



February 2020

# **Annual Report 2019: Conflict of Interest and Related Party Transactions**

(Governance, Risk & Compliance Area)



**Neinor**  
H O M E S

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## Neinor Homes Conflict of Interest and Related Party Transactions

As established in the Spanish Companies Act<sup>1</sup> and in the internal regulations<sup>2</sup>, the Audit and Control Committee must analyze, among other matters, the transactions with related parties carried out by Neinor Homes, in order to submit them to the Board of Directors for its approval.

### Model background

- **Conflict of Interest and Related Party Transactions Standard** was approved by the Board of Directors on Sep. 15th, 2015. The last amendment was approved by the Monitoring and Control Committee on Feb. 27th, 2019 and reported to the Board of Directors. The procedure was communicated to the staff and published in the corporate website.
- The **procedure** works as follows:
  - **Continuous communication channel** for related party transactions and conflict of interest.
  - **Every transaction reported is analyzed, recorded and documented** and either approved or denied by GRC Area, that can request assistance from the Head of Legal.
  - **The approval is shared with the one concerned** through a written authorization.
  - **Denied transactions with a material fee or those that requires a final decision are submitted to the Audit and Control Committee** with an executive report of the transaction.
  - Records with all the Conflicts of Interests and Related Party Transactions are kept **by the Governance, Risk and Compliance Area**.
  - **Reporting annually** conflict of interest and related party transactions to the **Audit and Control Committee**.
  - Sending and **receiving a written letter signed by the members of the board of directors with their confirmation** of not being exposed to any conflict of interest nor participated or being aware of any related party transactions.
  - **Analysis of the invoicing received or carried out with companies related** to the board of directors or the management directors.

### Annual Report 2019

#### Transactions carried out during 2019

a

5 transactions of asset purchasing by **related parties to Neinor employees or staff**

Checked market prices, not below business plan. ERP prices unaltered, nor any discount applied over recorded prices. **Authorized transaction, analyzed and recorded by GRC Area.**

b

1 transaction of asset purchasing by the **external sale force or by the related parties of external sales force company of Neinor Homes**

Checked sale price is adequate with market price. The established order selection of properties has been respected by the sales force company. **Authorized transaction, analyzed and recorded by GRC Area. Also provided training and instructions on the procedures to the Company's sales force by GRC Area.**

c

Transactions related to **shareholders/advisors/managers**

- A company of **ORION GROUP** (shareholder of Neinor Homes) interested on sell 2 plots to Neinor Homes to promote housing in Sotogrande. **Analyzed and recorded by GRC Area and approved by Audit and Internal Control Committee.**
- **1810 CAPITAL INVESTMENTS, S.L.U** registered assets in Aiguadolcs Homes and Atria Homes with a value of € 4,7m. The administrator of this company was not Director at Neinor Homes in the reservation payment, although he was at the deed act.
- Financial expenses, credit and debit balance with **Banco Santander Group** (view detail). **Analyzed and recorded by GRC Area.**

d

3 **denied transaction** (2 of attempt asset purchasing employees of Neinor Homes and other related by external salesforce).

One of the transaction was denied because the two assets that an employee interested to buy were not yet published and they had a price discount of 40% between last and present price. The other employee transaction was denied because there were another previous offers. The last transaction that the salesforce interested to buy was denied because it was not published since 2017 and there was a pricing discount of 55%. **Denied transactions, analyzed and recorded by GRC Area.**



### Final 2019 Assessment

**No conflicts of interest** nor related party transactions have materialized.

**One transaction** have been submitted to the Audit and Control Committee for approval.

**No major risks** regarding conflicts of interests and related party transactions within Neinor Group.

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

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

## Neinor Homes Conflict of Interest and Related Party Transactions. Details of 2019

(Transactions carried out during 2019)

a

**5 transactions of asset purchasing by related parties to Neinor employees or staff**

Five purchasing transactions performed by:

- The daughter of East Territorial Director interested on purchasing an asset of Sant Just Homes II in state-subsidised home conditions.
- Four employees: A business analyst and Neinor Experience employee interested on purchasing an asset of Sant Just Homes II in state-subsidised home conditions. The National Director of Legacy&Servicing interested on purchasing an asset of Medina Homes and the South Technical Director interested on purchasing an asset of Almogavar Homes.

In all of them: prices were in the contracts balance with ERP with no discounts or commissions and GRC Area has approved them.

b

**1 transaction of asset purchasing by the external sale force or by the related parties of external sales force company of Neinor Homes**

One purchasing transaction performed by external sale force (an employee of AMAT FINQUES S.L.) in Sant Just Homes II in state-subsidised home conditions.

It has been checked that the purchase price was adequate and that ERP prices had not been modified nor any discount applied over recorded prices. GRC Area has approved the transaction as state-subsidised home conditions.

c

**Transactions related to shareholders/ advisors/ managers**

We are referring to our relationship and businesses with different companies related to shareholder/advisors/managers that can create a potential conflict of interest:

- A company of **ORION GROUP** (shareholder of Neinor Homes) interested on sell 2 plots to Neinor Homes to promote housing in Sotogrande. This case was analyzed by Uria Legal Advisors, and GRC Area reported it to Audit and Internal Control Committee in 24<sup>th</sup> of July, 2019 and this Commission applied more information related to this transaction that was reported on 26<sup>th</sup> of July by GRC Area. Although this transaction was approved by the Commission it was not carried out.
- **1810 CAPITAL INVESTMENTS, S.L.U.**: The administrator of this company was not Director at Neinor Homes in the reservation payment, but he was at the deed act. The transactions to deed amounted to € 4,7M.
- **SANTANDER GROUP**: The transactions with the companies of this group were the following:
  - ✓ SANTANDER LEASE S.A.: € 167m of income from a sale of an industrial warehouse.
  - ✓ BANCO SANTANDER S.A.: € 1m of financial expenses, € 34,93 m of credit balance and € 99,34m of debit balance.

GRC Area verified the prices balance with the ones recorded in the ERP, no discount has been applied nor any other change in the registered price; no commission has been accrued other than the ones already agreed with the agents. Additionally, GRC Area has reported to Audit and Internal Control Committee.

d

**3 denied transactions**

We are referring to three denied transactions of potential conflicts of interest:

- The parents of the North Director of Legacy&Servicing interested on purchasing two assets of Legacy. The GRC Area did not authorize them because the assets were not available and nor published. Also they had a pricing discount of more than 40% between last and present pricing.
- An employee of FINCAS SAN PRUDENCIO S.L. (external sale force) interested on purchasing an asset of Legacy. The GRC Area did not authorize it because the last publication of this asset was on 2015 and actually it has a pricing discount of 55% between the net book value and present pricing.
- The Commercial Portfolio&Strategy Manager interested on purchasing an asset of Servicing. The GRC Area did not authorize it because there were another offers before hers.