores), project proposal, payment agility, work system, and regularity of meetings
- **Construction firm:** construction execution schedule, builder bidding process, and establishment of construction process

*Neinor Homes maintains a constant and open flow of communication with our suppliers, giving them the opportunity to evaluate their*

**Action plans** are drawn up for aspects considered in a negative light undergo, and the Corporate Technical Director, Purchasing Director, or CEO oversees them. A total of **70 assessments** took place in 2018.

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



# 10. About this Report

## Scope of the information

For the third year running, Neinor Homes is presenting our Corporate Social Responsibility Report (2018) under *Global Reporting Initiative (GRI)* directives. The Report is intended to respond to our commitment to spreading awareness on our activities, such as the intention to report to our stakeholders and society. The information included in this Report covers 2018.

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

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

- 2018 Financial statements
- 2018 Annual Corporate Governance Report

## Reporting standards used

This Report was prepared based on the directives established in the *Global Reporting Initiative* Guide for preparing *GRI Standard* Sustainability Reports, based on the essential conformity option. The selection of relevant aspects was made based on the results of the new materiality analysis conducted in 2018, and explained as follows:

Neinor Homes expects to remain at the forefront of sector companies, and has prepared this report in line with recommendations and best practices established by *EPR* Sustainability (*European Public Real Estate Association*). Throughout the preparation of this report, we also contemplated part of the requirements established in Law 11/2017 of December 28 on disclosures of information related to finances and diversity, since in 2018, this law is not applied to Neinor Homes, but it is indeed considered a good practice to implement in upcoming years.

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

## Preparation of the Report and identification of stakeholders

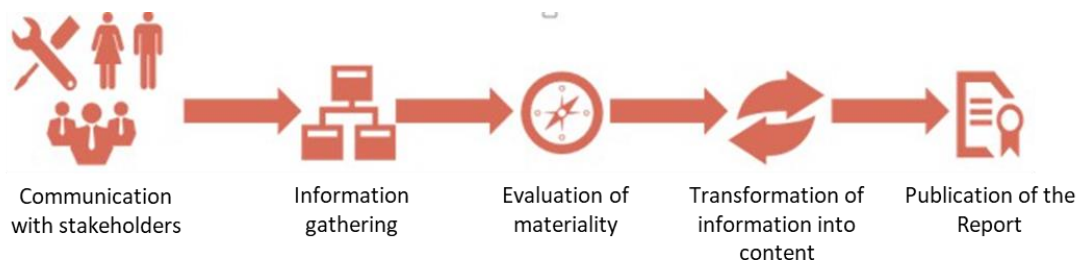
To prepare this Report, Neinor Homes used the results of the materiality analysis performed in 2018, and the stakeholders identification therein.

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

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

\*Further information on stakeholders and communication channels is available in section 4.5. The relevance of communicating with our stakeholders

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

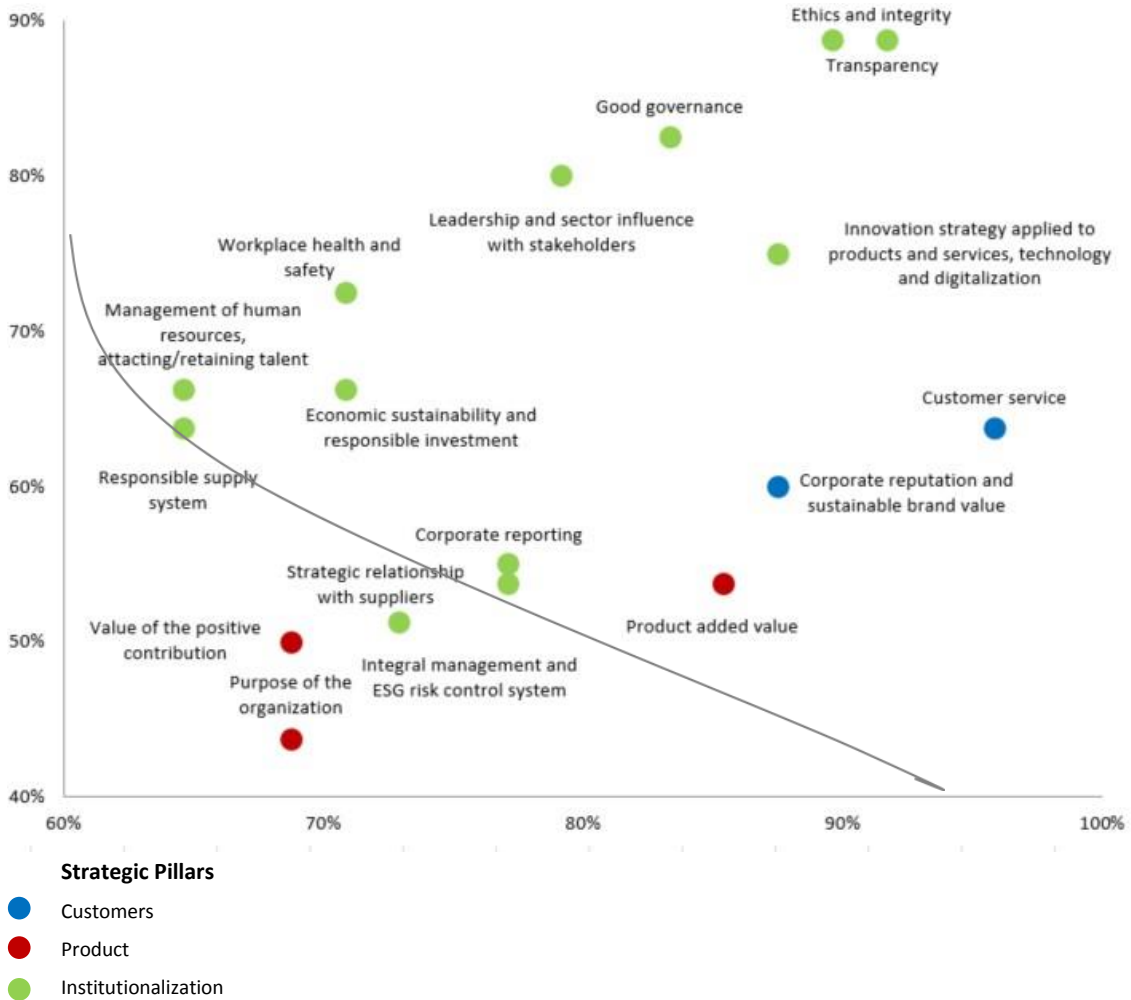


Based on assessments of the relevance of these different matters, we have identified those with special relevance for Neinor Homes. The following table shows the relationship between these matters and other aspects contemplated in the Guide for preparing the *Global Reporting Initiative* Sustainability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

Relevant aspects for Neinor Homes	GRI Standards aspects
Transparency	Organization profile Stakeholder participation Economic performance
Ethics and Integrity	Ethics and Integrity Anti-corruption Public policy Unfair competition Socio-economic compliance Diversity and equal opportunities Non-discrimination
Good Governance	Strategy Organization profile Environmental compliance Governance
Innovation strategy applied to products and services, technology and digitalization	Customer health and safety Marketing and labelling Training
Leadership and sector influence with stakeholders	Stakeholder participation
Customer service	Customer privacy Marketing and labelling
Corporate reputation and sustainable brand value	Organization profile
Workplace health and safety	Health and safety at work
Economic sustainability and responsible investment	Strategy Socio-economic compliance
Product added value	Customer health and safety Marketing and labelling
Management of human resources, attracting/retaining talent	Organization profile Employment Training
Corporate reporting	Principles for preparing reports
Strategic relationship with suppliers	Acquisition practices Supplier environmental evaluation Supplier social evaluation
Responsible supply system	Acquisition practices Materials Energy Effluents and waste Supplier environmental evaluation Supplier social evaluation

Several different departments and their directors took part in the preparation of this Report to ensure that the information herein is precise and detailed. Neinor Homes continued moving forward regarding the scope of the information, using prior year data to enhance the comparability of relevant aspects (apart from certain cases in which data was first reported for 2018). This Report is published for our stakeholders in conjunction with the financial information for the year, and any other information deemed relevant.

**Neinor Homes materiality matrix**



# 11. GRI Content Index

## Foundations

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>101</b> Principles for preparing reports	N/A	80-82

## General disclosures

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>102-1</b> Name of the organization	N/A	10
<b>102-2</b> Activities, brands, products and services	N/A	8-10
<b>102-3</b> Location of headquarters	N/A	Ercilla Street 24, Bilbao
<b>102-4</b> Location of operations	N/A	10
<b>102-5</b> Ownership and legal form	N/A	8-10, 14
<b>102-6</b> Markets served	N/A	8-10
<b>102-7</b> Scale of the organization	N/A	8-10, 11-14, 66
<b>102-8</b> Information on employees and other workers	N/A	66-72
<b>102-9</b> The supply chain	N/A	73-79
<b>102-10</b> Significant changes to the organization and its supply chain	N/A	8-10, 14-17, 73-79
<b>102-11</b> Precautionary Principle or approach	N/A	17-22
<b>102-12</b> External initiatives	N/A	20-21, 24, 64
<b>102-13</b> Membership of associations	N/A	20-21
<b>102-14</b> Statement from senior decision-maker	N/A	6-7
<b>102-15</b> Key impacts, risks, and opportunities	N/A	38-41
<b>102-16</b> Values, principles, standards, and norms of behaviour	N/A	9, 17-21, 33-48
<b>102-18</b> Governance structure	N/A	25-32
<b>102-22</b> Composition of the highest governance body and its committees	Gov- Board	28-32
<b>102-35</b> Remuneration policies	N/A	30, 69
<b>102-36</b> Process for determining remuneration	N/A	30, 32, 69
<b>102-40</b> List of stakeholder groups	N/A	23
<b>102-41</b> Collective bargaining agreements	N/A	67
<b>102-42</b> Identifying and selecting stakeholders	N/A	22-23, 80
<b>102-43</b> Approach to stakeholder engagement	N/A	23-24, 50-52, 71-72, 78,79, 80
<b>102-44</b> Key topics and concerns raised	N/A	81-82
<b>102-45</b> Entities included in the consolidated financial statements	N/A	10
<b>102-46</b> Defining report content and topic Boundaries	N/A	80-82
<b>102-47</b> List of material topics	N/A	81-82
<b>102-48</b> Restatements of information	N/A	No relevant information was restated with respect to the prior year
<b>102-49</b> Changes in reporting	N/A	No significant changes were made in the preparation of this report vs. the prior year
<b>102-50</b> Reporting period	N/A	80
<b>102-51</b> Date of most recent report	N/A	2017
<b>102-52</b> Report preparation cycle	N/A	Annual
<b>102-53</b> Contact point for questions regarding the report	N/A	sustainability@neinorhomes.com, alvaro.conde@neinorhomes.com
<b>102-54</b> Claims of reporting in accordance with the GRI Standards	N/A	80
<b>102-55</b> GRI content index	N/A	83-87
<b>102-56</b> External assurance	N/A	88

### Management approach

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>103-1</b> Explanation of the material topic and its Boundary	N/A	80-82
<b>103-2</b> The management approach and its components	N/A	17, 21, 25, 26-32, 37, 49, 51, 53, 59, 64, 66, 72, 73, 80
<b>103-3</b> Evaluation of the management approach	N/A	17, 21, 24, 49, 51, 57, 71, 80

### Economic performance

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>201-1</b> Direct economic value generated and distributed	N/A	16

### Procurement practices

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>204-1</b> Proportion of spending on local suppliers	N/A	73

### Anti-corruption

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>205-2</b> Communication and training on anti-corruption policies and procedures	N/A	43
<b>205-3</b> Confirmed incidents of corruption and actions taken	N/A	No corruption cases were detected in 2018

### Anti-competitive behaviour

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>206-1</b> Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	N/A	No claims related to anti-competitive behaviour were received in 2018

### Materials

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>301-1</b> Materials used by weight or volume	N/A	22

### Energy

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>302-1</b> Energy consumption within the organization	Elec-Abs	22
<b>302-5</b> Reductions in energy requirements of products and services	N/A	22, 57-58

### Effluents and waste

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>306-2</b> Waste by type and elimination method	Waste-Abs	22

### Environmental compliance

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>307-1</b> Non-compliance with environmental laws and regulations	N/A	In 2018 no fines or sanctions related to infringing environmental policies were received

### Supplier environmental assessment

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>308-1</b> New suppliers that were screened using environmental criteria	N/A	77
<b>308-2</b> Negative environmental impacts in the supply chain and actions taken	N/A	73-79

### Employment

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>401-1</b> New hires and rotation	Emp-Turnover	67
<b>401-3</b> Maternity/paternity leave	N/A	71

### Occupational health and safety

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>403-2</b> Negative environmental impacts in the supply chain and actions taken	H&S-Emp	71
<b>403-3</b> Occupational health services	N/A	71
<b>403-4</b> Worker participation, consultation, and communication on occupational health and safety	N/A	67

### Training and education

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>404-1</b> Average number of training hours per year per employee	Emp-Training	69
<b>404-2</b> Programs for upgrading employee skills and transition assistance programs	N/A	69

### Diversity and equal opportunity

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>405-1</b> Diversity in government bodies and employees	Diversity-Emp	28-32, 66

### Non-discrimination

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>406-1</b> Incidents of discrimination and corrective actions taken	N/A	In 2018 there were no claims filed for discrimination

### Supplier social assessment

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>414-1</b> New suppliers that were screened using social criteria	N/A	75-77
<b>414-2</b> Negative social impacts in the supply chain and actions taken	N/A	75-77

### Public policy

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>415-1</b> Political contributions	N/A	Neinor Homes' Code of Ethics prohibits any contributions to political parties and/or representatives. In 2018 no infringements of the Ethics Code were detected related to these matters

### Customer health and safety

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>416-1</b> Assessment of the health and safety impacts of product and service categories	H&S-Asset	22-23, 58
<b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services	H&S-Comp	In 2018 no complaints were received in this regard

### Marketing and labelling

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>417-1</b> Requirements for product and service information and labelling	N/A	50, 57-59

### Customer privacy

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>418-1</b> Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data	N/A	In 2018 no complaints were received in this regard

### Socio-economic compliance

Contents	EPRA Sustainability Performance Measures	Reference (page)
<b>419-1</b> Lack of compliance with social and economic laws and regulations	N/A	Note 16 (Provisions) on the consolidated annual financial statements