

CORPORATE SOCIAL RESPONSIBILITY

REPORT

2019

Keeping people
and the environment in mind



Neinor
HOMES



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01

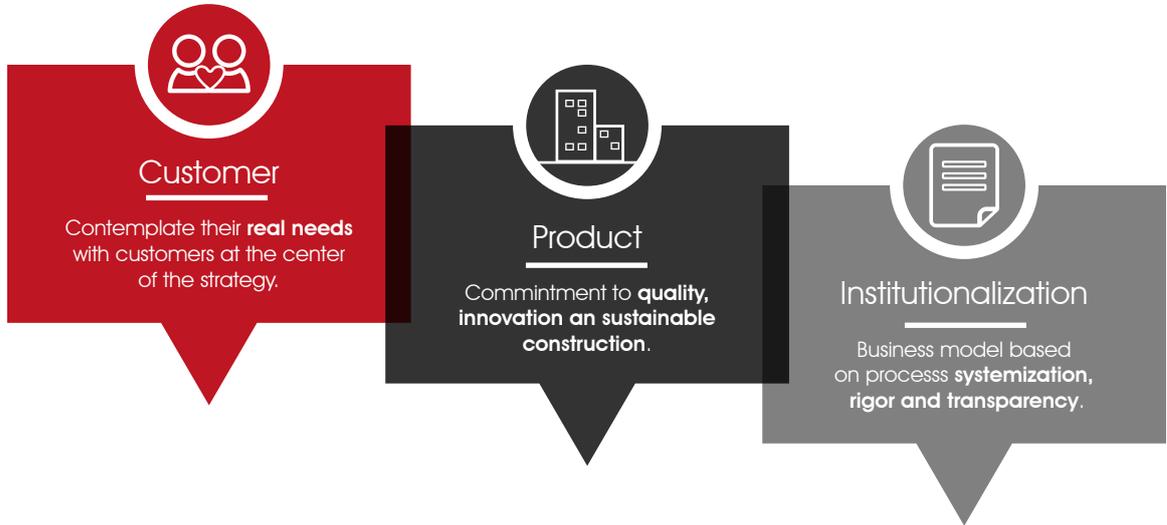
Executive Summary



WHO ARE WE?

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

STRATEGIC PILLARS



VISIÓN
Stand out as the **benchmark** in residential property development .

MISIÓN
Generate **suitable value** for stakeholders.



VALUES

- Products designed **for our customers**
- **Multidisciplinary** Talent
- Permanent **innovation strategy.**
- **Sustainability,** key to our DNA.
- **Responsibility** with the sector.
- **Good Government.**

HOW DO WE CREATE VALUE?

We create value based on a responsible business model.



¹According to the Association of Real Estate Developers of Madrid (ASPRIMA), 2.4 indirect jobs are generated for each home.

EMPLOYMENT GENERATION



INDUSTRIALIZED MODEL

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



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



1.5 millions m²
land bank
1.650 millions euros
asset value



190 developments
and more than **11.900**
homes ready for
development



More than 1.250 homes
delivered in 2019

QUALITY AND ENVIRONMENT MANAGEMENT



Quality, safety and Environmental Policies.



ISO 14001 Environmental Management Certification

ISO 9001 Quality Certification



285.501 KWh consumed



3.046 kg paper consumed



17% reduction in paper consumption

WHAT ROLE DOES CSR PLAY AT NEINOR HOMES?

CORPORATE SOCIAL RESPONSIBILITY AS INTERNAL ACTIVITY FRAMEWORK

CORPORATE SOCIAL RESPONSABILITY POLICY

Objetives:

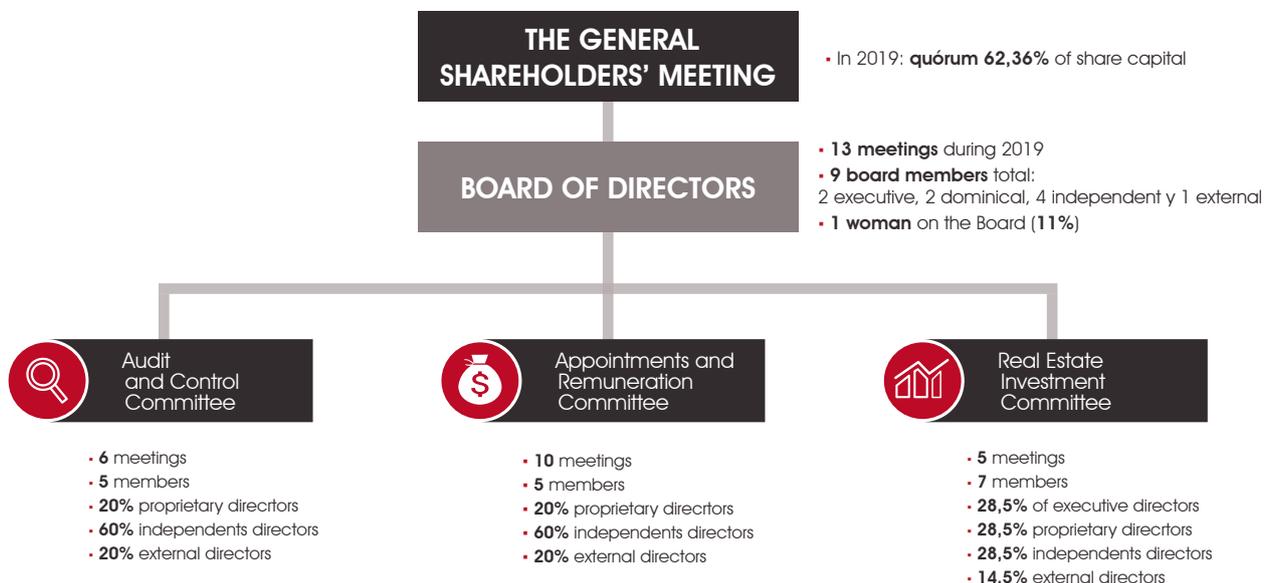
- Lead **sector transformation**
- Define good governance and **environmental commitments**.
- LServe as foundation for **integrating sustainability**.

Corporate Social Responsibility Master Plan: 2020 Vision



WHAT SI THE BASIS FOR OUR GOVERNANCE MODEL?

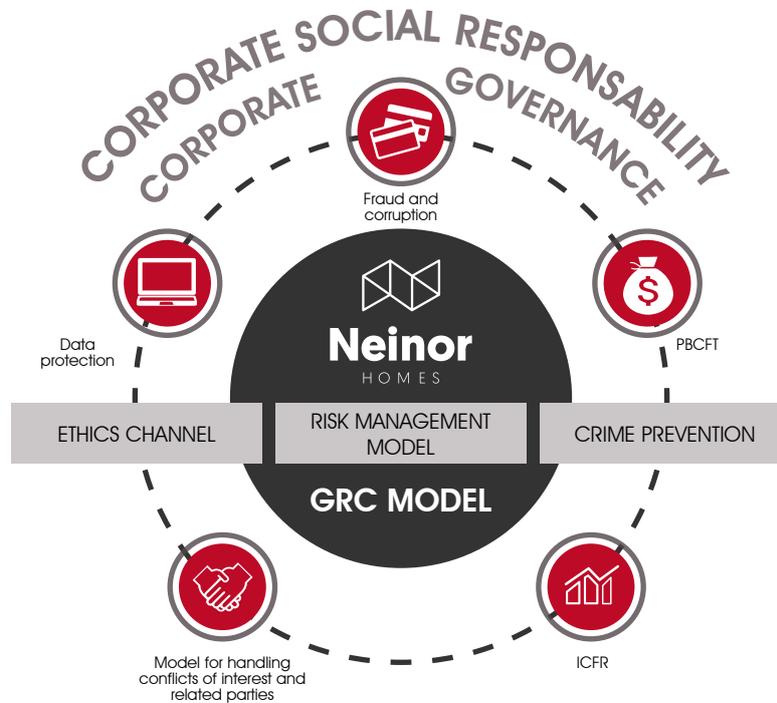
our activities are based on a responsible governance model



AN INTEGRAL CONTROL, COMPLIANCE AND ASSURANCE MODEL

GOVERNANCE, RISK AND COMPLIANCE MODEL

Based on best practices from companies in this and other sectors



Ethics Channel and management procedures

- Code of ethics
- Third-party code of conduct
- Ethics channel
- Promotion of good practices in real estate intermediation

Risk management model

- Integrated Internal Control System
- Updated Corporate Risk Map

Crime prevention

- Task risk policy
- Workplace Risk Prevention Policy

Zero tolerance to corruption

- Anti-corruption policies
- Transparency award Integrity and Fighting Corruption

Handling conflicts of Interest

Policies for handling conflicts of interest and transactions with related parties

Data protection, confidentiality and information security

- Confidentiality and Personal Data protection Policies
- Procedures for filling in ownership information

Internal Control over Financial Reporting System

Internal control over financial reporting (ICFR) systems



- ISO 27001 Certificate (Information Security)
- ISO 9001 Certificate (Quality management)
- ISO 14001 Certificate (Environmental management)
- UNE 166002 Certificate (R&D management)

WHAT ADDED VALUE DO WE OFFER OUR CUSTOMERS?


IMPROVED UNDERSTANDING OF OUR CUSTOMERS
 Implementation of CRM, Customer Centric and Big DATA tools
 Gaming Survey

We offer personalized, tailored service to our customers.

THE NEINOR EXPERIENCE

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



6.100 custo-



106.960 sessions on the website



2.528 downloads Neinor Experience APP



5.060 enquiries



24.121 incidents



1,4 days average response time



1 workshops Open day

WE BUILD HOMES WITH ADDED VALUE



Insurance Family Home Protection



Google Mini



Neinor Mobility Pack

VALUE-ADDED SERVICES

- Investigation + Listening + Development process
- White paper standardization
- Personalization alternatives
- Sustainability: **BREEAM® Certification**

INNOVATION DRIVING TRANSFORMATION

NEINOR NEXT

- new innovation ecosystem
- Aliances with startups

INNOVATION COMMITTEE

- Strategic decision-making
- 27 meeting during 2019

COLABORATIVE INNOVATION

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

DIGITAL TRANSFORMATION AND BIG DATA

- Digital transformation plan
- Added value digital initiatives


 ↑ 8% pre-sales vs. 2018


 59% developments with BREEAM® Certificates since 2015


 97 ideas emerged in the innovation meetings with the different areas


 27 innovation meetings involving various areas of the company

WHO FORMS PART OF NEINOR HOMES?

Our employers are committed



¿HOW DO WE WORK WITH OUR SUPPLIES?

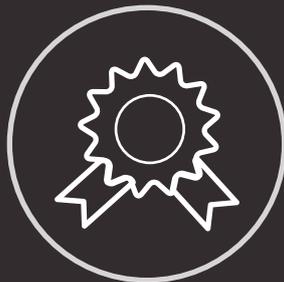
We are strategic partners with our suppliers

Responsible purchasing management

- Procedure for managing purchasing
- Mandatory clauses
- Construction firm bidding process

Safety, health and awareness requirements

- Manual of good practices
- Safety coordinator
- Safety and health audits



FRAMEWORK AGREEMENTS

with manufacturers aimed at win-win resolutions and to become partners

Selection and qualification of suppliers

- There are acceptance and inclusion procedures
- 100% of contracts feature ESG clauses
- Sustainability an environmental requirements

Communication, satisfaction and collaboration

- Bilateral communication
- App. to assess preception of Heitor Homes
- Collaboration initiatives



217 suppliers in 2019



65% local suppliers in 2019



389,9 million de euros in approved purchases



68 suppliers admitted in 2019



316 outsourcers assessed



90 safety and health audits



87% comply with the Good Practices Manual



32,44 accident frequency index



02

Interview with the **CEO**



“ We are a company in a continuous period of growth, that demands to manage our human team with the maximum responsibility. ”



BORJA GARCÍA-EGOTXEAGA
CEO

Taking into account the social and economic situation in Spain, how has the Spanish real estate sector behaved in 2019?

2019 has been a year marked by a degree of economic and political instability, both nationally and internationally, leaving us with a panorama that we will have to continue to live with in 2020.

However, from the real estate point of view, we can define this year as one of stability and 2020 as a year of moderation, as we will see how prices are continuing to adjust with more moderate growth, going from a housing price increase of close to 9% in 2018, to approximately 5% this year, and a forecast of increases of between 3.5% and 4.5% in 2020.

Focusing on the activity of Neinor Homes, what have been the company's main milestones in 2019?

It has been a key year for Neinor Homes as a company, marked in the first place by the change in business plan presented in April, and which was accompanied by a change in management. We firmly believe that this new business plan is more in line with the reality of the sector, and is showing it can regain the confidence of shareholders and investors and working so that the share reflects the true value of the assets and land of this company.

In this way, we have closed the year meeting the objective we took to the market of delivering more than 1,200 homes during the year, in addition to achieving an EBITDA of more than 70 million euros, something we have more than achieved. Without a doubt, 2019 has set the tone for the strength of this company, which will continue to consolidate over the coming years.

The customer is one of the strategic pillars of Neinor Homes. What actions are Neinor Homes taking to offer the best service and respond to their high expectations?

Today's customer has changed a lot, being a much more rigorous buyer who demands the maximum from each of the companies that serve him/her, and as a company, we must be able to take on this challenge and continue to advance in our capacity to respond. In our case, we want to be with the client throughout the entire process, from the moment he/she thinks about acquiring a home until we deliver it. For this reason, we offer the client differentiated services such as Neinor Stores, - points of sale that meld the human with the digital -, a continual attention service through Neinor Experience, periodic newsletters so that the customer can keep track of the works on his/her development, etc.

In Neinor Homes you want to differentiate yourself in the sector by offering an innovative product. How do your homes differ from the rest?

Innovation has been part of Neinor Homes' DNA since the company's creation. And when we talk about innovation, we are talking about always thinking about how to improve each decision, how to make each element involve an improvement. To this end, innovation within the company covers concepts such as new cooperative work methodologies, sustainability - with healthy and safe houses, which aspire to receive the BREEAM® sustainability certification, or unique services in a developer, such as the possibility of covering possible economic contingencies with an insurance policy or facilities to sell the previous house, to give a few examples.

How does the future look for the sector and particularly for Neinor Homes in the coming years?

As far as the sector is concerned, there are several challenges. First of all, we must respond to the needs of citizens in terms of access to housing, which requires a dialogue between all actors, away from politicised measures. In this connection, we must achieve a trusting and productive relationship with the public authorities, which will help to improve procedures and licences. And finally, it is essential that we continue to make progress in the joint industrialisation of the entire real estate value chain. We must focus on consolidating a new sector, one that is rigorously disciplined and industrialized and which gains the trust of all agents by being safe and having a clear business model.

With regard to the role that Neinor Homes will play in this future, I am fully convinced that it will be a key player as it has been in the market up to now, providing quality supply wherever there is residential demand and committing itself to the transformation of the sector with deeds that demonstrate the soundness of this company.

Finally, why is sustainability important to Neinor Homes?

Sustainability is a key element within Neinor Homes' strategy, forming part of our DNA from the very formation of the company. We understand sustainability as the creation of value through building for the citizen, as a way of contributing to the construction of the city of the present and of the future.

For this reason, in 2019 we have developed a new CSR Master Plan with different courses of action, where sustainability takes precedence and which reinforces our commitment to BREEAM® certifications as the best way to give this added value to our developments. In fact, at the end of the year, we had a total of 84 developments certified or in the process of being certified, which is equivalent to 7,698 homes and makes us the leader in the sector.

“Neinor Homes is a company of reference, both for the own workers as for rest of the companies of the sector.”

03

Evolution of RSC at Neinor Homes



2019 has been a year of Corporate Social Responsibility transformation in Neinor Homes, after a redefining of the main trajectories of value creation in the company with a focus on the contribution that its business makes to society. In this way, the company's Master Plan establishes the main courses of action in order to contribute to Neinor Homes' commitment to others.

Specifically, the main advance in CSR strategy has been based on the definition of priorities and the linkage of CSR with the business, backed by an internal and external communication plan with different courses of action: sustainability, transformation of the sector and a social action axis structured around employees. In this way, we are responding to the most important issues for Neinor Homes and channelling its CSR strategy to achieve a greater impact.

Since the CSR strategy pivots on the **Business**, Neinor Homes seeks to generate a positive impact or footprint on society by contributing to the creation of a more sustainable environment, focusing on the environment, society, shareholders, clients, suppliers, employees and public bodies. In short, this Master Plan also seeks to respond to the expectations of stakeholders in relation to CSR.



Sustainability

The first course of action focuses on the company's contribution to the environment and sustainable construction, aware that its business objective is to build homes, a basic need that should contribute to building the city of the present and of the future. For this reason, the company has made a voluntary commitment to consider the requirements of BREEAM® certification in most of its developments, such that since its foundation 59% of the developments launched (142 developments) have included the requirements for obtaining BREEAM® certification of sustainability at Good or Very Good level from the design phase, which means more than 7,600 homes. And of the total number of completed developments, 22 developments have achieved the final BREEAM® certificate, which signifies 1,470 certified homes.



Transformation of the sector

Since its foundation, Neinor Homes has acted as a spearhead for the sector, leading a necessary transformation process within an eminently traditional market. With the aim of contributing to the social and economic development of the places where it is located, together with its 273 employees, the company has generated indirect employment in 2019 for more than 17,000 professionals. Likewise, in its commitment to transforming the sector, the Master Plan includes support for innovation start-ups, promotes customer focus and digitalization, and envisages assurance and compliance through collaboration with other companies and strengthening Good Corporate Governance, respectively.

Another of the main elements of the Master Plan is based on **employees**. Through CSR, Neinor Homes seeks to improve the satisfaction and well-being of its professionals through conciliation, training, remuneration and career planning.

The Plan is therefore developing a specific course of **social action**. The commitment to society in this area is implemented through the active participation of employees, having the professionals as ambassadors of the firm and promoting the feeling of belonging to the company. As a result, the necessary tools and means have been developed to channel the staff's desire to help others through various kinds of measures.

In this connection, together with sporting events linked to social measures that promote the team, health and sport (races, participation in leagues or office championships), the focus has been placed on developing measures with social commitment, which will involve both outside initiatives (spending a day at school with disabled people, helping in orphanages to cover basic needs, training and supporting the unemployed to find jobs and housing, or helping to replant forest areas or urban parks, among others); to inside measures, which allow the whole staff to join efforts with common awareness objectives (reduction of the use of plastic in the office, arrangements for commemorative days, web page accessible to disabled people, etc.).

04

Transformation of the sector



We are a residential developer in which, through the application of best practices in the various areas of our activity, we seek to accompany our clients in a close and responsible manner in one of the most important decisions of their lives, the choice of their home.

4.1. OUR IDENTITY

Neinor Homes is a listed company dedicated to the **residential development** in Spain of first and second homes for customers in the medium or medium-high segment. One of our pillars is the customer, based on our deep conviction that the **customer must be at the centre of each** and every decision.

Neinor Homes has the aim and ambition to back a culture of permanent and pragmatic innovation in all areas of the company. It also has a vision oriented towards a **new, more professional business model**, based on the customer, rigour, ethics, transparency and a clear commitment to industrialisation.

The company's raison d'être is based on **three strategic** pillars:



CUSTOMERS

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



PRODUCT

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



INSTITUCIONALIZATION

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

4.2. A NEW PATH, A LONG JOURNEY

Neinor Homes S.A. began trading in **May 2015** with the clear objective of leading the **transformation of the real estate sector** and becoming a **benchmark in quality and customer service**. In addition, the firm has the almost 30 years of experience of its predecessor, the Kutxabank real estate subsidiary, from which Neinor Homes was spun off to **become an independent real estate development firm**. Currently, strategic cooperation is maintained with the financial entity, as Neinor Homes is acting as a Servicer.

Neinor Homes reached a new dimension on 29 March 2017 with its **entry into the Spanish Stock Market**, being admitted to trading on the secondary markets of Madrid, Barcelona, Bilbao and Valencia. It thus became the first stock market launch by a residential developer in Europe in the last decade.

Neinor Homes has become the leading real estate developer.

The **achievements made** so far and the **rapid growth** the company has experienced since its creation (more than 1,250 homes delivered in the last year) are due to a firm strategy, the very significant investment made in innovation and technology and the talent of its professionals, making it a **benchmark** company in the sector. In this way, it has managed to increase its staff by 3.4 times, from 80 to 273 employees.

4.3. MISSION, VISION AND VALUES

Neinor Homes conducts its activity in a highly competitive environment based on a mission and a vision that shows its **aspirations** and **objectives, which are based on values** that are intimately linked to the 3 strategic pillars of customer, product and institutionalization.



VISION

To be the **benchmark residential developer** in Spain, leading the market, not only from the perspective of the volume of homes delivered but also setting the rules for a radical transformation of the sector towards a new, more institutional model, based on the customer, rigour, ethics, transparency; and with a clear commitment to an industrial model.



MISSION

To embrace the enormous opportunity represented by the transformation and consolidation of the real estate sector to **generate sustainable value for all our stakeholders**, with margins and returns in accordance with the risk of the development business, building houses with people in mind, establishing stable relationships with suppliers and increasing the value of employees.



PRODUCTS DESIGNED FOR OUR CUSTOMERS

Neinor Homes places the **client at the centre of its activity**, responding to the current needs of society and trying to listen carefully to detect their expectations.



MULTIDISCIPLINARY TALENT

Neinor Homes is committed to the diversity of professional profiles and encourages teamwork of different talents to **develop the potential of employees**.



ONGOING INNOVATION

Neinor Homes is committed to promoting **innovation in a sector traditionally resistant to change**, backing a culture of ongoing innovation and promoting the exchange of knowledge, experiences and technologies with other actors in this and other sectors.



SUSTAINABILITY, THE KEY TO OUR DNA

Neinor Homes develops a product linked to the needs of the customer and society, working on **sustainable, accessible and energy efficient projects**.



RESPONSIBILITY TO THE SECTOR

Neinor Homes humbly assumes the **responsibility of being one of the driving forces behind the new Spanish residential real estate sector**, taking advantage of the opportunity to set new values in the sector, being the driving force behind its reactivation and exponent of the return to the capital market.



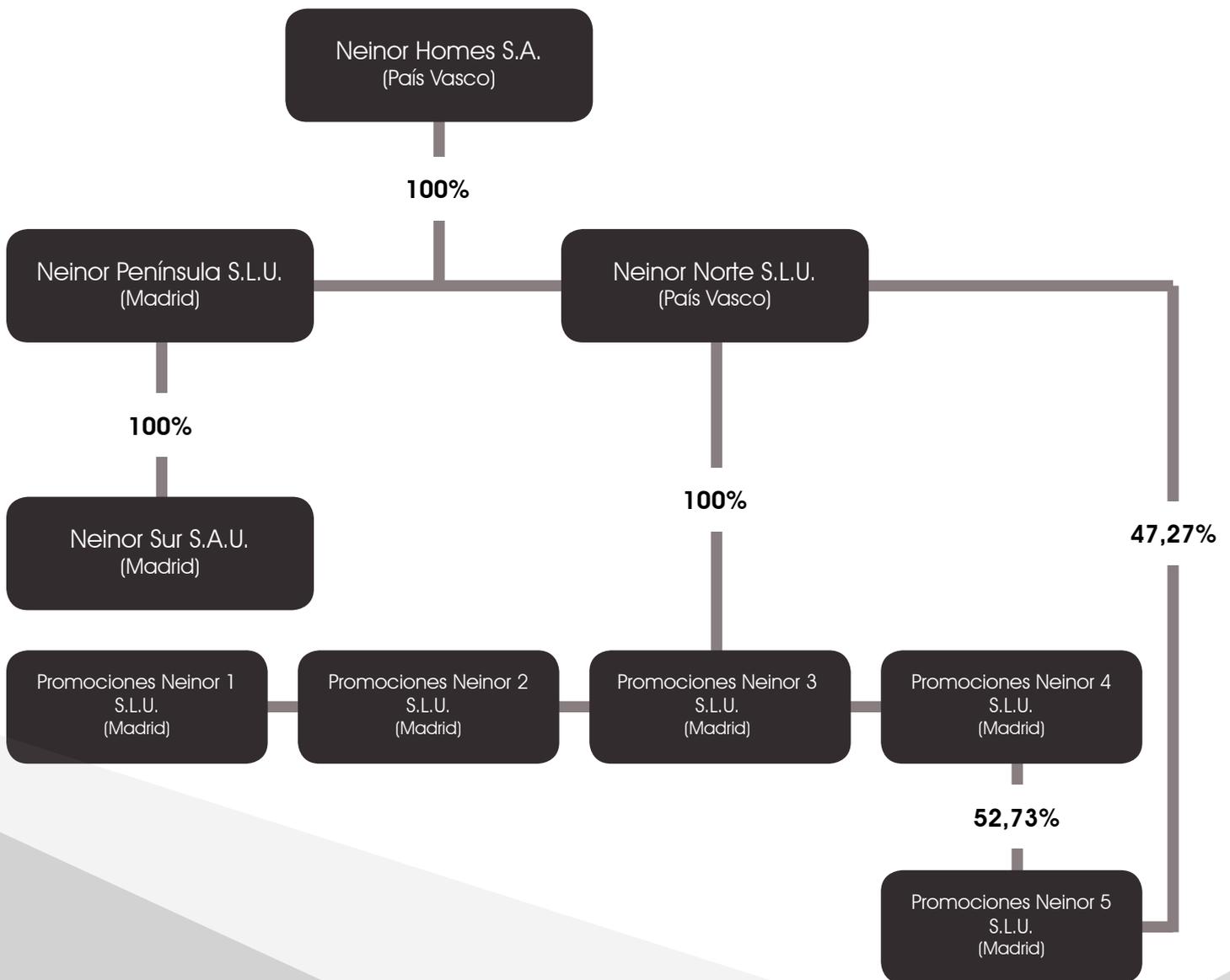
GOOD GOVERNANCE

Neinor Homes is a proponent of creating value through non-negotiable institutional principles such as **transparency, ethics, integrity and good governance**.

4.4. OWNERSHIP STRUCTURE

Neinor Homes has its main base in the **Basque Country**, from where it has extended its activity throughout the **rest of the Peninsula**, concentrating on the markets with the highest demand and the lowest stock, with a particular presence in Madrid, the Basque Country, Catalonia, Andalusia, the Valencian Region and the Balearic Islands. It has **offices** in Bilbao, Barcelona, Madrid, Cordoba, Malaga and Valencia.

The following is a list of Neinor Homes S.A.'s **subsidiaries**:





05

We create value
through a
**responsible
business
model**



The priority of our business model is to meet the needs of our customers based on responsibility in the exercise of our activities and the commitments we have made to our stakeholders.

5.1. ECONOMIC AND SOCIAL ENVIRONMENT

The real estate and construction sectors are continuing on a growth trend, driven by the **strength of housing demand**. On the other hand, **interest rates have remained low**, which increases the degree of accessibility for Spaniards to a property. In addition, financial institutions continue to offer facilities to **access a mortgage loan**. All this has had the effect of keeping the fundamental data on the purchase and sale of housing, with **a positive demand** despite the general increase in the price of new and used housing. The interest in buying a house is also growing among foreign, which encourages the activity of the sector in the most touristic locations and explains in part the increase in prices of second homes.



The forecasts for the real estate sector are positive thanks to the expected sustained growth in demand for housing.

Within this **context of a degree of economic stability and taking** into account that residential development is a sector with a complex value chain in which many agents intervene, Neinor Homes deals with all these factors through a critical analysis that is mainly based on **new technologies, innovation and sustainability**. In this way, the use of Big Data, both internally and externally, allows the company to better analyze strategic decisions. The improvement of **ongoing listening** to its current and potential **customers** is another factor that allows a better understanding of the direction the market is taking. In 2019 Neinor Homes has delivered 3,800 homes (including more than 1,250 new homes and those of retail and servicing), exceeding the 2018 figure by 8%.

5.2. DEVELOPMENTS IN THE STOCK MARKET

Neinor Homes went public on 29 March 2017 with a **value of 16.46 euros per share**. After a complicated 2018 for the financial markets, 2019 has been marked by political and economic uncertainty in the country.

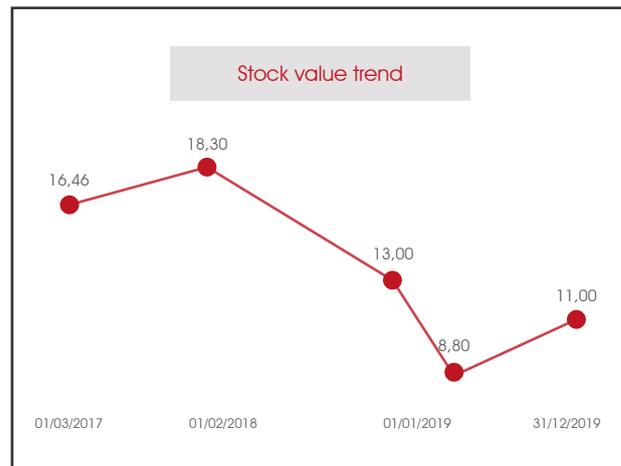
In Neinor's case, the situation has been positive: although at the beginning of the year the value touched a minimum after falling around 30%, during the second half of the year it has revalued by more than 25%.

The sector's discounts on the value of its assets have continued to grow, now standing at between 30% and 60%, generally affected by the lack of confidence in the sector.

In April, Neinor presented its new strategic plan in which it redefined its objectives to more objectively reflect the current market situation, in addition to initiating a share buyback plan. This has seen investors and shareholders increase confidence in the company and has led to a revaluation of the share price in recent months, along with the entry of a new majority shareholder.

The number of analysts covering the company has been reduced to 12, although Ahorro Corporación and Credit Suisse are preparing their respective coverage starts for the first half of 2020. At December 31, the average target price stands at 12.29 euros per share and has the following recommendations: 5 of "Buy" 3 of "Hold" and 4 of "sell".

The distribution of shareholders is estimated as follows:



MAIN SHAREHOLDERS AT 31 DECEMBER 2019	
Shareholder's name or corporate name	Total % of voting rights
Orion European Real Estate Fund IV, SLP	28,01%
Adar Capital Partners LTD	19,34%
The Goldman Sachs Group, INC	6,71%
Bank of Montreal	5,21%

5.3. INDUSTRIALIZED BUSINESS MODEL WITH THE CUSTOMER IN MIND

Neinor Homes is dedicated to **residential development in Spain of first and second homes**. Unlike other companies in the sector, it **buys land ready for building** at its market value and **strategic land with a highly developed degree of urban infrastructure**, without running financial risks in the event it does not attain the ready for building status, obtaining a profit margin from the transformation of that land into housing. In addition, Neinor Homes manages **all phases of the value chain of the residential development process**, including land acquisition and management, design, construction and marketing of the product and after-sales service. Its business model is based on the industrialization and systematization of processes, involving the whole company in the objectives and business strategy. In this way, **all employees are involved in the aim of creating a different developer**.

Neinor Homes manages all phases of the value chain of the residential development process.

Neinor Homes uses an **industrialized model based on 6 main pillars**:

SYSTEMATIZATION

The systematization of the company's processes allows **working with defined rules** in all developments..

STANDARDIZATION

Neinor Homes has developed the **White Book on Construction**, in which it establishes the company's own design criteria and product attributes that are adapted and applied to all products.

RIGOUR

Strict **compliance** with development **deadlines** and a focus on the margin are clear principles of the company's industrial model, which enables it to fulfil its commitment to customers and shareholders.

ENVIRONMENT

The Neinor Homes team is part of the same **production chain**, made up of different roles and processes.

INNOVATION

Through **innovation**, Neinor Homes **optimizes** the development of different processes, incorporates new services, construction systems, technologies and materials.

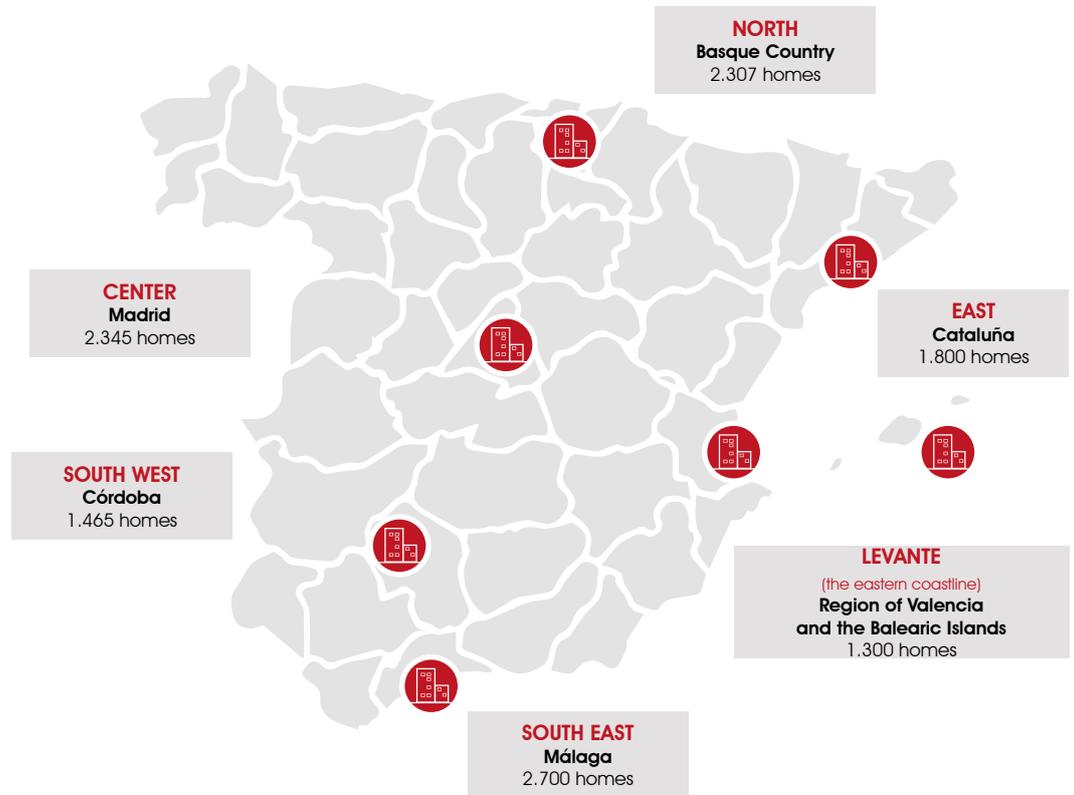
TECHNOLOGY

Integration of the entire value chain in a **digital environment**, with the aim of increasing productivity, promoting collaborative work and decision making.

Furthermore, Neinor Homes is an **environmentally responsible** company with a strong commitment to **sustainable building**, with all its homes being eco-efficient and thus offering its customers maximum energy efficiency and user comfort.

NEINOR HOMES MAIN FIGURES

Neinor Homes currently has **one of the largest portfolios of quality land ready for building in Spain**, with a surface area of **1.5 million m²** and an approximate asset value of **1,650 million euros**. This area has the **capacity to develop more than 11,900 units**.



The other fundamental component of Neinor Homes' business model and its value chain is the **launch of residential developments**. The year 2019 has been a year of profound institutional development with the consolidation of Neinor Homes as a benchmark developer thanks to the **delivery of more than 1,250 homes** and **having more than 7,700 homes in production** (731 homes planned, 1,942 in the tender stage and 5,045 under development). In addition, 1,400 new homes were pre-sold this year.

CREATING VALUE FOR OUR STAKEHOLDERS

ECONOMIC VALUE



Neinor Homes is one of the most important drivers of **economic progress** in the real estate sector in Spain. In 2019 it has not had any pressure to buy land as it has a sufficient land portfolio. Total **income** for the year was **489 million euros**, which meant that the **net profit was positive**, 64 million euros. Similarly, **total operating EBITDA amounted to 94 million euros**. For its part, the net book value of Neinor Homes' stock at December 31, 2019 amountede to 1,211 million euros, 2% more than in 2018, mainly due to deliveries for the year.*.



*For more information see Financial Statements.

In fiscal year 2018, the economic value generated was 382 million euros and the economic value distributed of 322 million euros, with a net result of 60 million euros.

SOCIAL VALUE



Neinor Homes seeks to sell homes to meet the **needs of its customers** and to contribute to the **social and economic development** of the places where they are located.

Since its creation, Neinor Homes has maintained a strong commitment to outsourcing. Its **273 employees** work together with the **best external professionals in the sector**, from architects to project managers, construction companies, quality control, geologists, etc. Indeed, Neinor Homes is a leading company in the sector, with a strong presence at national level and currently in 2019 it has generated indirect employment to more than 17,000 **professionals**. In the next four years, it is planned to build and deliver around 10,000 homes, which would create an additional 6,000 indirect jobs.



¹According to the Association of Real Estate Developers of Madrid (ASPRIMA), 2.4 indirect jobs are generated for each home.

ENVIRONMENTAL VALUE



Neinor Homes is a company committed to the environment that surrounds it and promotes the **preservation of and respect for the environment**, setting itself demanding challenges to work in a more sustainable way and find solutions that allow it to reduce the environmental impact of all its corporate activity. This commitment is reflected in the fact that most of its homes take into account the requirements of the prestigious **BREEAM® sustainability certificate**. In fact, of the 260 housing developments currently registered in Spain to be certified with BREEAM®, 84 are from Neinor Homes, and of the total number of residential homes certified so far in Spain, 47% correspond to developments of the company.

Neinor Homes has a **Quality and Environmental Policy** and is ISO 14001 certified for promoting the use of sustainable techniques in the design of energy efficient buildings. In addition, environmental awareness campaigns are arranged to reduce energy and paper consumption, establishing a paperless policy from 2017 with recommendations to reduce consumption and taking various measures in its offices in 2019 to reduce energy consumption.*



*For more information see page 28 y 29.

5.4. CORPORATE SOCIAL RESPONSIBILITY AS A FRAMEWORK FOR IN-HOUSE ACTION

CSR GOVERNANCE

The management of Corporate Social Responsibility at Neinor Homes is carried out by the **Sustainability Committee**, which reports to the Corporate General Management, in line with the principles established in the **General Policy on Corporate Social Responsibility**.

Neinor Homes has a General Corporate Social Responsibility Policy that establishes the **general principles and in-house action framework** for the integration and management of social responsibility with respect to people, operations and stakeholders, pivoting on the company's strategic pillars: customer, product and institutionalization. The supervision and monitoring of the implementation of the Policy is the responsibility of the Audit and Control Committee.

CORPORATE SOCIAL RESPONSIBILITY MASTER PLAN: VISION 2020

In October 2016, Neinor Homes defined its 2020 strategy in terms of sustainability, through the **Corporate Social Responsibility Master Plan**. The aim of the Plan is to create a **single, cross-cutting framework** that enables the **integrated management** of all social, environmental and good governance **initiatives**, identification of specific objectives and the designing of specific short-, medium- and long-term actions. For each of the company's strategic pillars, a **set of courses of action and operational monitoring indicators** are established.

STRATEGIC PILLARS	LINES OF ACTION	ACTIONS
 <p>CUSTOMER</p> <p>Customers are the focus of the company's decisionmaking processes</p>	<ul style="list-style-type: none"> • Decisionmaking • Experience • Communication 	<ul style="list-style-type: none"> • To continuously pursue customer satisfaction, aligning their expectations with the profitability of the projects. • To continuously monitor the quality of service provided through surveys that measure satisfaction and provide excellent customer service. • To develop a strategy of continuous, transparent and two-way communication with the customer throughout the entire life cycle of the purchase of the property.
 <p>PRODUCT</p> <p>Efficient and sustainable homes, in which innovation is part of Neinor Homes' essence</p>	<ul style="list-style-type: none"> • Product excellence • Product sustainability • Social and economic contribution 	<ul style="list-style-type: none"> • To impose the highest standards of quality and excellence in all developments to ensure the recognition of sustainability. • To continue to build houses with the least environmental impact and in the most sustainable way possible. • To create homes that help to develop a more sustainable
 <p>INSTITUCIONALIZATION</p> <p>Business model based on process systematization, rigor and transparency</p>	<ul style="list-style-type: none"> • Suppliers • Innovation • Investors and interest groups • Governance, transparency and integrity • ESG risks • People as strategic assets 	<ul style="list-style-type: none"> • To ensure an internal management and control system for outsourced services and establish close relationships with suppliers. • To bet on development and innovation, counting on the best technical and human resources and through the exchange of experiences with other companies and entities. • To promote a transparent business management model, consulting stakeholders, keeping them properly informed and placing them at the centre of corporate decisions. • To ensure a diligent, integral and transparent management of the company, promoting the dissemination of ethical and integral conduct on the part of all employees, clients and suppliers. • To identify, analyse and mitigate possible events that may affect the company and integrate such risk management within its own

Neinor Homes, as a property developer, is a member of various associations linked to the construction sector within its area of work. It is also aware of the importance of sustainability and the environment, and is a member of the BREEAM® Advisory Board and participates in several associations, following its Corporate Governance, ethics and compliance policy.

SECTORAL ALLIANCES AND MEMBERSHIP OF ASSOCIATIONS

- Association of Builders and Developers of Bizkaia (ASCOBI)
- Association of Real Estate Developers of Madrid (ASPRIMA)
- Basque Construction Cluster (ERAIKUNE)
- Provincial Association of Real Estate Developers and Building and Renovation Agents of Valencia
- Provincial Association of Builders and Developers of Malaga
- Association of Construction Employers of Cordoba
- Association of Developers and Builders of Barcelona
- ASCOM (through Informa Consulting)
- Association of In-house Auditors
- Institute of Compliance Officers (IOC)
- BREEAM® Advisory Board Members

QUALITY AND ENVIRONMENTAL MANAGEMENT

As a result of the application of established CSR principles together with its commitment to offer stakeholders maximum excellence in the quality of its products and its activities, Neinor Homes conducts efficient quality and environmental management in its daily activities. The Quality, Environment and Innovation Policy is focussed on achieving excellence in management to meet these expectations.

Neinor Homes has a **Quality Committee** which, since 2016, has been in charge of setting the annual objectives of Quality, Environment and Innovation, in order to make progress towards excellence and to follow up on these objectives, having meetings as necessary. The Committee includes the general management, territorial directors and the CEO of the company. In 2019, the Quality area has been transferred from the Operations General Management to the Corporate General Management, within the GRC department, thus having a more aseptic position that facilitates decision making without being influenced by the general management to which it belongs. Among the tasks carried out, priority has been given to updating and improving the company's processes and the procedures that support them, in the search for continuous improvement and to improve the efficiency of all areas. The re-certification of the Integrated Management System for Quality, Environment and Innovation has been successfully carried out, according to the reference standards shown below

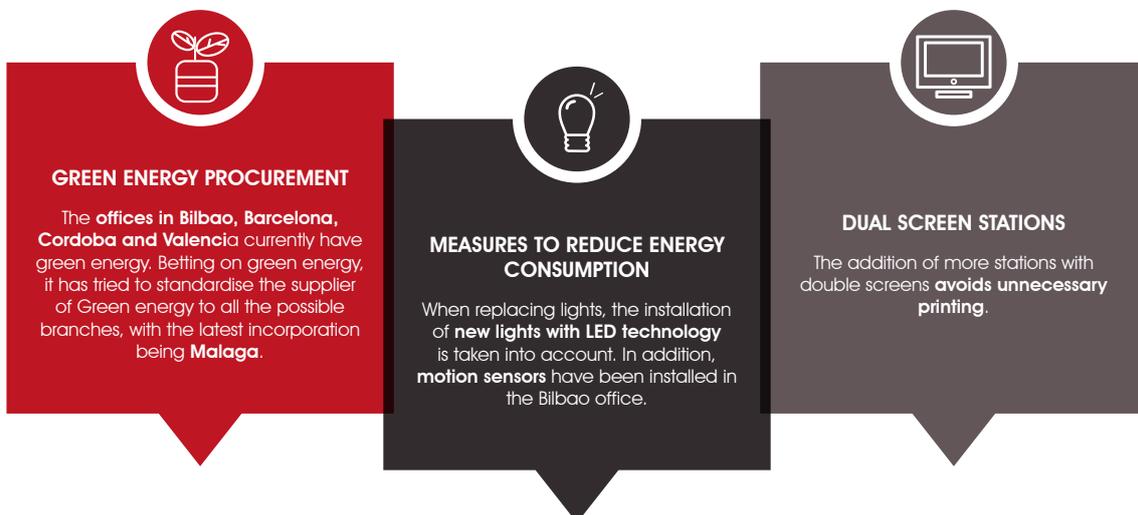


CERTIFICATIONS

- Quality Management (ISO 9001)
- Environmental Management (ISO 14001)
- R&D&I Management (UNE 166002)
- Information Security Management (ISO 27001)

Neinor's activity involves a large number of suppliers and contractors who collaborate in the development of the projects. In order to ensure the **highest quality standards**, all of them have the obligation to comply with what they have signed in the contracts and with the implications included in the White Book. Of the developments currently under construction, 77.78% include the requirements for obtaining **BREEAM® sustainability certification**. Currently, 47% of our developments have BB Energy Certification. 35% of our developments have the AA+BA Energy Certificate.

Reducing the **environmental impact in all of its offices** is another key point for Neinor Homes, so important efforts are made to minimize energy consumption and the consumption of materials such as paper or toner.



GREEN ENERGY PROCUREMENT

The offices in **Bilbao, Barcelona, Cordoba and Valencia** currently have green energy. Betting on green energy, it has tried to standardise the supplier of Green energy to all the possible branches, with the latest incorporation being **Malaga**.

MEASURES TO REDUCE ENERGY CONSUMPTION

When replacing lights, the installation of **new lights with LED technology** is taken into account. In addition, **motion sensors** have been installed in the Bilbao office.

DUAL SCREEN STATIONS

The addition of more stations with double screens **avoids unnecessary printing**.



PAPERLESS POLICY

In 2017, a company-wide paperless policy was established, with recommendations to reduce paper consumption.

- Double display at each workstation
- Sharing of documents in digital format
- Possibility of presenting the documentation of the Boards by means of tablets, avoiding printing of all the documentation.
- Default option of printing on both sides with printers.
- Use of recycled paper in certain documents.

The application of all these measures has resulted in a continuous improvement in the **environmental indicators** of the Neinor Homes offices. In 2019, **energy consumption** in the offices has decreased by 3% compared to 2018, even though the workforce has increased by 0.74%, and with a total consumption of **285,501 kWh**. **Paper consumption** in 2019 was 17% lower than in 2018, with total consumption of **3,046 kg**, 1,269 packets and average consumption per person of 1.15 packets (1,527 packets and 1.5 kg per person in 2018).

Neinor Homes is very aware of the environment and of sustainability and has therefore adapted all its work centres to be able to recycle any type of waste. In addition, Neinor Homes applies the legislation applicable to the collection and treatment of confidential paper, fluorescent tubes, toner, batteries and sanitary ware, with an external treatment company collecting all waste in the offices. In 2019, **3,903 kg of confidential paper, 0.12 kg of fluorescent lights, 96 kg of toners, 16 kg of batteries and 129 kg of sanitary ware** were generated.

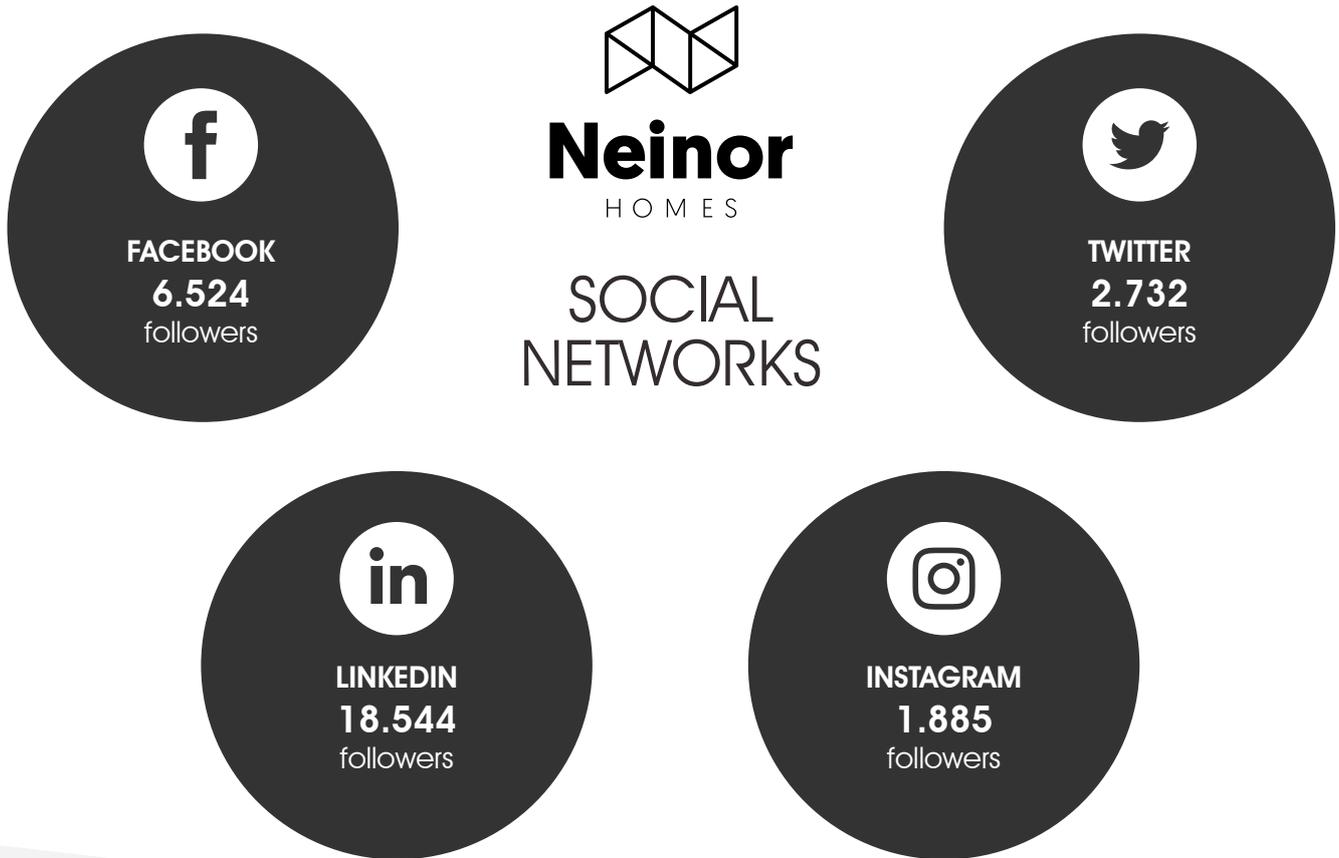
5.5. THE IMPORTANCE OF COMMUNICATION WITH OUR STAKEHOLDERS

Communication in Neinor Homes is the visible face of the work carried out by the company, both at a business, corporate and professional level. In this connection, communication takes on a leading role, focusing especially on the company's contribution to the improvement and professionalization of the sector. Neinor Homes focuses its efforts on **effective communication that enhances its brand attributes** with the ultimate goal of **generating change in the sector** and **generating trust and closeness to customers**.

To this end, a **360° communication strategy** has been set up, with the **involvement of various corporate departments**, to promote open and bilateral communication with the main stakeholders:

INTEREST GROUP	WHY IS IT IMPORTANT?	COMMUNICATION CHANNELS
 <p>INVESTORS AND SHAREHOLDERS</p>	Shareholders are an excellent measure of a company's confidence and financial health.	<ul style="list-style-type: none"> • Shareholder's Day • General Shareholders' Meeting • Investor Relations Website • Communications via email • Press releases • Corporate and product presentations
 <p>CUSTOMERS</p>	Customers are the reason for Neinor Homes' existence , and we strive to offer them the best service and the highest quality possible to achieve their maximum satisfaction.	<ul style="list-style-type: none"> • Open Day • Neinor Experience website • App Neinor Experience • Points of sale • Newsletters • Satisfaction surveys • Telephone and email address of Neinor Experience manager
 <p>EMPLOYEES</p>	Our employees are what make Neinor Homes , so achieving their satisfaction and pride in belonging to the company is key in order to achieve maximum efficiency and be competitive in the market.	<ul style="list-style-type: none"> • Meetings with the CEO • Work climate survey • Ethical channel • Corporate newsletter • 360° performance evaluations
 <p>SUPPLIERS</p>	Neinor Homes works with a large number of suppliers and they are in charge of building the homes and are a key element in maintaining high quality standards .	<ul style="list-style-type: none"> • Ongoing dialogue • Regular meetings • Application to evaluate Neinor Homes • Construction committees • Vendor evaluation • Third Party Code of Conduct • Ethical Channel
 <p>SOCIETY</p>	The activity of Neinor Homes has an important impact on society, creating indirect jobs and contributing to the social and economic development of the places where the developments are located	<ul style="list-style-type: none"> • Corporate website • Participation in sectoral forums and associations • Collaboration with universities and associations • Social networking

In addition, communication through **social networks** has been boosted by generating higher quality content with an established and regular frequency, launching as a new development the Instagram corporate channel in 2019, in addition to having implemented an internal communications channel with employees. Finally, the presence of different company spokespersons at **events and forums in the sector** has increased, thus reinforcing Neinor Homes' leadership position in the market.



06

Our activity is based on a **model of responsible governance**



At Neinor Homes, when we talk about Corporate Governance we are talking about people and decisions, with the understanding that these people have been well chosen and that they make the right decisions. We firmly believe that it is not only important to do the right thing, but also to do it correctly and to be consistent with one's words, since they must be aligned with your acts and conduct.

6.1. PRINCIPLES OF CORPORATE GOVERNANCE

The company understands corporate governance to be the set of mechanisms designed to generate value in a simultaneous and sustained manner for all the organisation's stakeholders. For this reason, Neinor Homes carries out its activity in a **transparent and responsible** manner, with **good corporate governance** as one of the objectives of its Corporate Social Responsibility Policy.

Neinor Homes is the benchmark in the real estate sector for good governance and management

Thus our aim is to provide an efficient response to one of the aspects that arouses most interest among investors, shareholders and other companies in the sector. Good corporate governance is now a key trend, and stakeholders are **increasingly demanding information** on various related aspects, to which Neinor Homes **responds in different ways**:

-  Measures implemented in the fight against fraud and corruption
-  Evaluations conducted to measure the functioning and management of the governing bodies
-  Financial transparency on the business model
-  Company's viability and long term purpose
-  Sustainability and responsible impact on people and the environment

In addition, Neinor Homes monitors all recommendations and trends in good governance, orienting its practices to achieve the highest standards of compliance and competitiveness. A **corporate governance diagnostic procedure** is also regularly carried out, analysing, among other aspects, compliance with the CNMV's **Unified Code of Good Governance**. The last diagnosis made has confirmed that Neinor Homes complies with the recommendations proposed by the CNMV in such code.

GOOD GOVERNANCE REGULATIONS AND POLICIES

- Company Bylaws
- Internal Audit Function Statutes
- Code of Ethics
- Third Party Code of Conduct
- Code of Good Practice for Real Estate Intermediation
- Rules of the General Shareholders' Meeting
- Internal Rules of Conduct in the Stock Markets
- Compliance Function Rules
- Operating rules of the Electronic Shareholders' Forum
- Corporate Governance Policy
- Corporate Risk Management Policy
- Corporate Social Responsibility Policy
- Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors
- Fiscal Risk Control and Management Policy. Adherence to the Tax Agency's Code of Good Practice
- Policy for the Selection of Directors
- Policy on Directors' Remuneration and Reimbursement of Expenses
- Employee Remuneration Policy
- Investment Policy and Financing
- Treasury Stock Policy
- Dividend Policy
- Incentive Policy
- Tax policy and good tax practices
- Investor Communication Policy
- Policy on non-audit services to be provided by the auditor
- Employment policy for former auditors
- Equality Policy
- Quality, Environment and Innovation Policy

6.2. GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the **highest decision-making and control body** of Neinor Homes in the matters within its competence, through which the shareholder's right to intervene in decision-making is articulated.

The call, preparation and development of the Shareholders' General Meeting is governed by the **Rules of the General Shareholders' Meeting**. All of this in turn is subject to the provisions of current regulations and the **Articles of Association**. All shareholders have the **right to attend** the General Shareholders' Meeting regardless of the number of shares and all have the **right to exercise their vote**.

On 3 April 2019, **the second General Shareholders' Meeting** of Neinor Homes was held with a **quorum of 62.36% of share capital** (0.97% present and 61.39% represented). The meeting was broadcast live on the corporate website, and could be followed later in deferred streaming. In addition, all documents generated from it have been publicly posted on the web.

Neinor Homes also has an **Electronic Shareholders' Forum where proposals** for inclusion on the agenda or **offers or requests for voluntary representation** can be **published**.

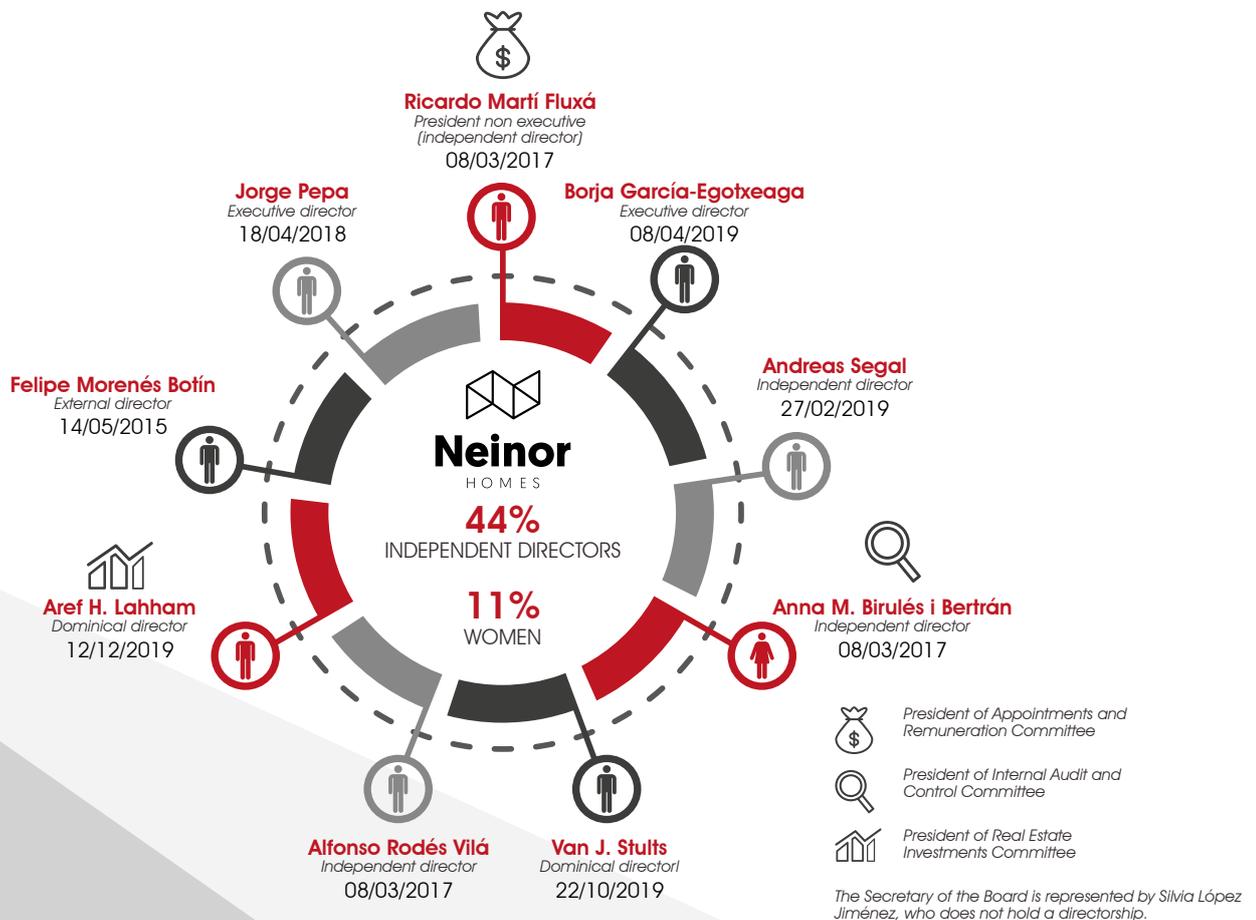
POWERS OF THE GENERAL SHAREHOLDERS' MEETING

- Approval of company management.
- Approval of the individual and consolidated financial statements.
- Appointment and dismissal of the members of the Board of Directors and ratification or their appointments
- Appointment and dismissal of the company's auditors
- Agreement on the increase and reduction of the share capital

6.3. BOARD OF DIRECTORS

The Board of Directors is the highest governing body within the company and has the **broadest powers and authority to manage, direct, administer and represent** Neinor Homes. It thus approves the strategy of the company and its general policies. Its functioning is governed by the **Rules of the Board of Directors** and the **Bylaws**. The Board of Directors **meets as often as is appropriate** for the proper performance of its functions, at least every three months. In 2019 it has met 13 times, and on 3 of these occasions it has dealt with issues related to Corporate Social Responsibility.

At the end of 2019 the **composition of the Board** is as follows:



In 2019 Neinor Homes has carried out the second **internal evaluation of the quality and efficiency of the operation and performance** of its Board of Directors and its Committees. The evaluation process has been carried out following four working approaches to try to obtain greater visibility and objectivity:

1

Carrying out an **evaluation**: Review by internal audit of documentation and **internal functioning**, as well as measuring the level of dedication, commitment, involvement and knowledge on the part of the directors and analysis of the fulfilment of responsibilities.

2

Carrying out of a **self-evaluation**: Evaluation and vision of the **effectiveness of the performance and functioning by the directors themselves**, through questionnaires of questions and personal interviews that will be treated respecting the anonymity of the answers. Finally, with the data obtained, various workshops were held.

3

Comparison with companies in the sector (benchmarking): Comparative analysis of the Corporate Governance practices of Neinor Homes compared to the measures taken by comparable companies and companies of the sector and others considered national/international benchmarks and best practices in the field.

4

Diagnosis of the company's situation in terms of Good Corporate Governance, considering national and international reference practices: CNMV, IC-A, EBA, KING IV, etc.

The **areas of review** that have been considered are

- ✓ Composition: Number of members of the Board and its Committees. Number of directors by type: executive, proprietary, independent and other external. Number of years in the mandate of each director.
- ✓ Diversity: Number of women on the Board and its Committees. Number of foreign members on the Board and its Committees.
- ✓ Experience and knowledge: Evaluation of the experience in the sector of the directors according to CV. Experience in Corporate Governance of each director in terms of Boards in which they participate other than Neinor Homes. Verification of the training received by the Board and its Committees.
- ✓ Succession of directors: Verification of the existence of a succession plan for the chief executive officer (CEO) and the other directors.
- ✓ Functioning: Checking the planning of the timetable of sessions and the actual meetings. Checking the time before sending out the calls for meetings, as well as the agenda of the meetings. Verification of the treatment at meetings of the matters required by the applicable regulations (Capital Companies Law, Stock Market Law, etc.), by reviewing the minutes. Duration of the meetings of the Board and its Committees.

- ✓ Quality of information: Verification of the level of adequacy and quality of the information provided to directors for decision making.
- ✓ Dedication / involvement of directors: Number of absences from Board and Committee meetings. Analysis of the questions raised by the directors regarding the information received prior to the meetings. Analysis of the issues raised by the directors during the meetings based on the information presented. Verification of the additional requests of the directors for work / specific assignments to be carried out in the Company.
- ✓ Connection with Senior Management and/or outsourcing: Assessment of the participation of General Managers and/or external auditors in the meetings of the Board and its Committees without the presence of the CEO.
- ✓ Compliance with good practices: Verification of the “tone at the top” in the functioning of the Board and its Committees in terms of ethics, compliance, transparency, etc. Analysis of the awareness and interest of the Board and its Committees in complying with the recommendations of the Unified Code of Good Governance (CUBG) of the CNMV. Review of the degree of compliance and effective implementation of the CUBG recommendations
- ✓ Directors’ remuneration. Verification of the use of comparative market analyses carried out by external experts on the remuneration of directors.
- ✓ Recommendations of the CNMV on the information published in the previous year’s CAGR.
- ✓ Company information on Corporate Governance and policies and manuals on the company’s website
- ✓ Company information for shareholders published and transferred on the occasion of the holding of the Ordinary General Shareholders’ Meeting.
- ✓ Information published in the IAGC, policies and website content of other listed reference companies and companies of the sector.
- ✓ CNMV Recommendations on Good Governance, good practices declared in the Good Governance Code approved by the Board of the National Securities Market Commission (CNMV) in February 2015. Good practices on the functioning of the audit and control committees (Technical Guide 3/2017) and the appointments and remuneration committee (Technical Guide 1/2019).
- ✓ Follow-up of the recommendations of: Guide for Proprietary Directors of the Instituto de Consejeros-Administradores (IC-A), Spain 2019, good practices declared in the European Banking Authority (EBA) guidelines on corporate governance in 2018. Good practices declared in the Report King IV of the Institute of Directors in Southern Africa, South Africa 2016, as well as various international compliance guidelines such as the Federal Sentencing Guidelines (US).

As a result of this review, **opportunities for improvement** have been identified in areas such as

- Development of various policies such as a Corporate Social Responsibility policy, a Risk policy and an equality policy.
- Continuing to work to promote gender diversity.
- Continuing to increase face-to-face training for directors.
- Development of a succession plan.
- More communication and reporting channels in relation to expectations and issues that investors may raise in the development and strategy of the company.

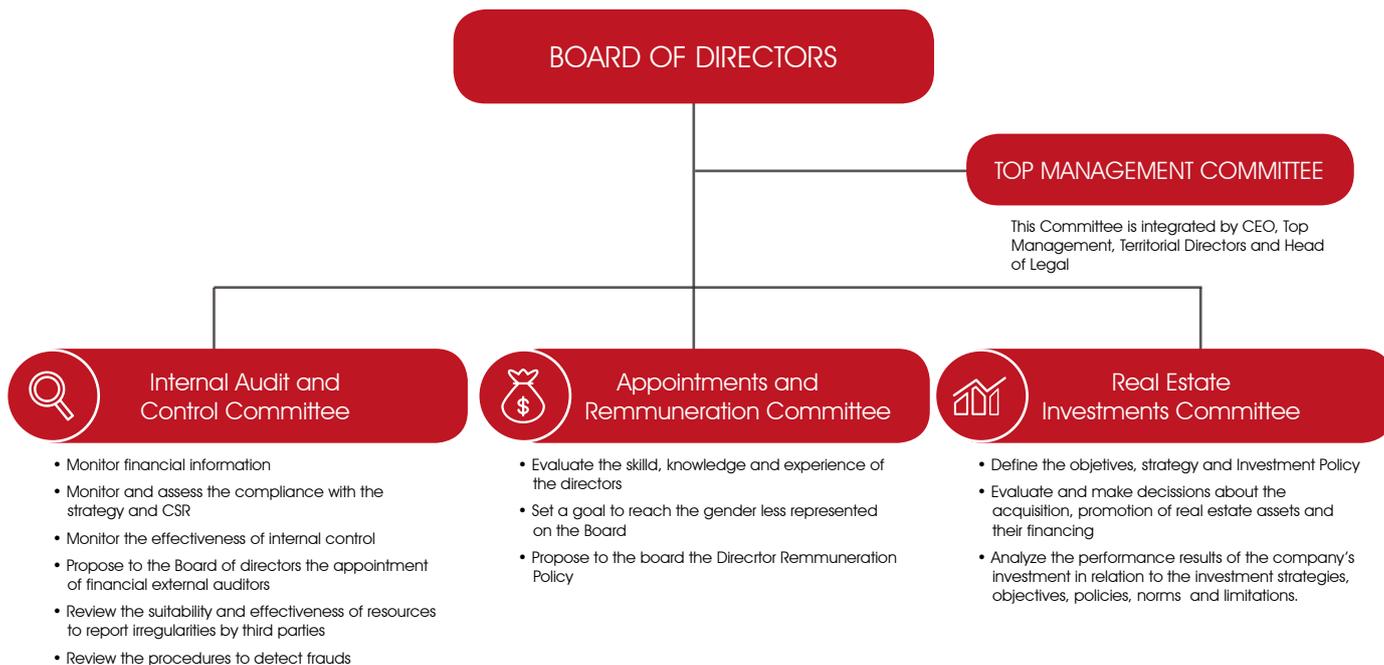
TRAINING IN THE BOARD OF DIRECTORS

Neinor Homes has defined a training plan for its Board of Directors and its Committees, in which it offers a program to update the directors' knowledge. During the 2019 financial year, the directors have received training on the following subjects:

- Corporate Governance: Directors' liability.
- Risks in the real estate sector.
- Situation of the residential market.
- The Proprietary Director: A Guide to Good Governance.

DELEGATED COMMITTEES OF THE BOARD OF DIRECTORS

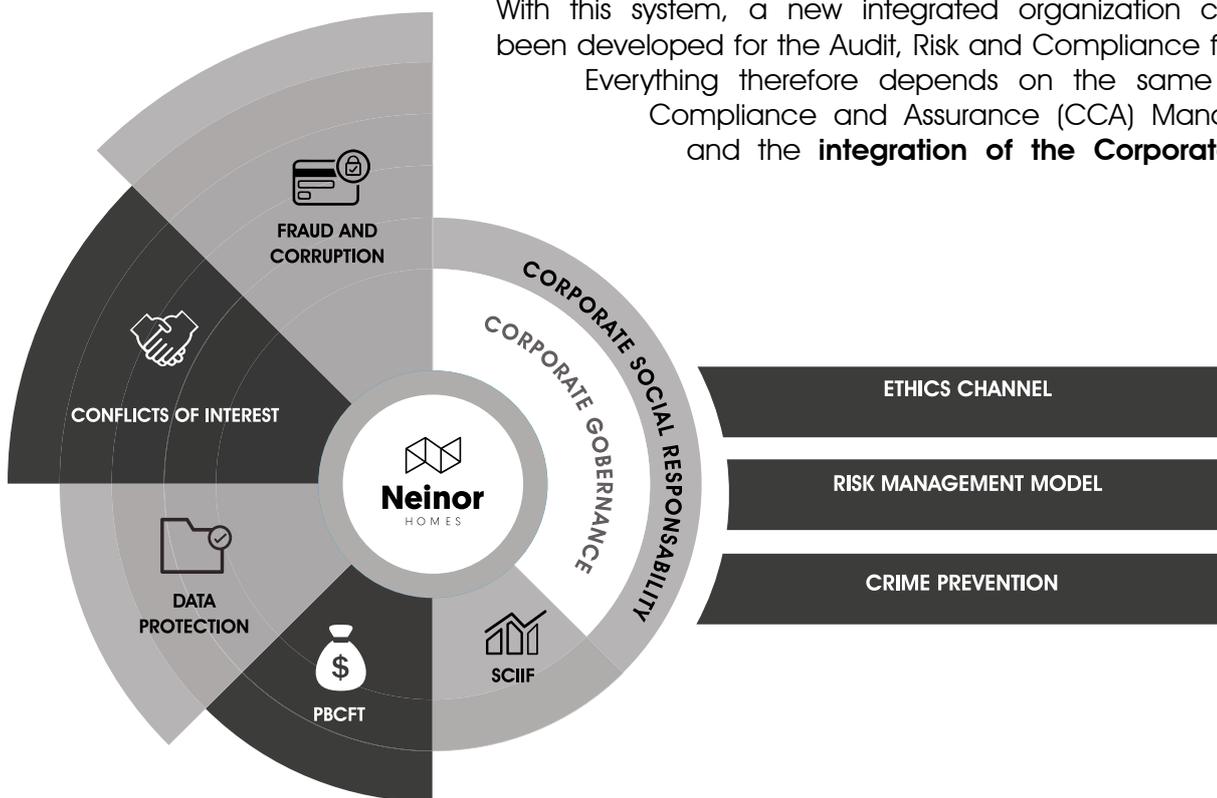
For **greater efficiency in the exercise of its functions**, the Board has the following delegated committees, whose functioning is regulated in the Board Rules:



6.4. A COMPREHENSIVE CONTROL, COMPLIANCE AND ASSURANCE MODEL

Neinor Homes has developed a **comprehensive Control, Compliance and Assurance model**, also called **Combined Assurance**, based on industry and other best practices, which is a system for **integrating and aligning assurance processes** so that senior management and audit and oversight committees can obtain a **comprehensive and holistic view of the effectiveness** of their organization's **governance, risks and controls**. At the same time, it allows for the **establishment of priorities and the identification of necessary measures**.

With this system, a new integrated organization chart has been developed for the Audit, Risk and Compliance functions. Everything therefore depends on the same Control, Compliance and Assurance (CCA) Management and the **integration of the Corporate Social**



Responsibility strategy in the business is achieved as a main priority, thus achieving an increase in its exposure and dissemination. This whole system allows us to **meet the expectations of stakeholders**, and comply with legislative requirements on good governance policies and the need for activities to be based on an effective and dynamic risk management system.

In addition, Neinor Homes has a **Governance, Risk and Compliance (GRC) Model** aligned with national and international standards of internal control and compliance, which has been implemented and transferred to the entire organization.

The GRC Model is a **dynamic and permanently updated model** that is based on **two transversal axes**, that of **Corporate Governance** and **Corporate Social Responsibility** and **three fundamental pillars**: the **ethical channel**, the **risk management model** and the **prevention of criminal liability**. **Five key elements or management themes** converge around it, from which a series of policies and responsibilities emerge:

MODEL	POLICIES/RESPONSABILITIES	
<p>Fraud and Corruption Prevention Model</p>	<ul style="list-style-type: none"> • Spending and reporting policy • Supplier selection, approval and evaluation policy • Code of good practice for real estate intermediation 	<ul style="list-style-type: none"> • Code of Ethics • Code of Conduct for Third Parties • Complaint and registration channel • Gift and registration policy • Monitoring and Control Committee
<p>Anti-Money Laundering Model</p>	<ul style="list-style-type: none"> • AMLFT Manual • Internal Control Body • Specific AML unit • AML Practical Guide • KYC pamphlets natural and legal persons • Trade compliance form and 	<ul style="list-style-type: none"> • AML procedure for the management of singular assets and retail • AML procedure for new construction management • External audit
<p>Internal Control System for Financial Information</p>	<p>Adaptation of the information to the required contents by the CNMV (risk matrix and controls of the processes in operation and responsibilities assigned, accounting policy manual, evidence repository, among others.)</p>	
<p>Conflict of Interest and Related Parties Model</p>	<ul style="list-style-type: none"> • Recording of Conflict of Interest and Related Party Transactions • Review and approval of related-party transactions • Reporting to the Board and the Audit Committee and ratification 	<ul style="list-style-type: none"> • Conflicts of interest and related party policy • Operations communication channel
<p>Data Protection and Information Privacy Model</p>	<ul style="list-style-type: none"> • Privacy Policy • Incident Management Procedure • Interested Parties Rights Procedure • ISMS Procedure • Personal Data System Management Procedure • Regulations and Personal Data Protection Policy 	<ul style="list-style-type: none"> • Life Cycle Procedure for the processing of personal data • Regulator Consultation Procedure • PIAC procedure • Information Security Committee • Communication Channel

ETHICAL CHANNEL AND MANAGEMENT PROCEDURE

One of the essential values and commitments for Neinor Homes in the area of good **corporate governance** is to **act pursuant to the strictest corporate standards with regard to ethics and transparency**, ensuring and demanding that all personnel, members of the administrative bodies and related entities act in accordance with the company's ethical principles and according to moral criteria.

In 2015 Neinor Homes approved the **Code of Ethics** which establishes the ethical principles, values and standards of conduct that should guide the actions of all companies and individuals who are part of the company and its third party collaborators. Therefore, all employees receive regular training on it, both in person and online, as well as some suppliers.

In addition, in 2017 the **Code of Conduct for third parties** was approved, which defines the highest ethical standards that must be met by all those **third parties that provide any type of service to Neinor Homes**, and the company is committed to making this Code known. The **principles and values** it contains are based on **best market practices and the principles of the United Nations Global Compact**.

ETHICAL CHANNEL

Since 2015, Neinor Homes has been operating an Ethical Channel through which all interested parties have the obligation to report any event that may constitute a breach of the Code of Ethics or the Code of Conduct for third parties. The Ethical Channel is available on the corporate website (*canal.etico@neinorhomes.com*).

All complaints are treated anonymously and confidentially and there is no retaliation against the complainant for the fact of the complaint. In June 2017, the Monitoring and Control Committee approved the Complaint Management Procedure: once the complaint is received, its management begins and if it uncovers illegal behaviour or conduct contrary to the Code of Ethics, the Monitoring and Control Committee will then meet to establish the appropriate protocols.

The **Compliance Department** is responsible for ensuring strict compliance with the Code of Ethics and is in charge of promoting and disseminating it, as well as handling complaints received. It also reports regularly to the Board on the management of complaints.

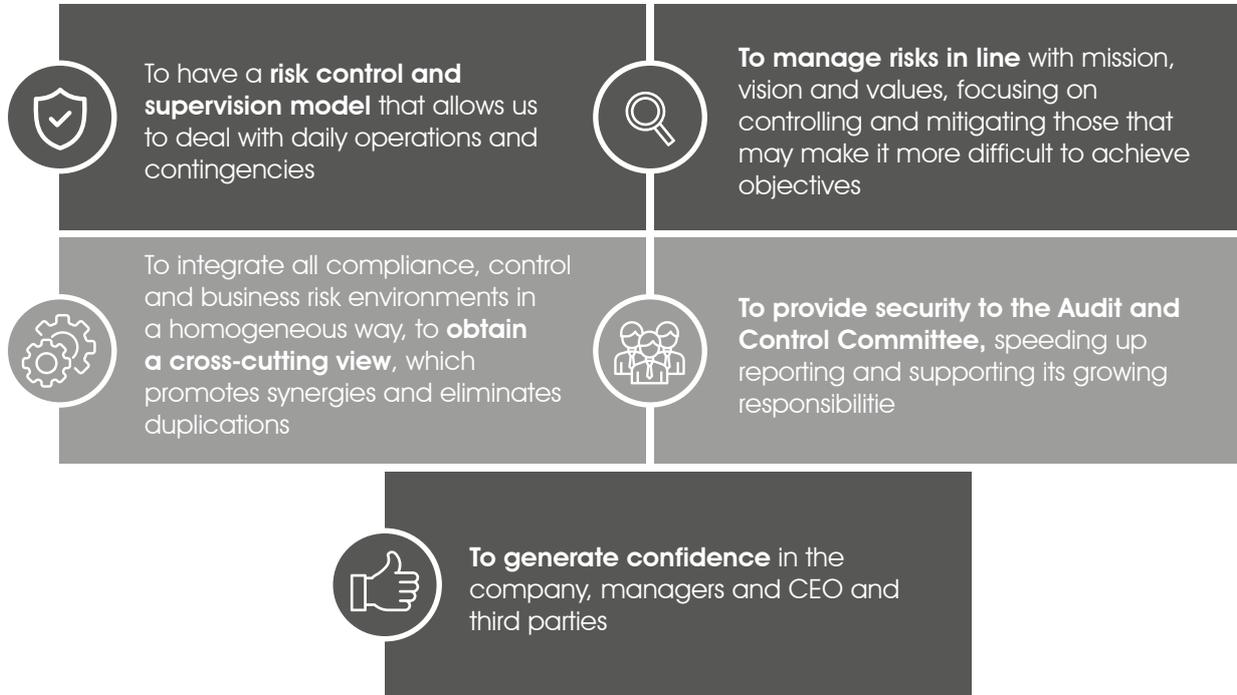
On the other hand, the **Monitoring and Control Committee** is the body in charge of studying, processing and resolving the complaints received, made up of the Internal Audit, Compliance, Legal and Human Resources Departments. In 2019, **8 complaints** have been received by the Ethical Channel that have been investigated and resolved without penalty. There have been no reported cases of discrimination.

Neinor Homes refrains from working with those third parties who do not comply with the Code of Conduct, reserving the right to terminate the commercial relationship with those who do not comply with any of the stipulated points.

Every year, **training sessions** are held to guarantee **knowledge** and to encourage the **application** of all the internal tools and regulations in force in the field of ethics and transparency. In 2019, 244 employees have received training on corporate governance, business risks, compliance, data protection and prevention of money laundering and terrorist financing, among other things. In addition, 11 back office employees, 40 Neinor Homes sales representatives and 196 external sales representatives have received training in this last area.

RISK MANAGEMENT MODEL

Neinor Homes carries out continuous management of its risks under an **Integrated Internal Control System (SIC)**. This integrated control system associates the **risks** with the **strategic objectives, processes and measures of control** into which those responsible for their execution and supervision are incorporated, as well as the evidence supporting the system. The **objectives** of the SIC are:



For the SIC to be **constantly updated**, it is key to have internal and external communication channels and the commitment of all those who make up Neinor Homes. **External updates** are mainly provided by legal experts, advisors, forums, networks or suppliers.

The supervision of the model is summarized in **three lines of defence**:

Neinor Homes has a dynamic and constantly updated risk management model



The **main inputs** of the SIC are **compliance, corporate and business controls and risks**.

Neinor Homes has carried out the **identification of its corporate risks** through an analysis of the company and the real estate sector and taking into account the experiences of Neinor Homes executives and other external experts in the sector. The Internal Audit Department participates in the risk identification phase together with the Compliance Department and all the people responsible for risks and controls in the various areas of the company. In this way Neinor Homes has classified the various risks to which it is exposed into **5 categories**:

- 1 ENVIRONMENTAL RISKS**
Related to the real estate sector and the cyclicity of the business. Correlation of our sector closely linked to the economic cycle. Business structure/resources not aligned to the changes in the cycle/diversification of Servicing/Equity/Leasing activity. Effect of the authorities on the sector. New tax and regulatory policies for the sector, land policies, management and licensing deadlines. Increase in construction and land acquisition costs, as the existing demand and supply in the market and competitive environment are not homogeneous; associated with the competitiveness of the various agents involved in the real estate sector. Increased competition. Non-homogeneous competition.
- 2 OPERATIONAL RISKS**
Management of expectations and customer satisfaction. Excessive dependence on suppliers and sometimes limited capacity of execution by them in time and form. Loss of business knowledge due to the outsourcing of essential services in the value chain. Retention and succession of key people. Inadequate adaptation to the industrial model. Being disconnected from the transformation and digitalization of the sector.
- 3 COMPLIANCE AND ETHICS RISKS**
Failure to comply in terms of time and quality of the homes delivered. Illegal acts/criminal offences under the regulations, carried out by the company or its employees. Non-compliance with the rules and regulations to which the company is subject
- 4 FINANCIAL AND MARKET RISKS**
Management of the capital market and all those risks related to the fulfilment of the expectations agreed with the shareholder/market. Excessive linkage to the financial sector. Non-compliance with margins and expected profit by investors and the market.
- 5 STRATEGIC RISKS**
Failure to meet deadlines or cost targets for strategic land development (land not ready for building)/and in land acquisition. Valuation of assets and lack of discipline, coherence and reasonability in the acquisition of land. Non-attainment of the sales envisaged in the Business Plan. Conflicts of interest in the strategic development and long-term viability of the company versus the expectations of investors and the market with a more short-term vision. Non-compliance or poor performance in Servicing contract management.

Given that the Integrated Control System (SIC) implemented is a dynamic tool, which aims to provide updated and continuous information on the possible risks faced by the company, Neinor Homes periodically collects from the various sources of risk detection defined the events/occurrences that could become a risk. This is in order to facilitate their analysis and continuous monitoring and take measures for their remediation, as well as if appropriate the incorporation of a control/mitigation measure, or the analysis of the effectiveness and efficiency of one already existing within the SIC.

The **Corporate Risk Map** is reviewed at least once a year so it is a fully dynamic model whose monitoring is continuous



Neinor Homes after the periodic analysis has classified the various risks to which it is exposed in 5 global categories, which are included in Section E.3 of the IAGC.

The Risk Management methodology used by Neinor Homes is based on the latest version of **“Enterprise Risk Management”** (also known as COSO III), which allows the contribution of added value through the identification, management and monitoring of business risk management. Similarly, the AENOR ISO 9001 audit report highlights the risk assessment methodology as a strength

PREVENTION OF CRIMINAL LIABILITY

All the people who are part of Neinor Homes must maintain strict compliance with current legal regulations. In this connection, the company develops the necessary internal policies and procedures to comply with this principle and makes every effort to **prevent the commission of criminal offences** to which it is exposed in the course of its activities. In the event that one of these crimes takes place, Neinor Homes investigates who did it, collaborates with the reparation of the damages produced and denounces the perpetrators, accomplices or anyone covering up the crime.

The **Criminal Risk Prevention Manual** is the framework that details the principles of management and crime prevention within Neinor Homes and its main objective is to define the rules of action and behaviour that govern the company’s activity, as well as the control systems that have been implemented with the aim of preventing the commission of the crimes defined in the Criminal Code.

In the event that a crime is detected by any of the directors, employees or dependents of Neinor Homes, there is a **protocol that sets out the guidelines for action**.

The **dissemination of the Manual** and its principles is done through the web and through e-mail to all the staff. Likewise, new additions receive it together with the Code of Ethics in the welcome pack. Finally, Neinor Homes has a **specific training plan** in the area of Criminal Risk Prevention, ensuring the knowledge and dissemination of the rules of conduct with periodic training and an aptitude test on its content.

ZERO TOLERANCE FOR CORRUPTION

Neinor Homes applies the principle of “zero tolerance” towards corruption. The company’s commitment against corruption and bribery is materialized through the Code of Ethics and the **Anti-Corruption Policy**.

ANTI-CORRUPTION POLICY

The Anti-Corruption Policy covers and prohibits the following situations:

- **Making and offering gifts, favours and services** at advantageous conditions.
- **Receiving and requesting gifts, favours or services** under advantageous conditions.
- **Donations, sponsorships and other non-profit contributions:** Donations made must have a social purpose and must be destined to entities with a recognized trajectory. All donations must be reported to the Compliance Department.
- **Professional meetings, congresses, conventions, seminars** and other events: attendance at these must be authorized by the Compliance Department, which keeps a record of the expenses incurred.
- **Influence peddling:** it is forbidden to exert any kind of influence on a public official with the purpose of taking advantage of the powers of his position.
- **Recruitment of advisors, agents, intermediaries and suppliers:** they must be subject to a verification and assessment procedure and their remuneration must be in line with the market.

Employees and members of the governing body have received and confirmed a commitment to comply with the Code of Ethics and the group’s policies, and specific training has been provided in 2019 for employees and directors.

MANAGEMENT OF CONFLICTS OF INTEREST

At Neinor Homes there is a **Conflict of Interest and Related Party Transaction Management Policy** that is applicable to all responsible parties and that establishes the criteria and procedures for approving transactions involving related parties, meaning when one of the parties has a significant influence on the financial or operational decision-making of the other.

The GRC Department will keep a **record of related-party transactions and conflicts of interest** and will report annually to the Audit and Control Committee and to the Board on the transactions carried out under the established terms, with directors requesting explanations if they deem it necessary.

In addition to all the analyses carried out due to conflicts of interest and related parties. Two full investigation reports on two conflict of interest situations were generated this year.

Finally, internally the Internal Audit Department checks the transactions that exist between companies related to directors and senior management with the company and these persons additionally confirm these transactions in a statement.

ANTI- MONEY LAUNDERING AND FINANCING OF TERRORISM

Neinor Homes maintains a firm commitment to the legislation on anti- money laundering and financing of terrorism (AML/FT), with an **AML/FT** Manual that establishes rules that all members of Neinor Homes and its external marketing agents must be aware of and strictly comply with, since non-compliance could lead to the corresponding **disciplinary or employment sanctions**.

It is the responsibility of each member to know this, and in addition the company provides classroom and online **training** for both employees and sales agents, in which attendance must be duly accredited and a test on the knowledge acquired must be passed.



The Anti-Money Laundering and Financing of Terrorism model has been audited.

The **Anti- Money Laundering and the Financing of Terrorism Model** is monitored through an Internal Control and Communication Body, with the **Board of Directors** as the highest authority. In addition, during 2019 it has been supervised by an independent expert and by Internal Audit who have stated that the model is effective and efficient and no important incidents have occurred.

DATA PROTECTION, CONFIDENTIALITY AND INFORMATION SECURITY

Neinor Homes is aware of the importance of the **confidentiality of the information** it handles about its customers and collaborators. For this reason, the Code of Ethics establishes the obligation of all professionals not to reveal, assign or distribute confidential and sensitive information.

In addition, Neinor Homes has a **Privacy Policy on the Protection of Personal Data** which sets out the different uses of personal data and the purpose of the same carried out by the company. There is also a **Procedure for compliance with the rights of data subjects** approved in March 2018, which provides the minimum guidelines necessary to ensure that the data subject is provided with the mechanisms required to exercise his/her rights with regard to the processing of his/her personal data.

In 2019 Neinor Homes has received **2 complaints** (one transferred by the Spanish Data Protection Agency (AEPD) and another received directly from a customer) for violating data protection rights and **12 requests** related to the rights of customers to cancel their data , not producing any penalty for them.

Neinor Homes has a **Data Protection Officer (DPO)**, who is responsible for supervising, coordinating and disseminating the data protection policy both inside and outside the company. In this connection, training has been carried out on the new European Regulation and on cyber security aimed at employees and users of the Neinor Homes network.

Neinor Homes considers **cyber security** a key part of its digital strategy. As a result of this concern, the Redes Limpias service has been contracted out to a third party, providing perimeter protection for the most common threats.



The **Regulatory Framework** of the Neinor Homes Information **Security Management System** aims to achieve adequate protection of information assets, preserving the security principles of **confidentiality, integrity and availability**. In addition, faced with a potential cyber-risk threat, Neinor Homes has developed a cyber-security **management model** that aims to ensure the protection of assets, transactions and the integrity of information. Security requirements and objectives are determined by the **Information Security Committee**.

Furthermore, a business contingency plan is executed every two years. This audit was carried out in accordance with the Audit Plan approved by the Committee and consisted of an unannounced cyber security attack on the systems area and controlled by an external audit.

INTERNAL CONTROL SYSTEM FOR FINANCIAL INFORMATION

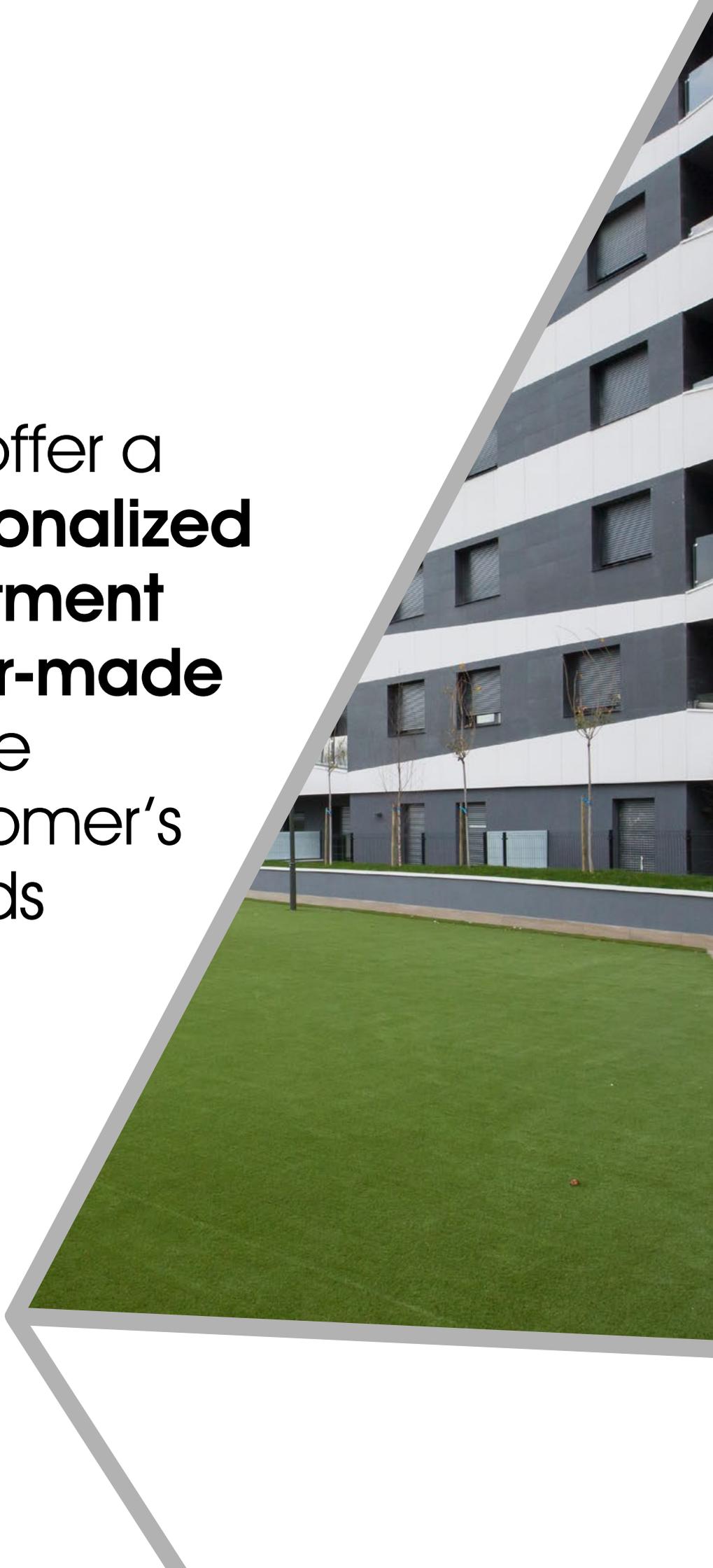
Neinor Homes has various mechanisms that make up the **internal control and risk management systems in relation to the financial information issuing process (SCIIF)**. The implementation of this SCIIF is the responsibility of the company's own business areas, which are in charge of implementing the control mechanisms and activities to ensure the reliability of the company's financial information. For its part, the Board of Directors ensures the adequate development and execution of the system, relying on the Audit and Control Committee for this purpose.

General Financial Management is in charge of preparing financial information, although all areas of the company must prioritise the **transparency and veracity** of the information handled and supplied to the market. Therefore, the Internal Audit Department has given a training course on SCIIF to those areas involved in the preparation and review of financial information. In addition, Neinor Homes voluntarily submits information related to the SCIIF included in its Annual Corporate Governance Report to an **independent external verification**. **Internal audits** are carried out every year, thus completing the internal control of the published financial information.



07

We offer a
**personalized
treatment
tailor-made**
to the
customer's
needs



We are aware that our customers are trusting us with one of the most important decisions of their lives, and that is why we take care of the details of the service we provide. In all our processes we try to continuously improve by applying new technologies and implementing specific measures aimed at greater customer satisfaction.

Neinor Homes' commitment to its customers is total and is its main *raison d'être*, with **customer-oriented quality** as a distinctive feature and seeking to achieve their satisfaction as its main objective. Therefore, it always strives to offer excellent customer service that meets the real expectations of the customers, so that they become the best ambassadors of the Neinor Homes brand.

During 2019 various **measures** have been taken to better get to **know the customers** who are interested in Neinor Homes:



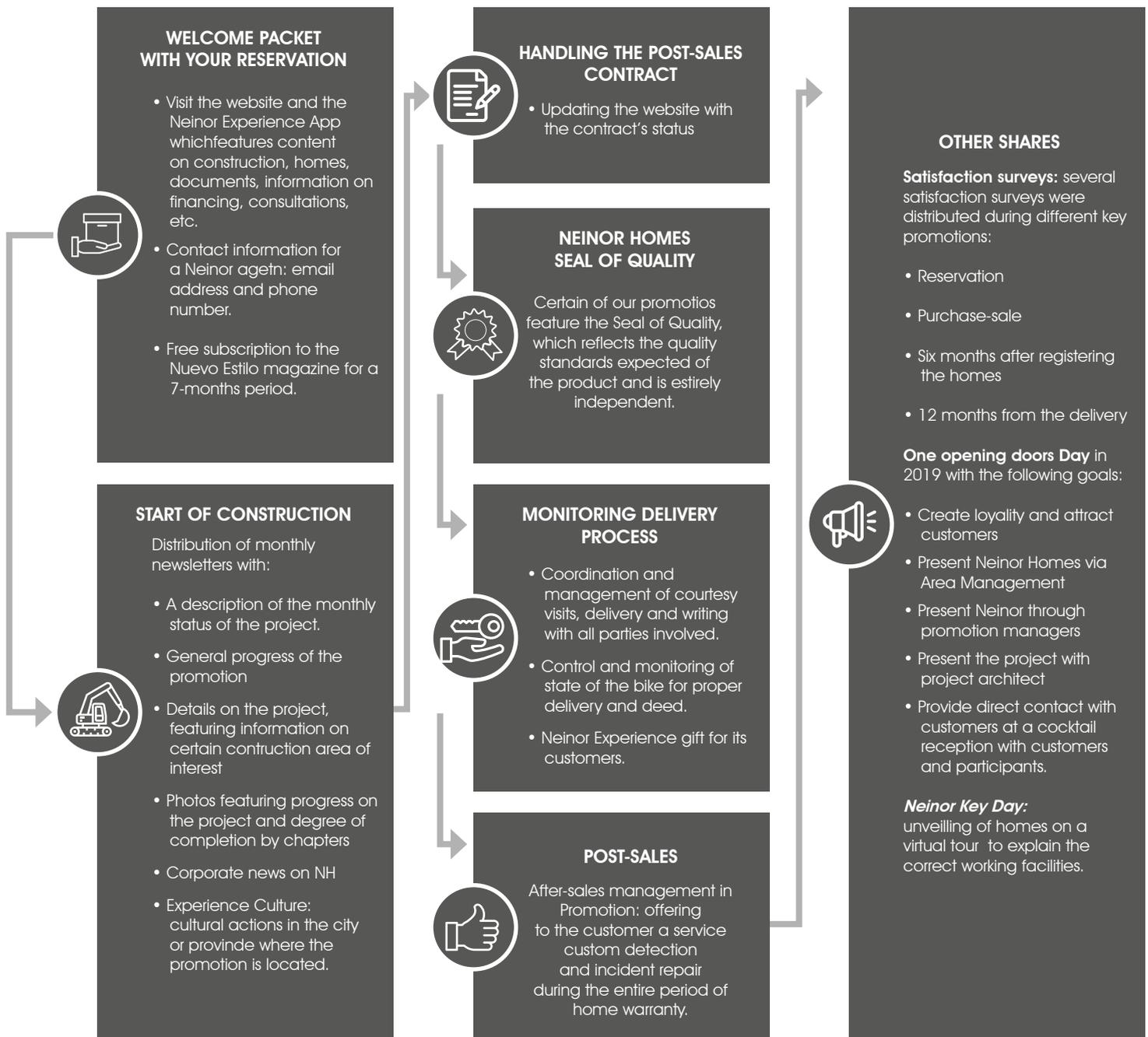
Implementation of **CRM, Customer Centric and Big Data tools**, unique in the real estate sector, which allow us to have a very detailed knowledge of the customers' needs, with the aim of building developments that better adapt to what the customers expect from their homes.

For Neinor Homes each customer is unique and we offer a **personalized service**, aiming to be their companion on this journey at all times and keeping them permanently informed. In addition, Neinor Homes designs all its projects with the customer's needs in mind, and for all its developments it carries out an in-depth prior analysis of the market and the buyer. At the end of 2019 Neinor Homes had approximately 5,500 customers.

7.1. NEINOR EXPERIENCE

Neinor Experience is the **exclusive customer service** offered by Neinor Homes to all its customers, to accompany them from the moment they sign the reservation of the property until the delivery of the keys and the subsequent after-sales service, guaranteeing maximum transparency. The customer can request information by email or telephone. In addition, a newsletter is sent to them every month informing them of the progress of the work. All this is managed by a **Neinor Experience manager** in each development, who can also respond to the customer and look after the customer's interests whenever necessary.

The services offered by *Neinor Experience* can be broken down into 7 stages that occur during the purchase of a home:



Just a few weeks before the signing the deed to the property, Neinor Experience invites customers to a courtesy visit to the homes. After signing the title deed, the owners have a few days to make a **list of deficiencies**, which will be sent to the relevant companies and the construction company. Neinor Homes follows up and periodically receives the conformity reports cited by the customers.

Can be accessed at
www.neinorexperience.com
or through the App

NEINOR EXPERIENCE COMMUNICATION CHANNELS

Neinor Homes offers its customers a wide range of two-way communication channels:



The **Neinor Experience website**, through which the customer can consult the evolution of everything relating to the purchase of their home. Each customer has a **private web area** where all the documentation related to the purchase is incorporated.



The monthly **newsletter** that includes a section called "the works in detail", as well as current news about the company.



The **Neinor Responds channel** is a corporate service that is offered to all customers who are not new builders. This is a telephone consultation service through an internal **call centre**.



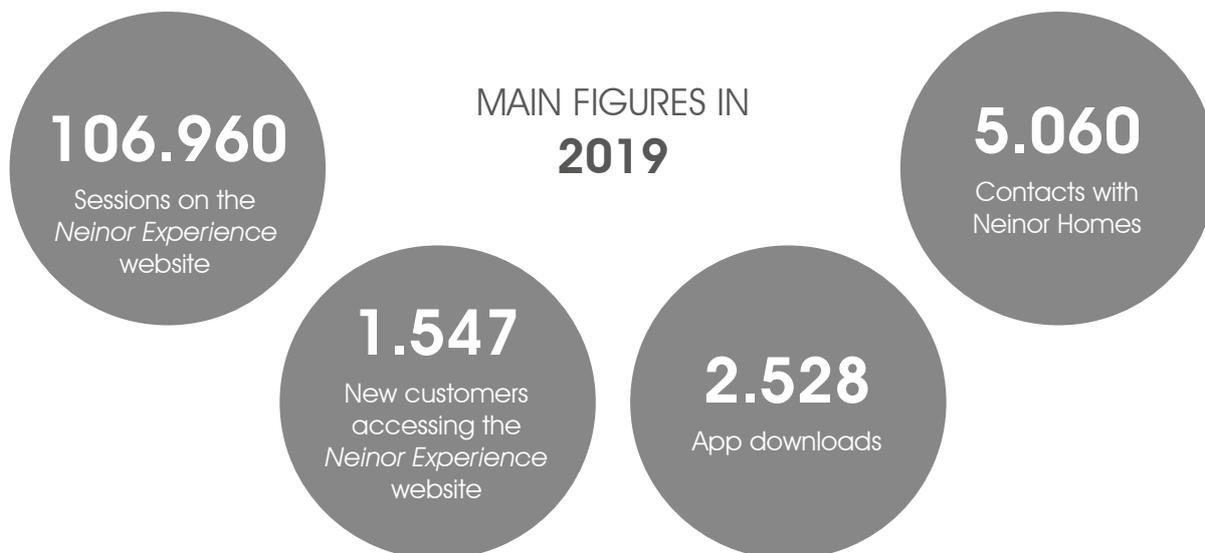
Open Days, designed to resolve doubts and to publicize the development in the marketing area, so that people can discover the product through our professionals and the design with the architect



Neinor Key Day: This is aimed at informing the customer about the operation of the facilities of his house, and important points of it for its correct use.



Call centre service to answer customer incidents. In 2019, 10,892 incidents were resolved, which represents 99.85% of the incidents received with an average response time of 1 minute.



7.2. ATTENTION TO COMPLAINTS AND CLAIMS

Neinor Homes acts with due diligence when faced with complaints and claims from its customers, having **specific procedures** and enabling **various accessible channels** through which complaints received are registered and to which those responsible are assigned to resolve them. Understanding and evaluating customer complaints and claims is an opportunity to learn more about their expectations and needs, allowing for continuous progress and improvement.

In 2019 Neinor Homes received 24,121 incidents with an average response time of 1.4 days.

Likewise, once the properties are registered, the **post-sale claims** then start, arising from any problems in the functioning of the installations and faults in the finishes due to small dents or stains in the paint, wood, etc. In this case, an agent will be present to take note of the incidents, always before the move.

The Neinor Experience manager of each development is responsible for processing all incidents registered through the **call centre** or the **development's exclusive email address**. In the case of urgent incidents, the incident is strictly monitored until it is completely resolved. The rest of the incidents are managed on a case-by-case basis.

NEINOR HOMES AFTER-SALES SERVICE

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

- **Finishes:** 1 year from the delivery of the house
- Faults in **installations**, appearance of **damp** or filtrations: 3 years from the delivery of the keys
- Serious errors in the **structure:** 10 years from the delivery of the house

08

We build
homes with
**added
value**



In the design of our homes we take into account demanding quality, sustainability and health criteria so that our customers can enjoy a product that satisfies them and allows them to live better. And innovation and digitalization allow us to add value, optimize processes, increase effectiveness and reduce operating costs.

The **quality of homes is a priority** for Neinor Homes, one of its main hallmarks and a source of pride. This responsibility begins before designing and building, by carrying out a market research process. This is the only way to create innovative homes for the 21st century, excellent in design and quality and above all sustainable.

Neinor Homes has registered since birth more than 7,600 homes for the BREEAM® seal.

Added value services

FAMILY HOMES PROTECTION INSURANCE

1

Neinor Homes was the **first developer to offer a protection insurance for its customers that covers the outstanding capital of the property**, from the signing of the purchase contract and until the end of the scheduled periodical payment schedule, in case of death by accident and absolute permanent disability. In addition, Neinor Homes is committed to cover the pending payments of the property purchase contract up to a maximum of 12 monthly payments, in the event that the client suffers the involuntary loss of their job or a temporary disability or hospitalization due to an accident.

INCORPORATING GOOGLE MINI INTO ITS HOMES

2

Neinor Homes has become the **first European developer** to include Google Mini as standard in all its homes, taking a step forward in bringing the smart house to the new residential market. The **Google smart speaker** allows interaction with the device through the Google Assistant virtual assistant, with the aim of making the **user's life at home easier**.

NEINOR MOBILITY PACK

3

Within the framework of **Neinor Lab**, the initiative arose to offer customers the possibility of adapting their homes in ways that facilitate their **habitability, accessibility and comfort**, especially in circumstances where their **mobility capacity has been reduced**.

This initiative, which has the support of **ILUNION Technology and Accessibility**, focuses on aspects of **design, equipment and technology and home automation**, and consists of a set of measures that are offered as a **package of customization of the houses**.

8.1. MANAGEMENT OF EXCELLENCE AND QUALITY IN HOUSING

Neinor Homes has a **Quality, Environment and Innovation Policy**, which establishes the principles that should guide the company's activity in terms of quality, minimizing environmental impacts and promoting innovation. In this connection, in 2019 an effort has been made to maintain the AENOR ISO 9001, ISO 14001 and UNE 166002 management certificates. Work has been done on improving procedures that directly involve the company's value chain, looking for inefficiencies in processes and better work methodologies.

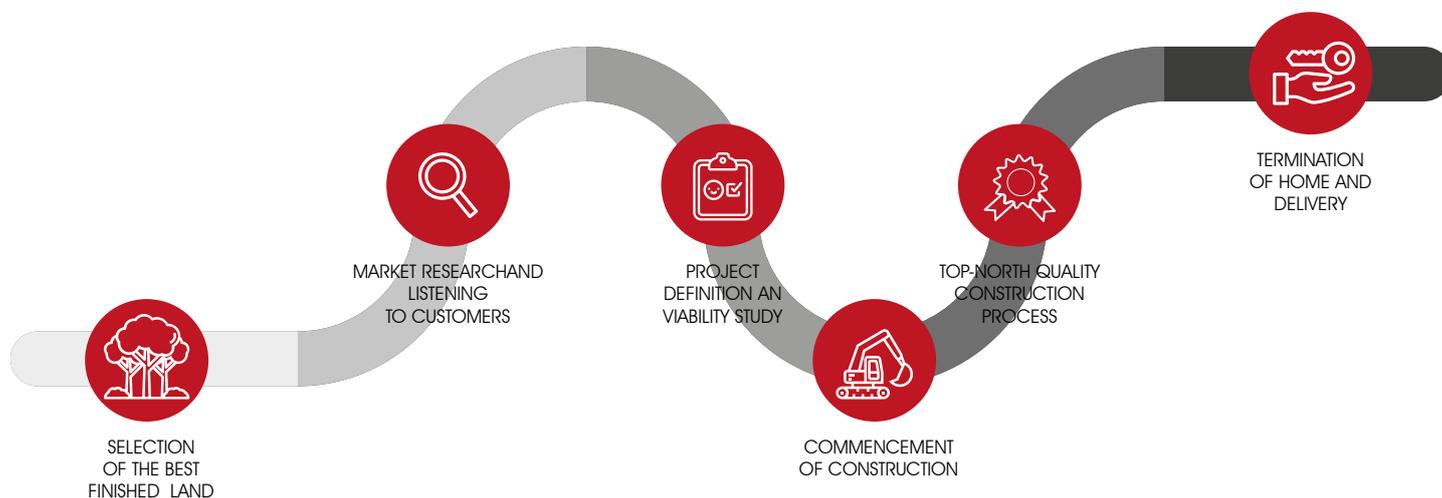
With the premise of achieving maximum quality and sustainability, Neinor Homes applies a **Research + Listening + Development process** in the launch of all its developments and in the construction of its homes, this being a differentiating factor vis-à-vis the competition.

Therefore, after selecting the best land ready for building, all developments are begun by carrying out a thorough **analysis of the physical environment**, an **analysis of the demand** and a **market study** to define the product to be offered in each development. To do this, Neinor Homes has 'big data' tools that also feed off the data collected in the surveys. There is also a **benchmarking** of other sectors to detect solutions that could also be implemented in the real estate sector.

Once the research and listening process has been carried out, the project is defined by adapting it to the demand and studying its **technical, social and environmental feasibility**, taking maximum care with quality, after which construction begins. Customer interaction is present throughout the entire life cycle of the home.

CHARACTERISTICS OF NEINOR HOMES DEVELOPMENTS

- **Economy of maintenance:** design, careful selection of materials and innovative technological solutions allow savings in maintenance costs in the long term.
- **Habitability and functionality:** every metre of floor space is used to the full.
- **Attractive:** homes that are adapted to new lifestyles and the environment.
- **Acoustic comfort:** thanks to external insulation and internal layout.
- **Safety:** healthy and safe homes vis-à-vis natural phenomena.
- **Privileged environment:** urban life and nature are just a few minutes away.



QUALITY IN HOUSING THROUGH THE WHITE BOOK

Neinor Homes pioneered the development of a **design and construction manual** called the **White Book**. The main objective of this manual is to **standardise the quality, sustainability and design parameters** that define all the Company's real estate developments.

In this way, with the White Book Neinor Homes ensures that all developments have **design criteria and product attributes that are unique to Neinor Homes** and adapted to the needs of the customer in each geographical area, which are always applied independently of the architectural studio that develops the project. The standards it sets are independent of the design used and **each product is customized** for each development.

The White Book is a living tool and its success lies in the fact that it is **constantly being revised** to adapt it to conditions and trends of the sector and the company, to new systems or materials that arise and to experience acquired. In addition, the **entire company has the chance to suggest and contribute changes and updates**. Thus, the White Book allows Neinor Homes to **lead the transformation of the sector**, benefitting from implicit know-how that allows the transfer of knowledge, capabilities, standards and ways of doing things.



White book
it's a manual
pioneer in the
sector.

8.2. PERSONALIZATION OF THE HOMES

For Neinor Homes it is key that the user is satisfied with their own home. Therefore, the company offers the possibility for the customer to **personalize their home** to their liking with a predefined catalogue to adjust it to their needs.

To manage this, Neinor Homes has a **Home Personalisation Procedure** that is applied in all its developments, whose objective is to define the steps, rules, conditions and other aspects necessary to systematically carry out the personalisation of the homes. Neinor Homes offers two levels of customization:



STANDARD CUSTOMIZATION

The proposals are divided into 3 main packages:

- **Bathrooms:** you can choose between two possible alternatives, if you want to remove the bidet or keep it and if you want to change the bath for a shower tray.
- **Kitchen:** you can choose the ambience from two possible alternatives and the combination of furniture and kitchen worktop from three possible options.
- **General housing:** the floor is a choice between two options, the interior carpentry finish between two possible options and the painting of the walls between three possible options.



PREMIUM CUSTOMIZATION

The Neinor Homes Premium customisation offers the possibility of adapting the home for people who, due to various circumstances, see their mobility reduced with the Neinor Homes Mobility Pack, which represents an added cost for the client. The pack consists of three sections:

- **Architectural design:** widening the passage width of the doors, putting in non-slip bathroom flooring, sliding doors or power sockets and knobs at an accessible height.
- **Equipment:** this implies changes in the kitchen equipment, in the bathrooms and in the wardrobes.
- **Technology and domotics:** electronic sight glass, fall detector, emergency button and domotics for elderly people are installed.

The Commercial Department, Neinor Experience, Personalisation Manager, Product and the Technical Team of the project are all involved in the **process of personalising** the homes in order to coordinate the customer's choice.

8.3. ENVIRONMENTAL SUSTAINABILITY AND HEALTH IN THE HOUSING

Neinor Homes takes into account **sustainability, health and quality criteria** in its developments, so that the homes can be adapted to the increasingly exigent demands of customers.

BREEAM® CERTIFICATION

Neinor Homes has made a voluntary commitment to take into account **BREEAM® certification** requirements in most of its developments. Since the company was founded, **59% of the developments launched (142 developments) have presented the requirements for obtaining the BREEAM®** sustainability certification at good or very good level from the design phase, which means more than 7,600 homes. Finally, of the total number of completed developments, 22 developments have achieved the final BREEAM® certificate, 18 at a good level and 4 at very good, which means 1,470 certified homes.

Neinor Homes is the Spanish developer that has presented most BREEAM® certifications in recent years.

When a building meets the **requirements of the BREEAM® certification this ensures that both the user and the environment benefit** from the following aspects:

HEALTH



- Use of **paint, varnish and materials** with minimal harmful elements.
- Homes with **features for enjoyment and relaxation**: swimmingpool, communal leisure areas, etc.
- **Close to basic services** (nor further than 500m from the closest bus stop, schools, grocery stores, healthcare centers, etc.)

ECONOMIC SAVINGS



- Design of **thermal enclosures** making it possible to save on heating and air conditioning.
- The choice of **efficient elevator**.
- Use of **energy-efficient** lamps and lighting.
- Installation of **solar panels** handling all the energy needs for the demand for hot water, representing savings and the reduction of greenhouse gas emissions.
- Installation of vegetation on roofs and in gardens, designed to create a soothing, low-maintenance ambiance using very little water, as the **plants are local varieties** not requiring much water.

ECOLOGY



- Choice of **water-saving faucets**.
- Reduction of **number of individual car trips** thanks to proximity to basic services.
- **Reduction of CO₂ emissions**.
- Use of structural, window and insulation with **ecological isolation**.
- **Recycling os waste** generated during building.
- **Legal acquisition** of lumber.
- Installation os **grease separators** to minimize water contamination.

Neinor Homes trains its commercial managers so that they can transmit the benefits of having BREEAM® certification to users and builders. Its continued commitment to this certificate has made Neinor Homes the **leading developer in sustainability in Spain**.

8.4. INNOVATION AS A DRIVER OF TRANSFORMATION

Neinor Homes leads the way in innovation in the real estate sector.

Innovation, technology and digital transformation have been in the DNA of Neinor Homes since its creation, with the vision that its drive allows it to obtain a **competitive advantage and maintain a leading position** in the transformation of the Spanish residential and real estate sector.

From a purely product standpoint, the new buildings are expected to be sustainable, intelligent, safe, adapted to the new lifestyles of the users and to the various climate scenarios.

Neinor Homes has analysed the **trends forecast for the building sector** and the challenges it will face over a 20-year period, considering aspects such as ethics, transparency, customer focus, industrialisation, digital transformation, automation and new sustainable materials, among others. In this context, innovation is one of the fundamental values that govern Neinor Homes, acting as a cross-cutting thread for the three corporate pillars of the company: Institutionalisation, Customer and Product.

Neinor Homes has renewed in 2018 the **AENOR 166002:2014 Certification**.

From the standpoint of innovation, it has been marked by **two major milestones** that have laid the foundations for the future of innovation in the company:

THE LAUNCH OF ALLIANCES with innovative start-ups to lead the transformation of the residential sector in Spain. Neinor Next represents the creation of a **new innovation ecosystem** that seeks to create **alliances with start-ups** in the Real Estate sector, with the main purpose of jointly leading the transformation of the residential sector in Spain by working on CSR, digitalization, talent recruitment and cultural change, among others.

In 2019, Neinor has worked with **4 start-ups**:



- **Architectures:** this firm has developed a digital architecture tool that applies artificial intelligence to design housing projects in a few hours, reducing the time spent in this phase along with direct and indirect costs.
- **Bigle Legal:** provider for the implementation of online buying and selling of homes on the Neinor Homes website.
- **Plactherm:** an intelligent, zoned and personified underfloor heating system that allows energy savings of 45% compared to traditional systems.
- **4 Domo:** applies an architectural visualization software that allows to industrialize the marketing materials of the various developments, providing computer graphics, videos and immersive visits to both exterior and interior, improving the potential customer's experience.



The company's technological needs have led to innovation meetings between the various General Directorates of Neinor Homes in the search for new projects.

Neinor Homes is aware that the future of the sector involves a commitment to trends and new technologies that will transform the homes of the future. This is why the **Home Innovation Centre** has been launched, a space designed to promote the transformation of the residential sector, developing initiatives such as Neinor Next, the start-up accelerator of Neinor Homes. It seeks to establish points of contact between residential construction and the most innovative technologies applied to the sector in order to create a new model of development and to design the homes of the 21st century.

INNOVATION COMMITTEE

The Innovation Committee is responsible for **making strategic decisions** for Neinor Homes in relation to innovation. The Committee is made up of all Neinor Homes' General Managers, thus incorporating all the company's business areas, thus considering innovation from a strategic point of view and linked to the company's results. In 2019, 27 Innovation meetings have been held.

COLLABORATIVE INNOVATION

Neinor Homes is committed to the **exchange of experiences and solutions** with the rest of the real estate sector and with other sectors, in order to **seek new solutions in innovation** and adapt them to the new needs of the customers. On these lines, in 2019 the **Neinor Mobility Pack** has continued to be offered under the collaboration of Ilunion Technology and Accessibility, which was also the first initiative to emerge from Neinor Lab.



Collaboration agreement with CEMEX Ventures

In 2019, a collaboration agreement between CEMEX Ventures, CEMEX's corporate venture capital and Neinor Homes was signed with the objective of **establishing synergies** to improve the construction and development industry. With this collaboration both companies **will exchange information on start-ups** that may be of interest.

Innovation process in construction



Neinor Homes is promoting agreements with companies that apply the **most advanced technologies in the construction sector**, with the aim of implementing highly innovative technologies in its housing production chain. In this way, industrial production processes will be applied to its buildings with **panels** that include final finishes and that only need to be **assembled in a simple way** and with a minimal loss.

DIGITAL TRANSFORMATION AND BIG DATA

Neinor Homes tries to apply innovation in each link of its value chain, implementing various **digital initiatives that provide added value** and allow the optimization of processes, the increase of effectiveness and a reduction of operating costs. This **Digital Transformation Plan** includes all the company's departments, through participation in the proposed initiatives:

BIG DATA SITE ACQUISITION TOOL

This tool allows for the unification of market data provided by Idealista, data from potential clients of the INE and land data from the cadastre, with the aim of **determining the best land** to buy and start residential developments.

As an internal tool that adds Neinor Homes' own data, it is unique in the sector and provides a key **competitive advantage**.

SITE PIPELINE TOOL

This tool allows the **loading, editing and viewing of all the sites under study** at Neinor Homes in order to monitor online and consult the documentation in relation to them.

In this way, **productivity** is increased as no prior effort is needed to unify the information and it allows for better, easier purchase decisions.

PRICING TOOL

This tool allows **calculation of the rates of each development** automatically, using various prediction algorithms based on historical data.

It provides very significant added value by boosting the **productivity of commercial managers**, giving them support in comparing rates and eliminating the bias of the commercial in the decision making process.

CUSTOMER CENTRIC BIG DATA

This tool allows the **analysis of past behaviour** of contacts and customers, in order to **optimise new products** and thus increase sales.

NEINOR STORES

These are physical stores that allow us to **change customers' experiences**, offering them computer graphics, virtual reality and other digital experiences adapted to the customer's needs. The customer experience is raised to the highest level.

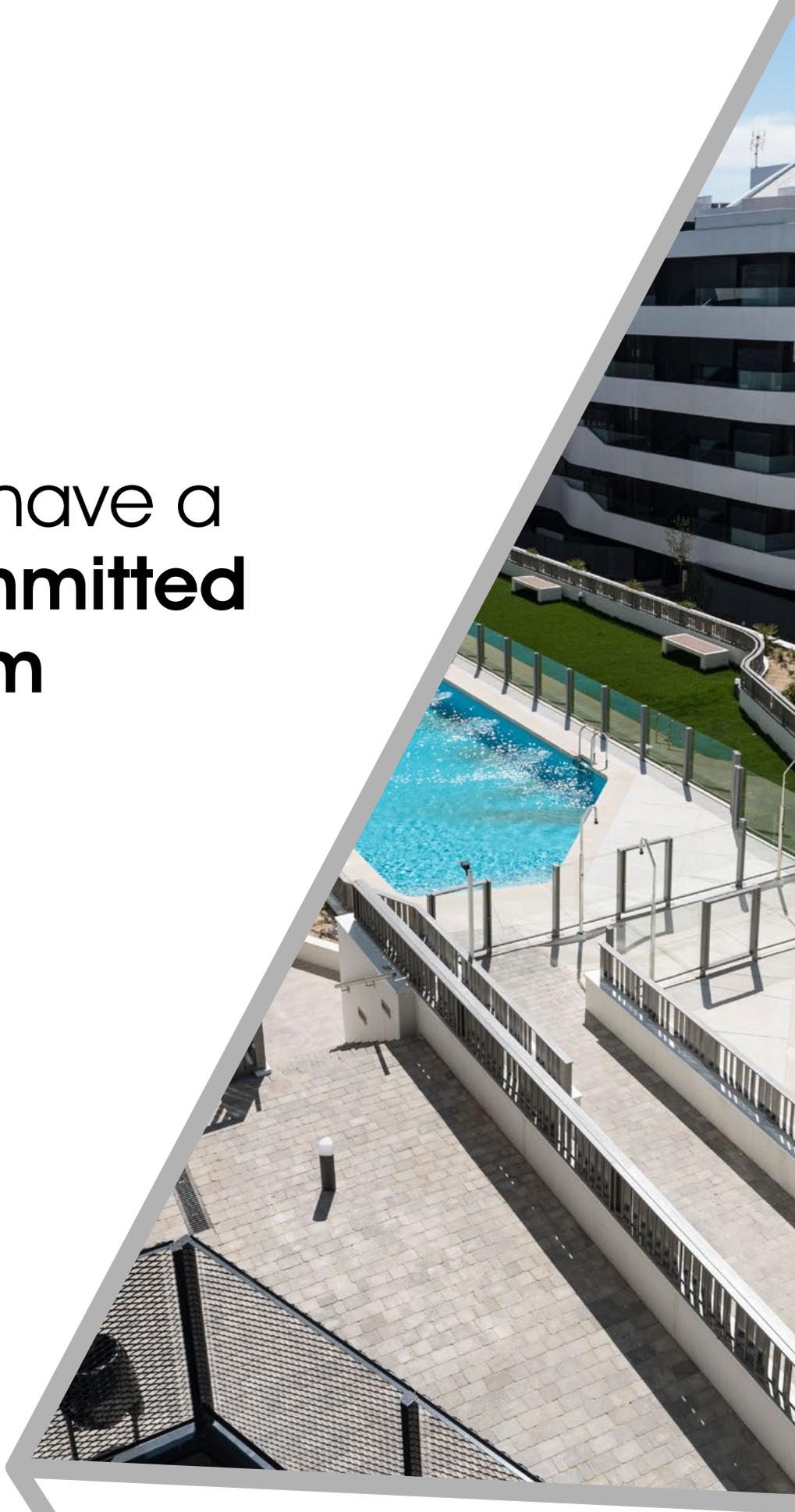
TIME MANAGEMENT TOOL

This tool allows us to improve the coordination and monitoring of processes, leading to a **reduction of internal efforts and an improvement in the delivery times** of developments.

The digital transformation in Neinor Homes continues to evolve and there are a number of projects and initiatives that will be implemented in the short and medium term to improve productivity. Creation of a **Datawarehouse** to unify information and manage the company's reporting.



We have a
**committed
team**

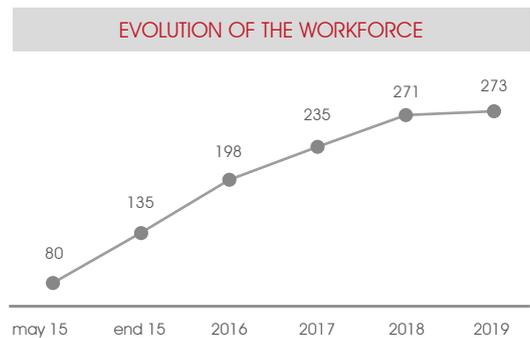


One of the priorities of Neinor Homes is to offer its team an attractive environment where they can develop professionally and where they can balance their personal lives with their work. All this is based on equal opportunities, transparency, health and safety.

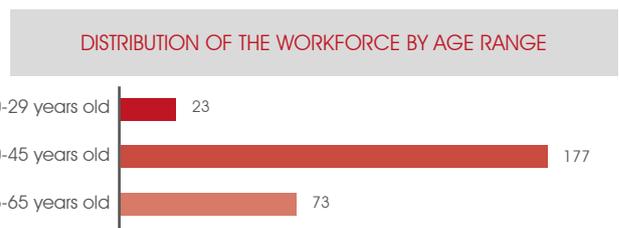
Neinor Homes is a benchmark company in the real estate sector, offering an attractive environment in which to work, generating quality employment, encouraging the development of talent and continuous training, and promoting well-being, work-life balance and safety. The company always seeks maximum transparency in communication and involves the entire staff in the innovation and growth of the company. Only by working daily with all these values in mind can we be at the forefront in a sector that demands ever greater dynamism and professionalism.

Since its creation in 2015 Neinor Homes has grown exponentially, with the achievement in these almost 5 years of exceeding the tripling of its staff. This requires efficient management of people, which is determined by a Strategic Human Resources Plan closely linked to the company's three strategic pillars.

In 2019 Neinor Homes had a staff of 273 employees, 53% men and 47% women, increasing the number of employees by 2 compared to 271 in 2018. Neinor Homes is committed to talent and professionalism when it comes to training its work teams, which is why it has a variety of profiles. The average age of employees in 2019 was 40.8 years. The average age of the staff is 4 years, as the company has grown considerably in recent years.



During its first 5 years it has not only grown in the number of employees, but also in the number of branches. It is currently located in 6 areas at a peninsular level: Madrid, Bilbao, Cordoba, Barcelona, Malaga and Valencia.



At Neinor Homes, **100% of the employees are subject to the collective agreement** for construction in force in the autonomous community where its headquarters are located. In addition, freedom of association is guaranteed and union representatives are provided with meeting rooms to hold their meetings, with union representation from members of the ELA union in Bilbao. The collective agreements in the construction sector establish the aspects related to health and safety in the activity of the sector, including topics such as minimum safety provisions applicable in construction sites or the health and safety training to be provided. Therefore, all of them apply to 100% of the staff.

9.1. EQUALITY AND DIVERSITY

Neinor Homes has a firm commitment to **equal opportunities, non-discrimination and respect for diversity**, which is also reflected in the principles of its Code of Ethics and Code of Conduct with third parties. The best proof of this is that there is practically **parity between men and women** among its employees, which is remarkable considering the particularities of the sector in which it operates. However, in Neinor Homes, equality is applied in a broader concept than gender since it aims to promote the equalization of all people in rights and obligations. In this connection, the company's practices are aimed at complying with the **ten principles of the United Nations Global Compact**, particularly in this case those relating to **human rights and employment issues**.

Neinor Homes' commitment to equality and non-discrimination is reflected in its Equality Policy.

Neinor Homes has approved an **Equality Policy** that establishes the criteria and guidelines for achieving equal treatment and opportunities and for eliminating any type of discrimination on the basis of gender, origin, age, race, culture, ideology, religion or disability. These guidelines are:



PROMOTION OF EQUAL OPPORTUNITIES: guarantee for all employees of equal treatment and opportunities at work in access to employment, professional classification, performance evaluation and development, remuneration, training and work-life balance.



RESPECT FOR DIVERSITY: rejection of any discriminatory behaviour or intolerant behaviour in the organisation, considering diversity as a value that brings different visions and encourages the generation of new ideas and creative and innovative alternatives.



INTEGRATION AND INCLUSION: collaboration and teamwork so that all professionals, regardless of their seniority in the company, previous experience or any other condition, can be part of the company, with a strong commitment to the inclusion of specific groups with different abilities.

Equality practices and measures adopted at Neinor Homes

- **Access to employment:** definition of requirements in job offers that provide the same employment opportunities and recruitment and interview processes in which there is no discrimination.
- **Performance evaluation and development:** use of objective criteria when assessing employee performance and development. In addition, the presence of women in governing bodies is encouraged.
- **Remuneration:** search for homogeneity by professional category to reward employees according to their development and performance evaluation, not encouraging the existence of unjustified inequalities.
- **Training:** Providing all members of the company with training courses to improve and expand their knowledge for the development of their job.
- **Work and personal life balance:** definition and implementation of a number of measures to promote equality and to balance and integrate professional activity with family and personal responsibilities.



The **Human Resources Department** will ensure the fulfilment and application of this Equality Policy, in collaboration with the other departments that make up Neinor Homes. For its part, the Internal Audit Department periodically reviews and reports on compliance with the guidelines of the Equality Policy. In 2019 Neinor Homes has had 4 employees with different capacities.

9.2. PROFESSIONAL AND PERSONAL DEVELOPMENT OF EMPLOYEES

The achievements reached so far and the continuous growth of the company (**28 new incorporations** in 2019, 13 women and 15 men, of which 6 are in the age group of 20-29, 15 of 30-45 and 7 of 46-65), have been possible thanks to the **seeking of the best professional training and the attraction of talent** in the selection of personnel. In 2019 the recruitment rate was 10%.

In 2019, intense work has been done to be able to **internalise** the greatest number of **positions** in order to be able to count on the valuable information from the selection processes. In 2019, **9 employees** have been promoted.

Neinor Homes has a team of highly talented professionals that allows us to encourage.

Neinor Homes defends **quality employment** and promotes a sense of belonging among its staff and their consolidation. As a result, practically all of the staff, 96%, have a permanent contract, 99% of them full-time, including health insurance. The competition has been attracted to its valued workers, which has led to a **turnover rate** of 9% in 2019, despite Neinor Homes' efforts to retain talent and offer quality employment. In 2019 there have been 7 **dismissals** from the company.



DISTRIBUTION OF THE WORKFORCE BY TYPE OF CONTRACT

	WOMEN 128	MEN 145	20-29 years old	30-45 years old	46-65 years old	MANAGEMENT	MIDDLE MANAGEMENT	TECHNICIANS
Permanent contract 261	123	138	16	173	72	16	35	210
Temporary contract 12	5	7	7	4	1	0	0	12
Full time 269	127	142	21	176	72	15	35	219
Part time 4	1	3	2	1	1	1	0	3

NUMBER OF DISMISSALS

	BY GENDER		BY AGE			BY PROFESSIONAL CATEGORY		
	WOMEN 128	MEN 145	20-29 years old	30-45 years old	46-65 years old	MANAGEMENT	MIDDLE MANAGEMENT	TECHNICIANS
2019	5	2	1	4	2	1	0	6
TOTAL	7		7			7		

Neinor Homes collaborates with universities and business schools, offering scholarships in the company with the possibility of future employment.

Neinor Homes is working on a **Professional Development Plan** to encourage the growth and professional development of its employees, which is linked to the performance of each one of them. In connection with this, **annual salary reviews** are conducted for most of its employees, which are directly linked to the worker's performance.

Attractive and flexible remuneration

Neinor Homes has implemented a variable remuneration policy to ensure the sustainability of the company. The potential variable is modulated by the achievement of EBITDA. It decreases if EBITDA falls below a certain minimum level and likewise increases if EBITDA exceeds a certain threshold. 100% of the resulting incentive is divided between Department or Territorial objectives and Individual objectives. Once the bonus has been calculated with this formula, the meritocracy is objectified and thus excellence in work is recognized according to performance.



9.3. TRAINING

Neinor Homes believes that training helps to increase the **employment productivity** of employees, while improving the possibilities of their individual development.

Neinor Homes provides employees with a **training platform** on which the different training courses are posted so that employees have access to them at all times. In 2019, a total of **2,856 hours of training** have been provided, representing **10.5 hours of training per employee**. To this end, **54,000 euros** have been invested in training activities. Some of the topics have been Big Data, Customer Centric courses, online sales gateway, learning the Neinor Experience platform or productivity at work, among others.

For Neinor Homes, training is a fundamental pillar and promotes the exchange of knowledge between its employees.

The company continues to bet on its workers and their continuous training, giving its staff the possibility of being able to do specialized higher training, to those who request it and show good performance. During 2019, **12 workers** have been able to benefit from this initiative.

There are also "**Colearnings Fridays**", where employees can voluntarily attend one-hour training sessions given by other workers, thus promoting training in specific skills and **sharing the company's internal knowledge**.

Finally, there are initiatives to raise awareness and involve employees in Sustainability by encouraging their pride in belonging. From the point of view of **environmental awareness**, communications are regularly sent to employees to improve awareness in relation to **caring for the environment**.

9.4. WELFARE AND WORK-LIFE BALANCE

For Neinor Homes, the **well-being and quality of life** of its employees outside the workplace is also important, since a worker who is happy and content their personal environment will also be happy and content in their work environment, favouring their effectiveness and their relationship with colleagues. It is thus implementing measures that seek to harmonize professional activity with personal needs that are materialized in the **Work-Life Balance Plan**.

The results of the **working environment and psychosocial risk survey** and the recommendations identified in the internal audits have been taken into account in preparing the Work-Life Balance Plan. Thus, a **number of measures** were proposed to favour work and personal life balance:

TELEWORKING



Availability for teleworking 3 days per month when it was possible. For this they are endowed to all Mobile phone and laptop employees. The interested employee must coordinate with both the Systems Department for the installation of the VPN, and with your manager to set the appropriate tasks and there is a calendar of enjoyment of the measure that must be reported to Human Resources



Reduction of working hours in non-school days

It is allowed to adjust the working day to the school calendar and can reduce it in Non-school days A bag of hours has been created to compensate for those hours not worked on the school days of the children



Pre-delivery permit

There is the option to request 15 days of paid leave from the pregnant woman during the last 15 days of pregnancy until the baby is born



Flexibility of entry and exit times

It is possible to make flexible the time of entry and exit of the job in one hour. The departments ensure that all responsibilities are always covered in the entire work schedule. In addition, there is exibility in the meal schedule.



Lactation

The paid nursing leave is extended to 20 days (instead of 13 days) or until the child turns 15 months (instead of 12 months).



Child care leave

A leave of absence is established for the care and care of children under 4 years (instead 3 years as the statute marks).



Financial assistance for children with disabilities

Employees with children with disabilities have financial assistance of € 150 gross monthly until the child turns 15 years old.



Meeting schedule flexibility

Except in exceptional cases, the schedule established for holding meetings and Videoconferences should range between 10:00 a.m. and 6:00 p.m.



Permit complications in childbirth

The premise paid in case of complications is extended to 15 days (instead of 5 days) derived from childbirth or from neonatal diseases that make the baby have to stay in the hospital.



Intensive day

From July 15 until August 31, the work day ends at 3:00 p.m., establishing weekly rotating shifts in each department so that this way you can support in case of any incident and provide service.



Workloads

With the objective of reducing to the maximum possible the excess of work outside the schedules established, there is a commitment to define workloads.



Respect for rest hours

A commitment is made to respect resting times as much as possible after working hours and control measures are implemented to achieve it.



Birthday

The birthday will be a holiday, being able to enjoy it on Friday of that week if prefer.

The Human Resources Department monitors these measures and is open to the assessment of new actions. In addition to these special measures, employees are entitled to all benefits established by law. Thus in 2019 a total of **13 workers**, 8 women and 5 men, have taken **maternity or paternity leave, of which 100% have returned or will return to work** after taking the leave. Neinor Homes also offers flexible compensation packages for employees with childcare, meal and transportation tickets, including health insurance for the entire family. On the other hand, preference is given to employees when it comes to accessing housing in the developments launched by the company, although in no case does this mean a reduction in price.

9.5. HEALTH AND SAFETY

Neinor Homes promotes a **safe working environment** and is committed to permanently updating the occupational risk prevention measures appropriate to each job, beyond the levels required by legislation. Due to the nature of their work, Neinor Homes employees are exposed to the inherent risks of office work. In this connection, an external company is in charge of carrying out periodic health and safety and ORP audits in all offices and branches, the result of which has been that the standards required in all of them are being met.

With the objective of promoting a culture based on health and safety, Neinor Homes has continued in 2019 with the commitment to train 100% of its professionals in Occupational Risk Prevention through special courses. In 2019 there were only 3 occupational accidents in itinere with sick leave among its own staff and no occupational accidents with sick leave in the working environment. The absenteeism rate at Neinor Homes is 2.08% for both women and men.

A total of 93 hours of training in Occupational Risk Prevention were given in 2019

9.6. EMPLOYEE COMMUNICATION AND SATISFACTION

In 2019 Neinor Homes has continued to **promote internal dialogue and communication** between all employees, who have different mailboxes to deal with specific issues of health and safety, human resources, recruitment or sustainability, among others. In addition, they have a direct application on the desktop to send questions on a variety of subjects and have at their disposal the Ethical Channel to report cases that violate the Code of Ethics.

Finally, **initiatives** are carried out to promote pride in belonging and satisfaction:



CHRISTMAS PARTY

An annual Christmas party is held for all the branches, providing the means of transport, thus favouring the relationship and communication between the employees.



NEINOR FAMILY DAY

One day a year, close to Christmas, employees can come to the office with their children, offering them activities and special catering.

9.7. CORPORATE SOCIAL RESPONSIBILITY (CSR) MEASURES

Neinor Homes, in compliance with the objectives of the CSR Strategic Plan and committed to the environment, climate change and a better society, has pursued various measures in 2019 aimed at creating a more sustainable world, encouraging its employees to change their behaviour as a way of driving business growth.

Neinor Homes has implemented a **“Help up” tool** to facilitate, coordinate and promote the measures taken in which the employees can actively participate with all the campaigns that are being carried out from the company.

A **CSR Committee** has also been set up comprising several departments such as GRC, HR and the Communication Department.

Among the social action initiatives that have been carried out in 2019, environmental measures and work with NGOs promoting recreational and sports activities are noteworthy.

The environmental initiatives that have been pursued have been:

- We are committed to **a world without plastic**, eliminating plastic cups and bottles from all offices. For this reason, a **personalized glass bottle** has been **given** to all employees and a **campaign has been conducted to raise awareness for the use of our own cups in our vending machines**, in addition to replacing plastic cups with **biodegradable cups** in these machines.
- Contribution to the **reduction of the use of aluminium coffee capsules** by giving 2 packages of biodegradable capsules of the Debuencafé brand to all employees so that they can try them and to encourage their future consumption. Additionally, Neinor Homes will consume these types of capsules in their offices.
- **Recycle more and better**: Campaign to raise awareness of the importance of recycling and to do it correctly by sending all employees an email **attaching the published Ecoembes Guide** and **installing** in all offices all the **necessary containers for the correct use of recycling**.

Furthermore, we have **worked with several NGOs** promoting social commitments, health and good sports habits:

- **Collaboration with the NGO Perlas en el Barro** that raises funds for abandoned and orphaned children in Kisii (Kenya), participating in a benefit concert.
- **Real Estate Solidarity Paddle Tournament** organized by Fundación Asprimar to contribute to projects of the NGO Perlas en el Barro.
- **Collaboration in the women’s race of Madrid and of the companies** in Bilbao, Barcelona and Madrid by providing the subscription and equipment of the participants.
- **Collaboration with the Aladina Foundation** and with the **voluntary donation of gifts** by employees for future delivery to children suffering from cancer at the Niño Jesús Hospital.
- **Collaboration with “La Caixa” social work and through Gavi, The Vaccine Alliance**, contributing to the **vaccination of more than five million children**, preventing their premature death.



10

We are **strategic partners** of our suppliers

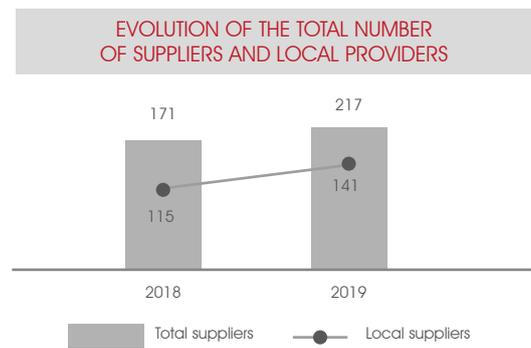


The relationship we establish with our suppliers and all the mechanisms we put in place to guarantee compliance with minimum criteria and requirements in terms of quality, deadlines and health and safety, among other aspects, is fundamental to the success of our activity.

10.1. OUR SUPPLY CHAIN

The values and commitments of Neinor Homes are also applicable to its entire supply chain, because we are aware that, in order to guarantee excellence and quality levels, it is important to actively work on **successfully managing the long-term relationship** with contractors, suppliers and collaborating companies. In this connection, work is being done to promote a relationship of closeness and trust in which suppliers act as **strategic partners** of the company.

Neinor Homes works mainly with **three types of suppliers**: construction companies, architects and project managers. In addition, other minor construction companies and suppliers of other services (kitchen furniture, geotechnical and topographical reports, health and safety coordinators, quality control companies, etc.) are also part of its supply chain. In total, in 2019 Neinor Homes has worked with **217 suppliers**. Of these 141 (65 % of the total) were local suppliers. However, this high percentage of local suppliers demonstrates its faithful **commitment to hiring local suppliers**, local being understood as suppliers who operate in the same autonomous region where the development for which they work takes place.



In order to attract the best suppliers on the market, it is essential to establish **strategic supplier relationships** that are beneficial to both parties. In 2019, the framework agreements started in 2018 have been extended, adding more companies to the list of companies working directly with Neinor Homes.

10.2. RESPONSIBLE PURCHASING MANAGEMENT

Neinor Homes' purchasing management is based on **principles that must be complied** with before, during and after contracting. Throughout the process, suppliers must comply with the values and integrity policies of Neinor Homes based on the Code of Ethics, the specific clauses for contracting suppliers and the Code of Conduct for third parties sent to suppliers for their perusal and signing.

Neinor Homes has a **purchasing management procedure** as a framework for action in the field of contracting that describes a systematic process and allows for the standardisation of work for the entire organization with the aim of avoiding any type of risk in the value chain. The procedure for contracting and awarding contracts has been approved by the Management Committee.

Suppliers must comply with Neinor Homes' values and integrity policies.

DEPARTMENTS INVOLVED IN PURCHASING MANAGEMENT

The following departments are involved in purchasing procedures, performing different functions:

- **Purchasing Department:** in charge of carrying out the complete process of contracting, from the selection of construction companies to the award proposal.
- **Technical Department:** participates in the selection of construction companies, resolves any doubts that may arise and reviews the project.
- **Project Manager:** gives support the purchasing department in the tenders, issuing a report evaluating the process. In addition, it studies and checks the project to locate possible errors that may have occurred.
- **Compliance Department:** participates in the opening of the envelopes of the tenders ensuring the integrity of the tender.
- **Directorate-General for Operations:** responsible for approving recruitment.
- **CEO:** in charge of hiring approval.
- **Steering Committee:** approves major contracts.
- **Internal Audit Department:** carries out periodic audits of the purchasing management model and its compliance.

For the tasks of **units and services**, which are similar in all developments, **Framework Contracts** are available. They provide a prescription with specific conditions (prices, supply preferences, etc.) that must be met by the developments. In general, we seek to **optimize contracting** by emphasizing the achievement of established deadlines, compliance with the budget and, of course, without compromising the quality of the projects established by our standards and procedures. In this way, a mutually beneficial relationship is achieved both for Neinor Homes, which achieves the best conditions in terms of quality and price, and for manufacturers and subcontractors who manage to increase their turnover and improve their own image by being prescribed by a prestigious developer. Finally, this relationship also results in an increase in quality as a commitment to excellence is achieved by all parties. In Neinor Homes, a computer application has been created to control and monitor the Framework Agreements signed. In 2019, 28 new Framework Agreements have been signed.

The Framework Agreements promote equal opportunities and equitable distribution of developments

The tendering period is 12 weeks.

Neinor Homes also has a **Construction Tendering Procedure** that aims to define the bases and documents necessary to select the companies that will carry out each of the developments. Those of the most important items, such as architects and construction companies, are carried out by means of a tendering process with delivery of offers in a closed envelope and an opening ceremony in which the Compliance Department is involved. From the offers received, the Purchasing Department selects a series of companies based on criteria related to the approval, technical and economic solvency, geographical location and local experience.

In 2019 Neinor Homes has contracted purchases for a value of 389.9 million euros, 41% of the volume of purchases from local suppliers, reducing the volume of contracts by 10% compared to 2018 due to the slowdown in the real estate market. Neinor Homes makes payments to suppliers in 60 days.

10.3. SUSTAINABILITY IN THE SUPPLY CHAIN

Neinor Homes has established a **demanding selection and standardisation process** that establishes the aspects that must be analysed for each supplier, depending on the sector of the company in question and the service or product it provides. A total of 68 new suppliers have been approved during 2019. All of them have been analysed according to ESG criteria. However, all suppliers must comply with Neinor Homes' principles and requirements of Corporate Social Responsibility, sustainability and ethics and compliance, in addition to the international agreements of the International Labour Organization and the United Nations Global Compact. **100% of the contracts** that Neinor Homes makes with its suppliers **include ESG** (Environmental, Social & Governance) **clauses**. This requires guarantees in matters such as health and safety, sustainability, confidentiality, prevention of money laundering, anti-bribery or corruption and prevention of criminal offences.

Neinor Homes has identified the main potential **environmental and social risks** in its supply chain, such as accident rate, inadequate waste management or impact on biodiversity. In the current approval process, these risks are detected in each supplier, rejecting those with negative impacts and thus excluding them from the contract.

Likewise, architects and builders are obliged to comply with the requirements of the White Book and the application of BREEAM® sustainability criteria (waste, pollution, energy, materials, etc.) is also positively evaluated. Furthermore, tax and employment responsibilities are guaranteed through remunerations consistent with the market and avoiding hiring third parties when there is a suspicion of tax fraud, influence peddling or any other symptom that goes against the policies and values of the company.

In addition to aspects related to sustainability and the environment, Neinor Homes' contract clauses include certain **clauses, declarations and commitments** related to different aspects that the contracted suppliers are obliged to comply with:

Safety and Health

- 
- **Health and Safety Plan:** the obligation to develop a Health and Safety plan to be presented to the Health and Safety Coordinator prior to breaking ground.
 - **Law 31/1995**, dated November 8, on Workplace Accident Prevention.
 - **Royal Decree 1627/1997**, dated October 24, on minimum Health and Safety provisions at construction sites.
 - **COmpany commitments** to employees, information and training.

Gifts



It is strictly forbidden to request gifts, favors, services under favorable circumstances, or invitations to suppliers, customers, intermediaries, agents, advisors or oders.

Corruption and bribery



- **Appropriate policies regarding corruption and bribery** or compliance with those of Neinor Homes
- Declaration of understanding and accepting the regulations contained in its Anti-corruption Protocol.
- **The commitment to report** any instances of bribery or corruption through Neinor Homes' Ethics Channel.

Anti-Money Laundering



- **Law 10/2010**, of April 28, on the prevention of money laundering and the financing of terrorism
- **Royal Decree 304/2014**, dated May 5, applicable to individuals and legal entities involved in real estate promotion activities.
- **Manual for the Prevention of MOney Laundering and the Financing of Terrorism.**

Finally, Neinor Homes carries out a qualitative evaluation of the subcontractors associated with its suppliers. The Purchasing Department is in charge of the follow-up, carrying out the evaluations through a computer application and taking into account criteria of quality, environment, health and safety, technical capacity and compliance with deadlines, among others. In this connection, during 2019 it has carried out 316 evaluations of a total of 207 subcontractors, of which 197 have obtained a favourable score, covering 100% of the work carried out.

10.4. HEALTH AND SAFETY REQUIREMENTS AND AWARENESS

In the current market environment there is a high demand for labour in the construction sector, which is characterised by **workers with reduced experience**, low qualifications and sometimes an **increase in the number of accidents at work**. For Neinor Homes, safety and risk prevention are two key factors in its developments and it promotes a safe work environment, applying **health and safety standards that are superior to the regulations** and levels demanded by the market.

Neinor Homes has a **Good Practice Manual** to increase safety levels in the construction works of its real estate developments, with the aim of minimizing the risks to which its people are exposed and thus achieving the completion of the works with a **zero accident rate**. The main measures include access control, documentation required from contractors, subcontractors, workers and machinery, safety measures in the various phases of the work and the on-site Emergency Plan.

In each of the works, a **safety coordinator** is appointed during the carrying out of the works, who is responsible for ensuring that the requirements established in the legislation in force are met and who ensures compliance with the Good Practice Manual. In addition, each building contractor must appoint at least one worker who is permanently present on the site and whose part of the working day is devoted to preventive functions and at least one other worker responsible for the safety and health of his/her work.

In all the open works, a consulting company of reference in the prevention of occupational risks carries out **courses on health and safety awareness**. All operators, technicians, workers and project managers participate in these talks and three talks are held in all developments, depending on the phase in which it is located (start of work, structure phase and masonry phase). They give examples of the accidents that have occurred, proposing possible solutions so that they do not happen again and specific contents depending on the type of actions to be carried out on the site.

In addition, the same consultancy firm carries out **health and safety audits** at all sites, based on very strict criteria and superior to the regulations established in the sector. Each site must pass at least three audits.

COMPLIANCE CRITERIA FOR HEALTH AND SAFETY ON CONSTRUCTION SITES

The health and safety audits that are carried out on construction sites consist of 2 parts. On the one hand, the state of the works are reviewed (compliance) with respect to the **current legislation in force**, which must be **complied with 100%**. On the other hand, the **state of the work** is reviewed with **reference** to the Neinor Homes **Good Practice Manual, with compliance of at least 75%** being necessary in order to consider the audit as compliant. If in either of these a supplier fails to reach the compliance threshold, Neinor Homes automatically excludes it from the candidates to be hired in a new development.

In 2019, more than 90 **Health and Safety Audits** have been carried out in which it has shown that, **96% have complied with health and safety regulations and 87% have complied** with the Neinor Homes Good Practice Manual.

As a result of our commitment to health and safety, Neinor Homes has managed to have accident **rates** on its construction sites that are **well below the average for the sector**. In 2019, 164 **accidents** occurred, with a frequency index of 32.44 and a severity index of 0.77. There have been no fatal accidents.

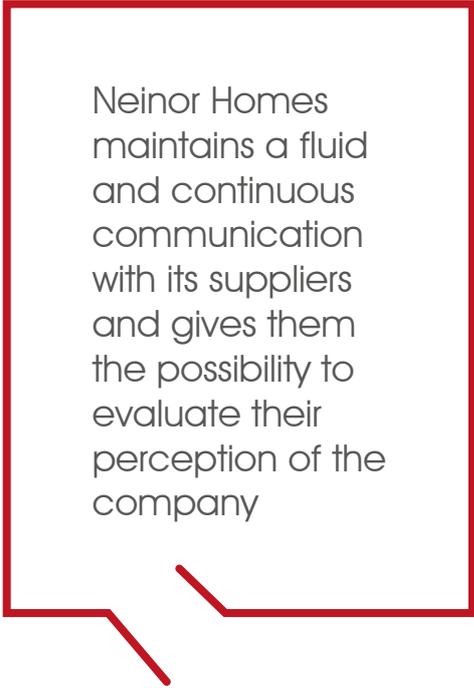
10.5. COMMUNICATION, SATISFACTION AND WORKING WITH SUPPLIERS

As a sign of its commitment to quality and continuous improvement, Neinor Homes continually evaluates the suppliers it works with and the results of these evaluations are analysed with the collaborators themselves in periodic meetings. The objective is to favour **bilateral communication** that promotes in both companies the improvement in the least strong aspects and the strengthening of the most outstanding aspects.

For Neinor Homes, the brand image it gives to all the suppliers it works with is also very important. For this reason, suppliers have a computer application at their disposal in which they can **evaluate their perception of Neinor Homes**.

For the worst-rated aspects, an improvement **action plan is drawn** up and monitored by the Purchasing Department. In 2019, 816 **evaluations** have been carried out.

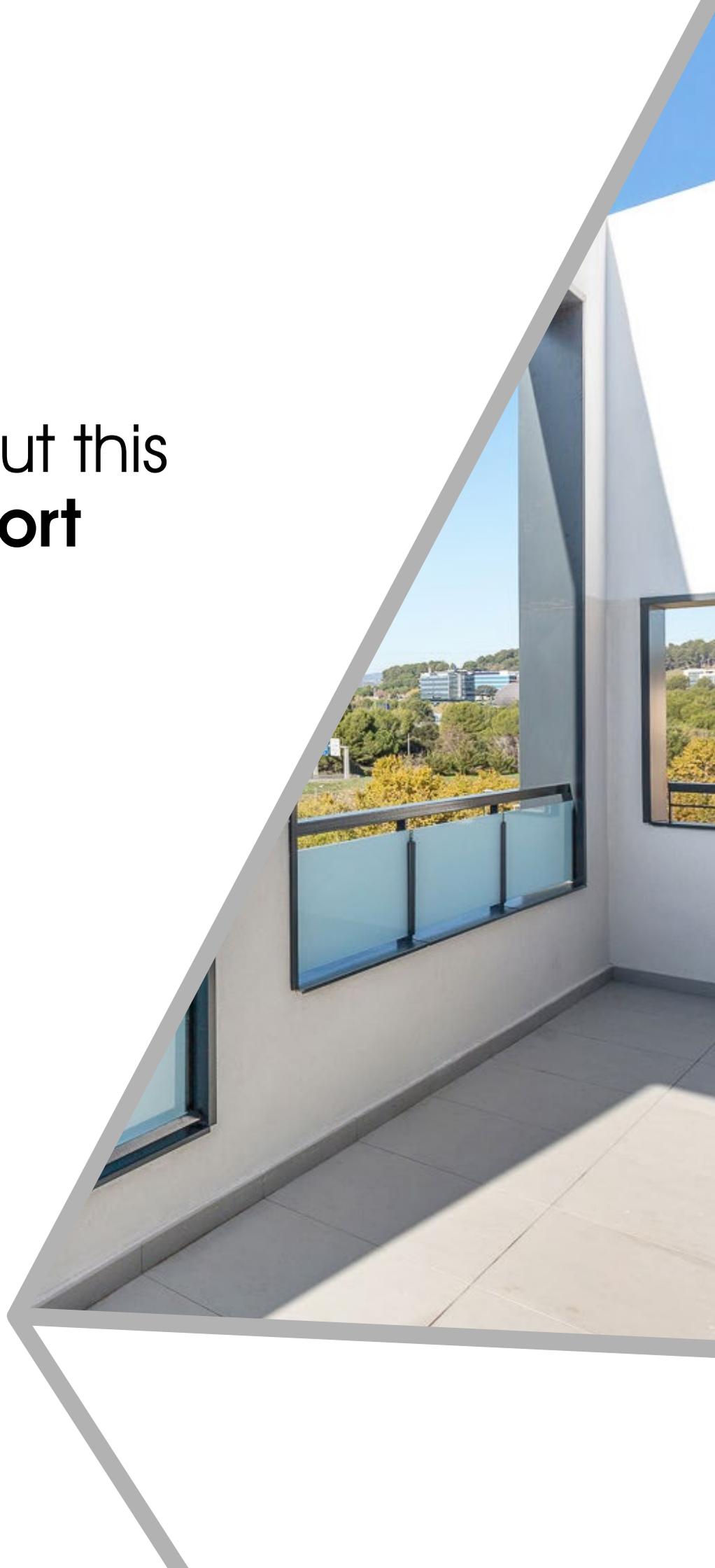
In addition, Neinor Homes promotes and encourages **collaborative initiatives**. An example of this is the possibility for suppliers and collaborators to attend Innovation Committees, as a means of jointly researching new construction processes, new materials or innovative ideas that can be applied in developments, thus promoting a spirit of continuous improvement by all parties involved.



Neinor Homes maintains a fluid and continuous communication with its suppliers and gives them the possibility to evaluate their perception of the company



About this **Report**



SCOPE OF INFORMATION

Neinor Homes is presenting its Corporate Social Responsibility Report for the fourth time, this time for 2019, following the guidelines contained in the Global Reporting Initiative (GRI) Guidelines. Its aim with the Report is to respond to both the commitment to disclose its activities and the desire to be accountable to its stakeholders and society. The information included in the Report is limited to the financial year 2019.

In order to facilitate the understanding of the business and evaluate the performance of Neinor Homes in various areas at present, the figures and events of the previous year are also referred to, thus offering a broader perspective of analysis. The future information provided in this report responds to an analysis of the current context and its expected evolution, without compromising these objectives.

The information included in the Report is complemented by other corporate documents that may be of interest for further information and which are available on the website www.neinorhomes.com:

- Annual Accounts 2019
- Annual Corporate Governance Report 2019

REPORTING STANDARDS USED

This report has been prepared taking as a reference the guidelines established in the Global Reporting Initiative's Guide for the preparation of Sustainability Reports in its GRI Standards version, in accordance with the essential conformity option. The selection of important aspects has been carried out based on the results of the new materiality analysis carried out in 2019 and explained below.

Furthermore, with the aim of ensuring that Neinor Homes continues to be one of the leading companies in its sector, this Report has been prepared in line with the recommendations and best practices established by EPRA Sustainability (European Public Real Estate Association). Finally, a large part of the requirements established in Law 11/2018 of 28 December on non-financial information and diversity have also been taken into account in its preparation, since, although this law does not apply to Neinor Homes in 2019, it has been considered good practice in order to prepare for future years.

The table of GRI performance indicators included at the end of the Report indicates the pages where the related information is provided.

PROCESS OF PREPARING THE REPORT AND IDENTIFYING THE STAKEHOLDERS

For the preparation of this Report, Neinor Homes has carried out a review of the materiality analysis carried out in 2018 which reflects the most important issues for the company in accordance with its internal management and the expectations of its stakeholders. This review consisted of the analysis of various sources of information that provide the external perception of the company, also compared with the internal strategic vision of Neinor Homes based on the main lines of the 2019 Master Plan. The commitment that Neinor Homes acquires in its Master Plan is founded on the following elements:

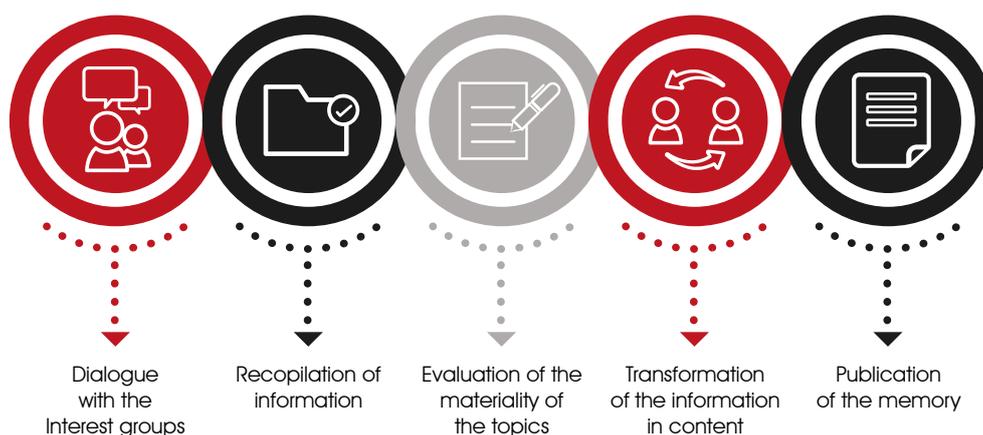
CSR linked to the business, generating a positive impact and footprint on society, contributing to the creation of a more sustainable environment through BREEAM® certified homes and through a clear commitment to the transformation of the sector at the level of innovation, digitalization, customer focus, assurance and compliance.

CSR “from within”, increasing the satisfaction and well-being of Neinor Homes employees through initiatives that promote work-life balance, a career plan, training and remuneration.

Commitment to society, promoting social action activities involving employees. For example, sports actions that promote the well-being of professionals while fostering social measures are encouraged, as well as other initiatives with environmental goals.

The main expectations of the Stakeholders identified in the previous year have also been taken into account. Neinor Homes considers that its Stakeholders are all those that are directly or indirectly affected by the development of its business activity and, therefore, also have the capacity to directly or indirectly affect the development of the same. Under this premise, Stakeholders are considered to be investors and shareholders, customers, employees, suppliers and society in general. More information is given in section “5.5. The importance of communication with our Stakeholders” in this Report.

Taking dialogue with stakeholders as the basis, and through analysis of other sources of information, Neinor Homes identified a list of issues that took into account stakeholder expectations based on their relationship with various areas of the company. These issues were also assessed on the basis of their internal relevance to the company itself.



As a result of the assessment of the importance of the various issues, those that are most important to Neinor Homes were identified. Following the review of the materiality analysis in 2019, no additional issues to those identified in 2018 have been identified. The following table shows the relationship between these issues and the aspects considered by the Global Reporting Initiative Sustainability Reporting Guidelines:

Important aspects for Neinor Homes	GRI Standards aspects
Transparency	Organization profile Stakeholder engagement Economic performance
Ethics and integrity	Ethics and integrity Anti-Corruption Public policy Unfair competition Socio-economic compliance Diversity and equal opportunities Non-Discrimination
Good Governance	Strategy Organization profile Environmental Compliance Governance
Innovation strategy applied to products and services, technology and digitalization	Customer health and safety Marketing and labelling Training and education
Sector leadership and influence with Stakeholders	Stakeholder engagement
Customer Service	Customer Privacy Marketing and labelling
Corporate reputation and sustainable brand value	Organization profile
Health and safety at work	Health and safety at work
Economic sustainability and responsible investment	Strategy Socio-economic compliance
Added value of the product	Customer health and safety Marketing and labelling

Human capital management, talent attraction and retention	Organization profile Employment Training and education
Corporate reporting	Reporting practices
Strategic relationship with suppliers	Procurement practices Supplier environmental assessment Social evaluation of suppliers
Responsible supply system	Procurement practices Materials Energy Effluents and waste Supplier environmental assessment Social evaluation of suppliers

The various departments have been involved in the process of preparing this report, ensuring the accuracy and completeness of the information reported. It should also be noted that this report is published together with the financial information for the year, making it easier for stakeholders to consider it along with the rest of the company's relevant information.

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GRI
Content



FUNDAMENTALS

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
101	Principles for the preparation of reports	Investors and stakeholders	85-87

CONTENIDOS GENERALES

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
102-1	Name of the organization	N/A	20
102-2	Activities, brands, products and services	N/A	18-20
102-3	Location of the headquarters	N/A	Calle Ercilla nº 24, Bilbao
102-4	Location of operations	N/A	Calle Ercilla nº 24, Bilbao
102-5	Ownership and legal form	N/A	18-20, 23
102-6	Markets served	N/A	20, 25
102-7	Size of the organization	N/A	18-20, 23, 66
102-8	Information on employees and other workers	N/A	65-74
102-9	Supply chain	N/A	75-82
102-10	Significant changes in the organization and its supply chain	N/A	15-16, 18-20, 23, 76-82
102-11	Precautionary approach or principle	N/A	15-16, 24-31
102-12	External initiatives	N/A	63, 74
102-13	Association memberships	N/A	29
102-14	Statement from senior executives responsible for taking decisions	N/A	12-13
102-15	Main impacts, risks and opportunities	N/A	42-50
102-16	Values, principles, standards and norms of conduct	N/A	4, 19
102-18	Governance structure	N/A	35-41
102-22	Composition of the supreme governing body and its committees	Gov-Board	38-41
102-35	Remuneration policies	N/A	36, 69
102-36	Process for determining remuneration	N/A	40, 69
102-40	List of stakeholders	N/A	32
102-41	Collective bargaining agreements	N/A	66
102-42	Identification and selection of stakeholders	N/A	85-87
102-43	Approach to stakeholder engagement	N/A	32-33, 53-55, 73, 82, 85-86
102-44	Key issues and concerns mentioned	N/A	86-87
102-45	Entities included in the consolidated financial statements	N/A	20

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
102-46	Definition of report contents and subject coverage	N/A	85-87
102-47	List of material issues	N/A	86-87
102-48	Re-stating of information	N/A	No relevant information has been restated with respect to last year
102-49	Changes in the preparation of reports	N/A	No significant changes have been made to the Report with respect to last year
102-50	Reporting period	N/A	84
102-51	Date of last report	N/A	2018
102-52	Reporting cycle	N/A	Annual
102-53	Contact point for questions about the report	N/A	sustainability@neinorhomes.com alvaro.conde@neinorhomes.com
102-54	Statement of compliance with GRI standards	N/A	84
102-55	GRI table of contents	N/A	89-93
102-56	External verification	N/A	94

MANAGEMENT APPROACH

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
103-1	Explanation of the material subject and its coverage	N/A	85-87
103-2	The management approach and its components	N/A	15-50
103-3	Evaluation of the management approach	N/A	15-50

FINANCIAL PERFORMANCE

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
201-1	Direct economic value generated and distributed	N/A	26

PROCUREMENT PRACTICES

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
204-1	Proportion of spending on local suppliers	N/A	78

ANTI-CORRUPTION

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
205-2	Communication and training on anti-corruption policies and procedures	N/A	44
205-3	Confirmed cases of corruption and measures taken	N/A	En 2019 no cases of corruption have been detected

UNFAIR COMPETITION

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
206-1	Legal actions related to unfair competition and monopolistic practices and against free competition	N/A	No claims of unfair competition have been received in 2019

MATERIALS

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
301-1	Materials used by weight or volume	N/A	31

ENERGY

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
302-1	Energy consumption within the organization	Elec-Abs	31
302-5	Reduction of energy requirements for products and services	N/A	30, 61

EFFLUENTS AND WASTE

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
306-2	Waste by type and disposal method	Waste-Abs	31

ENVIRONMENTAL COMPLIANCE

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
307-1	Non-compliance with environmental regulations and legislation	N/A	Durante 2019 no se han recibido multas ni sanciones por incumplimiento en materia medioambiental

SUPPLIER ENVIRONMENTAL ASSESSMENT

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
308-1	New suppliers who have passed evaluation and selection filters	N/A	79
308-2	Negative environmental and social impacts in the supply chain and measures taken	N/A	76, 82

EMPLOYMENT

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
401-1	New hires and staff turnover	Emp-Turnover	68-69
401-3	Parental leave	N/A	72

HEALTH AND SAFETY AT WORK

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
403-2	Types of accidents and accident frequency rates, occupational diseases, lost days, absenteeism and number of deaths due to occupational accidents or diseases	H&S-Emp	72
403-3	Workers with high incidence or high risk of activity related diseases	N/A	72
403-4	Health and safety issues addressed in formal agreements with trade unions	N/A	66

TRAINING AND EDUCATION

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
404-1	Average hours of training per year per employee	Emp-Training	70
404-2	Employee skill enhancement and transition assistance programs	N/A	70

DIVERSITY IN GOVERNING BODIES AND EMPLOYEES

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
405-1	Diversity in governing bodies and employees	Diversity-Emp	38, 66

NON-DISCRIMINATION

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
406-1	Cases of discrimination and remedial action taken	Diversity-Emp	In 2019, there have been no cases of discrimination or complaints of discrimination

SOCIAL EVALUATION OF SUPPLIERS

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
414-1	Suppliers who have passed selection filters according to social criteria	N/A	77-80
414-2	Negative social impacts on the supply chain and measures taken	N/A	77-82

PUBLIC POLICY

	CONTENTS	EPRA Sustainability Performance Measures	Reference (Page)
415-1	Contribution to political parties and/or representatives	N/A	The Neinor Homes Code of Ethics prohibits any type of contribution to political parties and/or representatives. In 2019, no breaches of the Code of Ethics have been identified in relation to these aspects

CUSTOMER HEALTH AND SAFETY

CONTENTS		EPRA Sustainability Performance Measures	Reference (Page)
416-1	Assessment of health and safety impacts of product or service categories	H&S-Asset	30-31, 61
416-2	Cases of non-compliance relating to the health and safety impacts of product and service categories	H&S-Comp	In 2019, no complaints have been received for non-compliance with the health and safety of products and services

MARKETING AND LABELLING

CONTENTS		EPRA Sustainability Performance Measures	Reference (Page)
417-1	Requirements for information and labelling of products and services	N/A	53, 61

CUSTOMER PRIVACY

CONTENTS		EPRA Sustainability Performance Measures	Reference (Page)
418-1	Substantiated claims regarding violations of customer privacy and loss of customer data	N/A	49

SOCIO-ECONOMIC COMPLIANCE

CONTENTS		EPRA Sustainability Performance Measures	Reference (Page)
419-1	Non-compliance with laws and regulations in the social and economic fields	N/A	Note 16 (Provisions) to the consolidated financial statements

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT VERIFICATION REPORT

To the Shareholders of Neinor Homes:

We have performed the verification, with a scope of limited assurance, of the Corporate Social Responsibility (CSR) Report 2019, for the year ended 31 December 2019, of Neinor Homes, S.A. and subsidiaries ("Neinor Homes"), whose scope is defined in its chapter '11. About this report'.

Responsibilities of the directors and of management

The approval of the CSR Report of Neinor Homes is the responsibility of the Board of Directors of Neinor Homes. The report was prepared in keeping with the criteria established in the GRI standards in their core option. These responsibilities also include the design, implementation and maintenance of such internal control as considered necessary to enable the CSR Report to be free from material misstatement, whether due to fraud or error.

The Directors and the Management are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the CSR Report is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in reporting on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. We have conducted our verification work in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines on assurance engagements on the non-financial information statements published by the Spanish Institute of Certified Public Accountants.

The procedures performed in a limited assurance engagement vary in terms of nature and timing, and are less in extent than, a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in making inquiries to the management and the various business units of Neinor Homes that participated in the preparation of the CSR Report, reviewing the processes used to compile and validate the information presented in the CSR Report and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Neinor Homes personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external verification.
- Analysis of the scope, materiality and completeness of the contents included in the CSR Report based on the materiality analysis performed by Neinor Homes and described in the chapter "11. About this Report" of the CSR Report.
- Analysis of the adherence of the contents of the CSR Report to those recommended in the GRI-SRS in their core option.
- Analysis of the processes used to gather and validate the data presented in the 2019 CSR Report.
- Verification, by means of sample-based review tests, of the non-financial information relating to the contents identified in the 2019 CSR Report and the appropriate compilation thereof based on the data furnished by Neinor Homes' information sources.
- Obtention of a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed and the evidence we have obtained, no matter has come to our attention that causes us to believe that the Neinor Homes CSR Report for the year ended December 31, 2019 has not been prepared, in all material respects, in accordance with the GRI standards in their core option.

DELOITTE, S.L.



Helena Redondo

26 February 2020



Neinor

HOMES