



## FRAMEWORK FOR SUSTAINABLE FINANCING

Prepared by	Reviewed by	Approved by
Financial Department	Governance, Risk and Compliance (GRC) Department	Sustainability Committee



**Neinor**  
H O M E S

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## 1. Introduction

NEINOR HOMES, S.A. (hereinafter, “NEINOR HOMES”, the “Company”, the “Group” or the “Company”) is a Spanish Residential Platform that aspires to lead the transformation of the sector and become the 21st century benchmark in sustainability, innovation and customer service. From an organizational perspective, NEINOR HOMES is the sum of three business lines: development, rental and servicing; all within the same asset class, Residential.

As of Dec20, on a pro-forma basis<sup>1</sup>, NEINOR’S land bank had +16,617 housing units whose value was externally appraised by Savills at a GAV (Gross Asset Value) of c.€2bn and a NAV (Net Asset Value) of c.€1.4bn. From a geographical perspective, NEINOR HOMES’ land bank is concentrated in the Top-6 Spanish regions with the strongest housing fundamentals and has the following GAV breakdown: Madrid (29%); South East (26%); North (14%); East (14%); Levante (10%); South West (6%).

Development, or the build-to-sell (BtS) business, is NEINOR HOMES’ core activity and, as of Dec20, it represented approximately 85% of its land bank (14,264 housing units). As of Feb21, Neinor’s development business had a great visibility for the ensuing years with 100% of planned deliveries under construction and 70%/40% pre-sales coverage for 2021/22.

In 2020 NEINOR HOMES took the strategic decision to complement its core build-to-sell business with build-to-rent (BtR). This expansion strengthens NEINOR’s growth potential, diversifies exposure and adds a recurrent source of income. From a housing demand perspective BtR exposure is complementary to the existing BtS and allows Neinor to address a wider spectrum of housing demand. By the end of 2021, Neinor expects to have more than +500 rental units operating, an additional +1,000 units under construction and another 850 for future pipeline.

NEINOR HOMES also owns a servicing division that performs Real Estate services to third parties. This business segment includes: i) a servicing contract with Kutxabank under which NEINOR manages its REOs (Real Estate Owned) portfolio with €1.3bn under management; ii) through Renta Garantizada, NEINOR manages rental residential assets for private owners

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<sup>1</sup> Pro-forma land bank as of Dec20 including Quabit.

with approximately 2,500 units under management; iii) third-party development agreement to develop 1,100 housing units.

NEINOR HOMES' objective is to carry out its activity with the maximum quality standards, transparency, adopt new technologies and a firm commitment to sustainability throughout the whole residential value chain. Sustainability is a key part of NEINOR HOMES' DNA. Since its incorporation, the Company has sought to differentiate itself from its competitors by being at the forefront of sustainability in the sector. This commitment is also reflected in NEINOR HOMES' adherence to the United Nations Global Compact.

NEINOR HOMES' sustainability principles are defined in its Sustainability Policy (as described in the Annex). This Policy can be also accessed via the following link to the corporate website: [Sustainability Policy | Neinor Homes](#).

Through this policy, NEINOR HOMES assumes its commitment to the planet, to people, to prosperity and good corporate governance, in accordance with the 10 principles of the United Nations Global Compact, the 17 Sustainable Development Goals of the United Nations' 2030 Agenda and the goals set in the Paris Agreement.

The Sustainable Development Goals (SDGs) that NEINOR HOMES has identified as the most closely linked to its activity are:

- 1.** No Poverty
- 7.** Affordable and Clean Energy
- 8.** Decent Work and Economic Growth
- 11.** Sustainable Cities and Communities
- 13.** Climate Action

Furthermore, the Company has defined its sustainability strategy with its sights set on 2030 and aligning itself with the fulfillment of the United Nations' Sustainable Development Goals (SDGs). This strategy is implemented via its Corporate Social Responsibility Master Plan, a single Group-wide framework for the integrated management of all its environmental, social and good governance initiatives. This plan identifies certain goals and designs specific short-, medium- and long-term actions as part of the guiding principles contemplated in NEINOR HOMES Sustainability Policy.

As part of its sustainability commitment, NEINOR HOMES also promotes the use of sustainable financing. The differentiating characteristic of sustainable financing lies on the

commitment to use the funds obtained on environmental and socially responsible activities, directly contributing to the achievement of the Agenda 2030. These are mainly linked to the development of sustainable and energy efficient projects, which promote the use of materials, designs, technologies and construction processes that respect the environment and people, while also improving the occupants' quality of life.

NEINOR HOMES aims to apply the highest transparency standards and has elaborated its Framework for Sustainable Financing. This Framework has been defined to promote transparency, disclosure and the integrity of NEINOR HOMES' sustainable financing initiatives.

## 2. Objective

The objective of NEINOR HOMES Framework for sustainable financing (hereinafter “the Framework”) is to set down the general principles and establish the common action framework for the development of sustainable finance projects by the Company.

Also, the Framework defines how sustainable financing instruments are set up within NEINOR HOMES. Potential sustainable financing instruments include any financial instrument to which an eligible asset or project, or a group of those, are allocated.

NEINOR HOMES' financing strategy is in line with the Company's purpose and values. Its aim is to provide efficient solutions on an economic level while having a direct positive contribution to the achievement of the 2030 Agenda.

## 3. Scope of application

This Framework applies to financings projects and operations of NEINOR HOMES' activities and business.

Under this Framework, NEINOR HOMES can issue/receive:

- **Green Bonds and Loans:** for which the net proceeds are exclusively allocated to green projects categories.
- **Social Bonds and Loans:** for which the net proceeds are exclusively allocated to social projects categories.

- **Sustainable Bonds and Loans:** for which the net proceeds are allocated to both green and social project categories

#### 4. Guidelines of action

The Framework is inspired, and intends to follow, the Green Bond Principles, the Social Bond Principles and the Sustainability Bond Guidelines, published by the International Capital Markets Association (ICMA), as well as the Green Loan Principles, published by the Loan Market Association (LMA).

Furthermore, NEINOR HOMES acknowledges that as of today no set of principles has been published for Social Loans nor Sustainable Loans but, under the context of this framework and as described in Section 3, we consider these debt instruments by applying the same set of principles as for Social Bonds and Sustainable Bonds.

This Framework includes the following sections:

- 4.1. Use of proceeds
- 4.2. Project evaluation and selection
- 4.3. Management of proceeds
- 4.4. Reporting
- 4.5. External review

##### 4.1 Use of proceeds

The net proceeds of NEINOR HOMES Sustainable financing shall be allocated to projects that fulfil NEINOR’s environmental goals, social goals or both. The look-back period of said investments should not be longer than three years.

##### Eligibility criteria for green issuances

Proceeds will be allocated to the acquisition or development of green buildings and to promote energy efficiency. Related expenditures include, but are not limited to:

Category	Subcategory	Description of green benefits to be eligible	Linked SDGs
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Green buildings	Meet internationally recognised standards or certifications.	Acquisition or development of buildings in Spain which meet recognised standards, such as BREEAM® certification “Good” or “Very Good”. This kind of project or asset will have a positive impact on the environment. More specifically, on climate change mitigation, on prevention and control of pollution, and on eco-efficiency of resources.	SDG 7 and SDG 13
Energy efficiency	New buildings that are more energy efficient.	Acquisition or development of buildings that demonstrate energy efficiency metrics at above market performance (Energy Performance Certificates - EPC rating “B” or above). This kind of project or asset will have a positive impact on the environment. More specifically, on climate change mitigation, on prevention and control of pollution, and on eco-efficiency of resources.	SDG 7 and SDG 13

### Eligibility criteria for social issuances

Proceeds will be allocated to projects aimed at providing affordable and social housing and employment generation. Related expenditures include, but are not limited to:

Category	Subcategory	Description of social benefits to be eligible	Linked SDG
Affordable housing	Affordable and social housing	Acquisition or development of buildings for affordable housing for rent. In Spain, affordable housing for rent is broadly defined by a rent discount vs market price of approx. 20%.  Acquisition or development of buildings for social housing purposes. In Spain, the exact parameters may differ between autonomous community but in general	SDG 1 and SDG 11

		there are three commonly used definitions: i) Official Protection Houses (VPO); ii) Basic Public Protection Houses (VPPB); iii) Public Protection and Limited Price Houses (VPPL).	
Employment generation	Employment and impact in local communities	Development activity has a direct impact on employment creation and in local communities through the preferred use of local suppliers.	SDG 8

## 4.2 Projects evaluation and selection

Eligibility criteria include a set of environmental, social and exclusion criteria which the eligible green and social projects must meet to be financed or refinanced by sustainable financing instruments.

To comply with the evaluation and selection criteria, NEINOR HOMES has created its Sustainability Committee (SC). The committee is integrated by the following representatives:

- The CEO
- The deputy CEO and CFO
- The COO
- The Head of Governance, Risk & Compliance (GRC) Department and Sustainability
- The Head of Investor Relations and Capital Markets.
- The Head of Product and Innovation Responsible.

The SC will be responsible for the following purposes:

- Review and certify which assets or projects have funding needs that meet the eligible criteria according to the abovementioned use of proceeds, identify and manage potential material environmental and social risks associated with the projects.
- Monitor the eligible projects portfolio, during the life of the transaction, specifically during the life of each bond. The SC could decide to replace some eligible projects if an eligible project no longer meets the eligibility criteria.
- Manage any future updates of the Framework.

This committee will meet at least quarterly and decide upon an eligible investment list.



### 4.3 Management of proceeds

NEINOR HOMES will establish Sustainable Financing Issuances Register for the purpose of monitoring the eligible projects/assets and the allocation of an amount equivalent to the net proceeds from Sustainable Financing Issuances to eligible projects and/or assets.

NEINOR HOMES is responsible for ensuring that an amount equivalent to the net proceeds are financing eligible projects/assets in accordance with this Framework. In addition, NEINOR HOMES will ensure there are enough eligible sustainable projects and/or assets in the Register. This Register will be reviewed, at least, annually, and sustainable projects and/or assets can be removed or added, whenever needed, to or from the Register. The Sustainable Financing Issuances Register will contain relevant information including:

- Details of the issuance(s): ISIN and pricing date, among others.
- Details of eligible use of proceeds per green, social and sustainability issuance. It will include:
  - Project categories
  - Eligibility categories
  - Amount of allocation made
  - Estimate of impact of the eligible use of proceeds

Prior to full allocation, proceeds will be held in line with NEINOR HOMES' general liquidity guidelines in cash, cash equivalents, and/or other liquid marketable instruments. Any unallocated proceeds will not knowingly be placed in investments that include greenhouse gas intensive assets, inconsistent with the transition towards a low carbon economy.

NEINOR HOMES promotes a high level of transparency. For such purpose, NEINOR HOMES' management of proceeds is supplemented by an independent third party, which verifies the internal tracking method and the allocation of funds from the proceeds.

### 4.4 Reporting

Until net proceeds from debt issued securities are fully allocated to eligible green, social or sustainable projects, NEINOR HOMES will publish on an annual basis an allocation report and an impact report on its [corporate website](#), as detailed below.

If, after completion of the allocation period, some eligible projects are replaced, NEINOR HOMES will publish an updated allocation report and an updated impact report.

#### 4.4.1 Allocation of proceeds reporting

NEINOR HOMES will provide information on the allocation of the net proceeds of its sustainable finance instruments on an annual basis. The report will provide at least the following information:

- Total amount of outstanding debt securities
- Share of proceeds used for financing vs. re-financing purposes
- A list of eligible projects financed through NEINOR HOMES’ sustainable finance instruments (green bonds, social bonds, etc.), including amounts allocated.
- Net proceeds allocated per eligibility category, with breakdown per project.
- The amount of unallocated proceeds, if any.
- The geographical distribution of the eligible projects and assets.

#### 4.4.2 Impact reporting

The Company will publish annually a set of reporting indicators to describe the achieved benefits in terms of sustainability and the contribution to the Sustainable Development Goals. The type of indicators will depend on the type of asset or activity financed by sustainable instruments. The following table includes an example of the reporting indicators per asset category related to sustainable benefits indicators.

#### Sample impact metrics – Key Performance Indicators (KPIs)

Green KPI's		
Category	Subcategory	KPIs
Green buildings	Meet internationally recognised standards or certifications.	<ul style="list-style-type: none"> <li>▪ Percentage of buildings with BREEAM® “Good” and “Very Good” certification.</li> <li>▪ Buildable Area with BREEAM® certification of “Good” and “Very Good” (sqm).</li> </ul>

Energy efficiency	New buildings that are more energy efficient.	<ul style="list-style-type: none"> <li>▪ Percentage of new buildings with Energy Performance Certificates (EPC) rating “B” or above.</li> <li>▪ Buildable area with Energy Performance Certificates (EPC) rating “B” or above.</li> </ul>
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Social KPI's		
Category	Subcategory	KPIs
Affordable housing	Affordable and social housing	<ul style="list-style-type: none"> <li>▪ Number of units intended for affordable housing for rent under development.</li> <li>▪ Number of rental housing units in the affordable segment under operation.</li> <li>▪ Number of housing units intended for social housing under development with a breakdown by type: VPO, VPPL, VPPB.</li> </ul>
Employment generation	Employment and impact in local communities	<ul style="list-style-type: none"> <li>▪ Number of jobs created with a geographical split by province.</li> </ul>

## 4.5 External review

### 4.5.1 Second party opinion

Prior to the issuance of any debt securities under this Framework, NEINOR HOMES has commissioned DNV to provide a second party opinion of its sustainable financing framework. DNV has reviewed NEINOR HOMES’ sustainable financing framework and issued a second party opinion report which concluded that the Framework aligns with the Green Bond Principles

and the Social Bond Principles published by the International Capital Markets Association (ICMA) and the Green Loan Principles published by the Loan Market Association (LMA).

For the full report please refer to NEINOR HOMES' [website](#). Furthermore, NEINOR HOMES commits that any change to its sustainable financing Framework will be subject of review by the commissioned second party opinion.

#### **4.5.2 Post issuance independence verification**

NEINOR HOMES will appoint an auditor to provide a post-issuance review addressing the allocation of the net proceeds of issued sustainable finance instruments, until these are fully deployed, and its alignment with principles described in “Section 5.1. Use of proceeds” (second opinion on the issuances).

Furthermore, the auditor will review annually the impact reporting metrics of the Framework according to the principles described in “Section 5.4. Reporting”. This verification shall be included as part of [NEINOR's Sustainability Reports](#).

## Annex 1: NEINOR HOMES' Sustainability Policy

NEINOR HOMES' sustainability general principles are defined in its Sustainability Policy, which is published at NEINOR HOMES corporate webpage: [Sustainability Policy | Neinor Homes](#). This policy has been approved by the Board of Directors of NEINOR HOMES. The Board is the main responsible for the implementation of a sustainable, transparent and ethical culture throughout the Company, and this document has been validated by senior management, the Steering Committee and the Chairman of NEINOR HOMES.

Through this policy, NEINOR HOMES assumes its commitment to the planet, to people, to prosperity and good corporate governance, in accordance with the 10 principles of the United Nations Global Compact, the 17 Sustainable Development Goals of the United Nations' 2030 Agenda and the goals set in the Paris Agreement.

Sustainability is a key part of NEINOR HOMES' DNA. Since its incorporation, the Company has sought to differentiate itself from its competitors by being at the forefront of sustainability in the sector. NEINOR HOMES' commitment to sustainability, corporate responsibility and sustainable development is seen in the following guiding principles

- Ethical conduct
- Good governance
- Risk management, with particular focus on non-financial risks
- Transparency, corporate communication and stakeholder relations
- Protection of the environment and sustainable building
- Innovation
- Quality and excellence in customer service
- People's health and safety
- Diversity, non-discrimination, equal opportunities and development of talent
- Social contribution
- Sustainability of the value chain
- Supply chain and responsible purchasing
- Information security and cybersecurity

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