APPENDIX I MODEL

ANNUAL REPORT ON THE REMUNERATION OFTHE DIRECTORS OF PUBLICLY TRADED COMPANIES

NEINOR HOMES, S.A.

CLOSING DATE OF THE FINANCIAL YEAR OF REFERENCE 2017

C.I.F. A- 95786562

Company Name NEINOR HOMES, S.A.

Registered Address: C/ Ercilla 24, Bilbao

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ANNUAL REPORT ON THE REMUNERATION OFTHE DIRECTORS OF PUBLICLY TRADED COMPANIES

A COMPANY REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the Company's remuneration policy. This section is to include information on:

- General principles and bases of the remuneration policy.
- Most significant changes made in the remuneration policy with respect to that applied in the previous year, as well as any changes made over the year in the conditions for exercising the options already granted.
- Criteria used to establish the company's remuneration policy.
- Relative importance of the variable remuneration items with respect to the fixed, and the criteria followed to determine the different components of the directors' remuneration package (*remuneration mix*).

Explain the Company's remuneration policy
• The remuneration policy for the members of the Board of Directors of Neinor Homes has been designed to have a sound structure of good corporate governance. Its general principles and the criteria used are summarized as follows: **a) Guarantee the independence of the criterion** Remuneration is structured in such a way that it does not compromise the independent judgement of the non-executive directors, with special attention being paid to the independent directors. **b) Attract and retain the best professionals** Through the remuneration policy competitive remuneration is established to attract and retain talent who can contribute to creating value for the Company. **c) Long-term sustainability** The remuneration will be compatible with the Company's long-term interests, strategy, values and objectives, and will include provisions to prevent conflicts of interest. **d) Transparency** The guidelines used to determine the remuneration will be explicit and made known. In this respect, at the start of each year or when the General Meeting of Shareholders is held, the maximum amount of remuneration to be paid to directors and the requirements for receiving this remuneration are made public. **e) Clarity and individualization** The rules applicable to the management of remuneration will be drafted clearly, simply and concisely. **f) Equal remuneration** Remuneration is decided by taking into consideration the dedication, qualification and responsibility required by the position, as well as experience, duties and tasks carried out by each director. Furthermore, the remuneration should maintain a balance between market competitiveness and internal fairness. • The remuneration policy was approved on 8 March 2017 prior to the stock market flotation of the Company. Prior to that date the Company did not have a remuneration policy because the position of director was not a paid position, which constitutes the most significant change during the budget year. • The remuneration policy states that only independent directors have the right to receive remuneration for their tasks of supervision and collective decision-making, i.e. due to their status as members of the Board of Directors and its Committees.

The remuneration policy sets out the following remuneration items:

a) Fixed annual remuneration.

b) Per diem allowances for attending meetings of the Board and its Committees.

c) Remuneration in shares or linked to the share price, without prejudice to the provisions of the Regulations of the Board of Directors. Despite the above-mentioned provision contained in the policy, at present, the Directors, with the exception of the CEO, do not receive any remuneration in shares or linked to the share price.

The total amount of remuneration that the Company may pay out to all directors for the items mentioned in the previous paragraph will not exceed the amount determined for this purpose by the General Meeting of Shareholders. The amount thus set by the General Meeting will be maintained until it is modified by a new agreement of the General Meeting of Shareholders in accordance with the provisions of the applicable legislation.

The specific determination of the corresponding amount for the above items to each of the directors will be carried out by the Board of Directors in accordance with the Remuneration Policy. To this effect, it will take account of the positions held by each director on the board and their membership of and attendance at the various committees.

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

- The remuneration of the CEO is established in the contract signed with the Company on 14 May 2015. The CEO does not receive any remuneration for his position as a member of the Board of Directors or the Committees, only for his executive role and, unlike the external directors, he does have a system of variable remuneration which aims to align the interests of the CEO with those of the shareholders of the Company by setting specific objectives linked to the creation of value in the medium and long term. The CEO’s remuneration structure is made up of the following elements:

  a) Fixed remuneration of €1,000,000 per year;

  b) Annual bonus to be decided by the Board of Directors;

  c) Long-term company incentive system payable in shares (“LTIP”), details of which are given in section A 4 below.

  d) Insurance for administrators and managers (“D&O”)

A.2 Information about preparatory work and the decision-making process followed to determine the remuneration policy and role held, where applicable, by the Remuneration Committee and other control bodies in determining the remuneration policy. This information will, where appropriate, include the mandate and composition of the Remuneration Committee and the identity of the external advisers whose services have been used to define the remuneration policy. The nature of any of the directors who may have been involved in defining the remuneration policy must also be stipulated.

Explain the process for determining the remuneration policy
The remuneration policy in force on the date of this report was approved by the sole shareholder of the company prior to the stock market flotation of the Company. A new remuneration policy is currently being prepared by the Appointments and Remuneration Committee, which will be submitted for review by the Board and approval by the General Meeting of Shareholders. The Regulations of the Appointments and Remuneration Committee establish some of its obligations as follows: - Periodically review the Remuneration Policy, including share-based payment schemes and their application; and propose modification and update of the policy to the Board of Directors for subsequent submission to the General Meeting of Shareholders, as well as proposals for the amount of annual remuneration of the directors.

- When it comes to defining this policy, take into account all the factors considered necessary, including the relevant legal and regulatory requirements. The purpose of this policy should be to attract, retain and satisfactorily motivate directors and seniors managers of the quality necessary to run the Company, without remuneration higher than what is strictly necessary and paying due attention to the opinions of the shareholders and other interest groups. The remuneration policy should take account of the level of risk assumed by the Company and its correspondence with the Company's long-term strategic objectives. A significant part of the variable remuneration should be linked to individual and company performance and should be designed to promote the long-term success of the Company.

- On defining the remuneration policy for directors, study and take into consideration the employment and salary conditions of the employees of the Company and its main subsidiaries, especially on determining the annual increments.

- Report on the suitability and relevance of the remuneration policy.

- Report on any proposal concerning the remuneration of directors.

- Obtain reliable and up-to-date information about the remuneration in other companies of a similar size and complexity. To facilitate compliance with its obligations, the Committee will have full powers for hiring the services of advisers on remuneration and to commission or acquire any reports, studies or information that it considers necessary with the budget restrictions that may be imposed on it by the Board.

- Approve the design and determine the objectives of the performance-related remuneration plans defined by the Company, as well as approve the total annual remuneration paid under these plans.

- Review the design of all incentive plans, where applicable, for approval by the Board and the shareholders. Where applicable, and in accordance with the provisions of each plan, determine, on an annual basis, or within the period appropriate to each plan, whether any incentive is to be granted and, if so, the total amount of said incentive, the individual incentive of the executive directors, the Company Secretary and other members of senior management, as well as the performance targets that will be used as a reference;

- Guarantee that the contractual conditions that apply in the event of termination of the employment relationship, as well as the payments made for this item, are fair for the interested parties and for the Company, that the individual remuneration of the directors and the members of senior management is in proportion to that made to other directors and managers of the Company and, also, that errors are not rewarded and the obligation to mitigate losses is fully recognized.

- Agree on the policy regarding refundable costs of directors.

- Check the information contained in the documents to be approved by the Board for general distribution, including the Annual Report on Remuneration of Directors and the corresponding sections of the Annual Corporate Governance Report; and

- Guarantee and supervise compliance with the remuneration policy approved for the Company.

The composition of the Appointments and Remuneration Committee on the date of this report is as follows:

- Chairman: Mr. Ricardo Martí Fluxá (Independent and non-executive Chairman of the Board)
- Mr. Alfonso Rodés Vilá (Independent)
- Mr. Juan José Pepa (Other external directors). Mr. Pepa replaced Mr. Felipe Morenés Botín-Sanz de Sautuola on 31 October 2017.

A.3 Indicate the amount and nature of the fixed components, breaking down where necessary the performance-based remuneration of the senior management duties of executive directors, the additional remuneration as chairman or member of a committee of the Board of Directors, per diem allowances paid for participation on the Board and its committees, or other fixed remuneration as director, as well as an estimate of the fixed annual remuneration this gives rise to. Identify other benefits not paid in cash and the basic parameters by which they are granted.

Explain the fixed components of remuneration
The remuneration determined for the Directors of the Company by the sole shareholder prior to the stock market flotation of the Company comes to a total of five hundred thousand euros (€500,000). Only the independent Directors have the right to receive remuneration. The Board of Directors of the Company agreed, at its meeting on 8 March 2017, to distribute this maximum amount between the directors in the following manner: a) Fixed annual remuneration: - Chairman of the Board: €100,000 per year; - Rest of the independent Directors: €75,000 each per year. b) Per diem allowances for attending meetings of the Board and its Committees. The Board of Directors of the Company agreed, at its meeting on 8 March 2017, the following per diem allowances for attendance: - Board Meetings: €3,000 per session; - Committee Meetings: €1,500 per session of each Committee. The CEO of the Company only receives remuneration for performing senior management duties. Therefore, he does not receive any remuneration for performing his role as a member of the Board of Directors and a member of the Real Estate Investment Board. The fixed salary of the CEO is one million euros (€1,000,000) per year, without there being any other type of benefits paid in cash, with the exception of the insurance policy for directors and managers ("D&O") which covers directors and senior management of the company.

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A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration schemes.

In particular:

- Identify each of the remuneration plans from which the directors benefit, their scope, date of approval, date of implementation, validity period, and their main characteristics. In the case of schemes for share options and other financial instruments, the general characteristics of the plan will include information on the conditions for exercising these options or financial instruments for each plan.
- Indicate any remuneration from profit-sharing or bonus schemes and the reason for which it is awarded.
- Explain the fundamental parameters and basis for any annual bonus scheme.
- The types of directors (executive directors, external proprietary directors, independent external directors or other external directors) who benefit from remuneration schemes or plans that include a variable remuneration.
- The basis of these variable remuneration schemes or plans, the criteria chosen for evaluating the performance, as well as the components and methods for evaluation to determine whether certain evaluation criteria have been met or not and an estimate of the absolute amount of the variable remuneration to which the current remuneration plan would give rise to, according to the level of compliance with the hypotheses or targets used as a reference.
- Where appropriate, information should be given on the vesting periods or deferred payment periods established and/or the periods for which shares or other financial instruments must be held, if there are such.

Explain the variable components of the remuneration schemes

The remuneration determined for the Directors of the Company by the sole shareholder prior to the Company being listed comes to a total of five hundred thousand euros (€500,000). The Board of Directors of the Company agreed, in a document dated 8 March 2017, to distribute this maximum amount between the directors in the manner indicated in section A.3, only including fixed remuneration and per diems for attendance. As a result, there are no variable components in the remuneration of the Board of Directors (with the exception of per diems for attendance, the amount of which depends on the number of meetings per year of the Board and its Committees).

The CEO has the variable remuneration indicated below:

1. <u>Annual bonus</u>

The contract signed by the Company with the CEO establishes the right to receive variable remuneration (bonus) to be determined at the discretion of the Board of Directors and only payable if the targets set in the Company's business plan are achieved.

On 22 January 2018, the Appointments and Remunerations Committee approved the payment to the CEO of a bonus linked to the Company's performance in 2017 amounting to three hundred and fifty thousand euros (€350,000).

2. <u>Long-term incentive plan (LTIP):</u>

In addition to the contractual bonus, the CEO is included in the Company's Long-term incentive plan 2017-2021, which was approved by the Board of Directors on 8 March 2017, at the proposal of the Appointments and Remuneration Committee.

The Plan consists of receipt, after a specific period of time, of an incentive payable in shares, as long as certain Company strategic targets have been met and the requirements set out for this in the corresponding Regulations have been complied with.

The Plan is implemented through allocation to each Beneficiary of an Initial Incentive (hereinafter

"**Initial Target Incentive**"), which is defined as a specific number of shares (hereinafter the "**Performance Shares**") which will serve as a basis for determining the level of compliance with specific targets and the requirements set out in the Regulations, the number of Neinor Homes shares to be handed over, where applicable, to each beneficiary at the end of one of the three time cycles established (2017-2019/, 2018/2020 y 2019-2021).

The final number of shares to be handed over to each beneficiary at the end of each cycle will be the result of multiplying (i) the Initial Target Incentive by (ii) the Weighted Achievement Coefficient.

The Weighted Achievement Coefficient will depend on the level of compliance with the targets to which the Plan is linked for each cycle. The achievement of the targets will be measured by identifiable and quantifiable parameters known as Metrics (hereinafter, the "**Metrics**"). The Weighted Achievement Coefficient is the weighted average of the following three Metrics, each of which represents one third of the total (i.e. 33.33%), multiplied by the Correcting Factor:

(i) EBITDA (hereinafter, "**EBITDA**"), defined as the value accumulated during the Measurement Period of the profit figure before interest, tax, depreciation and amortization.

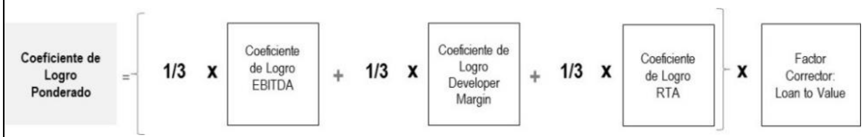
(ii) Developer Margin (hereinafter, **"Developer Margin")**, defined as the average of the differences (expressed as a percentage) between the annual profit figure before tax, interest, depreciation and amortization (EBITDA) and the annual billing figure during the Measuring Period. It will be calculated as the average value during the Measuring Period.

(iii) The Total Shareholder Return (hereinafter "**TSR**") defined as the difference (expressed as a percentage) between the final value of an investment in ordinary shares and the initial value of that investment, taking into consideration that the calculation of this final value will take into account the dividends or other similar concepts (i.e. script dividends) received by the shareholder for this investment during the relevant period of time.

For the purposes of the first cycle, the initial value is understood as the stock-market flotation price (hereinafter, the "**Initial Value**") and the final value is the weighted average of the closing prices of the shares for the 20 stock market sessions prior to 31 December 2019, inclusive (hereinafter, the "**Final Value**"). The Measuring Period for the TSR began with the stock-market flotation of the Company.

In addition to the Metrics described, the Plan considers an additional metric that operates as a Correcting Factor of the system: Loan to Value (hereinafter **Loan to Value**), defined as the difference (expressed as a percentage) between the capital invested coming from external financing (total payable minus treasury) and the gross value of the Company assets. It will be calculated as the average value during the Measuring Period.

Once the Achievement Coefficient has been obtained for each of the Metrics, it will be multiplied by the weighting of each Metric. Where applicable, below, the resulting percentage will be multiplied by the Correcting Factor to find the Weighted Achievement Coefficient.



The scale of achievement for the first cycle is as follows:

- **EBITDA**:

Level of Compliance	EBITDA (in millions of euros)	Achievement Coefficient (% Initial Target Incentive)
≥ Maximum	≥ 350	150%
Between Target and Maximum	Between 320 and 350	Linear interpolation
Target	320	100%
Between minimum and target	Between 285 and 320	Linear interpolation
Minimum	285	30%
Below the minimum	< 285	0%

- **Developer Margin:**

Level of Compliance	Developer Margin (average rate)	Achievement Coefficient (% Initial Target Incentive)

≥ Maximum	≥ 20	150%
Between Target and Maximum	Between 18 and 20	Linear interpolation
Target	18%	100%
Between minimum and target	Between 16% and 18%	Linear interpolation
Minimum	16%	30%
Below the minimum	< 16%	0%

- **TSR:**

Level of Compliance	**TSR** (compound annual rate)	**Achievement Coefficient** (% Initial Target Incentive)
≥ Maximum	≥ 54%	150%
Between Target and Maximum	Between 31% and 54%	Linear interpolation
Target	31%	100%
Between minimum and target	Between 22.5% and 31%	Linear interpolation
Minimum	22,5%	30%
Below the minimum	< 22.5%	0%

- **Correcting Factor:**

Loan to Value (average rate)	**Weighted Achievement Coefficient**
< 40%	∑(Weighted Achievement Coefficients of Metrics) x 100%
≥ 40%	∑(Weighted Achievement Coefficients of Metrics) x 90%

The Performance Shares corresponding to the CEO are: 15,189 shares for the first cycle of the Plan and 15,189 shares for the second cycle of the Plan.

The Plan Regulations state that the CEO is obliged to retain the shares received (net of the corresponding personal income tax payment) for a period of one year from their handover.

The Regulations also include a claw-back clause, details of which are given in section A 14.

3. Lone Star Incentive Plan (MIP):

On 14 February 2017, the sole shareholder of the Company at the time approved the "**Management Incentive Plan**" or "**MIP**" in order to motivate and retain certain key managers (the CEO and 5 other senior managers) as well as to incentivize compliance with the Business Plan and align the long-term interests of the senior managers with those of the shareholders.

The plan consists of **handover of cash and shares by the sole shareholder of the Company at the time** for a sum and with a value linked to (i) the Price of the Offering (with a 10% discount), with a minimum limit of €1.1 billion and (ii) the quoted price for the three years following the Offering.

The MIP has two components: (i) a fixed one (the "**Base**") and (ii) a variable one calculated on the basis of the increase in the quoted prices of the shares (the "**Variable**").

The Base corresponding to the CEO comes to €10 million, one third of which, i.e. €3.33 million, was accrued and handed over in cash and the remaining amount, i.e. €6.66 million was paid in Company shares, in both cases after their stock-market flotation. As the price per share had been set at €16.46, the CEO received 441,998 shares. As a result of the discount in the price of the shares on the stock-market flotation date, the final Base came to €10.60 million.

Regarding the Variable, the maximum amount corresponding to the CEO came to €10 million (the

"**Maximum Variable Amount"**) payable in share plus a part in cash to compensate for the tax accrued.

The Variable will be accrued at each of the following times (the "**Settlement Events**") for the amounts detailed below:

- *First Accrual Date:* One third of the Maximum Variable Amount (the "**1st Maximum Amount**") will be accrued on the first anniversary date of the stock-market flotation of the Company (or on the next day in the event that the markets are closed on that day), as long as the average weighted listing value of the shares in the quarter prior to this date is at least 115% higher than the initial value of the shares ("**the Initial PPS**"), i.e. it is at least €17.47 (the "**First Milestone**"), with certain adjustments.

  If the above-mentioned value is not reached, but the average weighted listing value of the shares for the quarter prior to that date is between 100% and 115% of the Initial PPS, the 1st Maximum Amount will be accrued proportionally.

- *Second Accrual Date:* Another third of the Maximum Variable Amount (the "**2nd Maximum Amount**") will be accrued on the second anniversary date of the stock-market flotation of the Company (or on the next day in the event that the markets are not open on that day), as long as the average weighted listing value of the shares in the quarter prior to this date is at least 15% higher than the initial value of the shares of the First Milestone, i.e. 132.25% of the Initial PPS, with certain adjustments.

  If the above-mentioned value is not reached, but the average weighted listing value of the shares for the quarter prior to that date is between 115% and 132.25% of the Initial PPS (the "**Second Milestone**"), the 2nd Maximum Amount will be accrued proportionally.

  In addition, if the 1st Maximum Amount was not accrued in full on the First Accrual Date, but the average weighted listing value of the shares in the quarter prior to the Second Accrual Date was higher than the 1st Maximum Amount, the beneficiaries will have the right to also receive the part of the 1st Maximum Amount that had not been accrued previously.

- *Third Accrual Date:* The other third remaining of the Maximum Variable Amount (the "**3rd Maximum Amount**") will be accrued on the third anniversary date of the stock-market flotation of the Company (or on the next day in the event that the markets are not open on that day), as long as the average weighted listing value of the shares in the quarter prior to this date is at least 15% higher than the initial value of the shares of the Second Milestone, i.e. 152.09% of the Initial PPS (the **Third Milestone**"), with certain adjustments.

  If the above-mentioned value is not reached, but the average weighted listing value of the shares for the quarter prior to that date is between 132.25% and 152.09% of the Initial PPS, the 3rd Maximum Amount will be accrued proportionally.

  In addition, if the 1st Maximum Amount or the 2nd Maximum Amount was not accrued in full on the First Accrual Date and/or the Second Accrual Date, but the average weighted listing value of the shares in the quarter prior to the Third Accrual Date was higher than the 1st Maximum Amount and/or the 2nd Maximum Amount, the beneficiaries will have the right to also receive the part of the 1st Maximum Amount and/or the 2nd Maximum Amount that had not been accrued previously.

  In all the above cases, the reference listed price for calculating the total amount of the Variable to be handed over to the beneficiaries in accordance with these rules will be the market price of the shares at the close of trading on each Accrual Date.

  Notwithstanding the above, if at any time during the validity of the MIP the listed price of the shares reaches 152.09% of the Initial PPS, the part of the Maximum Variable that has not been accrued according to the general rules of accrual will be accrued in full. In this case, the general rules of accrual will no longer apply because the Maximum Variable Amount will have been accrued in full.

  The shares handed over to the CEO that form part of both the Base and the Variable are subject to the following lock-up periods:

  - Base: half of the shares are subject to a lock-up of one year (i.e. until the first anniversary of the stock market flotation). The other half of the shares are subject to a lock-up of two years (i.e. until the second anniversary of the stock market flotation).

  - Variable: the shares are subject to a lock-up until the third anniversary of the stock market flotation.

  In addition, the MIP regulates the case where the CEO's contract ends prior to the Accrual Dates, stating that in the event that the CEO is considered to be a "Good Leaver" (as defined in the letter in the MIP) he will retain the right to acquire the shares that form part of the Variable, subject to

the general rules of accrual and the lock-up period, while if he is considered to be a “Bad Leaver” (as defined in the letter in the MIP), the CEO will be obliged to return the shares that form part of the Base and the Variable and will lose the right to acquire the shares that form part of the Variable corresponding to the Maximum Variable that is pending accrual.

A.5 Explain the main characteristics of the long-term savings schemes, including retirement and any other annuity benefit, financed wholly or partially by the company, whether they are provided internally or externally, with an estimate of their annual amount or equivalent cost, indicating the type of plan, whether it is a defined-contribution or defined-benefit scheme, the conditions for consolidating the financial rights in favor of the directors and their compatibility with any type of compensation for early termination or cancellation of the contractual relationship between the company and the director.

Also indicate the contributions made in favor of the director to defined-contribution pension schemes; or the increase in the director's vested rights in the case of contribution to defined-benefit schemes.

Explain the long-term savings schemes
The Company does not have any long-term savings schemes in place.

A.6 Indicate any compensation agreed or paid in the case of termination of duties as a director.

Explain the compensation
The service contract signed by the Company with the CEO does not provide any compensation in the event of termination of duties as a director.

A.7 Indicate the conditions that should be met by the contracts of the persons who exercise senior management duties as executive directors. Among other matters, include information on the duration, limits to amount of compensation, permanence clauses, minimum notice, including payment in lieu of the said notice, and any other clauses relating to contractual benefits, as well as compensation or severance packages for early cancellation or termination of the contractual relationship between the company and the executive director. Among the items to be included are agreements on exclusivity, conflicts of interest, exclusivity, permanence or loyalty and post-contractual non-competition.

Explain the conditions of the contracts of executive directors

The main terms and conditions of the service contract signed by the Company with the CEO are as follows:

- Term: the contract took effect on May 14, 2015 and will remain in effect while Mr. Juan Velayos Lluis remains the CEO of the Company;

- Exclusivity: the CEO will carry out his duties exclusively for the Company and on a full-time basis. Therefore, he cannot work directly or indirectly or provide services to third parties or on a self-employed basis, even when such activities are not in competition with those of the Company;

- Termination of contract:

  - The CEO may terminate the contract by giving notice of no less than 6 months. In the event of failure to give notice, he should compensate the Company with an amount equivalent to the gross fixed remuneration for the period of notice not given;
  - The Board of Directors may terminate the contract at any time. The contract will also be terminated in the event of (i) dismissal or non-renewal of the CEO as a member of the Board of Directors or as CEO, (ii) revocation of all or a substantial part of the powers granted, as long as similar powers are not granted;
  - The contract will be terminated automatically in the event that the CEO (i) dies, (ii) reaches the minimum retirement age set out in the by-laws, (iii) is declared legally unfit or has complete incapacity recognized by the Social Security or (iv) is incapable of fulfilling his obligations for a period of more than 6 months.
- Post-contractual non-competition: once the contract has been terminated for any reason, the CEO may not carry out, for a period of two years, any activity in Spain that involves competition with the Neinor Group, nor may he be involved in any way as a shareholder, administrator, employee, consultant or other, with natural persons or legal entities that compete with the activities of the Neinor Group or intend to compete in any way with the Neinor Group.

  In the event of failure to meet this obligation, the CEO will have to pay the Company the sum of €1 million, plus, where applicable, any damages incurred.

A.8 Explain any additional remuneration paid to directors as a consideration for services provided, other than those inherent to their position.

Explain the additional remuneration
The Directors have not accrued any additional remuneration as a consideration for services provided other than those inherent to their position.

A.9 Indicate any remuneration in the form of advances, credits and guarantees, with an indication of the corresponding interest rate, its essential characteristics and the amounts that are repaid where appropriate, as well as the obligations assumed for them by way of guarantee.

Explain the advances, credits and guarantees granted

The Company has not approved any remuneration in the form of advances, credits and/or guarantees in 2017.

A.10 Explain the main characteristics of remuneration in kind.

Explain the remuneration in kind
The directors are covered by an administrators and managers ("D&O") policy. The CEO benefits from medical insurance. In both cases, the policies have been taken out in normal market conditions.

A.11 Indicate the remuneration accrued by the director in virtue of the payments the publicly traded company makes to a third party in which he provides the services of director, when these payments aim to remunerate this director's services in the company.

Explain the remuneration accrued by the director in virtue of the payments the publicly traded company makes to a third party in which he provides the services of director
The Company has not made any payments to any third party to which any of the directors provides services.

A.12 Any other remuneration item other than the above, whatever the nature of such remuneration or the group entity that pays it, particularly when it is considered a related operation or its issue distorts the true image of the total remuneration accrued by the director.

Explain other remuneration items
There is no remuneration item other than those described above.

A.13 Explain the actions adopted by the company in relation to the remuneration system to reduce exposure to excessive risks and adapt it to the company's long-term objectives, values and interests. This should where possible include a reference to: the measures implemented to guarantee that the remuneration policy reflects the company's long-term results; measures that establish an appropriate balance between the fixed and variable components of remuneration; measures adopted in relation to the categories of personnel whose professional activities have a material impact on the entity's risk profile; collection formulas or clauses that allow claims for the return of the results-based variable components of remuneration based on results when such components have been paid in accordance with data that have later been demonstrated to be manifestly incorrect; and measures to avoid conflicts of interest.

Explain the actions adopted to reduce risks

Article 25.3 of the Regulations of the Board of Directors states that remuneration of directors should be in reasonable proportion to the importance of the Company, the financial situation it is in at all times, the standards met in the market by companies of a similar size or with similar activity and should take account of their dedication to the Company. The established remuneration system must be aimed at promoting the Company's long-term profitability and sustainability and incorporating the necessary cautions in order to avoid the excessive assumption of risks and unfavorable results. Specifically, the remuneration system should set the limits and safeguards necessary to guarantee that the variable remuneration is in relation to the professional performance of the beneficiaries and is not only based on the general development of the markets or the sector.

The remuneration policy for directors put in place by the Company does not set any variable remuneration for directors for their status as such, but only fixed remuneration and per diem allowances for attendance at meetings in order to reward directors appropriately and sufficiently for their dedication, qualifications and responsibilities, without this compromising their independent judgement or encouraging excessive risk-taking by the Company.

The remuneration system for the CEO is designed to reflect the interests of the Company. The annual targets set in order to obtain the bonus are linked to results. The targets set in the long-term incentive plan (LTIP) relate to EBITDA, developer margins and shareholders' returns, as disclosed in section A4.

The design of the LTIP also defers payments of the remuneration generated in each year of the plan by three years and requires that the CEO remains in post with the Company in order to receive said amounts in full.

Finally, the LTIP contains a clawback clause whereby the Company may require the CEO to return shares delivered under the plan or even to offset repayment of said shares against any other remuneration the CEO may have the right to receive if, during the year following the Plan settlement date circumstances arise that, in the view of the Board of Directors, indicate that the incentive payment was settled incorrectly. Specifically, the Company may require the incentive to be repaid in circumstance including the following:

(i) Sanctions for serious breaches of the code of good conduct and any other applicable internal standards.

(ii) Other unforeseen circumstances for which the Company does not assume responsibility with a material negative impact on its results in any of the years in the clawback period.

B REMUNERATION POLICY PLANNED FOR FUTURE YEARS

Repealed section.

C OVERALL SUMMARY OF HOW THE REMUNERATION POLICY WAS APPLIED DURING THE LAST FISCAL YEAR

C.1 Give a summary of the main characteristics of the structure and remuneration items of the remuneration policy applied in the last fiscal year, on which the detailed individual remuneration accrued by each of the directors is based, as reflected in section D of this report, as well as a summary of the decisions taken by the board of directors to apply these items.

Explain the structure and remuneration items of the remuneration policy applied in the fiscal year
As disclosed in section A.1, the current remuneration policy for directors only allows Independent Directors to be remunerated. The CEO is only remunerated for his executive functions and does not, therefore, receive any remuneration for his membership of the Board of Directors or any committee thereof. The remuneration established for Independent Directors comprises a fixed allocated amount and per diem allowances for attendance, which were paid in 2017 in proportion to the time spent performing their duties and based on attendance at meetings of the Board of Directors and committees thereof. The CEO's remuneration for his executive functions is established in the contract signed by the Company on 14 May 2015 and includes a fixed remuneration plus a bonus to be determined by the Board of Directors and only payable if the targets set in the Company's business plan are achieved. As disclosed in section A.4., on 22 January 2018 the Appointments and Remunerations Committee approved the payment to the CEO of a bonus linked to the Company's performance in 2017 amounting to three hundred and fifty thousand euros (€350,000).

D DETAILS OF THE INDIVIDUAL REMUNERATION ACCRUED BY EACH OF THE DIRECTORS

Name	Type	Accrual period fiscal year 2017
RICARDO MARTÍ FLUXÁ	Independent	29/03/2017 to 31/12/2017
JUAN VELAYOS LLUIS	Executive	01/01/2017 to 31/12/2017
ANNA M. BIRULÉS BERTRAN	Independent	29/03/2017 to 31/12/2017
ALFONSO RODÉS VILA	Independent	29/03/2017 to 31/12/2017
ALBERTO PRIETO RUIZ	Independent	31/10/2017 to 31/12/2017
JUAN JOSÉ PEPA	Proprietary	01/01/2017 to 31/12/2017
FELIPE MORENÉS BOTÍN-SANZ DE SAUTUOLA	Proprietary	01/01/2017 to 31/12/2017

D.1 Complete the following tables with the individual remuneration of each of the directors (including remuneration for executive duties) accrued over the fiscal year.

a) Remuneration accrued in the company that is the subject of this report:

i) Remuneration in cash (thousand €)

Name/ Type/ Accrual period fiscal year t	Salary	Fixed remuneration	Per diem allowances	Short-term variable remuneration	Long-term variable remuneration	Remuneration for belonging to Board committees	Compensation	Other items	Total fiscal year t	Total fiscal year t-1

RICARDO MARTÍ FLUXÁ	0	75	22	0	0	0	0	0	97	0
JUAN VELAYOS LLUIS	1,000	0	0	350	0	0	0	0	1,350	0
ANNA M. BIRULÉS BERTRAN	0	56	13	0	0	0	0	0	69	0
ALFONSO RODÉS VILA	0	56	12	0	0	0	0	0	68	0
ALBERTO PRIETO RUIZ	0	12	0	0	0	0	0	0	12	0
JUAN JOSÉ PEPA	0	0	0	0	0	0	0	0	0	0
FELIPE MORENÉS BOTÍN-SANZ DE SAUTUOLA	0	0	0	0	0	0	0	0	0	0

ii) Share-based remuneration schemes

Name/ Type/ Accrual period fiscal year t	Plan name and implementation date	Share holdings at start of fiscal year t				Options assigned in fiscal year t				Shares delivered in fiscal year t
		No. deadline	No. affected options	Exercise Exercise shares (€)	price	No. options	Affected shares	Exer. price (€)	Exer. deadline	No. Price Amount
JUAN VELAYOS LLUIS	Neinor Homes long-term incentive plan 29/03/2018	0	0	0	N/A	22,783	22,783	0	31/12/2019	

Name/ Type/ Accrual period fiscal year t	Plan name and implementation date	Options exercised in 2017				Expired, not-exercised options	Options at the end of fiscal year t				
		No. options	No. affected shares	Exercise price (€)	Gross gain (€)	No. options	No. options	No. affected shares	Exercise price (€)	Exercise deadline	Further exercising requirements
JUAN VELAYOS LLUIS	Neinor Homes long-term incentive plan 2017-2021	0	0	0	0	0	22,783	22,783	0	31/12/2019	

iii) **Long-term savings systems**

Name/ Type/ Accrual period total in fiscal years	Company's contribution in the fiscal year (thousand €)		Accumulated funds (thousand €)	
	Fiscal year t	Fiscal year t-1	Fiscal year t	Fiscal year t-1
Director 1				

iv) **Other benefits (thousand €)**

b) **Remuneration accrued by directors of the company as board members in other companies in the group:**

i) **Remuneration in cash (thousand €)**

ii) **Share-based remuneration schemes**

iii) Long-term savings systems

iv) Other benefits (thousand €)

c) Summary of remunerations (thousand €):

The summary must include the amounts corresponding to all the remuneration items included in this report that have been accrued by the director, in thousands of euros.

In the case of long-term savings schemes, this amount will include the contributions or provisions made to these kinds of schemes:

	Remuneration accrued in the Company				Remuneration accrued in the group's companies				Total		
Name/ Type	Total remuneration in cash	Amount of shares granted	Gross gain from the options exercised	Total fiscal year t company	Total remuneration in cash	Amount of shares delivered	Gross gain from the options exercised	Total fiscal year t group	Total fiscal year 2017	Total fiscal year 2016	Contribution to savings systems during the fiscal year
Juan Velayos Lluis	1.350	0	0	1.350	0	0	0	0	1.350	0	0
Total:	1.350	0	0	1.350	0	0	0	0	1.350	0	0

D.2 Information on the relationship between the remuneration obtained by directors and the results or other performance measurements of the entity; explaining, where possible, how the changes in performance of the company have influenced changes in the remuneration of the directors

This matter is detailed in sections A.1 and A.4

D.3 Give the result of consultative vote of the General Meeting of Shareholders to the annual report on remuneration for the previous year, indicating the number of negative votes that may have been issued:

	Number	**% of total**
Votes issued	0	0

	Number	**% of votes issued**
Negative votes	0	0
Votes in favor	0	0
Abstentions	0	0

E OTHER INFORMATION OF INTEREST

If there is any relevant aspect on the matter of remuneration of directors that it has not been possible to include in the rest of the sections of this report, but that should be included in order to provide the most complete and explanatory information on the remuneration structure and practices of the company in relation to its directors, please provide it here briefly.

This annual remuneration report was approved by the Board of Directors of the Company at its meeting of 21/02/2018.

Indicate whether there are directors who have voted against the approval of the report, or who have abstained.

☐ Sí ☑ No

Name or company name of members of the Board of Directors that did not vote to approve this report	**Reason (objection, abstention, non-attendance)**	**Explain reasons**