



February 2019

Annual Report 2018: Conflict of Interest and Related Party Transactions

(Governance, Risk & Compliance Area)



Neinor
H O M E S

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Neinor Homes Conflict of Interest and Related Party Transactions

As established in the Spanish Companies Act¹ and in the internal regulations², the Audit and Control Committee must analyze, among other matters, the transactions with related parties carried out by Neinor Homes, in order to submit them to the Board of Directors for its approval.

Model background

- **Conflict of Interest and Related Party Transactions Standard** was approved by the Board of Directors on Sep. 15th, 2015. The last amendment was approved by the Monitoring and Control Committee on Feb. 28th, 2018 and reported to the Board of Directors. The procedure was communicated to the staff and published in the corporate website.
- The **procedure** works as follows:
 - **Continuous communication channel** for related party transactions and conflict of interest.
 - **Every transaction reported is analyzed, recorded and documented** and either approved or denied by GRC Area, that can request assistance from the Head of Legal.
 - **The approval is shared with the one concerned** through a written authorization.
 - **Denied transactions with a material fee or those that requires a final decision are submitted to the Audit and Control Committee** with an executive report of the transaction.
 - Records with all the Conflicts of Interests and Related Party Transactions are kept **by the Governance, Risk and Compliance Area**.
 - **Reporting annually** conflict of interest and related party transactions to the **Audit and Control Committee**.
 - Sending and **receiving a written letter signed by the members of the board of directors with their confirmation** of not being exposed to any conflict of interest nor participated or being aware of any related party transactions.
 - **Analysis of the invoicing received or carried out with companies related** to the board of directors or the management directors.

Annual Report 2018 (Transactions carried out during 2018)

- a** 5 transactions of asset purchasing by **related parties to Neinor employees or staff**. Checked market prices, not below business plan. ERP prices unaltered, nor any discount applied over recorded prices. **Authorized operation, analyzed and recorded by GRC Area.**
- b** 4 operations of asset purchasing by the **external sale force or by the related parties of external sales force company of Neinor Homes**. Checked sales prices are adequate with market prices. The established order selection of properties has not been respected by the sales force company. **Authorized operation, analyzed and recorded by GRC Area. Also provided training and instructions on the procedures to the Company's sales force by GRC Area.**
- c** 2 transactions of **conflicts of interest reported by staff of Neinor Homes**. Checked market prices, not below ERP prices. GRC Area informed the employee that the Company has an exclusive contract of collaboration as Servicer with Kutxabank. **Analyzed, reported and recorded by Compliance.**
- d** 1 transaction of **financial investment by CEO in a start-up that collaborates with Neinor Homes**. The financial investment carried out by the CEO in "Architecture" was irrelevant and does not imply a conflict of interest. **Analyzed, authorized and recorded by GRC Area.**
- e** **Transactions related to shareholder/advisors/managers**. 1810 CAPITAL INVESTMENTS, S.L.U., and GLOBAL HESPERIDESS.L.U., have registered assets with a value of € 7,040m. The administrators of these companies are Directors at Neinor Homes. Financial expenses, credit and debit balance with Banco Santander and Banco Popular (view detail). Invoiced amount of € 13m by BDO and € 1,016m by MACE. **Analyzed and recorded by GRC Area.**
- f** 2 **denied transaction** (one of attempt asset purchasing by Top Management employee of Neinor Homes and other related by a external salesforce). One of the transaction with assessed value without inside access. The offer pricing was below market value. The other transaction related with the external sales force pretended to purchase 4 asset without following the payment calendar. **Denied transaction, analyzed and recorded by GRC Area.**



Final 2018 Assessment

- **No conflicts of interest** nor related party transactions have materialized.
- **No special transactions** have been submitted to the Audit and Control Committee for approval.
- **No major risks** regarding conflicts of interests and related party transactions within Neinor Group.

¹ The regulation referred to is Article 529 ter and Article 529 quaterdecies of Royal Legislative Decree 1/2010, of July 2nd, approving the consolidated text of the Spanish Companies Act.

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

Neinor Homes Conflict of Interest and Related Party Transactions. Details of 2018

(Transactions carried out during 2018)

<p>a</p> <p>5 transactions of asset purchasing by related parties to Neinor employees or staff.</p>	<p>Five purchasing transactions performed by:</p> <ul style="list-style-type: none"> The sister of a member of the Back Office Manager interested on purchasing an asset of Servicing. Four employees: Business Analyst interested on purchasing an asset of Servicing; Commercial Business Manager interested on purchasing two lands of Legacy in Colinas del Limonar (Málaga); Commercial interested on purchasing an asset of Servicing; employee of Neinor Experience interested on purchasing an asset of new development of Limonar Homes. <p>In all of them: prices were in the contracts balance with ERP with no discounts or commissions and GRC Area has approved them.</p>
<p>b</p> <p>4 operations of asset purchasing by the external sale force or by the related parties of external sales force company of Neinor Homes.</p>	<p>Four purchasing transactions performed by external sales force or related parties in charge of sale:</p> <ul style="list-style-type: none"> The father of a Director of CASA DE LAS TORRES interested on purchasing a commercial premise of Legacy. The father of CEO of CASAS DEL MEDITERRANEO interested on purchasing an asset of new development in Mistral Homes. BPLAN BROKERS interested on purchasing a commercial premise of Legacy. INMOBILIARIA DURAN VALVERDE interested on purchasing an asset of Servicing. <p>It has been checked that the purchase prices are adequate, market prices are not below business plan, that ERP prices have not been unaltered nor any discount applied over recorded prices. GRC Area has approved the transactions.</p>
<p>c</p> <p>2 transactions of conflicts of interest reported by staff of Neinor Homes</p>	<p>Two transactions of conflicts of interest reported by employees:</p> <ul style="list-style-type: none"> Neinor Experience Manager reported the interest of a friend of him in purchasing four lands of Legacy in Torrelozanes. <p>Internal Audit reported to commercial force in order to maintain the prices as another part interested on these lands. Finally the interest party did not buy.</p> <ul style="list-style-type: none"> Controller reported that he collaborates as a seller with Banc Sabadell and he is the administrator of three companies (Arrendamientos cinegéticos de Córdoba, SL; Portobello Food, SL and SUNP-7 en desarrollo, SL). GRC Area reported to him that is not allowed collaborate with other Financial Entities. Neinor Homes has an exclusive contract with Kutxabank as a Servicer.
<p>d</p> <p>1 transaction of financial investment by CEO in a start-up that collaborates with Neinor Homes.</p>	<p>We are referring to one transaction of financial investment by CEO in the start-up "Architectures" which collaborates with Neinor Homes:</p> <ul style="list-style-type: none"> CEO of Neinor Homes carried out an irrelevant financial investment (25k). <p>Internal Audit considered that it does not represent a conflict of interest because the process to select this start-up did not involved the CEO; the process to invest in this start-up was open for all staff and the financial investment performed by the CEO was not material.</p>
<p>e</p> <p>Transactions related to shareholder/advisors/managers</p>	<p>We are referring to our relationship and businesses with different companies related to shareholder/advisors/managers that can create a potential conflict of interest:</p> <ul style="list-style-type: none"> 1810CAPITALINVESTMENTSS.L: The administrator of the company is a Director at Neinor Homes. The transactions amounted to € 4,635m. GLOBALHESPERIDESS.L.: The administrator of the company is a Director at Neinor Homes. The transactions amounted to € 2,405m. BANCO SANTANDER: € 1,054m of financial expenses, € 34,10m of credit balance and € 41,337m of debit balance. BANCO POPULAR: € 219m of financial expenses, € 11,250m of credit balance and € 45m of debit balance. BDO: Neinor's last independent advisor was Director of this firm. The invoiced amount by BDO was € 13m. MACE: Neinor's last COO was the CEO of that company. The invoiced amount by MACE was € 1,016m. <p>GRC Area verified the prices balance with the ones recorded in the ERP, no discount has been applied nor any other change in the registered price; no commission has been accrued other than the ones already agreed with the agents. Additionally, GRC Area has verified with BDO and MACE that there was a tender, these companies were the best option and in the final decision the related party has not been involved.</p> <p>} These operations were carried out prior to joining the board and being part of the shareholders. The transaction was carried out 2 years ago at a retail price, stipulated at that time for the market.</p>
<p>f</p> <p>2 denied transaction</p>	<p>We are referring to two denied transactions of potential conflicts of interest:</p> <ul style="list-style-type: none"> A Territorial Director interested on purchasing an asset of Servicing. GRC Area did not authorized it because the offer pricing was below of the market. The assessed value without inside access. PRIME INVEST (external sales force) interested on purchasing four assets of new development of Las Mesas Homes with other payment calendar (6.000 € + 10% + rest on deed) instead of (6.000 € + 20% + rest on deed). GRC Area did not authorize these transactions because the payment calendar should be equal to the rest of units sold.