



2018 REPORT ON ACTIVITIES OF THE BOARD OF DIRECTORS AND BOARD COMMITTEES OF NEINOR HOMES S.A.

Prepared by	Reviewed by	Approved by
Company Secretary's Office	GRC Department (Governance, Risk and Compliance)	Board of Directors



Neinor
HOMES

CONTENTS

1. General matters	3
2. Purpose and scope.....	6
3. Board of Directors	7
3.1. Functioning	7
3.2. Membership	8
3.3. Meetings held and attendance	9
3.4. Activity	10
4. Audit and Control Committee (ACC)	13
4.1. Functioning	13
4.2. Membership	13
4.3. Meetings held and attendance	14
4.4. Activity	15
5. Appointments and Remunerations Committee (ARC)	18
5.1. Functioning	18
5.2. Membership	18
5.3. Meetings held and attendance	19
5.4. Activity	20
6. Land Investment Committee (LIC)	23
6.1. Functioning	23
6.2. Membership	23
6.3. Meetings held and attendance	24
6.4. Activity	25

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

1. General matters

Neinor Homes S.A. (hereinafter “Neinor Homes” or the “Company”) is firmly committed to the orientation of its corporate governance practices to achieve the highest standards, align strategy and apply the relevant legislation and best practices in its day-to-day management and operations.

Following recommendation 6 of the Code of Good Governance for listed companies approved by the Spanish National Securities Market Commission (hereinafter “CNMV”) in February 2015, Neinor Homes will prepare a report on the functioning of the Audit and Appointments and Remunerations Committees, which it will publish online sufficiently in advance of the Annual General Meeting.

This Activity Report describes the activities not only of the aforementioned Committees, but also of the other Board Committees existing in the Company (Land Investment Committee) and of the Board of Directors itself.

The reporting period considered herein is the calendar year. This decision was adopted in order to ensure the greatest possible visibility and objectivity with regard to compliance with Corporate Good Governance recommendations. Accordingly, the reporting period runs from January to December 2018. This will be the period used by the Company in the future, so as to align reporting with the accounting and “Corporate Governance” year and to ensure that the up-to-date Activity Report is available in time for the Annual General Meeting each year.

However, the period examined in this Activity Report does not match the period analysed in the Company’s previous, and first, report, which covered the period between March 2017 and March 2018, because the Company was listed on the stock exchange in March 2017. There were basically two reasons for preparing the first Activity Report 12 calendar months after the Company was listed on the stock exchange:

- 1) Four new Independent Directors joined in 2017, one of them being the Chairman, resulting in the renewal of 57% of the Board members.
- 2) The Company wished to report on a complete cycle including activities and meetings held over 12 calendar months in the analyses and assessments presented.

The Board and its delegated Committees discharge their supervisory and control functions with ongoing support from the:

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Chief Executive Officer.
- Secretary of the Board.
- GRC Department and Assurance (Corporate Governance, Internal Audit, Compliance, Risks, Corporate Social Responsibility and Quality).
- General Management.

These departments are at the disposal of Neinor Homes' governing bodies whenever needed, working tirelessly to ensure the proper discharge of their duties and compliance with all of the obligations established by applicable legislation and best practices and in the area of good governance. They also provide directors with any information needed on a timely basis to allow between 7 and 12 days for review and analysis before meetings are held. They also channel the questions that Board and Committee members may raise and supply the relevant supporting and other documentation to ensure understanding of the issues.

Key activities undertaken by Neinor in the reporting period were as follows:

- Supervision and preparation of the annual general meeting held on 18 April 2018, which dealt, among other issues, with the following:
 - Examination and approval of the Company's annual accounts and the management of its affairs, and reelection of the auditor.
 - Examination and approval of the proposed distribution of earnings.
 - Ratification of the reselection and appointment of Mr Alberto Prieto Ruiz as an independent director for the statutory term of three years.
 - Approval of the proposal to fix a ceiling of nine members for the Board of Directors.
 - Appointment of Mr Jorge Pepa as a proprietary director for the statutory term of three years.
 - Appointment of Mr Francis Btresh as a proprietary director for the statutory term of three years.
 - Approval of an amendment to the directors remuneration policy applicable in 2017, 2018 and 2019.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Approval of the maximum aggregate remuneration payable to the directors in their capacity as such.
- Consultative vote on the annual directors remuneration report for the year ended 31 December 2017.
- Neinor Homes made an initial, internal assessment of the quality and efficiency of the functioning and performance of the Board of Directors and its committees, which ensured:
 - Greater access to confidential internal information.
 - A more in-depth review, given that the scope of external assessments is limited with respect to Neinor Homes' objectives.
 - Flexibility, allowing adaptation to the directors' schedules.
 - Lower cost for the company.

In accordance with Article 529 nonies of the Spanish Companies Act and Recommendation 36 of the Code of Good Governance, Neinor Homes plans to carry out an autonomous internal assessment of the functioning of the Board and its respective Committees, taking into consideration the recommendations contained in CNMV Technical Guide 3/2017 on Audit Committees. This internal assessment will be carried out annually, notwithstanding which the Company may commission an external evaluation every three years.

These assessments will be linked to action plans for improvements.

Neinor Homes has defined a training plan for the Board of Directors and the Board Committees, offering a refresher programme to update the directors' knowledge and expertise in certain areas. The following subjects were addressed in 2018:

- Duties and obligations Directors as provided in the Spanish Companies Act.
- Implications of compliance for listed companies, and compliance by new directors with our Internal Conduct Regulation.
- Main functions of the Board Committees.
- Neinor Homes Integrated Control System (ICS).
- Key aspects of the proposed CNMV Technical Guide on Appointments and Remunerations Committees of 20 November 2018.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- New provisions of the Law on non-financial and diversity reporting approved on 13 December 2018.
- Real estate sector risks.

This Activity Report was presented to and approved by each of the Board Committees with regard to the matters falling within their respective remits, and it was approved in its entirety by the Board of Directors on 27 February 2019. This Activity Report will be made available to the shareholders on the corporate website before the Annual General Meeting.

2. Purpose and scope

This document describes the functioning and membership of the Board of Directors and of the Audit and Control Committee, the Appointments and Remunerations Committee and the Land Investment Committee, explaining the main activities and actions of both the Board itself and each of its three delegated Committees during the reporting period (January–December 2018).

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

3. Board of Directors

Neinor Homes' Board of Directors is duly empowered to manage, direct, administer and represent the Company in accordance with applicable laws and best corporate governance practice. As a general rule, the Board delegates ordinary management tasks to its Committees and to the management team, establishing the content, limits and type of powers granted, so as to concentrate on its supervisory functions and on the consideration of all matters of particular importance to the Company. The main actions which may be taken by the Board of Directors, as well as the basic rules governing its organization and functioning, and the rules governing the conduct of its members are set out in the Regulation of the Board of Directors, which is published on the corporate website:

https://neinorhomes.com/uploads/documentos_corporativos/25/documento/20170417_Regulations_BoD_ENG.pdf.

3.1. Functioning

In accordance with Article 16 of the Regulation of the Board of Directors, the Board shall meet *“at least, quarterly”* or *“at the initiative of the Chairman, as many times as the Chairman deems appropriate for the smooth running of the Company”* and also, in accordance with Article 9 of the Regulation, *“when so requested by at least one-third of the directors”*.

Notice of Board meetings shall be given by the Secretary *“at least seventy-two hours before the day of the meeting.”*

Meanwhile, the Board of Directors shall be duly convened *“when one-half plus one of the full number of directors decided upon by the General Meeting is present in person or by proxy”*.

Resolutions shall be adopted by absolute majority of the directors present at the meeting.

The Secretary shall draw up the minutes of meetings, listing the persons attending and describing the matters debated and the resolutions agreed.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

3.2. Membership

In accordance with article 7 of the Regulation of the Board of Directors of Neinor Homes, *“The Board of Directors shall be made up of no fewer than five and no more than 15 members, the exact number to be determined by the General Meeting of Shareholders.”* At that date of this report, the maximum number of Board members is set at 9, in accordance with the resolution adopted by the shareholders at their Annual General Meeting in 2018.

The Board Regulation further stipules that the Company shall ensure that *“as far as possible, on the composition of the body, proprietary and independent directors represent a majority of the Board of Directors, attempting that the number of independent directors represent at least one third of the members of the Board of Directors.”* The Chairman of the Board *“shall be elected from among [its] members”*.

The members of the Board at 31 December 2018 were as follows:

Name	Office	Category
Ricardo Martí Fluxá	Chairman	Independent director
Anna M. Birulés Bertran	Director	Independent director
Alfonso Rodés Vilà	Director	Independent director
Juan José Pepa	Director	External director ¹
Felipe Morenés Botín Sanz-de Sautuola	Director	External director ¹
Jorge Pepa	Director	Proprietary director
Francis Btesh	Director	Proprietary director
Juan Velayos Lluís	Chief Executive	Executive director

We may mention as a key issue that the Company received a letter from the independent director Mr Alberto Prieto Ruiz on 20 November 2018, in which he resigned as director of the Board of Directors on the grounds that he had taken on new professional responsibilities which meant that he would not be able to dedicate the necessary time properly to discharge his functions. Even so, he attended the meetings of the Board of Directors until the aforementioned date, discharging in full his obligations as a director.

The Secretary to the Board of Directors is Ms Silvia López Jiménez, who is not a member of the Board and therefore cannot vote.

¹ As explained in section H.1 of the Annual Corporate Governance Report for 2017, Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola were reclassified as external directors in January 2018, having held office as proprietary directors until that date.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

In light of the above, it may be observed that Neinor Homes is in compliance with the requirements described above, as it has 8 directors (and one vacancy), of whom 3 are our independent, two are external, 2 are proprietary and only 1 is an executive director (Chief Executive Officer).

At the date of this report, the Company has undertaken a search and selection process for a new independent director to fill the vacancy left by the resignation of Mr Alberto Prieto Ruiz in order to maintain the structure previously existing in the Company.

The professional résumé of each director will be found online on the corporate website:

<https://neinorhomes.com/corporate-governance-and-sustainability/board-of-directors/composition-and-commissions>.

3.3. Meetings held and attendance

The Board of Directors met a total of four times in the reporting period. The Board meetings were held on the following dates:

- 21 February 2018 (Madrid)
- 5 March 2018 (by letter without a physical meeting)
- 8 May 2018 (Bilbao)
- 23 July 2018 (Bilbao)
- 31 October 2018 (Bilbao)

The Board meetings were attended by all of the directors² and by the Secretary to the Board. Other persons also attended Board meetings, as reflected in the following table:

Other persons attending	Meetings held			
	21 Feb. 2018	8 May 2018	23 July 2018	31 Oct. 2018
Chief Finance Officer	✓	✓	✓	✓
Chief Investor Relations Officer	✓			

² The membership of the Board of Directors was different at the four board meetings, since Alberto Prieto attended as an independent director.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

3.4. Activity

The Board of Directors uses the diagnoses of supervisory activities, reports, policies and other obligatory activities of the Board, which is prepared by the GRC Department based on external laws and regulations (Spanish Companies Act, Securities Market Act and New Audit Act) and on the self-imposed undertakings made in the internal procedures and regulations applicable to the Board and its Committees, as a tool to organize and plan its work, and to distribute and schedule the actions required to be taken over the course of the year.

The Corporate Governance scorecard is then used to track and control the work plans prepared by the Board and its Committees, and to establish activities and agenda items for the different Board and Committee meetings.

Finally, the Board issues instructions to the GRC Department annually to carry out the following tasks on an ongoing basis:

- Carry out a diagnose and report on compliance with the recommendations set out in the Code of Good Governance.
- Review compliance with technical, legal and information specifications regarding the mandatory content of the corporate website as stipulated in Circular 3/2015 of 23 June, of the Spanish National Securities Market Commission.

Activity and items debated at the meetings of the Board of Directors

The principal matters examined and dealt with at each meeting of the Board of Directors are summarized below based on the functions and powers delegated. This summary is supplemented by the specific actions undertaken by each of the Committees, which are described herein in the sections titled “Activity”. Activities marked with an asterisk (*) are “*Matters brought before the Board for approval and/or ratification*”.

Meanwhile, the Chairs of the different Committees track the items discussed at all Committee meetings in order to improve communication and ensure that all members are fully involved in the deliberation of all agenda items.

Meeting of 21 February 2018

- Approval of the proposed distribution of earnings for 2017.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Approval of the proposal to delegate powers to increase share capital and to exclude preferential subscription rights in relation to the capital increases agreed by the Board under the powers so delegated.
- Approval of the proposal to delegate powers to the Board of Directors to issue securities exchangeable for or convertible into shares of the Company or of other companies, and warrants in respect of new shares or shares already issued by the Company or other companies, as well as the power to exclude preferential subscription rights in relation to the capital increases decided by the Board to meet requests for the conversion of bonds or the exercise of warrants.

Meeting of 5 March 2018 held using the written procedure without physical attendance

- Proposal to call the Shareholders General Meeting.
- Review and approval of the report on the activities of the Board of Directors and its Committees.

Meeting of 8 May 2018:

- Changes in the membership of the Audit and Control Committee, Appointments and Remunerations Committee and the Land Investment Committee (*):
 - Increase in the number of members of the Audit and Control Committee from 3 to 5 to include Mr Jorge Pepa and Mr Alfonso Rodés Vilà.
 - Increase in the number of members of the Appointments and Remunerations Committee from 3 to 5 to include Mr Francis Btsh and Ms Anna M. Birulés Bertran.
 - Increase in the number of members of the Land Investment Committee from 5 to 6 to include Mr Jorge Pepa.
- Approval of the 2018 business plan.

Meeting of 23 July 2018

- Approval of financial results, Q2 P&L.
- Approval of a new share-based remuneration plan.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Approval of the following policies:
 - Equality policy
 - Succession Plan
 - Corporate Governance Policy

31 October 2018

- Approval of Q3 financial results and presentation to the markets.
- Approval of amendments to be made to the Treasury Shares Regulation.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

4. Audit and Control Committee (ACC)

Neinor Homes' Audit and Control Committee (ACC) was created by the Board of Directors on 14 May 2015 as an reporting and consultative body without executive functions but vested with powers to report, advise and make proposals within its remit, as determined in the Committee Regulation published on the corporate website:

https://neinorhomes.com/uploads/documentos_corporativos/28/documento/20170417_Audit_and_Control_Committee_Charter_ENG.pdf.

4.1. Functioning

In accordance with article 4 of the ACC Regulation, the Committee shall meet *“at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required,”* and also *“at the request of any of its members, of the external audit lead partner, or the head of internal audit, as well as when called by its Chairman. Furthermore, the Chairman is to call the meeting whenever the Board of Directors or its Chairman requests the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority.”*

Meetings are convened by the Committee Secretary, who notifies each member at least three business days in advance of the date set for each meeting.

Committee meetings are deemed quorate whenever attended, either in person or by proxy, by half plus one of its members. Resolutions are adopted by majority vote.

The Secretary is responsible for drawing up the minutes to each meeting, which must include a list of attendees, the matters debated and the resolutions adopted.

4.2. Membership

In accordance with article 14 of the Regulation of the Board of Directors of Neinor Homes, the ACC *“shall be made up of no fewer than three and no more than five directors, appointed by the Board of Directors itself, all of whom shall be non-executive directors. A majority of the Audit and Control Committee members shall be independent [directors].”* Moreover, *“The Chairman of the Audit and Control Committee [shall be appointed] from among the independent directors that are members of that Committee.”*

The members of the ACC at 31 December 2018 were as follows:

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Name	Office	Category
Anna M. Birulés Bertran	Chairwoman	Independent director
Ricardo Martí Fluxá	Member	Independent director
Alfonso Rodés Vilà	Member	Independent director ³
Felipe Morenés Botín Sanz-de Sautuola	Member	External director ⁴
Jorge Pepa	Member	Proprietary director ³

The Secretary to the ACC is Ms Silvia López Jiménez, who is not a member of the Committee or of the Board of Directors and therefore cannot vote.

The Company is meets the requirements established, having formed an ACC with 5 members, 3 of whom, including the Committee's Chair, are independent directors.

The professional résumé of each director sitting on the ACC will be found online on the corporate website:

<https://neinorhomes.com/corporate-governance-and-sustainability/board-of-directors/composition-and-commissions>.

4.3. Meetings held and attendance

The Audit and Control Committee met 4 times in the reporting period. The meetings were held on the following dates:

- 21 February 2018 (Madrid)
- 8 May 2018 (Bilbao)
- 23 July 2018 (Bilbao)
- 31 October 2018 (Bilbao)

All of the meetings were attended by 100% of the directors⁵ and by the Committee Secretary. Other persons also attended Committee meetings, as reflected in the following table:

³ Both directors were included by a unanimous vote of the Board of Directors at its meeting held on 8 May 2018 (as explained in point 3.4 of this report).

⁴ As explained in section H.1 of the Annual Corporate Governance Report for 2017, Felipe Morenés Botín-Sanz de Sautuola was reclassified as an external director in January 2018, having held office as a proprietary director until that date.

⁵ The first meeting was attended by the 3 members at that time forming the Audit and Control Committee. Two further members joined the following 3 meetings, as explained in point 3.4 above on the Board of Directors.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Other persons attending	Meetings held			
	21 Feb. 2018	8 May 2018	23 July 2018	31 Oct. 2018
CEO	✓	✓	✓	
Chief Finance Officer	✓	✓	✓	✓
Chief Investor Relations Officer	✓			
Internal Audit Manager	✓	✓		✓
External auditor	✓		✓	

4.4. Activity

At the Committee's request, the Internal Audit Department prepared a diagnosis of the likely impact on Neinor Homes of CNMV Technical Guide 3/2017 on Audit Committees in public companies, establishing the measures that needed to be adopted to apply and subsequently implement the best practices defined therein.

The main activities reviewed and analysed by the ACC in the discharge of its functions were as follows:

() Matters brought before the Board for approval and/or ratification*

Meeting of 21 February 2018

- Approval of the individual and consolidated annual accounts and of the accompanying management reports for 2017. (*)
- Approval of the 2018-2022 business plan. (*)
- Approval of the potential bond issue. (*)
- Approval of the reelection of the external audit. (*)
- Review of trades involving treasury shares of the Company. (*)
- Approval of the FIICS information to be included in the 2017 Annual Corporate Governance Report.
- Approval of the 2017 Internal Audit activity report and the annual work plan for 2018. (*)
- Approval of the 2017 Report on Corporate Social Responsibility Policy. (*)

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Approval of the report on auditor independence, the provision of non-audit services and related-party transactions. (*)
- Review of the 2017 Annual Corporate Governance Report. (*)

Meeting of 8 May 2018:

- Approval of Q1 financial results. (*)
- Approval of the presentation of Q1 financial results and the associated press release. (*)
- Presentation of the auditor's report on money laundering and terrorism finance prevention, as well as the new GDPR regulation.
- Monitoring of risk management activities and internal control and compliance structures, including a presentation of the procedures carried out and key findings identified in the course of the internal audit process.
- Report on the status of the contribution of 50% of Fuengimiar.
- Presentation of the annual compliance activities report for 2017.

Meeting of 23 July 2018:

- Approval of H1 financial results. (*)
- Presentation by the external auditor of key findings and recommendations arising from the audit of the H1 financial statements.
- Presentation of asset appraisals carried out by Savills.
- Presentation of the 2017 audit plan.
- Monitoring of risk management activities and internal control and compliance structures, including a presentation of the procedures carried out and key findings identified in the course of the internal audit process.
- Review and update of Corporate Social Responsibility objectives for 2018. (*)

31 October 2018

- Presentation of Q3 financial results.
- Review of the presentation of results to the markets.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Analysis of independence and approval, where appropriate, of the earmark needed to add two further services to be provided by the external auditor⁶.
- Presentation of the response made to CNMV information requests.
- Monitoring of risk management activities and internal control and compliance structures, including a presentation of the procedures carried out and key findings identified in the course of the internal audit process.
- Annual work plan of the Audit and Control Committee.
- Presentation of the update made to the Corporate Social Responsibility Policy and new objectives.

⁶ A meeting was held between the ACC chairwoman and Deloitte (13 November 2018) to foster fluid relations in matters related to the external audit to discuss the ACC's annual work plan.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

5. Appointments and Remunerations Committee (ARC)

Neinor Homes' Appointments and Remunerations Committee (ARC) was set up by the Company's Board of Directors on 14 May 2015 as an internal informative and consultative body without executive functions duties, but vested with reporting, advisory and proposal-making powers within its remit, as determined in the Committee Regulation published on the corporate website:

https://neinorhomes.com/uploads/documentos_corporativos/27/documento/20170417_Remuneration_Committee_charter_ENG.pdf.

5.1. Functioning

In accordance with article 4 of the ARC Regulation, *"The Committee shall meet every three months or, at least, four times per year,"* or *"... when any of its members requests it or when duly called by the Chairman of the Committee. The Chairman is to call the meeting whenever the Board of Directors or its Chairman requests the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority."*

Meetings of the ARC are convened by the Committee Secretary, who sends prior notice of the meeting to each member and any other persons required to attend reasonably in advance of the date on which it is to be held.

A valid quorum will be reached when half plus one of the directors holding seats on the Committee are present in person or by proxy. Resolutions shall be adopted by majority vote of the Committee members attending.

The Secretary shall draw up the minutes of meetings, listing the persons attending and describing the matters debated and the resolutions agreed.

5.2. Membership

In accordance with article 15 of the Regulation of the Board of Directors of Neinor Homes, the ARC *"shall be made up of no fewer than three and no more than five directors, appointed by the Board of Directors itself, all of whom shall be non-executive directors. The majority of the members of the Appointments and Remunerations Committee shall be independent directors."* The Board of Directors shall appoint the Committee's Chair *"from among the independent directors holding seats on the same"*.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

The members of the ARC at 31 December 2018 were as follows:

Name	Office	Class
Ricardo Martí Fluxá	Chairman	Independent director
Juan José Pepa	Member	External director ⁷
Alfonso Rodés Vilà	Member	Independent director
Anna M. Birulés Bertran	Member	Independent director ⁸
Francis Btsh	Member	Proprietary director ⁸

The Secretary to the ARC is Ms Silvia López Jiménez, who is not a member of any Committee or of the Board of Directors and therefore cannot vote.

Neinor Homes is in compliance with the requirements established, having appointed 5 directors to its ARC, 60% of whom, including the Committee's Chair, are independent directors.

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

<https://neinorhomes.com/corporate-governance-and-sustainability/board-of-directors/composition-and-commissions>.

5.3. Meetings held and attendance

The Appointments and Remunerations Committee held four meetings in the reporting period.

The dates of these meetings were as follows:

- 22 January 2018 (Madrid)
- 21 February 2018 (Madrid)
- 8 May 2018 (Bilbao)
- 23 July 2018 (Bilbao)
- 31 October 2018 (Bilbao)
- 18 December 2018 (Madrid)

All meetings of the ARC⁹ were attended by all of its members and by the Committee Secretary. The meetings were also attended by the following persons:

⁷ As explained in section H.1 of the Annual Corporate Governance Report for 2017, Juan José Pepa was reclassified as an external director in January 2018, having held office as a proprietary director until that date.

⁸ Joined the Appointments and Remunerations Committee 8 May 2018 as explained in point 3.4 of this report.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Other attending persons	Meetings held					
	22 Jan. 2018	21 Feb. 2018	8 May 2018	23 July 2018	31 Oct. 2018	18 Dec. 2018
CEO	✓	✓	✓	✓	✓	✓
Other directors			✓			✓

5.4. Activity

The main issues following within the remit of the ARC and dealt with at its meetings where as follows:

() Matters brought before the Board for approval and/or ratification*

Meeting of 22 January 2018

- Review and approval of the reclassification of Juan Pepa and Felipe Morenés as “other external” directors. (*)
- Presentation of key results obtained in 2017 and milestones for salaries and incentives in 2018.
- Performance-based analysis of objectives of the Chief Executive Officer and other employees, and approval of the incentives payable.
- Review and approval of the 2017 bonus system, remuneration for 2018 and list of beneficiaries of the second cycle of the Long-Term Management Incentive Plan.

Meeting of 21 February 2018

- Approval of the items and pending objectives, and the amounts to be paid to the beneficiaries of the second cycle of the Long-Term Incentive Plan.
- Review of the Annual Director Remuneration Report for 2017. (*)
- Ratification and reelection of Alberto Prieto Ruiz as an independent director. (*)
- Approval of the proposal to increase the maximum annual remuneration payable to all directors in their capacity as such. (*)
- Approval of the proposed amendment to the Remuneration Policy. (*)

⁹ The membership of the committee differed at the first meeting, when Felipe Morenés Botín-Sanz de Sautola held a seat instead of Juan José Pepa. Francis Btesh and Anna M. Birulés joined the Committee in May 2018.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Meeting of 8 May 2018

- Overview presentation of the Company's staff.
- Report on the remuneration payable under the Lone Star Management Incentive Plan on the first award date.
- Approval of changes to the membership of the Audit and Control, Appointments and Remunerations, and Land Investment Committees, increasing the number of seats on each committee by 2, 2 and 1 member, respectively. (*)
- Presentation and approval of the new Chief Operations Officer to replace the current incumbent (scheduled for late April 2018).
- Report on the self-assessment process of the Board and its Committees.

Meeting of 23 July 2018

- Overview presentation of the Company's staff. Presentation of the new Neinor Homes employee retention plan
- Presentation of the evaluation of the functioning and task-related quality of the Board of Directors, performance of the Company's Chairman and Chief Executive Officer, and other matters, pursuant to article 18.1 of the Regulation of the Board of Directors of the Company, and annual report on the functioning of the Appointments and Remunerations Committee. (*)
- Approval of the increase in the number of meetings of the Board of Directors to 6 per year without increasing the associated costs for the Company.
- Presentation and approval of the following policies (*)
 - Equality policy
 - Succession Plan
 - Corporate Governance Policy

Meeting of 31 October 2018

- Overview presentation of the Company's staff, including reports on recent employee exist.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Communication of changes to the Treasury Shares Regulation and treasury shares acquisition rules for approval by the Board of Directors (*)

Meeting of 18 December 2018

- Presentation of the draft CNMV Guideline on Appointments and Remunerations Committees.
- Approval to outsource the process to replace Mr Alberto Prieto Ruiz, contacting a head-hunter.
- Presentation of new strategy in the business model for approval at the next extraordinary board meeting in January 2019.
- Presentation of results with respect to that 2018 forecast report.
- Analysis of the performance of the CEO and of the rest of the Company's staff. Approval of the proposed bonus for 2018, and proposed payroll and incentives for 2019.

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

6. Land Investment Committee (LIC)

Neinor Homes' Land Investment Committee (LIC) was set up by the Company's Board of Directors on 14 May 2015 as a body with reporting, supervisory and advisory functions within its remit, as specified in the Regulation.

6.1. Functioning

In accordance with article 4 of the LIC Regulation, the Committee is required to *"at least, four times per year,"* as well as *"... when any of its members requests it or when duly called by the Chairman of the Committee. The Chairman is to call the meeting whenever the Board of Directors or its Chairman requests the issuance of a report or adoption of proposals and, in any event, whenever it is appropriate to the proper exercise of its authority."*

The meetings of the LIC are convened by the Committee Secretary, who forwards notice of each meeting *"to each member of the Commission, any other person required to attend and all other non-executive directors, no later than three (3) working days before the date of the meeting"*.

The LIC adopts resolutions by majority vote.

The Secretary is responsible for drawing up the minutes, which include a summary of deliberations and decisions, the names of the persons attending and details of the votes cast.

6.2. Membership

Article 1 of the Regulation LIC Investment Committee provides that it shall have *"shall be made up of at least three and a maximum of seven members"*, who shall be *"appointed by the Board of Directors of the Company"*, and the *"majority of the members of the Commission shall be non-executive directors"*. Also, *"The Board shall appoint the Committee Chairman."*

The members of the LIC at 31 December 2018 were as follows:

"Paper copies may not be the latest version. Check online documentation."

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

Name	Office	Class
Juan José Pepa	Chairman	External director ¹⁰
Juan Velayos Lluís	Member	Executive director
Ricardo Martí Fluxá	Member	Independent director
Felipe Morenés Botín Sanz-de Sautuola	Member	External director ⁹
Jorge Pepa	Member	Proprietary director ¹¹

We may mention as a key issue that the Company received a letter from the independent director Mr Alberto Prieto Ruiz on 20 November 2018, in which he resigned as member of the Board of Directors on the grounds that he had taken on new professional responsibilities which meant that he would not be able to dedicate the necessary time properly to discharge his functions. However, he attended the meetings of the Land Investment Committee until that date in the due discharge of his duties.

The Secretary to the LIC is Ms Silvia López Jiménez, who is not a member of the Committee or of the Board of Directors and therefore cannot vote.

Neinor Homes is in compliance with the requirements established, insofar as the LIC had six members until November 2018 and five thereafter, 82% of whom are non-executive directors (33% independent, 33% external and 16% proprietary directors).

The professional profiles of each member of the REIC are available on the corporate website:

<https://neinorhomes.com/corporate-governance-and-sustainability/board-of-directors/composition-and-commissions>.

6.3. Meetings held and attendance

The Real Estate Investment Committee held four meetings in the reporting period, which took place on the following dates:

- 21 February 2018 (Madrid)
- 8 May 2018 (Bilbao)
- 23 July 2018 (Bilbao)

¹⁰ As explained in section H.1 of the Annual Corporate Governance Report for 2017, Juan José Pepa and Felipe Morenés Botín-Sanz de Sautuola were reclassified as external directors in January 2018, having held office as proprietary directors until that date.

¹¹ Joined the Land Investment Committee on 8 May 2018, as explained in point 3.4 of this Report.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- 31 October 2018 (Bilbao)

All of the meetings were attended by all members of the LIC¹² and the Committee Secretary. Other persons also attended Committee meetings, as reflected in the following table:

Other persons attending	Meetings held			
	21 Feb. 2018	8 May 2018	23 July 2018	31 Oct. 2018
CEO	✓	✓	✓	✓
Chief Business Officer	✓	✓	✓	✓
Chief Real Estate Officer	✓	✓	✓	✓
Chief Finance Officer		✓	✓	✓
Chief Operations Officer		✓	✓	✓

6.4. Activity

The principal matters examined and dealt with by the committee within its remit what as follows:

(*) *Matters brought before the Board for approval and/or ratification*

Meeting of 21 February 2018

- Update on the status of land purchases and launches made in 2017.
- Review of the land purchasing and development launch programme for 2018.
- Development launch approvals (Plaza Europa 14 Homes and Natura Homes).
- Approval of land purchases in Rio Real (Marbella), Ormaza (Getxo), Sant Cugat & Gavá (Barcelona), Mijas (Málaga), Torrejón de Ardoz (Madrid), La Medina (Madrid) and Torrent (Valencia).

Meeting of 8 May 2018

- Approval of 2018 Business Plan. (*)
- Presentation of the land purchases pipeline for 2018.
- Overview presentation of development activity.

Meeting of 23 July 2018

¹² The membership of the Committee was different at the first three meetings, which were attended by Ms Dominique Cressot as a director instead of Alberto Prieto Ruíz (who has been a committee member only since 31 October 2017).

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.

- Update of the current status of land purchases and needs to complete all deals in the pipeline by 2021.
- Overview presentation of development activity.
- Approval of land purchases for the Torrent extension (L-030) and the land of El Pítamo (Seville).

Meeting of 31 October 2018

- Presentation of the land purchases pipeline for 2018
- Overview presentation of the development activity and forecast for year-end.
- Approval of *second go* developments (Cantal Homes, Alquerías, Marina Badalona and Sant Just IV)

It must be highlighted that the approval of land acquisition transactions and the launch of developments that cannot be delayed until the earliest date of a LIC meeting is carried out by its member by e-mail, after sending the relevant investment information (basically ICM or Investment Committee Memorandum and 2nd GO VS or Viability Study) to the Committee members for analysis and approval. Accordingly, these approvals are also carried by the Committee without the need to hold a physical meeting.

“Paper copies may not be the latest version. Check online documentation.”

This document is a translation of an original text in Spanish. In case of any discrepancy between both texts, the Spanish version will prevail.