

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



**AUDIT AND CONTROL COMMITTEE REPORT ON THE DEGREE OF
COMPLIANCE WITH THE INTERNAL CODE OF CONDUCT IN THE
SECURITIES MARKETS
OF
NEINOR HOMES S.A.**

Madrid, 27 February 2019

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

CONTENTS

1.	INTRODUCTION AND PURPOSE.....	3
2.	IMPLEMENTATION OF THE REGULATION.....	3
3.	MEASURES ADOPTED TO ENSURE COMPLIANCE WITH THE REGULATION.....	4
4.	INCIDENTS CONCERNING TRADES IN SHARES AND FINANCIAL INSTRUMENTS.....	5
5.	NOTICES CONCERNING TRANSACTIONS INVOLVING SHARES AND FINANCIAL INSTRUMENTS	5
6.	PORTFOLIO MANAGEMENT AGREEMENTS	5
7.	ABUSE OR IMPROPER USE OF INSIDE INFORMATION	5
8.	PROTECTION OF INSIDE INFORMATION	5
9.	DISCLOSURE OF INSIDE INFORMATION	5
10.	RULES OF CONDUCT REGARDING MARKET MANIPULATION.....	5
11.	TREASURY STOCK TRANSACTIONS	5
12.	REGISTER OF SUBJECT PERSONS AND RELATED PARTIES	6
13.	UPDATES	6

1. INTRODUCTION AND PURPOSE

On 6 March 2017 the Board of Directors of Neinor Homes, S.A. (“**Neinor**” or the “**Company**”) approved Neinor’s Internal Code of Conduct in the Securities Markets (the “**Regulation**”) in accordance with the mandate established by Article 225.2 of the consolidated Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October, which requires that such Regulation be submitted to the Spanish National Securities Market Commission (“**CNMV**”) together with assurances that its contents are known to, understood and acknowledged by all persons subject to the regulation, and that it will be updated as and when expedient.

In accordance with Article 10 of the Regulation of the Board of Directors of Neinor, the Audit and Control Committee is charged, among other duties, with verifying compliance with the regulation. Accordingly, the Audit and Control Committee has prepared this report pursuant to article 10 of the Regulation to give an account of the measures adopted to ensure effective compliance by the Company with the provisions of the Regulation, compliance levels, incidents occurring and investigations opened, where appropriate, during the period between 1 January and 31 December 2018.

2. IMPLEMENTATION OF THE REGULATION

The Regulation has been submitted to the CNMV and has been published on the Company’s website, where it is available at https://neinorhomes.com/uploads/documentos_corporativos/12/documento/20170417_Interna_l_Code_of_Conduct_ENG.pdf.

A copy of the Regulation has been delivered to all Subject Persons (as defined in the Regulation), who have returned representations expressly acknowledging the rules set out therein and undertaking to comply therewith. The Persons subject to the Regulation are identified as follows:

- **Persons discharging management responsibilities** within the meaning of Article 3(25) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, comprising:
 - **Members of the Board of Directors:** Ricardo Martí Fluxá, Anna M. Birulés Bertrán, Alfonso Rodés Vilà, Juan José Pepa, Felipe Morenés Botín-Sanz de Sautuola, Francis Betsh, Jorge Pepa, Juan Velayos Lluís and Silvia López Jiménez (Non-director Secretary).
 - **Senior Executives:** Mikel Etxebarria Dobarán, Julio Egusquiza González-Gil, Jordi Argemi García, Gabriel Sánchez Casinello, Mario Lapiedra Vivanco, Borja García Egotxeaga, Juan Gómez Vega and Álvaro Conde Herranz.

- **Other Subject Persons:** other persons with access to inside information.

3. MEASURES ADOPTED TO ENSURE COMPLIANCE WITH THE REGULATION

In accordance with the Regulation, the Audit and Control Committee and the Company have taken the necessary steps to supervise effective compliance with the obligations established in the Regulation.

Appropriate measures have been adopted to facilitate supervision, ensuring compliance by the Subject Persons with general rules of conduct in the securities markets and with the rules expressly established in the Regulation, as well as the procedures envisaged therein and in other supplementary regulations. The key measures adopted were as follows:

- Publication on the Company's website to foster understanding of the Regulation and of other rules governing conduct in the securities markets applicable to the Subject Persons.
- Oversight of relations with the CNMV. Specifically the CNMV was immediately notified of relevant events upon the adoption of decisions or signing of agreements and contracts concerned in the information reported.
- The Audit and Control Committee has shown itself at all times ready and willing to interpret the rules established in the Regulation and to resolve any issues raised by the Subject Persons.
- In relation to inside information, efforts were made to ensure that (i) access to inside information is restricted on a strict need-to-know basis; (ii) the need to keep a documentary record identifying the persons with access to inside information and the dates of such access is assessed; (iii) appropriate security measures are implemented to assure custody, filing, access, copying and distribution of inside or relevant information; and (iv) that the market performance of traded securities issued by the Company is duly tracked.
- The Audit and Control Committee has taken steps to ensure that appropriate mechanisms were established for the regular exchange of information with institutional investors via the Investor Relations Officer, whose duties include overseeing effective relations with investors and analysts, and with other institutions concerned in the normal operations of listed companies, such as the CNMV.

No events or incidents were observed that might have obliged the Audit and Control Committee to open disciplinary proceedings in respect of any breach of the Regulation.

The Audit and Control Committee has been (and remains) especially empowered to require any data or information considered necessary from the persons subject to the Regulation and to establish any reporting requirements, control standards and other measures deemed necessary to ensure that it is able effectively to discharge the functions assigned to it, whether directly or indirectly via the Compliance Department.

4. INCIDENTS CONCERNING TRADES IN SHARES AND FINANCIAL INSTRUMENTS

No infringements were observed either in relation to the prohibition of day trading or to the restricted trading period of 30 calendar days prior to any date fixed for the publication of results by the Company.

5. NOTICES CONCERNING TRANSACTIONS INVOLVING SHARES AND FINANCIAL INSTRUMENTS

All Subject Persons who entered into transactions involving securities or financial instruments of the Company duly notified the Board Secretary and the Compliance Department.

6. PORTFOLIO MANAGEMENT AGREEMENTS

The Company received no notice or copies of any discretionary portfolio management agreement pursuant to article 4.4 of the Regulation.

7. ABUSE OR IMPROPER USE OF INSIDE INFORMATION

No evidence was observed or reports received with regard to the abuse or improper use of Inside Information.

8. PROTECTION OF INSIDE INFORMATION

In 2018 a study was prepared and negotiations were held in connection with a financial transaction that directly impacts on the Company's business and strategy. This made it necessary to create a temporary inside list identifying the persons with access to Inside Information relating to the transaction examined.

9. DISCLOSURE OF INSIDE INFORMATION

Twenty-five Relevant Event notices were published during the year covered by this Report.

These Relevant Events were published on the corporate immediately after reporting to the CNMV.

10. RULES OF CONDUCT REGARDING MARKET MANIPULATION

No evidence has been observed to suggest that any Subject Person may have manipulated or sought to manipulate the market.

11. TREASURY STOCK TRANSACTIONS

Various transactions were carried out involving treasury shares during the period between approval of the Regulation and 31 December 2018. These transactions were duly reported to the CNMV as Relevant Events and were published on the corporate website.

12. REGISTER OF SUBJECT PERSONS AND RELATED PARTIES

A register was created to identify initiates allowed access to information regarding Marketable Securities and Financial Instruments of the Company owned by the persons subject to the Regulation.

13. UPDATES

No proposal was presented to the Audit and Control Committee to update the Regulation.