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**ANNUAL REPORT ON THE REMUNERATION OF THE DIRECTORS OF  
LISTED PUBLIC LIMITED COMPANIES**

NEINOR HOMES, S.A.

REPORTING DATE

2018

C.I.F. A- 95786562

Company name: NEINOR HOMES, S.A.

Registered office: C/ Ercilla 24, Bilbao

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

**A**

**COMPANY REMUNERATION POLICY FOR THE YEAR IN PROGRESS**

- A1. Explain the director remuneration policy in force in the current year. Insofar as it may be relevant, certain information on the remuneration policy approved by the shareholders general meeting may be included, provided this information is clear and specific.

The specific decisions for the year in progress should be described, both in terms of the remuneration of directors as such and any connected to the performance by the Board members of their executive functions in accordance with the terms of the contracts entered into with executive directors and the remuneration policy approved by the shareholders general meeting.

In any event, information should be provided, at the very least, on the following aspects:

- Description of procedures and the company bodies involved in the determination and approval of the remuneration policy and its conditions.
- State and, where appropriate, explain whether comparable companies were taken into consideration when establishing the company remuneration policy.
- Information on whether any external advisers were involved and, if so, the identity thereof.

- The remuneration policy in respect of the members of the board of directors of Neinor Homes has been designed on the basis of a sound good corporate governance structure. A summary of the general principles and criteria applied is as follows:
  - a) Ensuring independent judgement**

Remuneration packages are structured so as to avoid compromising the independent judgement of non-executive directors, particularly with regard to independent directors.
  - b) Attracting and retaining the best professionals**

The aim of the remuneration policy is to offer competitive remuneration in order to attract and retain talent and contribute to the creation of value for the Company.
  - c) Long term sustainability**

Remuneration packages are compatible with the long term interests and strategy of the Company, and with its values and objectives, and they include provisions designed to prevent conflicts of interest.
  - d) Transparency**

The remuneration policy and the specific rules to determine such remuneration shall be clear and public. In this regard, the total amount of the remuneration paid to the directors, along with the conditions applicable to eligibility for remuneration, shall be made public at the start of each year or at the Shareholders General Meeting.
  - e) Clarity and individualization**

The rules for the management and determination of remuneration shall be drafted in a clear, straightforward and concise manner.
  - f) Fairness of remuneration**

Remuneration packages shall be established taking into consideration the dedication, skills and responsibility required by the position, as well as the experience, functions and tasks performed by each director. Moreover, remuneration must reflect a balance between market competitiveness and internal fairness.
- The remuneration policy was approved on 8 March 2017 and was modified by the Board on 21 February 2018, with approval of the modification by the shareholders general meeting of the Company on 18 April 2018. Relevant changes to the policy were as follows:
  - Increase in the maximum annual remuneration payable to the members of the Board of Directors in their capacity as directors to €900,000;
  - Extension of the classes of directors entitled to receive pecuniary remuneration in their capacity as such to include directors classed as “other external”, in order to ensure that the directors of the Company are paid remuneration that is

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sufficiently competitive to attract and retain talent and to contribute to the creation of value for the Company;

- Greater flexibility accorded to the Board of Directors to decide on the annual fixed remuneration of each of the directors in their capacity as such, without modifying the limits in place, to enable the Company to attract and retain the best professionals; and
- Addition of other minor adjustments and modifications not related to the aforementioned points (such as, for instance, dates, section numbers, technical adjustments to remove potential contradictions or duplications, inclusions arising from applicable legislation, etc.), as well as more detail in the information provided in the section on executive directors.

- Subject a favourable report from the Appointment and Remuneration Committee, the Board of Directors is the body in charge of presenting to the shareholders general meeting a proposal for the Remuneration Policy applicable to its members. Such proposal shall be presented at least every three years and as a separate item in the agenda.

The Company was provided with legal advice in the preparation of the Remuneration Policy from the Spanish law firm of Uría Menéndez and, in addition, within the framework of its flotation, the Company was advised by Willis Towers Watson in the preparation of the current Neinor Homes long-term variable remuneration plan. As part of its advisory functions, Willis Towers Watson (i) carried out a consultation process with several senior officers of the Company; and (ii) analysed the remuneration system of 12 European companies in the real estate sector and of 14 comparable companies (in terms of size) in other sectors.

- The remuneration policy includes the following remuneration items:

- a) Fixed annual remuneration.
- b) Allowance for attendance at meetings of the Board and its Committees.
- c) Share-based and performance-based remuneration, notwithstanding the provisions of the Board Regulation. Despite the provision contained in the policy, the Directors – except the Chief Executive Officer – are not currently paid any share- or performance-based remuneration.

The specific determination of the amount payable for the above items to each of the directors will be performed by the Board of Directors in accordance with the Remuneration Policy. To this end, the responsibilities performed by each director within the board and his/her attendance at each of the various committees shall be taken into account.

Lastly, the Company shall pay the civil liability insurance premium of the directors, according to usual market conditions and in proportion to the circumstances of the Company.

- The remuneration of the Chief Executive Officer is set forth in the contract entered into with the Company on 14 May 2015. The Chief Executive Officer is not paid any remuneration whatsoever for his position as a member of the Board of Directors or of the Committees, but is paid only for his executive position and, unlike the external directors, he does have a variable remuneration plan, designed to align the interests of the Chief Executive Officer with those of the Company's shareholders by establishing specific targets related to the creation of value in the medium and long term. The remuneration structure of the Chief Executive Officer is comprised of the following items:

- a) Fixed remuneration of € 1,000,000;
- b) Annual bonus to be established by the Board of Directors, with a maximum limit of € 500,000;
- c) Long-term incentive plan of the Company payable in shares ("LTIP"), the details of which are provided in point B7 below.
- d) Directors and Officers ("D&O") insurance

- Relative importance of variable items compared to fixed remuneration items (remuneration mix) and the criteria and objectives taken into account in the calculation thereof and to ensure a proper balance between fixed and variable remuneration components. In particular, provide details of actions taken by the company regarding the remuneration system to reduce exposure to excessive risks and adjust remuneration to the long term objectives, values and interests of the company. This description should, among other matters, any measures in place to ensure that the remuneration policy takes the long-term results of the company into consideration, the measures adopted in relation to personnel categories whose professional activities have a material effect on the company's risk profile and the measures in place to prevent conflicts of interest, as the case may be.

In addition, indicate whether the company has established a period for accrual or vesting of certain variable remuneration item, in cash, shares or other financial instruments, a period of deferral of payment of amounts or delivery of accrued and vested financial instruments, or whether it has agreed any clause to reduce deferred remuneration or which obliges a director to return remuneration received when payment was based on information that has subsequently and manifestly proven to be inaccurate.

Article 25.3 of the Board Regulation establishes that the directors' remuneration must be in reasonable proportion to the importance of the Company, its financial situation from time to time and the standard remuneration paid in the market by companies of a similar size or activity, and it must take directors' dedication to the Company into account. The remuneration system in place must be designed to promote the long term profitability and sustainability of the Company and include all necessary precautions to avoid the excessive assumption of risks and poor results. Specifically, the remuneration plan must set specific limits and precautions to ensure that variable remuneration remains in line with the professional performance of the beneficiaries and does not solely depend on the general performance of the markets or the sector.

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The remuneration policy of the directors established by the Company does not establish any variable remuneration for directors as such but provides only for fixed remuneration and an allowance for attendance at meetings, designed to remunerate the directors adequately and sufficiently for their dedication, qualifications and responsibilities without compromising their independent judgement or encouraging the assumption of excessive risks by the Company.

Nevertheless, the remuneration plan of the Chief Executive Officer (CEO) is aligned with the interests of the Company. The annual targets set to earn the bonus are linked to results. Specifically, the individual contract entered into with the CEO establishes the possibility of receiving an annual bonus, provided in the terms of the business plan are amply exceeded and this is agreed by the Board of Directors of the Company. In this regard, the current bonus plan establishes that the weighted parameters to be taken into consideration by the Board of Directors when deciding on the variable remuneration of the CEO are the following:

- 75% of the variable remuneration will be set according to the achievement of general targets related to Company revenues, Ebitda/Margins, profitability (measured in terms of cost efficiency) and delivery timing; and
- 25% of the variable remuneration will be established in view of compliance with individual targets associated with the position as CEO and not directly linked to the general results of the Company (e.g., development and/or execution of new projects for the Company).

In any event, the maximum amount payable to the CEO by way of a bonus in any one financial year is €500.000.

The LTIP establishes long-term targets related to achievement of EBITDA, developer margin and shareholder return, as explained in section B7 below.

The design of the LTIP includes a three-year deferral in each cycle of the remuneration arising from the plan and requires the permanence of the CEO in the Company for such amounts to become payable.

The LTIP includes a claw-back clause under which the Company may demand that the CEO return shares provided under the Plan or even to offset such shares against other remuneration items of whatsoever nature to which the CEO may be entitled, in the event that in the year following the payment of the Plan, circumstances should occur which, in the opinion of the Board of Directors, indicate that the payment was not properly calculated. Specifically, and among other circumstances, the return of the bonus paid may be required in the following cases:

- (i) Disciplinary action for serious breach of the code of conduct and other applicable internal regulations.
- (ii) Other circumstances not considered or assumed by the Company which have a material adverse effect on the financial results of any of the years in the claw-back period.

- Amount and nature of the fixed components that are expected to be paid in the year to directors for their positions as such.

The remuneration established for Board members classified as “independent” or “other external” directors is as follows:

- a) Fixed remuneration:
  - Chairman of the Board: €100,000 per annum;
  - Rest of independent Directors and other externals: €75,000 per annum each.
- b) Allowances for attendance at Board and Committee meetings:
  - Board Meetings: €3,000 per meeting;
  - Committee meetings: €1,500 per Committee meeting.

The Chief Executive Officer of the Company only receives remuneration for the performance of his senior executive management functions. Therefore, he receives no remuneration whatsoever in his capacity as a member of the Board of Directors and member of the Real Estate Investment Committee.

Amount and nature of the fixed components earned in the year for performance of executive management functions by executive directors.

The fixed salary of the Chief Executive Officer for the performance of his senior executive management functions is one million euros (€1,000,000) per annum.

Amount and nature of any remuneration in kind to be earned in the year including, but not limited to, insurance premiums paid on behalf of the director.

There is no remuneration in kind, except for the Directors and Officers (“D&O”) insurance policy, which covers directors and officers of the company.

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Amount and nature of the variable components, distinguishing between short and long term ones. Financial and non-financial parameters, including among the latter those of a social, environmental and climate change nature, selected to determine the variable remuneration in the year in progress, explaining to what extent such parameters are related to the performance- both of the director and of the Company – and the risk profile, and the methodology, period required and techniques in place to determine, at year end, the degree of fulfilment of the parameters used to determine the variable remuneration.

Indicate the range in monetary terms of the various variable components according to the degree of achievement of the targets and parameters in place, and whether there is any maximum monetary amount in absolute terms.

The remuneration of the members of the Board of Directors does not include any variable components (except for attendance allowances, which depend on the number of meetings per year held by the Board and its Committees).

As for the Chief Executive Officer, the variable remuneration in place is as follows:

**1. Annual Bonus**

The contract entered into by the Company with the Chief Executive Officer establishes his right to a bonus that will be established at the discretion of the Board of Directors, which be payable only in the event that the targets set in the business plan are surpassed. The weighted parameters that the Board of Directors takes into consideration when calculating the variable remuneration of the CEO are the following:

- 75% of the variable remuneration will be set according to achievement of general targets related to Company revenues, Ebitda/Margin, profitability (measured in terms of cost efficiency) and delivery timing; and
- 25% of the variable remuneration will be established according to the extent of compliance with individual targets associated with his position as CEO and not directly linked to the general results of the Company (for instance, development and/or execution of new projects for the Company).

In any event, the maximum amount payable to the CEO by way of a bonus in any one financial year is €500,000.

**2. Long Term Incentive Plan (LTIP) and Lone Star Incentive Plan (MIP).** Details of these Plans are provided in section B7 below.

Main characteristics of the long-term savings plans. Among other information, indicate contingencies covered by the system, whether they are defined benefit plans, the annual contribution to be made to defined benefit plans, the benefits to which the beneficiaries are entitled under defined benefit plans, the conditions for vesting the economic rights of directors and their compatibility with any kind of payment or compensation for early cancellation, or arising from the termination of the contractual relationship, where appropriate, between the company and the director.

Indicate whether the accrual or vesting of any of the long term savings plans is linked to the achievement of any targets or parameters related to the director's short- or long-term performance.

The Company has no long-term savings plan in place.

Any kind of payment or compensation for termination or early cancellation or arising from the termination of the contractual relationship under the terms set forth between the company and the director, whether at the request of the company or the director, as well as any kind of agreement in place, such as exclusivity, post contractual non-compete clauses and permanence or loyalty clauses that may entitle the director to any kind of remuneration.

The Company has no payment or compensation for early cancellation or termination or the termination of the contractual relationship with the directors. In addition, the service agreement entered into by and between the Company and the CEO does not establish any payment or compensation in the event of termination of his duties as director.

State the key terms of contracts with persons performs executive management functions as executive officers. Among other matters, provide information on the terms of contracts, limits on any severance payable, permanence clauses, advance notice periods, as well as compensation payable for such advance notice, and any other clause related to recruitment premiums, such as compensation or redundancy pay-outs due to early termination of the contractual relationship between the company and the executive director. Include, among other matters, any non-compete, exclusivity, permanence or loyalty and post contractual non-compete clauses, unless these have already been explained in the previous section.

The main terms and conditions of the service agreement entered into between the Company and the Chief Executive Officer are as follows:

- Term: the agreement commenced on 14 May 2015 and will remain in force while Mr Juan Velayos Lluís remains Chief Executive Officer of the Company;
- Exclusivity: the Chief Executive Officer shall perform his office exclusively for the Company and on a full time basis, and therefore he may not work directly or indirectly for or provide services to any third parties or as an independent professional, even if such activities do not compete

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with those of the Company;

- Termination of the contract:

- The Chief Executive Officer may terminate the agreement with advance notice of no less than 6 months. In the event of failure to observe this advance notice, he shall pay the Company an amount equal to the gross fixed remuneration pertaining to the advance notice period so disregarded;
- The Board of Directors may terminate the agreement at any time. The agreement shall also be terminated in the event of (i) dismissal or non-renewal of the Chief Executive Officer as a member of the Board of Directors or as Chief Executive Officer, (ii) revocation of all or a substantial part of the powers granted, provided other similar powers are not granted to him;
- The agreement shall automatically be terminated upon (i) the death of the CEO, (ii) the CEO reaching the minimum retirement age set forth in the Bylaws, (iii) declaration of civil incapacity of the CEO or recognition of total disability by social security or (iv) inability to perform his duties for more than 6 months.

- Post contractual non-compete clause: once the agreement has been terminated for any reason, the Chief Executive Officer may not perform, for a period of two years, any activity in Spain that competes with the activity of the Neinor Group or be involved in any way whatsoever as a shareholder, director, employee, consultant or another capacity, with natural or legal persons who compete with the activities of the Neinor Group or who may intend to compete in any way with the Neinor Group.

In the event of breach of this obligation, the Chief Executive Officer shall pay the Company the amount of €1 million, plus, any damages caused, where appropriate.

The nature and estimated amount of any other supplementary remuneration to be earned by the directors in the year in progress in consideration of services provided other than those inherent in their office.

The Company has no additional remuneration commitments with the directors.

Other remuneration items such as those connected, where appropriate, with the granting by the Company of advances, loans and guarantees and other remuneration.

There are no other remuneration items.

The nature and estimated amount of any other additional remuneration not included in the previous sections, whether paid by the Company or another entity in the group, to be accrued by the directors during the year in progress.

There are no other additional remuneration items.

**A.2** Explain any relevant change in the remuneration policy applicable to the year in progress arising from:

- A new policy or a modification of the policy already approved by the General Meeting.
- Relevant changes in the specific calculations established by the board for the year in progress in the remuneration policy in force compared to that of the previous year.
- Proposals that the board of directors has decided to present to the shareholders general meeting to which this annual report refers and that, if approved, will be applied during the year in progress.

As already explained in section A1, the remuneration policy was modified by the Board on 21 February 2018, and this modification was approved by the shareholders general meeting held on 18 April 2018. The most significant changes made to the policy were the following:

- Increase in the maximum annual remuneration payable to the members of the Board of Directors in their capacity as directors to Euros 900,000;
- Extension of the classes of directors entitled to receive remuneration in their capacity as such to include the class of "other external directors", in order to enable the Company to pay the directors remuneration that is sufficiently competitive to attract and retain talent and to contribute to the creation of value for the Company;
- Greater flexibility was accorded to the Board of Directors when deciding on the annual fixed remuneration of each of the directors in their capacity as such, without modifying the limits in place, to enable the Company to attract and retain the best professionals; and
- Addition of other minor adjustments and modifications not related to the aforementioned points (such as, for instance, dates, section numbers, technical adjustments to remove potential contradictions or duplications, inclusions arising from applicable legislation, etc.), as well as more detail provided on part of the information included in the section on executive directors.

The board of directors has not decided to present, to the General Shareholders Meeting this report will be submitted, any proposals

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regarding directors' remuneration to the shareholders general meeting.

**A.3** Provide the direct link to the document that includes the remuneration policy in force in the company, which should be available on the company website.

[https://neinorhomes.com/uploads/documentos\\_corporativos/281/documento/Politica\\_de\\_Remuneraciones\\_ENG.pdf](https://neinorhomes.com/uploads/documentos_corporativos/281/documento/Politica_de_Remuneraciones_ENG.pdf)

**A.4** Explain, bearing in mind the information provided in B.4, how the vote of the shareholders at the general meeting at which the annual remuneration report for the previous year was submitted to a consultative vote has been taken into account.

As mentioned in the notarial record of the General Shareholders Meeting held on 18 April 2018 authorized by the Notary Public of Bilbao Ms Raquel Ruiz Torres under no. 533 of her record, the annual directors' remuneration report for the financial year ended on 31 December 2017 was approved in a consultative vote with 95.885% of votes in favour. Consequently, no measures were taken in this regard.

## **B OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST FINANCIAL YEAR**

**B.1** Explain the process that was followed when applying the remuneration policy and calculating the individual remunerations shown in section C of this report. This information must include the role played by the remuneration committee, the decisions made by the board of directors and, where appropriate, the name and function of any external advisers whose services were used during the process of application of the remuneration policy in the previous financial year

With regard to the remuneration of the directors in their capacity as such, given that the remuneration established in the remuneration policy is fixed, the Company merely applied the policy as established.

The following physical meetings were held in 2018:

- Board: 4 meetings
- Appointment and Remuneration Committee: 6 meetings
- Audit and Control Committee: 4 meetings
- Land Investment Committee: 4 meetings

On 20 November 2018 the independent director Mr Alberto Prieto Ruiz tendered his resignation to the Company on the grounds that he had taken up new responsibilities that were not compatible with the discharge of his office. Mr Prieto Ruiz therefore did not receive 100% of the fixed remuneration established for 2018.

Consequently, the total amount earned by the directors as such in 2018 was Euros 551,660.

- Ricardo Martí Fluxá: received an annual fix remuneration of Euros 100,000, as well as Euros 33,000 in day allowances.
- Anna M. Birulés Bertran: received an annual fix remuneration of Euros 75,000, as well as Euros 22,500 in day allowances.
- Alfonso Rodés Vila: received an annual fix remuneration of Euros 75,000, as well as Euros 24,000 in day allowances.
- Alberto Prieto Ruiz: until the day of his resignation, 20 November 2018, he received an annual fix remuneration of Euros 66,666, as well as Euros 18,000 in day allowances.
- Juan Pepa: due to the modification of his category, between May 2018 and the end of the financial year, he received an annual fix remuneration of Euros 50,000, as well as Euros 19,500 in day allowances.
- Felipe Morenés Botín-Sanz de Sautuola: due to the modification of his category, between May 2018 and the end of the financial year, he received an annual fix remuneration of Euros 50,000, as well as Euros 18,000 in day allowances.

As for the remuneration of the Chief Executive Officer for his executive functions, he received a fix remuneration of Euros 1,000,000. With regards to the variable part of his remuneration, the bonus payable was approved by the Board following a favourable report from the Company's Appointments and Remunerations Committee at its meeting of 18 December 2018, following the analysis of achievement of Company and personal targets set in the remuneration policy regarding the variable remuneration (bonus) of the CEO.

In relation to the performance in the financial year 2018, the Appointments and Remunerations Committee has approved the bonuses to be paid to the Company's employees and, among them, the CEO for an amount of Euros 350,000, according to the following performance analysis.

The weighted parameters the Board of Directors must take into consideration in order to set the CEO's variable remunerations are the followings:

- Level of compliance regarding general objectives: the Appointments and Remunerations Committee has understood that the CEO had an average level of compliance of 73.7% due to the level of compliance of the following objectives:
  - Economic and financial objectives: sales (73.0%), EBITDA (62.0%) and Net Income (77.0%)

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- Objectives linked to business development: FirstGos compliance (101.7%), Licences (70.9%) and WIP (57.8%).
- Level of compliance regarding individual objectives: 60%

Consequently, after applying the level of compliance on a weighted basis to the maximum amount payable as a bonus, the final amount for 2018 has been set at Euros 350,000 (which is within the maximum limit of Euros 500,000).

**B.2** Explain the different actions taken by the company in relation to the remuneration system and how these have helped to reduce excessive risk exposure and adjust it to the long term objectives, values and interests of the company, including a list of the measures taken to ensure that the remuneration paid is in accordance with the long term results of the Company and that an adequate balance has been achieved between the fixed and variable components of remuneration, what measures have been taken in relation to personnel categories whose professional activities have a material effect on the Company risk profile and what measures have been taken to prevent conflicts of interest, where appropriate.

See section A.1

**B.3** Explain how the remuneration earned in the financial year meets the terms of the remuneration policy in force. Also provide information on the relationship between the remuneration obtained by the directors and the results and other performance indicators, in the short and long term, of the company, explaining, where appropriate, the extent to which variations in the company's performance may have influenced variations in the directors' remuneration, including where payment may have been deferred, and how these contribute to the short and long terms results of the company.

The remuneration earned during the year is in compliance with the terms of the remuneration policy in force: the fixed remuneration paid to the directors is that established in the policy and the variable remuneration was calculated by applying the parameters established therein. Specifically, the variable remuneration (bonus) of the Chief Executive Officer was Euros 350,000, below the limit of Euros 500,000 established as the maximum remuneration in the agreement entered in between the CEO and the Company, and in the remuneration policy.

The amount was calculated based on an analysis of fulfilment of the parameters established in the policy, where were as follows: :

- 75% of the variable remuneration was set according to the achievement of general targets related to company revenues, Ebitda/Margin, the profitability (measured in terms of cost efficiency) and delivery timing. In this regard, the remuneration takes into account that the EBITDA and Margin targets were fully achieved in 2018, with partial achievement of delivery timing.
- 25% of the variable remuneration was established according to the fulfilment of individual targets associated with the CEO's position as such.

**B.4** Report on the result of the consultative vote of the general meeting regarding the annual remuneration report of the previous year, indicating the number of negative votes cast, if any:

	Number	% of total
<b>Votes cast</b>	57,990,377	73.401

  

	Number	% of votes cast
<b>Votes against</b>	2,170,898	3.729
<b>Votes in favour</b>	55,819,479	95.885
<b>Abstentions</b>	0	0

**B.5** Explain how the fixed components earned during the year by the directors in their capacity as such were calculated, and how these compare to those of the previous year.

The components of the fixed remuneration payable to directors classified as "independent" or "other externals" consist of a fixed annual salary and allowances for attendance at the meetings of the Board and its Committees. The fixed salary was paid in full to each of the directors, except Mr Alberto Prieto, who was paid the proportional share of the year's salary after he voluntarily left office before the end of the year, and Mr Juan José Pepa and Mr Felipe Morenés Botín-Sanz de Sautuola, who were paid the proportional share of the year following reclassification as "other external" directors in 2018.

The allowances were paid according to attendance at board and committee meetings.

The difference with the previous year lies solely in the inclusion of the remuneration for directors classified as "other externals", as mentioned in section A1.

**B.6** Explain how the salaries paid were calculated in the year reported for every one of the executive officers for the performance of executive management functions, and how these have varied in comparison to the year before.

The salary accrued by the chief executive officer for the performance of executive management functions consists of a fixed salary and a variable component (bonus). The bonus has been calculated as explained in section B3 above.

The salary of the chief executive officer has not changed in relation to the prior year.



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**B.7** Explain the nature and main characteristics of the variable components of the remuneration systems earned during the year reported. Specifically:

- Identify every one of the remuneration plans that determined the variable remuneration items paid to each of the directors in the year, including information on the scope, approval date, implementation date, accrual and effective periods, criteria applied to assessment performance and how this has influenced the amount of the bonus paid, as well as the measurement criteria used and the period required to enable the adequate measurement of all conditions and criteria stipulated. In the event of share options or other financial instruments, the general characteristics of each plan must include information on the conditions both to acquire unconditional ownership (vesting) as well as to be able to exercise such options or financial instruments, including the exercise price and period.
- Each director and class of director (executive director, external proprietary director, external independent director or other external director) who is a beneficiary of a remuneration system or plan that includes variable remuneration.
- Where appropriate, indicate accrual or payment deferral periods applied and/or the withholding and/or restricted periods of shares and other financial instruments, if any.

As explained in section A1 above, the Chief Executive Officer is paid the following variable remuneration:

Annual bonus, explained in section A1 above and

Long Term Incentive Plan (LTIP) and Lone Star Incentive Plan (MIP), summarized as follows:

Long Term Incentive Plan (LTIP)

In addition to the contractual bonus, the Chief Executive Officer is included in the 2017-2021 Long Term Incentive Plan of the Company, which was approved by the Board of Directors on 8 March 2017 at the proposal of the Appointment and Remunerations Committee.

The Plan consists of the payment, after a certain period of time, of an incentive in the form of shares, provided certain strategic targets of the Company are met and the criteria set forth in the pertinent Regulations are met.

The Plan involves the allocation to every Beneficiary of an Initial Target Incentive (hereinafter, “**Initial Target Incentive**”) that is defined as a certain number of shares (hereinafter, the “**Performance Shares**”) which will be used to determine, according to the degree of attainment of certain targets and criteria set forth in the Regulations, the number of shares of Neinor Homes to be delivered, where appropriate, to every beneficiary at the end of each of the established time cycles a (2017-2019/, 2018/2020 and 2019-2021).

The final number of shares to be delivered to every beneficiary at the end of each cycle shall be the result of multiplying (i) the Initial Target Incentive by (ii) the Weighted Achievement Ratio.

The Weighted Achievement Ratio will depend on the degree of attainment of the targets of the Plan for each cycle. The achievement of the targets will be measured using identifiable and quantifiable parameters known as Metrics (hereinafter, the “**Metrics**”). The Weighted Achievement Ratio is the weighted average of the following three Metrics, each accounting for one third of the whole (that is, 33.33%), multiplied by the correction factor:

- EBITDA (hereinafter, “**EBITDA**”), defined as the cumulative value during the Measurement Period of the earnings before interest, tax, amortisation and depreciation.
- Developer Margin (hereinafter “**Developer Margin**”), defined as the average of the differences (expressed as a percentage) between the annual figure of the earnings before interest, tax, amortisation and depreciation (EBITDA) and the annual business turnover during the Measurement Period. It will be calculated as the average value during the Measurement Period.
- Total Shareholder Return (hereinafter, “**TSR**”), defined as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that same investment, taking into account that the calculation of this final value shall take into consideration dividends and other similar items (e.g. scrip dividends) received by the shareholder for this investment during the relevant period of time.

For the purposes of the first cycle, initial value is understood to mean the stock market listing price (hereinafter, the “**Initial Value**”) and the final value is the average weighted value of the closing prices of the shares in the 20 trading sessions prior to 31 December 2019, included (hereinafter, the “**Final Value**”). The Measurement Period for the TSR began with the flotation of the Company. For the purposes of the second cycle, the initial value is €17.66.

As well as the Metrics described, the Plan considers an additional Metric that acts as a Correction Factor of the System. This is Loan to Value (hereinafter “**Loan to Value**”), defined as the difference (expressed as a percentage) between the capital invested from external funding (total callable capital minus cash flow) and the gross value of the Company’s assets. It is calculated as the average value during the Measurement Period.

Once the Achievement Ratio has been obtained for every one of the Metrics, the score is multiplied by the weighting of each Metric. The resulting percentage is then multiplied by the Correction Factor, where appropriate, to obtain the Weighted Achievement Ratio.

Weighted Achievement Ratio = [1/3 \*(EBITDA Achievement Ratio)] + [(1/3) \* (Developer Margin Achievement Ratio)] + [(1/3) \* (TSR Achievement Ratio)] \* Loan to Value Correction Factor

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The achievement scale of the first and second cycle is as follows:

**EBITDA:**

EBITDA Compliance Level  
(in millions of Euros) Achievement Ratio  
(% Initial Target Incentive)  
> Maximum > 350 150%  
Between Target and maximum. Between 320 and 350. Linear interpolation  
Target 320 100%  
Between Target and minimum Between 285 and 320 Linear interpolation  
Minimum 285 30%  
Below minimum < 285 0%

**Developer Margin:**

Developer Margin Compliance Level  
(average rate) Achievement Ratio  
(% Initial Target Incentive)  
> Maximum > 20% 150%  
Between Target and Maximum Between 18% and 20% Linear interpolation  
Target 18% 100%  
Between Target and minimum Between 16% and 18% Linear interpolation  
Minimum 16% 30%  
Below minimum < 16% 0%

- **RTA:**

RTA Compliance Level  
(compound annual rate) Achievement Ratio  
(% Initial Target Incentive)  
> Maximum > 54% 150%  
Between Target and Maximum Between 31% and 54% Linear interpolation  
Target 31% 100%  
Between Target and minimum Between 22,5% and 31% Linear interpolation  
Minimum 22,5% 30%  
Below minimum < 22,5% 0%

**Correction Factor:**

(average rate) Weighted Achievement Ratio

< 40% (Weighted Achievement Ratios of the Metrics) x 100%  
≥ 40% (Weighted Achievement Ratios of the Metrics) x 90%

The Performance Shares to be allocated to the Chief Executive Office are: 15,189 shares for the first cycle of the Plan and 15,189 shares for the second cycle of the Plan.

The Plan Regulations require the Chief Executive Officer to keep the shares received (net of the pertaining payment of the Income Tax) for one year after delivery.

In addition, the Regulations include a claw-back clause, as mentioned in section A1.

Given that neither of the two time cycles in force have come to an end, no amount has been accrued under this Plan.

**Lone Star Incentive Plan (MIP):**

On 14 February 2017, the then sole shareholder of the Company approved a Management Incentive Plan (the “**Management Incentive Plan**” or “**MIP**”) in order to motivate and retain certain key executives (the Chief Executive Office and another 5 senior officers), as well as encourage achievement of the Business Plan and align the long term interests of the senior officers with those of the shareholders.

The plan consists of the **delivery of cash and shares by the then sole shareholder of the Company** for an amount and value linked to (i) the IPO Price (with a 10% discount), up to a minimum ceiling of €1,100 million and (ii) the listed price in the three years following the IPO.

The MIP has two components: (i) a fixed one (the “**Base**”), and (ii) a variable one calculated on the basis of the increment in the listed price of the shares (the “**Variable Component**”).

The Base for the Chief Executive Officer amounts to €10 million, of which one third, i.e. €3.33 million, was accrued and delivered in cash and the remaining amount, i.e. € 6.66 million, was paid in Company shares, both following the flotation. As the price per share was fixed at € 16.46, the Chief Executive Officer received 441,998 shares. As a result of the discount in the price of the shares on the date of flotation, the Final Base amounted to €10.60 million.

As for the Variable Component, the maximum amount payable to the Chief Executive Officer amounts to €10 million (the “**Maximum Variable**”).

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**Amount**”), payable in shares plus one part in cash to cover any taxes that may be charged.

The Variable Component will be accrued at each one of the following times (the “**Settlement Events**”):

**First Granting Date:** One third of the Maximum Variable Amount (the “**1<sup>st</sup> Maximum Amount**”) will be accrued on the first anniversary of the Company’s flotation (or on the following day should the markets be closed on that date), provided the weighted average listed price of the shares in the quarter prior to this date is at least 115% above the initial price per share (the “**Initial PPS**”), that is, of at least €17.47 (the “**First Milestone**”), with certain adjustments.

If this value is not achieved, but the weighted average listed price of the shares in the quarter previous to this date falls between 100% and 115% of the Initial PPS, the 1<sup>st</sup> Maximum Amount shall be accrued in proportion thereto.

The percentage achievement accrued on the First Granting Date amounted to 75.15% of the 1<sup>st</sup> Maximum Amount.

**Second Granting Date:** Another third of the Maximum Variable Amount (the “**2<sup>nd</sup> Maximum Amount**”) will be accrued on the second anniversary of the Company’s flotation (or on the following day should the markets be closed on that date), provided the weighted average listed price of the shares in the quarter prior to this date is at least 15% above the value of the shares of the First Milestone, that is, 132.25% of the Initial PPS, with certain adjustments.

In the event that this value is not achieved, but the weighted average listed price of the shares in the quarter previous to this date falls between 115% and 132.25% of the Initial PPS, (the “**Second Milestone**”) the 2<sup>nd</sup> Maximum Amount shall be accrued in proportion thereto.

In addition, where the 1<sup>st</sup> Maximum Amount may not have been accrued in full on the First Granting Date, but the weighted average listed price of the shares in the quarter previous to the Second Granting Date is higher than the 1<sup>st</sup> Maximum Amount, the beneficiaries shall be entitled also to receive the share of the 1<sup>st</sup> Maximum Amount that was not previously accrued.

**Third Granting Date:** Another third of the remaining Maximum Variable Amount (the “**3<sup>rd</sup> Maximum Amount**”) will be accrued on the third anniversary of the Company’s flotation (or on the following day should the markets be closed on that date), provided the weighted average listed price of the shares in the quarter prior to this date is at least 15% above the value of the shares of the Second Milestone, that is, 152.09% of the Initial PPS (the “**Third Milestone**”), with certain adjustments.

If that this value is not achieved, but the weighted average listed price of the shares in the quarter previous to this date falls between 132.25% and 152.09% of the Initial PPS, the 3<sup>rd</sup> Maximum Amount shall be accrued in proportion thereto.

In addition, where the 1<sup>st</sup> Maximum Amount or the 2<sup>nd</sup> Maximum Amount may not have been accrued in full on the First Granting Date and/or the Second Granting Date, but the weighted average listed price of the shares in the quarter previous to the Third Granting Date is higher than the 1<sup>st</sup> Maximum Amount and/or the 2<sup>nd</sup> Maximum Amount, the beneficiaries shall also be entitled to receive the share of the 1<sup>st</sup> Maximum Amount and/or the 2<sup>nd</sup> Maximum Amount that was not previously accrued.

In all the above cases, the reference listing price to calculate the total value of the Variable Component to be delivered to the beneficiaries in accordance with these rules shall be the closing market price of the shares on each Granting Date.

Notwithstanding the foregoing, in the event that at any time during the term of the MIP the listing price of the shares should reach 152.09 % of the Initial PPS, the share of the Maximum Variable Amount not accrued in accordance with the general granting rules shall be accrued in full. In such case, the general granting rules shall cease to apply given that the Maximum Variable Component will have been accrued in full.

The shares delivered to the Chief Executive Officer which form part both of the Base and the Variable Component are subject to the following lock-up periods:

**Base:** Half the shares are subject to a one year lock-up (that is, until the first anniversary of the flotation). The other half of the shares is subject to a two year lock-up (that is, until the second anniversary of the flotation).

**Variable component:** The shares are subject to lock-up until the third anniversary of the flotation.

In addition, the MIP regulates the case of termination of the contract with the Chief Executive Officer prior to the Granting Dates, establishing that if the Chief Executive Officer is deemed to be a Good Leaver (as this term is defined in the MIP letter), he shall retain the right to acquire the shares that form part of the Variable Component, subject to the general granting rules and the lock-up period, but if he is deemed a Bad Leaver (as defined in the MIP letter), the Chief Executive Officer will be obliged to return the shares forming part of the Base and the Variable Component and will lose the right to acquire the shares that form part of the Variable Component pertaining to the un-accrued part of the Maximum Variable Amount.

**B.8** Indicate whether there has been any reduction in or claim for certain variable components when, in the first case, the payment was vested and deferred or, in the second case, was vested and paid, on the grounds of data whose inaccuracy has been subsequently and undeniably proven. Describe the amounts reduced or returned by application of the reduction or claw-back clauses, the reason why these were enforced and the financial years affected.

At the date of this report the Company is not aware of any event that would trigger the application of reduction or claw-back clauses to the variable components of the remunerations.

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**B.9** Explain the main characteristics of the long term savings plans whose value or equivalent annual cost is shown in the tables in Section C, including retirement and any other survival benefit, that are funded, in full or in part, by the company, with internal or external contributions, indicating the type of plan, whether it is a defined benefit plan, the contingencies covered, the conditions for vesting the economic rights for the directors and their compatibility with any kind of compensation payment for early termination of the contractual relationship between the company and the director.

The Company has no long term savings plan in place.

**B.10** Explain, where appropriate, the compensation payments or any other type of payment arising from early termination, whether at the request of the company or the director, or the termination of the contract, in accordance with the terms set forth therein, accrued and/or received by the directors during the previous year.

The Company has not paid compensation or any other kind of payments arising from early terminations of directors.

**B.11** Indicate whether there have been significant changes made to the contracts of those performing senior management functions as executive officers and, where appropriate, provide a description thereof. In addition, explain the main conditions of the new contracts entered into with executive directors during the year, unless these have already been described in section A.1.

No significant changes were made to the contracts of those who discharging senior management functions as executive officers, and no contracts with executive directors were made during the year.

**B.12** Explain any additional remuneration accrued by the directors by way of consideration for services provided other than that inherent to their office.

The Company has not paid any additional remuneration to the directors by way of consideration for services provided other than that inherent to their office.

**B.13** Explain any remuneration arising from the granting of advances, loans and guarantees, indicating interest rate, essential characteristics and amounts eventually repaid, as well as obligations assumed thereunder as a guarantee.

The Company has not granted advances, loans or guarantees to the directors.

**B.14** Provide details of the remuneration in kind earned by the directors during the year, briefly explaining the nature of the various salary components.

The directors, by way of their position as such, have not accrued any payment in kind. As for the Chief Executive Officer, see section B7.

**B.15** Explain the remuneration accrued by the director pursuant to the payments made by the listed company to a third company to which the director provides services, when such payments are designed to remunerate the latter's services in the company.

No remuneration of this kind has been paid.

**B.16** Explain any remuneration item other than those mentioned above, irrespective of the nature thereof or the entity in the group that pays it, particularly when it is considered a related party transaction or its issue distorts the true picture of the total remuneration earned by the director.

There are no remuneration items other than those described above.

## C BREAKDOWN OF THE INDIVIDUAL REMUNERATIONS OF EACH OF THE DIRECTORS

Name	Type	Accrual period 2018
Ricardo Martí Fluxá	Independent	01/01/2018 until 31/12/2018
Juan Velayos Lluís	Executive	01/01/2018 until 31/12/2018
Anna M. Birulés Bertran	Independent	01/01/2018 until 31/12/2018
Alfonso Rodés Vilá	Independent	01/01/2018 until 31/12/2018
Alberto Prieto Ruiz	Independent	01/01/2018 until 20/11/2018
Juan José Pepa	Other external	01/01/2018 until 31/12/2018
Felipe Morenés Botín-Sanz de Sautuola	Other external	01/01/2018 until 31/12/2018
Jorge Pepa	Proprietary	18/04/2018 until 31/12/2018

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<b>Francis Btesh</b>	Proprietary	18/04/2018 until 31/12/2018
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C.1 Complete the following tables with the individual remuneration of each of the directors (including remuneration for performance of executive functions) earned during the year.

**a) Company remuneration subject to this report:**

i) Remuneration earned in cash (in thousands of €)

Name	Fixed remuneration	Allowances	Remuneration for membership of board committees	Salary	Short term variable remuneration	Long term variable remuneration	Compensation	Other items	Total FY 2018	Total FY 2018
Ricardo Martí Fluxá	100	33	0	0	0	0	0	0	133	97
Juan Velayos Lluís	0	0	0	1,000	350	0	0	0	1,350	1,350
Anna M. Birulés Bertran	75	22.5	0	0	0	0	0	0	97.5	69
Alfonso Rodés Vilá	75	24	0	0	0	0	0	0	99	68
Alberto Prieto Ruiz	66.66	18	0	0	0	0	0	0	84.66	12
Juan José Pepa	50	19.5	0	0	0	0	0	0	69.5	0
Felipe Morenés Botín-Sanz de Sautuola	50	18	0	0	0	0	0	0	68	0
Jorge Pepa	0	0	0	0	0	0	0	0	0	0
Francis Btsh	0	0	0	0	0	0	0	0	0	0

ii) Table of movements in share-based remuneration systems and gross profit of vested shares or financial instruments

Name	Plan name	Financial Instruments at the start of FY 2018		Financial Instruments granted during FY 2018		Financial Instruments vested during the financial year				Instruments mature and not exercised	Financial instruments at the end of FY 2018	
		N° instruments	N° equivalent shares	N° instruments	N° equivalent shares	N° instruments	N° equivalent and vested shares	Price of vested shares	Gross profit of vested shares or financial instruments (thousands of €)	N° instruments	N° instruments	N° equivalent shares
Ricardo Martí Fluxá	n/a	0	0	0	0	0	0	0	0	0	0	0
Juan Velayos Lluís	Neinor Homes Long-Term Incentive Plan	22,782	22,782	21,234	21,234	0	0	0	0	0	44,016	44,016

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	2017-2021											
<b>Anna M. Birulés Bertran</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Alfonso Rodés Vilá</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Alberto Prieto Ruiz</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Juan José Pepa</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Felipe Morenés Botín-Sanz de Sautuola</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Jorge Pepa</b>	n/a	0	0	0	0	0	0	0	0	0	0	0
<b>Francis Btsh</b>	n/a	0	0	0	0	0	0	0	0	0	0	0

iii) Long term savings plans

	Remuneration from vested savings plans rights
<b>Ricardo Martí Fluxá</b>	0
<b>Juan Velayos Lluís</b>	0
<b>Anna M. Birulés Bertran</b>	0
<b>Alfonso Rodés Vilá</b>	0
<b>Alberto Prieto Ruiz</b>	0
<b>Juan José Pepa</b>	0
<b>Felipe Morenés Botín-Sanz de Sautuola</b>	0
<b>Jorge Pepa</b>	0
<b>Francis Btsh</b>	0

Name	Annual contribution by the company (thousands of €)				Value of accumulated funds (thousands of €)			
	Savings plans with vested economic rights		Savings plans with non-vested economic rights		Year t		Year t-1	
	Year t	Year t-1	Year t	Year t-1	Plans with vested economic rights	Plans with non-vested economic rights	Plans with vested economic rights	Plans with non-vested economic rights
<b>Ricardo Martí Fluxá</b>	0		0		0		0	
<b>Juan Velayos Lluís</b>	0		0		0		0	
<b>Anna M. Birulés Bertran</b>	0		0		0		0	
<b>Alfonso Rodés Vilá</b>	0		0		0		0	

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<b>Alberto Prieto Ruiz</b>	0	0	0	0
<b>Juan José Pepa</b>	0	0	0	0
<b>Felipe Morenés Botín-Sanz de Sautuola</b>	0	0	0	0
<b>Jorge Pepa</b>	0	0	0	0
<b>Francis Btेश</b>	0	0	0	0

iv) Breakdown of other items

<b>Name</b>	<b>Item</b>	<b>Remuneration amount</b>
<b>Ricardo Martí Fluxá</b>	n/a	n/a
<b>Juan Velayos Lluís</b>	n/a	n/a
<b>Anna M. Birulés Bertran</b>	n/a	n/a
<b>Alfonso Rodés Vilá</b>	n/a	n/a
<b>Alberto Prieto Ruiz</b>	n/a	n/a
<b>Juan José Pepa</b>	n/a	n/a
<b>Felipe Morenés Botín-Sanz de Sautuola</b>	n/a	n/a
<b>Jorge Pepa</b>	n/a	n/a
<b>Francis Btेश</b>	n/a	n/a





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iii) Long term savings plans

	Remuneration from vested rights to savings plans
Ricardo Martí Fluxá	0
Juan Velayos Lluis	0
Anna M. Birulés Bertran	0
Alfonso Rodés Vilá	0
Alberto Prieto Ruiz	0
Juan José Pepa	0
Felipe Morenés Botín-Sanz de Sautuola	0
Jorge Pepa	0
Francis Btsh	0

Name	Annual contribution by the company (thousands of €)				Value of accumulated funds (thousands of €)			
	Savings plans with vested economic rights		Savings plans with non-vested economic rights		FY 2018		FY 2017	
	FY 2018	FY 2017	FY 2018	FY 2017	Savings plans with vested economic rights	Savings plans with non-vested economic rights	Savings plans with vested economic rights	Savings plans with non-vested economic rights
Ricardo Martí Fluxá	0		0		0		0	
Juan Velayos Lluis	0		0		0		0	
Anna M. Birulés Bertran	0		0		0		0	
Alfonso Rodés Vilá	0		0		0		0	
Alberto Prieto Ruiz	0		0		0		0	
Juan José Pepa	0		0		0		0	
Felipe Morenés Botín-Sanz de Sautuola	0		0		0		0	
Jorge Pepa	0		0		0		0	
Francis Btsh	0		0		0		0	

iv) Breakdown of other items

	Item	Remuneration amount
Ricardo Martí Fluxá	n/a	0
Juan Velayos Lluis	n/a	0
Anna M. Birulés Bertran	n/a	0
Alfonso Rodés Vilá	n/a	0
Alberto Prieto Ruiz	n/a	0
Juan José Pepa	n/a	0

