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Proposed Remuneration policy for the members of the Board of Directors

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1. BACKGROUND AND SCOPE OF THE REMUNERATION POLICY

This document reflects the Remuneration Policy for the members of the Board of Directors of Neinor Homes, S.A. ("**Neinor Homes**" or the "**Company**") in compliance with the statutory requirements in the Spanish Companies Law (the "**Remuneration Policy**").

The Remuneration Policy has been prepared by the Company taking into account the significance of the Company, its financial status and market standards for comparable companies. The Remuneration Policy aims to give continuity to the version in force during the previous years and, therefore, has largely maintained the previous wording. Within the context of preparing this Remuneration Policy, the Company has counted with the legal advice of Uría Menéndez and, furthermore, the advice from Willis Towers Watson regarding the drafting of the long term incentive plans (*see section 5.2.2 of the Remuneration Policy*).

The remuneration defined below maintains an adequate proportion and promotes the Company's long-term profitability and sustainability. The remuneration policy also incorporates the necessary safeguards to avoid excessive risk-taking or rewarding unfavorable results, and to align the interest of the directors with those of the Company and its shareholders.

2. OBJECTIVES OF THE REMUNERATION POLICY

The Remuneration Policy is intended to define and control the remuneration practices of the Company relating to its directors in order to generate and increase the value of the Group for employees and shareholders.

In accordance with the above, the Remuneration Policy for the members of the Board of Directors seeks to establish an adequate remuneration scheme linked to the dedication and responsibilities assumed by the directors, and shall be applied to attract, retain and motivate the directors of Neinor Homes. Also, the Remuneration Policy aims to encourage directors to meet the strategic objectives of Neinor Homes within the framework of its activity in accordance with current legislation.

3. GOVERNING PRINCIPLES AND CRITERIA OF THE REMUNERATION POLICY

In order to develop a good corporate governance framework, Neinor Homes has considered appropriate to establish clear corporate governance principles to ensure that the remuneration strategy approved by the Board of Directors is implemented in accordance with the Company strategy, based on the principles of competitiveness and fairness.

In this respect, this Remuneration Policy shall be governed by the following principles:

3.1. Independent judgment

Remuneration shall be structured so that the independent judgment of non-executive directors is not compromised, with a special focus on the remuneration granted to independent directors.

3.2. Attraction and retention of the best professionals

Through the Remuneration Policy, the Company aims to offer a competitive compensation that attracts and retains talent that contributes to the value creation for the Company.

3.3. Long-term sustainability

Remuneration shall be compatible with the Company's long-term business interests and strategy, as well as its values and goals, and shall include appropriate provisions to avoid conflicts of interest.

3.4. Transparency

The Remuneration Policy and the specific rules for the determination of the remuneration amounts shall be explicit and disclosed in advance. To that effect, either at the beginning of the year or at the time of the General Meeting, the total maximum amount of remuneration payable to directors shall be disclosed, including any requirements to be met in order to obtain such remuneration.

3.5. Simplicity and individualization

The rules governing the management and determination of compensation shall be drafted clearly and concisely.

3.6. Fairness of compensation

Remuneration shall be consistent with the dedication, qualification, experience and responsibilities of each director and the functions and tasks performed by such director. Also, the remuneration paid by the Company shall maintain a balance between market competitiveness and internal fairness.

4. REMUNERATION OF THE DIRECTORS AS MEMBERS OF THE BOARD

In connection with the remuneration payable to the members of the Board of Directors in their capacity as such, i.e., for the performance of their supervisory and decision-making functions within the Board of Directors, is intended to compensate them adequately and sufficiently for their dedication, qualification and responsibility, without compromising their independent judgment.

To that effect, Neinor Homes has adopted a Remuneration Policy whereby only independent and "other external" directors have the right to receive compensation for the performance of their supervisory and collective decision-making functions, i.e., as members of the Board of Directors.

In accordance with Article 34 of the Bylaws of the Company, directors shall, as a general rule, be remunerated. Any such remuneration shall consist of three items, namely: (a) annual fixed remuneration; (b) attendance fees; and (c) share-based compensation or remuneration linked to the evolution of the share price, without prejudice to the provisions in the Regulations of the Board of Directors.

The total amount payable by the Company as compensation to all of its directors for these three items may not exceed the relevant amount determined for these purpose by the General Meeting. The amount thus determined by the General Meeting shall apply unless and until the General Meeting approves other amount in accordance with applicable laws.

However, the determination of the specific amount to be paid to each director for these items within the maximum amount approved by the General Meeting shall be agreed by the Board of Directors in accordance with this Remuneration Policy. For such purpose, the Board shall take into account the office held by each director within the Board itself, as well as the membership and attendance of each director to any committees.

Finally, the Company shall pay for any premium due for any civil liability insurance policy taken out by the Company in respect of its directors upon customary market terms and commensurate with the circumstances of the Company.

4.1. Maximum amount of annual remuneration for directors

The maximum annual remuneration payable to the members of the Board of Directors in their capacity as such shall amount to EUR 900,000.

4.2. Annual fixed remuneration

The Board of Directors shall establish the criteria in order to determine the remuneration payable to each director, taking into account:

- The category of the Director.
- The office held by the director in the Board of Directors and in any of its committees.
- The specific tasks and responsibilities assumed during the year.
- The experience and knowledge required to carry out those tasks.
- The amount of time and dedication required to carry out effectively such tasks.

Considering the above, only “independent” and “other external” directors shall be entitled to remuneration for their status as such. The individual amount to be received by independent and “other external” directors by way of fixed annual remuneration shall be as follows:

- EUR 100,000 for the Chairperson of the Board of Directors.
- EUR 75.000 for each independent and “other external” directors.

These amounts are payable on the basis of a full tax year. Where a director sits in the Board for less than a full tax year, the amount payable to such a director shall be prorated accordingly. If, following any increase in the number of directors sitting in the Board, the aggregate remuneration otherwise payable to them as members of the Board were to exceed the maximum annual amount referred to in Section 4.1 above, then the Board of Directors may reduce the figures in this Section 4.2 on a prorate basis.

Directors shall also be paid, by way of allowances, the following amounts:

- EUR 3,000 for attending each meeting of the Board of Directors.
- EUR 1,500 for attending, where appropriate, each meeting of any committee of the Board of Directors where they have a seat.

If the number of members of the Board of Directors were increased within the limits foreseen in the Company’s by-laws, the fixed remuneration payable to any additional director shall be determined in accordance with the provisions above.

5. REMUNERATION OF THE DIRECTORS FOR PERFORMING EXECUTIVE DUTIES

The Appointments and Remuneration Committee shall follow the principles outlined above when determining the remuneration mix for directors performing executive duties in the Company. As of today, only two directors perform executive functions in the Company, the Chief Executive Officer and another executive director (hereinafter, the “**CEO”** and the “**Executive Director**”, respectively and, together, the “**Executive Directors**”).

5.1. Annual fixed remuneration

Directors’ fixed remuneration shall be determined on the basis of the responsibility, hierarchical position and experience of each executive director, bearing in mind the specific characteristics of each function and the dedication required and any market analysis reports prepared by independent consultants in the field, in order to establish a competitive base salary to attract and retain talent that may contribute to the value creation.

The CEO and the Executive Director shall be entitled to receive EUR 450,000 each as annual fixed remuneration.

5.2. Variable remuneration

Only executive directors shall be entitled to variable remuneration. The executive directors may benefit from incentives with variable components that, in general, the Company recognizes to senior managers. In addition, in duly justified cases, the Company may approve a discretionary incentive or bonus for the benefit of executive directors, which may be paid in cash and/or include granting of shares or share-based instruments, provided that the legal requirements established for this purpose are fulfilled.

The variable remuneration shall be based on the same principles underlying the Remuneration Policy described above, and shall further take into account the following:

5.2.1. Annual variable remuneration (bonus plan)

Executive directors may receive an annual variable remuneration, in accordance with the provisions set forth in their respective agreements entered into with the Company, and may also benefit from any variable compensation (bonus) plans, if applicable, approved by the Company.

The annual variable remuneration, if any, approved by the Company may be paid in cash and/or include granting of shares or share-based instruments provided that the figures in the business plan are substantially exceeded. In this regard, the Board of Directors shall take into account the following indicators in order to determine the amount payable as variable remuneration that, if applicable, the executive directors may receive:

- the degree of achievement of the general targets linked to the Company's revenue and EBITDA/Margin, profitability (measured in terms of cost efficiency) and delivery timing; and

- the degree of achievement of individual objectives associated to his role as executive director and not directly linked to the general results of the Company (such as, for example, development and/or execution of new projects for the Company).

5.2.2. Long-term incentive plan (LTIP)

Executive directors may participate as beneficiaries in the long-term incentive plans implemented by the Company from time to time, upon a proposal by the Appointments and Remuneration Committee. Likewise, share delivery plans shall be submitted to the General Meeting of Shareholders for approval.

The parameters for determining compliance with long-term incentive plans may include factors linked to the achievement of a combination of specific, predetermined quantitative targets (economic-financial, operational and/or value creation) as well as qualitative, aligned with the Company's interest and strategy. Targets may include metrics related to the Company's business, to the creation of value to shareholders and to long-term sustainability.

The Appointments and Remuneration Committee is responsible for assessing performance and deciding whether if the pre-established parameters have been met, for which purpose it may be assisted by the Audit and Control Committee and advised by an independent expert. The proposal of the Appointments and Remuneration Committee will be submitted to the Board of Directors for approval. In addition, the Appointments and Remuneration Committee will be entitled to propose the Board of Directors to cancel, in whole or in part, the payment of the long-term incentive to the executive directors if certain circumstances arise (*malus* and *clawback* clauses).

The Company's long-term incentive plans will consist of the payment in cash and/or the delivery, free of charge, of Company shares, subject to the fulfilment of certain objectives, the beneficiary remaining in the Company and provided that the requirements set out in the corresponding Regulation are met.

Upon proposal of the Appointments and Remuneration Committee, which will be submitted to the Board of Directors for approval, the plans may (i) provide that executive directors may not transfer the shares received under the plan for a period of 1 year following the delivery of such shares, and/or (ii) be made up of one or more cycles of three years, in which scenario the delivery of the shares to each beneficiary may take place once each cycle has ended or deferred in time and the corresponding tax obligations have been fulfilled. These provisions may not be included in a long-term incentive plan implemented by the Company.

In order to calculate the payment coefficient achieved, a scale of achievement will be set for each of the metrics at the beginning of each cycle. Such scale will include a minimum (below which no incentive is paid) and maximum threshold.

The Company has in place two Long-Term Incentive Plan.

(i) The Initial Long-Term Incentive Plan

The Initial Long-Term Incentive Plan ("**Initial LTIP**") consists of the delivery –free of charge– of Company's shares to the beneficiary, subject to the satisfaction of certain objectives that are strategic to the Company, continued service in the Company and provided that the requirements set out in the corresponding Regulation are met. The Initial LTIP is composed of the following overlapped cycles, with a three year measurement period each, namely: (i) the first cycle started on January 1, 2017 and ended on December 31, 2019; and (ii) a second cycle, which started on January 1, 2018 and will end on December 31, 2020. At the time of approval of the Initial LTIP, it was envisaged the existence of a third cycle, although the performance indicators were not set and, therefore, no shares will be accrued pursuant to that cycle.

Specifically, the actual number of shares to be awarded under the Initial LTIP is linked (i) to the target number of shares to be granted to each beneficiary (the "**Share Target Incentive**"); and (ii) to the degree of achievement of certain objectives or performance indicators. The Share Target Incentive is the result of dividing the target incentive in Euros (ranging from EUR 10,000 to EUR 250,000) between the share price for each cycle (the "**Initial Share Price**"). The Initial Share Price for the first cycle is equal to the price fixed for the admission to trading of the shares and, for the remaining cycles, shall be equal to the average price of the shares in the Company during the last 20 trading sessions before the beginning of each cycle.

The number of shares to be delivered to each beneficiary after each cycle shall be calculated by multiplying (i) the Share Target Incentive by (ii) the weighted average of the degree of achievement for each different performance indicator ("**Weighted Payment Percentage**").

The Weighted Payment Percentage is the weighted average of three performance indicators, each representing one third of the aggregate (i.e. 33,33%), multiplied by a correction factor. These indicators include a growth indicator (EBITDA), an efficiency indicator (Developer Margin) and a value creation indicator (Total Shareholder Return - TSR). The degree of achievement in relation to these indicators shall vary between 0% and 150%, depending on the fulfillment of certain predefined objectives. Regarding the correction factor, if the average of the LTV (Loan to Value Ratio) for the relevant period exceeds the pre-set LTV target, then the degree of achievement in respect of the three previous indicators shall be reduced by 10%.

The shares shall be delivered to each beneficiary after the end of each cycle and once the relevant tax obligations have been duly met. Executive Directors will be subject to a lock-up period of 1 year after the delivery of the shares of the Initial LTIP.

(ii) The 2020 Long-Term Incentive Plan

The 2020 Long-Term Incentive Plan ("**2020 LTIP**") consists of the payment through the delivery –free of charge– of Company's shares to the beneficiary, subject to the satisfaction of certain objectives that are strategic to the Company, continued service in the Company and provided that the requirements set out in the corresponding Regulation are met.

The LTIP 2020 will be comprised of a single cycle of three-years. The performance period starts on 1 January 2020 and ends on 31 December 2022. At the end of the performance period, the number of earned shares will be calculated based on the level of achievement of the approved performance metric, together with the dividends equivalents in shares, both in accordance to the following:

- 50% of the earned shares will be delivered at the end of the 3-year performance period (upfront payment), plus an additional number of shares that will equal the dividends that theoretically would have been paid on such 50% of the earned shares from the date the LTIP 2020 starts (1 January 2020) and until the payment date, divided by the average share price for the 6 month period before the end of the cycle.
- 25% of the earned shares will be delivered one year after the upfront payment, subject to permanence in the Company and *malus* provisions, plus an additional number of shares that will equal the dividends that theoretically would have been paid on such 25% of the earned shares from the date the LTIP 2020 starts (1 January 2020) and until the payment date, divided by the average share price for the 6 month period before the end of 2023.
- 25% of the earned shares will be delivered two years after the upfront payment, subject to permanence in the Company and *malus* provisions, plus an additional number of shares that will equal the dividends that theoretically would have been paid on such 25% of the earned shares from the date the LTIP 2020 starts (1 January 2020) and until the payment date, divided by the average share price for the 6 month period before the end of 2024.

In relation to the shares that will be delivered to the beneficiaries in an amount equal to the dividends that theoretically would have been paid to them pursuant to the above, the beneficiaries will not be entitled to receive the payment of the dividends distributed to shareholders of Neinor Homes from the date the LTIP 2020 starts (1 January 2020) and until each of the payment dates indicated above, as if the beneficiaries held such shares since 1 January 2020.

The target number of shares equals to target incentive of each beneficiary divided by the initial share price of EUR 11. The actual number of shares to be awarded under the 2020 LTIP is linked to the target number of shares to be granted to each beneficiary and to the degree of achievement of the following weighted indicators:

- 50% of the amount payable is determined on the basis of the degree of achievement of the Company's EBITDA. EBITDA shall be measured on a cumulative basis where the target is set at the beginning of the cycle. It is defined as the sum of the EBITDA objectives for the 3 years of the cycle and the achievement is based on the sum of the actual EBITDAs for the same period. The regulations of the 2020 LTIP include the definition of EBITDA and clearly state the items included and those excluded which, if incurred, may have an impact in the budgeted EBITDA, the EBITDA calculation will not include the cost of any special incentives and LTIP.

- 50% of the amount payable is be determined on the basis of the total shareholders return, which shall is calculated as the evolution in the share price plus the value of the dividends, if any, during the period assuming they are reinvested in Neinor Homes shares on the day they are received. The initial share price will be EUR 11. The closing price will be taken as the average closing price in the trading sessions of the 6 months previous to the end of the cycle (from 1 July 2022 to 31 December 2022, both dates included)

In addition, the Appointments and Remuneration Committee will be entitled to propose the Board of Directors to cancel, in whole or in part, the payment of the 2020 LTIP to the executive directors if certain circumstances arise (*malus* and *clawback* clauses): (a) losses in the Neinor Homes Group (negative EBITDA/Profit after tax) in the year after the 2020 LTIP ending date attributable to management decisions taken in the performance period of each year; (b) material restatement of the Group's financial statements, when so considered by the external auditors, except when appropriate pursuant to a change in accounting standards; (c) serious breach of the internal code of conduct on the part of the executive director. The *malus* provision applies during the deferral period of the payment of the 2020 LTIP, while the *clawback* provision applies during the year following the delivery of the shares, in both cases only in respect to the shares to be actually delivered in each payment (after taxes).

5.3. Main terms and conditions of the contracts of executive directors

The remuneration, rights and economic compensation of the executive directors will be set in their respective contracts, always in accordance with the provisions of the Bylaws.

The CEO and the Executive Director have each entered into a contract with the Company, that will remain in force for as long as they remain executive director and CEO of the Company or Executive Vice President of the Company, respectively.

The contracts of the executive directors may include their right to receive severance compensation in the event of early termination of their labor agreement for reasons not attributable to the relevant executive director. The contracts of the Executive Directors provide for an agreed economic compensation in case of termination of the relationship, where applicable, amounting to two years of their fixed remuneration.

In addition, the agreements entered into between the Company and the executive directors may include exclusivity, post-contractual non-competition and minimum commitment covenants or restrictions in accordance with and subject to the relevant statutory provisions.

Regarding the Executive Directors, the service agreements with the Company provide:

- That each Executive Director shall provide his services full-time on an exclusive basis; and

- That, for a period of one year after termination of the service agreement with the Company, each Executive Director shall refrain from performing activities concurrent with those of the Company or any company within Neinor Homes Group for their own account, as well as for the account of a competitor. In compensation for this non-competition commitment, the Executive Directors will receive a compensation equal to 70% of their fixed remuneration in place at that time.

5.4. Remuneration in kind

Executive directors may benefit from remuneration in kind that, generally, the Company recognizes to senior managers of the Company. Likewise, the Company may provide executive directors with certain benefits in kind, in accordance with market practices, including perks such as medical insurance, contributions to pension plans, life insurance, permanent disability (total, absolute or severe disability) insurance, vouchers, company vehicles, relocation payments, etc.

5.5. Appointment of new executive directors

The remuneration of new executive directors will be, to the extent possible, aligned with the Remuneration Policy for current directors. At the time of their appointment, the fixed remuneration of new executive directors will be set taking into account market conditions and comparable positions and their level of experience. New executive directors may participate in variable remuneration on the basis of the same principles as the current ones. The Board of Directors, following a report from the Appointments and Remuneration Committee, reserves the right to deviate from established practice to the extent necessary to ensure that suitable candidates are hired, taking into account the Company’s interest.

6. GOVERNANCE MATTERS

6.1. Preparation, approval, term and review of this Remuneration Policy

The Board of Directors, acting upon a favorable report by the Appointments and Remuneration Committee, shall submit to the General Meeting a proposal for a Remuneration Policy in respect of directors at least every three years. This proposal shall be submitted as a separate item on the Agenda.

The report of the Appointments and Remuneration Committee shall be attached to the proposal of the Board of Directors.

The proposed Remuneration Policy submitted by the Board of Directors and the report prepared by the Appointments and Remuneration Committee shall be available to shareholders on the Company’s website as of the date of the notice of call for the General Meeting of Shareholders. Shareholders may also request that a copy be sent to them, free of charge. The notice shall make a reference to this right.

The Remuneration Policy shall be in effect for three years after approval by the General Meeting of Shareholders. Any amendment or replacement of this Remuneration Policy during such period shall require prior approval by the General Meeting of Shareholders in accordance with the provisions herein.

In the event that the Annual Report on Remuneration of Directors is rejected following an advisory vote by shareholders at the annual General Meeting, the Remuneration Policy for the next year shall be submitted for approval to the General Meeting before implementation, including in the event that the aforementioned three-year term had not elapsed. As an exception, this rule shall not apply in the event that the Remuneration Policy was approved at the same annual General Meeting.

The Board of Directors may resolve, upon a proposal by the Appointments and Remuneration Committee, to hire an independent expert to review the Remuneration Policy.

6.2. Supervision and application of the Remuneration Policy

The Board of Directors is responsible for establishing a control and supervision regime in respect of the specific requirements set out in the Remuneration Policy, while the Appointments and Remuneration Committee is responsible for ensuring that such policy is effectively complied with.

6.3. Term of the Remuneration Policy

This Remuneration Policy shall be in effect for three years after approval by the General Meeting of Shareholders (i.e., 2020, 2021 and 2022). The General Meeting of Neinor Homes may amend, modify or replace this Remuneration Policy at any time in accordance with the procedures described above.

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