

**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

**ISSUER'S PARTICULARS**

<b>FINANCIAL YEAR ENDING (DATE)</b>	31/12/2017
-------------------------------------	------------

<b>COMPANY TAX ID NO.</b>	A87586483
---------------------------	-----------

**COMPANY NAME**

AEDAS HOMES, S.A.

**REGISTERED OFFICE**

Paseo de la Castellana 42, 28046 Madrid

# ANNUAL CORPORATE GOVERNANCE REPORT

## AEDAS HOMES, S.A.

### A OWNERSHIP STRUCTURE

**A.1 Complete the following table on the company's share capital:**

Date of last modification	Share capital (€)	Number of shares	Number of voting rights
19/10/2017	€ 47,966,587	47,966,587	47,966,587

**Indicate whether different types of shares exist with different associated rights:**

Yes  No

**A.2 List the direct and indirect holders of significant ownership interests in your organisation at year-end, excluding Board members:**

Personal or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
HIPOTECA 43 LUX S.A.R.L.	26,602,096	-	-	55.460 %
T. ROWE PRICE ASSOCIATES, INC	-	-	2,437,182	5.081 %
CANYON CAPITAL ADVISORS, LLC	1,850,071	-	-	3.857%
FMR, LLC	-	-	1,744,065	3.636 %
T. ROWE PRICE INTERNATIONAL FUNDS, INC.	-	-	1,449,550	3.022 %

**Indicate the most significant movements in the shareholding structure during the financial year:**

Personal or corporate name of shareholder	Transaction date	Description of the transaction
-	-	-

**A.3 Complete the following tables detailing the members of the Board of Directors who own voting shares in the company:**

Personal or corporate name of board member	Number of direct voting rights	Number of indirect voting rights		% of total voting rights
		Name of direct holder	Number of voting rights	
Javier LAPASTORA TURPIN	1,439	-	-	0.003%
David MARTÍNEZ MONTERO	73,389	-	-	0.153%
<b>% of total voting rights held by the Board of Directors</b>				<b>0.156 %</b>

Complete the following tables on members of the company's Board of Directors that hold rights over company shares:

Personal or corporate name of board member	Number of direct rights	Indirect rights		Number of equivalent shares	% of total voting rights
		Direct holder	Number of voting rights		
-	-	-	-	-	-

A.4 Indicate, as applicable, any family, commercial, contractual or corporate relationships between owners of significant shareholdings, insofar as these are known by the company, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.5 Indicate, as applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings, and the company and/or its group, unless they are insignificant or arise from ordinary trading or exchange activities:

Related-party name or corporate name	Type of relationship	Brief description
-	-	-

A.6 Indicate whether the company has been notified of any shareholders' agreements pursuant to articles 530 and 531 of the Spanish Capital Companies Act ("LSC"). If so, provide a brief description and list the shareholders bound by the agreement:

Yes  No

Shareholders bound by agreement	% of share capital affected	Brief description of agreement
-	-	-

Indicate whether the company is aware of the existence of any concerted actions among its shareholders. If so, give a brief description:

Yes  No

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action
-	-	-

Expressly indicate any amendments to or termination of such agreements or concerted actions during the year, where applicable.

**A.7 Indicate whether any individuals or bodies corporate currently exercise control or could exercise control over the company in accordance with article 5 of the Spanish Securities' Market Act. If so, give details.**

Yes  No

**Name or corporate name**

HIPOTECA 43 LUX S.A.R.L.

**Remarks**

HIPOTECA 43 LUX S.A.R.L. is the majority shareholder in AEDAS Homes with 55.460% of voting rights.

**A.8 Complete the following tables on the company's treasury stock:**

**At year-end:**

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
-	-	-

**(\*) Held through:**

Personal or corporate name of direct shareholder	Number of shares held directly
-	-
<b>Total:</b>	-

**Give details of any significant changes during the financial year, pursuant to Royal Decree 1362/2007:**

Details of significant changes
-

**A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.**

The Minutes of the decisions made by Hipoteca 43 LUX S.À.R.L., Sole Shareholder of Aedas Homes S.L., Single Member Company, on the 11<sup>th</sup> of September 2017, establish in point number 12 that the Board of Directors shall, after the date of listing of the Company, and within a time period of 5 years, either directly or indirectly, be authorized to buy back own shares up to a maximum of 10% of the company's share capital, and the selling of such shares at a later stage.

"The Sole Shareholder decides to authorize the Board of Directors of the Company to buy back own shares, either directly or indirectly, under the following conditions:

- (a) Method of buy back and maximum amount of shares to be acquired: the buy back can be executed as a trade, swap, gift, allocation or dation in payment, or by any other means of acquisition of shares permissible by law, either executed through one or several transactions, provided that the amount of acquired shares does not exceed 10% of the company's share capital
- (b) Maximum and minimum prices: the price shall range between nominal value as minimum price and the closing price in the stock exchange the day before the buy back of the shares as a maximum price
- (c) Authorization's term: this authorization will be valid for a time period of 5 years after the date this decision has been made.

It is expressly established that the shares bought back under this authorization can be sold, used for potential corporate or business transactions, transferred to the Company's employees or Directors, or based on stock options rights of their holders, as established in paragraph 3 of section 1. a) of article 146 of the Law on Corporations. The current authorization will be effective from the date the Company's shares are admitted to trading on the Spanish Stock Exchange".

**A.9 bis Estimated free float:**

	%
Estimated free float	28.799 %

**A.10 Give details of any restriction on the transfer of securities and/or any restriction on voting rights, where applicable. Indicate, in particular, the existence of any type of restriction that could hinder the takeover of the company through the acquisition of shares on the market.**

Yes  No

Description of restrictions
-

**A.11 Indicate whether the General Shareholders' Meeting has agreed to take neutralisation measures to prevent a public takeover bid under the terms of Act 6/2007.**

Yes  No

Where applicable, explain the measures adopted and the terms under which these restrictions may be lifted:

**A.12 Indicate whether the company has issued securities that are not traded in a regulated European Union market.**

Yes  No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

**B GENERAL MEETING OF SHAREHOLDERS**

**B.1 Indicate and detail the differences, if any, between the required quorum for convening the General Shareholders' Meeting and the quorum required in the Spanish Capital Companies Act (LSC).**

Yes  No

	% quorum other than that established in article 193 of the LSC for general cases	% quorum other than that established in article 194 of the LSC for the special cases described in article 194 of the LSC
Quorum required for first call	-	-
Quorum required for second call	-	-

Description of differences
-

**B.2 Indicate and, where applicable, describe any differences between the company's system of adopting corporate resolutions and the framework established in the LSC:**

Yes  No

**Describe how they differ from the rules established in the LSC.**

	<b>Qualified majority other than that established in article 201.2 of the LSC for the cases described in 194.1 of the LSC</b>	<b>Other cases requiring a qualified majority</b>
<b>% set by company for adopting corporate resolutions</b>	-	-
<b>Describe the differences</b>		
-		

**B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when amending the Bylaws.**

The General Shareholders' Meeting is responsible for making amendments to the Bylaws under Article 285 *et seq.* of the Spanish Capital Companies Act.

The Regulations governing the General Shareholders' Meeting set out the rules that apply to amendment of the Company's Bylaws in Article 19, Constitution of the General Shareholders' Meeting.

"The General Shareholders' Meeting shall be validly constituted at first call when shareholders representing at least twenty-five per cent of the share capital with voting rights are present or represented. At second call, a General Meeting shall be validly constituted regardless of the share capital in attendance.

Notwithstanding the contents of the preceding paragraph, in order for an ordinary or extraordinary General Meeting to validly agree to a capital increase or reduction or any other modification of the Bylaws, the issue of bonds and securities for which competence has not been legally assigned to another Company body, the cancellation or restriction of the right of pre-emption over new shares, or the Company's transformation, merger or demerger or the global assignment of its assets and liabilities or the transfer of its registered office abroad, shareholders holding at least fifty percent of the subscribed share capital with voting rights must be either present or represented at the Meeting at first call. At second call, the presence of twenty-five per cent of the share capital shall be sufficient, but when shareholders representing less than fifty per cent of the subscribed share capital with voting rights are present, the company resolutions referred to in this paragraph may only be validly adopted if they receive a favourable vote from two thirds of the share capital that is either present or represented at the General Shareholders' Meeting.

The provisions set out in this present Article shall be understood to be without prejudice to any qualified majorities that may be established in the applicable legislation or these Bylaws in respect of the constitution of meetings and votes."

Article 29 of these Regulations establish that proposals for resolutions on items included in the agenda shall be submitted to a vote, and any issues that are substantially independent of one another shall be voted on separately so that shareholders can exercise their voting preferences separately. These include cases involving the amendment of the Bylaws.

"The General Shareholders' Meeting shall vote separately on any issues that are substantially independent of one another so that shareholders can exercise their voting preferences separately. In any case, even though they may be included in the same item on the Agenda, the following must be voted on separately: (i) the appointment, re-election or ratification (in the case of co-opting) of directors, who must be voted on individually; (ii) votes relating to consultation on the annual report on directors' pay; and (iii) in the event of the amendment of the Bylaws, each Article or group of Articles that is substantially independent. However, where the circumstances make it advisable, the Chairman may rule that proposals relating to several items on the Agenda should be voted on jointly, in which case the result of the vote will be understood to be individually reproduced for each proposal, so long as none of the attendees expresses a wish to modify the way in which he or she has voted in respect of one of these proposals. Otherwise, the minutes will reflect the way in which each attendee has modified his or her vote, along with the results of the vote in relation to each proposal as a consequence of such modifications."

The majorities required in order to amend the Bylaws are set out in Article 32 of the Regulations governing the General Shareholders' Meeting, along with the majorities required to adopt the resolutions referred to in Article 19.2 of the aforementioned Regulations, indicating that, "if the share capital present or represented exceeds fifty per cent, it will be sufficient for the resolution to be adopted by an absolute majority. However, a favourable vote from two thirds of the share capital present or represented at the Meeting shall be required at second call when shareholders representing at least twenty-five per cent but less than fifty per cent of the subscribed share capital with voting rights are present."

**B.4 Indicate the attendance figures for the General Shareholders' Meetings held during the year to which this report relates and during the preceding year:**

Date of General Meeting	Attendance data				Total
	% attending in person	% attending by proxy	% remote votes		
			Electronic vote	Others	
-	-	-	-	-	-

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

**B.5 Indicate whether the Bylaws impose any minimum requirement on the number of shares required to attend the General Shareholders' Meetings:**

Yes  No

Number of shares required to attend General Meetings	-
--	---

**B.6 Section removed.**

**B.7 Indicate the address of your company's website and the way in which corporate governance content may be accessed, along with any other information on General Meetings which must be made available to shareholders on the website.**

Information relating to corporate governance and general meetings is made available on the AEDAS Homes corporate website under the heading "Shareholders and Investors", which can be accessed via [www.aedashomes.com](http://www.aedashomes.com).

This section sets out the most relevant information on corporate governance at the Company, and the different sections can be accessed under the following headings:

CORPORATE GOVERNANCE	Information
General Shareholders' Meeting	<ul style="list-style-type: none"> <li>Regulations of the General Shareholders' Meeting</li> <li>Convening meetings, agenda and minutes</li> </ul>
Board of Directors	<ul style="list-style-type: none"> <li>Organisational structure</li> <li>Regulations governing the Board of Directors</li> </ul>
Corporate Governance Reports	<ul style="list-style-type: none"> <li>Annual Corporate Governance Report</li> <li>Audit Committee Report</li> <li>Remunerations Committee Report</li> </ul>
Bylaws	<ul style="list-style-type: none"> <li>Bylaws</li> </ul>
Corporate policy	<ul style="list-style-type: none"> <li>Code of Conduct</li> <li>Anti-Corruption Policy</li> <li>Policy on Communications with Shareholders and Investors</li> <li>Third Party Code of Conduct</li> <li>Corporate Social Responsibility Policy</li> <li>Regulations governing Internal Conduct in matters relating to the Stock Markets</li> <li>Quality and Environmental Protection Policy</li> </ul>

The agenda for the meeting of the Board of Directors to be held on 22 March 2018 includes approving the holding of a General Shareholders' Meeting on a specific date in May, and if this is voted for, the announcement of the meeting will be published on the corporate website ([www.aedashomes.com](http://www.aedashomes.com)) under 'Corporate Governance', sub-heading 'General Shareholders' Meeting'.

## **C** COMPANY MANAGEMENT STRUCTURE

### **C.1 Board of Directors**

#### **C.1.1 Maximum and minimum number of board members stipulated in the Bylaws:**

<b>Maximum number of Board Members</b>	15
<b>Minimum number of Board Members</b>	5

#### **C.1.2 Complete the following table with board members' details:**

<b>Personal or corporate name of board member</b>	<b>Representative</b>	<b>Category of Board Member</b>	<b>Position on the Board</b>	<b>Date of first appointment</b>	<b>Date of last appointment</b>	<b>Election procedure</b>
Ms. Cristina ÁLVAREZ ÁLVAREZ	-	Independent	Board Member	04/10/2017	04/10/2017	Sole Shareholder Decision
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Santiago FERNÁNDEZ VALBUENA	-	Independent	Chairman of the Board	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Emile K. HADDAD	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Javier LAPASTORA TURPIN	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. David MARTÍNEZ MONTERO	-	Executive	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Merlin Properties, SOCIMI, S.A. <sup>(*)</sup>	HIPOTECA 43 LUX S.A.R.L.	Proprietary	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision
Mr. Miguel TEMBOURY REDONDO	-	Independent	Board Member	27/09/2017	27/09/2017	Sole Shareholder Decision

<sup>(\*)</sup> Represented by Ismael Clemente Orrego.

<b>Total number of Board Members</b>	9
--------------------------------------	---

#### **C.1.3 Complete the following tables on Board Members and their respective categories:**

##### **EXECUTIVE DIRECTORS**

<b>Personal or corporate name of director</b>	<b>Position in company's organisational structure</b>
Mr. David MARTÍNEZ MONTERO	Managing Director

<b>Total number of executive directors</b>	1
<b>% of Board</b>	11.11 %



### EXTERNAL PROPRIETARY DIRECTORS

Personal or corporate name of director	Personal or corporate name of the significant shareholder that he/she represents or that proposed his/her appointment
Mr. Evan Andrew CARRUTHERS	HIPOTECA 43 LUX S.A.R.L.
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	HIPOTECA 43 LUX S.A.R.L.
Mr. Merlin Properties, SOCIMI, S.A. (*)	HIPOTECA 43 LUX S.A.R.L.

(\*) Represented by Ismael Clemente Orrego.

<b>Total number of proprietary directors</b>	3
<b>% of Board</b>	33.33 %

### EXTERNAL INDEPENDENT DIRECTORS

Personal or corporate name of director	Profile
Ms. Cristina ÁLVAREZ ÁLVAREZ	Independent Director Chairwoman of the Technology Committee
Mr. Santiago FERNÁNDEZ VALBUENA	Chairman of the Board
Mr. Emile K. HADDAD	Independent Director
Mr. Javier LAPASTORA TURPIN	Independent Director Chairman of the Audit and Control Committee
Mr. Miguel TEMBOURY REDONDO	Independent Director Chairman of the Appointments and Remuneration Committee

<b>Total number of independent directors</b>	5
<b>% of Board</b>	55.55 %

**Indicate whether any director classified as independent receives any amount or benefit from the Company, or from the group, in any concept other than their remuneration as a Board Member, or whether he/she maintains or has maintained a business relationship with the Company or with any company within its group during the last financial year, in his/her own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.**

No independent director receives any amount or benefit from the company or from the group, in any concept other than their remuneration as a Board Member, nor do they maintain or have they maintained a business relationship with the Company or with any company within its group during the last financial year, either in their own name or as a significant shareholder, Board Member or senior executive of a company that maintains or has maintained such a relationship.

**Where applicable, include a statement from the Board detailing the reasons why it believes the said director may perform their duties as an independent director.**

Personal or corporate name of board member	Description of the relationship	Reasons
-	-	-

**C.1.4 Complete the following table with information on the number of female Board members at the close of the last 4 financial years and their category:**

	Number of female Board Members				% of total directors of each type			
	2017	2016	2015	2014	2017	2016	2015	2014
<b>Executive</b>	0	-	-	-	0.00%	-	-	-
<b>Proprietary</b>	0	-	-	-	0.00%	-	-	-
<b>Independent</b>	1	-	-	-	11.11 %	-	-	-
<b>Total:</b>	1	-	-	-	11.11 %	-	-	-

**C.1.5 Explain the measures adopted by the company, where applicable, to ensure the inclusion of women on the Board of Directors in an amount that will permit the attainment of a male/female equilibrium.**

**Explanation of measures**

An attempt was made during the process for the election of Board Members at the end of the 2017 financial year to include a number of women on the Board of Directors in an amount that would permit the attainment of a male/female equilibrium.

In 2017, in preparation for the Company's flotation on the Stock Market, the Company's then Sole Shareholder decided to modify the Board of Directors in order to adapt it to the Company's future status of listed company.

The Company began a process to find four independent directors who met certain requirements (relating to level of professional experience, areas of know-how and specialisation, etc.), and women were, of course, considered for these positions.

During this search for directors, offers were made to a number of women who met the agreed requirements, but unfortunately almost all of them had to refuse the offer because they were not given the necessary consent by the companies at which they performed executive duties.

However, the Company did manage to reach an agreement with Cristina Álvarez Álvarez, who joined the Company's Board as an independent director.

It is established in Article 5 of the Regulations governing the Board of Directors that proposals for the appointment or re-election of board members must be based on a prior analysis of the Board's needs, with preference given to a diversity of known-how, experience and gender.

**C.1.6 Explain the measures taken by the Appointments Committee, where applicable, to ensure that selection processes are not subject to any implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:**

**Explanation of measures**

Under the Board of Directors' Regulations, the Company formed an Appointments and Remuneration Committee on 27<sup>th</sup> of September 2017, the composition of which is described in Article 15 of the said Regulations, along with its powers and operational rules.

One of the basic duties of this Appointments and Remuneration Committee is "establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target", which will be encouraged for future board members.

**When, despite the measures taken (where applicable), there are few or no female directors, explain the reasons:**

Explanation of reasons
------------------------

As explained in section C.1.5, the board members at the end of the 2017 financial year were selected during the period prior to the Company's flotation, and an attempt was made to include a number of women that would permit a balanced presence of men and women.

**C.1.6.bis Explain the conclusions of the Appointments Committee on the verifiability of the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of all Board places occupied by women directors before the year 2020.**

On the date of this Annual Corporate Governance Report, the Company is preparing a draft of a Director Selection Policy, subject to review and approval by the Appointments and Remuneration Committee, which will be submitted to the Board of Directors.

One of the express targets set out in this policy is to pursue the goal of having at least 30% of all seats on the Board of Directors occupied by women directors before 2020.

**C.1.7 Explain how shareholders with significant shareholdings are represented on the board.**

On 31<sup>st</sup> of December 2017, the only shareholder represented on the Company's Board of Directors is HIPOTECA 43 LUX S.A.R.L., which has three proprietary directors.

**C.1.8 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders who hold less than 3% of the share capital:**

Personal or corporate name of shareholder	Reason
-	-

**Detail any failure to address formal requests for Board representation from shareholders with stakes equal to or exceeding that of others at whose request proprietary members were appointed. If so, explain the reasons why the request was not entertained:**

Yes  No

Personal or corporate name of shareholder	Explanation
-	-

**C.1.9 Indicate whether any Board member has resigned from office before their term of office has expired, whether reasons were given to the Board and through what channels. If made in writing to the entire Board, explain at least the reasons given by the Board member:**

Name of Board Member	Reason for resignation
-	-

**C.1.10 Indicate what powers, if any, have been delegated to the Managing Director(s).**

<b>Personal or corporate name of board member</b>
---

Mr. David MARTÍNEZ MONTERO

<b>Brief description</b>
--------------------------

Pursuant to the Deed for the Appointment of a Managing Director dated 12<sup>th</sup> of September 2017, signed by the Company "Aedas Homes, S.L.", Sole Shareholder Company, which publicly recorded the resolution adopted on 11<sup>th</sup> of September 2017 by the Board of Directors, the Company appointed David Martínez Montero as Managing Director, permanently delegating all of its powers to him, except for the powers that cannot be delegated under the Law (Article 529 *ter* of the Spanish Capital Companies Act) or the Company's Bylaws (Articles 5.3 and 5.4 of Title II of the Board of Directors' Regulations).

Article 21 of the Bylaws establishes that the Board of Directors may permanently delegate all or some of its powers, except for those that may not be delegated under the Law, the Bylaws or the Board of Directors' Regulations, to an Executive Committee and/or one or more Managing Directors, and it may also choose the members of the Board of Directors who will sit on the delegated body, as well as, where appropriate, the way in which the powers delegated to the Managing Directors are to be exercised.

**C.1.11 List the Board Members, if any, who hold office as directors or executives in other companies belonging to the listed company's group:**

<b>Personal or corporate name of board member</b>	<b>Name of the group company</b>	<b>Position</b>	<b>Does he/she have executive powers?</b>
Mr. David MARTÍNEZ MONTERO	Aedas Homes, S.A.	Board Member	Yes.
Mr. David MARTÍNEZ MONTERO	Cornetala Servicios y Gestiones S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Damalana Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Danta Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Delaneto Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 11, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 12, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 20, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 21, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 22, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 23, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 25, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 27, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 28, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 29, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 31, S.L.	Board Member	No

<b>Personal or corporate name of board member</b>	<b>Name of the group company</b>	<b>Position</b>	<b>Does he/she have executive powers?</b>
Mr. David MARTÍNEZ MONTERO	Espebe 32, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 34, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 35, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 4, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Espebe 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Farconata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Landata Servicios y Gestiones, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Milen Investments, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 12, SL	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 14, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 15, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 18, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 26, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 5, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Reoco 6, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 16, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 17, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 2, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain 7, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	SPV Spain Project 1, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Licancabur, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Epavena Promociones y Servicios, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Mauna Loa, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Servicios Inmobiliarios Clegane, S.L.	Board Member	No
Mr. David MARTÍNEZ MONTERO	Desarrollo Empresarial Licancabur, S.L.	Board Member	No

**C.1.12 List, where applicable, any company board members who sit on the boards of directors of other non-group companies that are listed on official securities markets in Spain, insofar as these have been disclosed to the company:**

<b>Personal or corporate name of board member</b>	<b>Name of the listed company</b>	<b>Position</b>
Mr. Evan Andrew CARRUTHERS	Five Point Holdings L.L.C.	Board Member
Mr. Santiago FERNÁNDEZ VALJUENA	Ferrovial, S.A.	Board Member
Mr. Emile K. HADDAD	Five Point Holdings L.L.C.	Board Member
Mr. Javier LAPASTORA TURPIN	Mostostal Warszawa, S.A.	Board Member

**C.1.13 Indicate and, where appropriate, explain whether the company has established rules about the number of boards on which its directors may sit.**

Yes  No

<b>Explanation of rules</b>
-----------------------------

Pursuant to Article 33 of the Board of Directors' Regulations, company Board Members may not sit on more than four boards (or administrative bodies) of other companies that do not belong to the Company's Group.

**C.1.14 Section removed.**

**C.1.15 List the total remuneration paid to the Board of Directors in the year:**

<b>Board remuneration (thousands of euros)</b>	7,120
<b>Value of rights accumulated by current board members in respect of pensions (thousands of euros)</b>	0
<b>Value of rights accumulated by former board members in respect of pensions (thousands of euros)</b>	0

**C.1.16 List any members of senior management who are not executive directors and indicate the total remuneration paid to them during the year:**

Name or corporate name	Position
Mr. Alberto DELGADO MONTERO	Director of Operations
Mr. Hernando DE SOTO FITZ-JAMES STUART	Director of Investor Relations
Mr. Esther DUARTE I MACARRO	Director of Corporate Resources
Mr. Sergio GÁLVEZ CAPÓ	Director of Strategy and Investment
Mr. Enrique GRACIA COLLDEFORNS	Financial Director
Ms. Coro MORALES ASÚA	Director of Legal Affairs
Ms. Raquel PILARES GUTIÉRREZ	Director of Internal Auditing
Ms. Javier SÁNCHEZ GUTIÉRREZ	Director of Marketing and Communications
Ms. Alberto SOTO VICENTE	Director of Risk & Compliance

<b>Total remuneration received by senior management (thousands of euros)</b>	14,995
--	--------

**C.1.17 List, where applicable, the names of those board members who are in turn members of the boards of directors of companies that own significant holdings and/or of group companies:**

Personal or corporate name of board member	Company name of significant shareholder	Position
Mr. Evan Andrew CARRUTHERS	CASTLELAKE L.P.	Managing Director

**List, where appropriate, any relevant relationships, other than those included under the previous heading, that link members of the Board of Directors with significant shareholders and/or their group companies.**

Name or corporate name of linked board member	Name or corporate name of linked significant shareholder	Description of relationship
-	-	-

**C.1.18 Indicate whether any changes have been made to the board regulations during the year**

Yes  No

Description of changes
-

**C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, the procedures to be followed and criteria used in each of these procedures.**

Pursuant to Article 18 of the Board of Directors' Regulations, Board Members shall be appointed by the General Meeting of Shareholders or by the Board of Directors by co-option, following a report from the Appointments and Remuneration Committee or, in the case of independent directors, following a proposal from the Appointments and Remuneration Committee, pursuant to the provisions set out in the applicable legislation, the Company's Bylaws and the aforementioned Regulations.

The Board of Directors shall ensure that the candidates selected are people of known solvency, competence and experience, and the strictest rigour must be observed in relation to those who are selected to take up the position of independent director.

Before proposing the re-election of board members to the General Meeting of Shareholders, the Board of Directors shall assess (with the abstention of any of the persons affected) the quality of the work carried out and the devotion to duty of the proposed board members during their previous mandate.

Pursuant to Article 19 of the Board of Directors' Regulations, board members shall remain in their post for a period of three years, at the end of which they may be re-elected on one or more occasions for periods of the same maximum duration. A board member's appointment shall end when, following the expiry of his or her mandate, the next General Shareholders' Meeting has been held, or the deadline set out in law for the holding of the Meeting at which a resolution is to be adopted on the approval of the annual accounts has passed.

Board members appointed by co-option shall remain in their post until the first General Shareholders' Meeting held after their appointment, and they must resign their position in the event that the General Shareholders' Meeting in question does not ratify their appointment. If the position becomes vacant after the General Meeting has been convened but before it is actually held, the Board may appoint a board member up to the time at which the following General Meeting is held.

Independent directors may not remain in this capacity for a continuous period of more than 12 years.

Pursuant to Article 20 of the Board of Directors' Regulations, the mandate of a board member shall end when the period for which they were appointed expires and when this is decided by the General Shareholders' Meeting pursuant to the powers vested in it by Law or the Company's Bylaws.

Article 15.2 of the Bylaws of AEDAS Homes indicates that the General Shareholders' Meeting is responsible for determining the number of members of the Board of Directors, and to this end it may set the number either by express agreement or, indirectly, by leaving vacancies or appointing new board members, within the limits established in Article 15.1. Article 15.1 establishes that the Company shall be administered by a Board of Directors comprising a minimum of five and a maximum of fifteen members.

Article 7, point (iii) of the Regulations governing the General Shareholders' Meeting establishes that the General Meeting's powers include the appointment and dismissal of members of the Board of Directors, as well as the ratification or revocation of the appointment of members of the Board of Directors by co-option.

**C.1.20 Explain the extent to which the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures that apply to its activities:**

Description of changes
------------------------

There has not yet been any annual evaluation of the Board of Directors, as it was formed on 27<sup>th</sup> of December 2017 and a full year has not yet passed since its formation, nor have there been any events that would give rise to changes in its internal organisation or the procedures that apply to its activities.

**C.1.20.bis Describe the evaluation process and the areas of the Board evaluated by an external facilitator with respect to the diversity of Board membership and competences, the performance and membership of its committees, the performance of the chairman of the Board of Directors and the company's chief executive, and the performance and contribution of individual directors.**

We refer to section C.1.20.

**C.1.20.ter Detail any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group.**

We refer to section C.1.20.

**C.1.21 Indicate the cases in which board members must resign.**

Pursuant to Article 20 of the Board Regulations, board members must place themselves at the disposal of the Board of Directors and, where deemed necessary by the Board, submit their resignation in the following cases:

- (i) When they cease to hold the executive positions associated with their appointment as board member.
- (ii) When they are affected by any of the grounds for incompatibility or disqualification set out in Law or the Company's Bylaws.
- (iii) When they are severely reprimanded by the Board of Directors because they have infringed their obligations as board members.
- (iv) When their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.
- (v) When they are convicted of a criminal offence or are the subject of disciplinary proceedings by the supervisory authorities as the result of a serious or very serious misdemeanour.
- (vi) In the case of proprietary directors: (i) when the shareholder they represent sells its entire stake or reduces it significantly, and (ii) in the corresponding number, when the shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.
- (vii) When they sit on the boards of directors of more than four other listed companies (apart from the Company).
- (viii) When for reasons attributable to the board member in question their presence on the Board causes serious harm to the Company's corporate worth or reputation in the Board's opinion.

**C.1.22 Section removed.**

**C.1.23 Are qualified majorities other than those prescribed by law required for any type of decision?**

Yes  No

If so, describe the differences.



Description of differences	
-	

**C.1.24** Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed Chairman of the Board of Directors.

Yes  No

Description of requirements	
-	

**C.1.25** Indicate whether the Chairman has a casting vote:

Yes  No

Matters in which the Chairman has a casting vote	
-	

**C.1.26** Indicate whether the Bylaws or the board regulations set any age limit for directors:

Yes  No

**Age limit for Chairman**  
**Age limit for Managing Director**                      **Age limit for board members**

**C.1.27** Indicate whether the Bylaws or the board regulations set a limited term of office for independent directors, other than set out in law:

Yes  No

Maximum number of years in office	-
-----------------------------------	---

**C.1.28** Indicate whether the Bylaws or the Board regulations stipulate specific rules for delegating voting rights on the Board of Directors, how this is done and, in particular, the maximum number of times that voting rights may be delegated to a board member, as well as whether there is any limitation on the categories to which proxies can be delegated, in addition to any restrictions imposed by law. If so, provide brief details of the said rules.

Pursuant to Article 17 of the Board of Directors' Regulations, board members shall make every effort to attend Board Meetings, and when they are unavoidably unable to attend in person, they shall grant a proxy, in writing and specifically for each session, to another member of the Board, including the relevant instructions and notifying the Chairman of the Board of Directors of the grant of this proxy. In the case of non-executive directors, they may only be represented by another member of the Board of Directors who is classified in the same category. A record of the number of absences from meetings of the Board of Directors shall be included in the annual corporate governance report.

**C.1.29** Indicate the number of board meetings held during the year. Also indicate, where applicable, how many times the board has met without the Chairman's attendance. Attendance will also include proxies appointed with specific instructions.

<b>Number of board meetings</b>	4
---------------------------------	---

<b>Number of board meetings held without the Chairman's attendance</b>	0
--	---

If the chairman is also the company's chief executive, indicate the number of meetings held without the attendance, in person or by proxy, of any executive director chaired by the lead independent director.

<b>Number of meetings</b>	0
---------------------------	---

Indicate the number of meetings held by the different board committees during the financial year:

<b>Number of meetings of the Audit and Control Committee</b>	2
<b>Number of meetings of the Appointments and Remuneration Committee</b>	2
<b>Number of meetings of the Technology Committee</b>	2

**C.1.30** Indicate the number of board meetings held during the year with all members in attendance. Attendance is also understood to include proxies appointed with specific instructions:

<b>Number of meetings with all members in attendance</b>	3
<b>% attendance over total votes cast during the year</b>	75 %

All board members were present at all board meetings, except at the meeting held on 17<sup>th</sup> of October 2017, which one of the independent directors (Emile K. Haddad) was unable to attend for personal reasons.

**C.1.31** Indicate whether the consolidated and individual financial statements submitted for authorisation by the board are previously certified:

Yes  No

Identify, where applicable, the person(s) who certified the company's individual and consolidated financial statements for authorisation by the board:

<b>Name</b>	<b>Position</b>
-	-

**C.1.32** Explain the mechanisms, if any, put in place by the Board of Directors to ensure that the individual and consolidated financial statements prepared by the Board are not presented at the General Meeting of Shareholders with a qualified audit report.

Article 38.2 of the Board of Directors' Regulations establishes that "The Board of Directors shall endeavour to prepare the annual accounts definitively in a way that does not give rise to reservations or qualifications by the auditor. In the exceptional case that such qualifications exist, both the Chairman of the Audit and Control Committee and the external auditors should give a clear account to shareholders of such reservations or qualifications. However, when the Board believes that its own criteria should prevail, it shall publicly explain the scope and contents of the disagreement".

In this regard, the Audit and Control Committee, comprising mostly independent external directors, holds a meeting with the external auditors in order to review the Company's annual accounts and some of the periodic financial information that must be supplied by the Board of Directors to the markets and their supervisory authorities, confirming compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts. Such meetings anticipate, where relevant, any debate or difference of opinion between the Company's Management and the external auditors, in such a way that the Board of Directors may take the appropriate measures to ensure that the auditor's report is issued without reservations.

**C.1.33 Is the Board Secretary also a member of the board?**

Yes  No

**Complete the following table if the Board Secretary is not a board member:**

Personal or corporate name of Board Secretary	Representative
Mr. Alfonso BENAVIDES GRASES	-
Personal or corporate name of Deputy Board Secretary	Representative
Ms. Coro MORALES ASÚA	-

**C.1.34 Section removed.**

**C.1.35 Indicate, where applicable, the specific mechanisms implemented by the company to preserve the independence of the external auditors, financial analysts, investment banks and rating agencies.**

Under Article 38 of the Board of Directors' Regulations, the Audit and Control Committee is responsible for submitting a proposal to the Board of Directors, which will in turn submit it to the General Shareholders' Meeting, for the appointment (with details of the contractual conditions and the scope of the professional duties engaged), or the renewal or revocation of the auditor for the Company's annual accounts. It is also responsible for overseeing compliance with the auditing agreement under Article 14 of the Regulations and the terms of the Committee's own internal regulations, which in the latter case are approved by the Board of Directors.

The Audit and Control Committee shall refrain from proposing to the Board of Directors (and the latter shall in turn refrain from proposing to the General Shareholders' Meeting) the appointment as the Company's auditors of any auditing firm that is affected by reasons of incompatibility pursuant to the regulations governing accounts auditors, or any firm that charges the Company fees, in respect of all items, that exceed five per cent of its total income during the last financial year.

The Board of Directors shall provide a full itemised breakdown, publicly and in the manner set out in the applicable regulations, of the fees paid for accounts auditing and any other services provided by the auditor, along with details of the fees paid to people or organisations connected with the said auditor.

In addition, under Article 14 of the Board of Directors' Regulations, the Audit and Control Committee must ensure the independence of the accounts auditor in the performance of its duties.

**C.1.36 Indicate whether the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors.**

Yes  No

Outgoing auditor	Incoming auditor
-	-

If there have been disagreements with the outgoing auditor, give the reasons:

Yes

No

Explain the disagreements
-

C.1.37 Indicate whether the audit firm performs non-audit work for the company and/or its group. If so, state the amount of fees paid for such work and the percentage they represent of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	240	-	240
Fees for non-audit work/total amount invoiced by the audit firm (%)	48,64%	-	48,64%

C.1.38 Indicate whether the audit report on the previous year's financial statements is qualified or includes reservations. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of those reservations or qualifications.

Yes

No

Explanation of reasons
-

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	Group
Number of consecutive years	2	2

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	100 %	100 %

C.1.40 Indicate and give details of any procedures through which directors may receive external advice:

Yes

No

<b>Description of procedure</b>
---------------------------------

Under Article 23 of the Board of Directors' Regulations, for the purposes of receiving assistance in the performance of their duties, all directors may obtain any advice they need to comply with their duties from the Company. To this end, the Company will provide suitable channels which, under special circumstances, may include external advice charged to the Company. Such advice must necessarily relate to specific problems of a certain importance and complexity that arise during the performance of their duties.

A decision to engage external advisers at the Company's expense must be notified to the Chairman of the Company's Board of Directors, and it may be vetoed by the Board of Directors if it is shown:

- that it is not required for the proper performance of the duties entrusted to external directors;
- that its cost is unreasonable given the importance of the problem and the Company's assets or income; or
- the technical assistance sought could be adequately provided by the Company's own experts and technical personnel.

**C.1.41 Indicate whether there are procedures for directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, give details:**

Yes  No

<b>Description of procedure</b>
---------------------------------

Article 16 of the Board of Directors' Regulations establishes that notices convening meetings of the Board of Directors shall be sent out at least seventy-two hours before the date of the meeting. The notice will always include the agenda for the meeting and will be accompanied by the relevant information, duly prepared and summarised.

**C.1.42 Indicate and, where applicable, give details of whether the company has established rules obliging directors to inform the board of any circumstances that might harm the organisation's name or reputation, tendering their resignation as the case may be:**

Yes  No

<b>Explanation of rules</b>
-----------------------------

Pursuant to Article 20 of the Board of Directors' Regulations, board members must place their position at the disposal of the Board of Directors when their presence on the Board could endanger or harm the interests, credit or reputation of the Company, or when the reasons for their appointment no longer apply, including (though not limited to) the occurrence of significant changes to their professional situation or to the conditions under which they were appointed to the position of board member.

**C.1.43 Indicate whether any director has notified the company that they have been indicted or tried for any of the offences stated in article 213 of the Spanish Capital Companies Act:**

Yes  No

Name of Board Member	Criminal proceedings	Remarks
-	-	-

Indicate whether the Board of Directors has examined this matter. If so, provide a justified explanation of the decision taken as to whether or not the director should continue to hold office or, where applicable, give details of the actions taken to date by the board and any actions that it plans to take.

Yes  No

Decision/action taken	Reasoned explanation
-	-

**C.1.44 List the significant agreements that have been signed by the company and have come into force, have been modified or have been terminated in the event of a change in the company's control through a hostile takeover bid, and their effects.**

Development loan agreements usually contain standard clauses relating to the change of control over a Company. These clauses may apply in the event of a change of control over AEDAS Homes, but they do not apply to the company's internal restructuring. However, the most important aspect of these agreements is the guarantee of the Company's assets, not the control structure.

**C.1.45 Identify, in aggregate form, and provide detailed information on agreements between the company and its officers, executives and employees that provide compensation, guarantees or protection clauses in the event of their resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of operations.**

<b>Number of beneficiaries</b>	1
--------------------------------	---

<b>Type of beneficiary</b>	Managing Director
----------------------------	-------------------

<b>Description of the agreement</b>
-------------------------------------

In the potential event of the agreement's termination as a result of the Managing Director's unilateral resignation, the Managing Director will not be entitled to receive any compensation or indemnification, unless his/her resignation is caused by a change in control over the Company. To this end, it shall be understood that there has been a change of control when either of the following two situations arises: (i) a third party directly or indirectly acquires more than 50% of the Company's voting rights; or (ii) a third party appoints half plus one of the members of the Board of Directors. In this case, provided that the Managing Director's resignation occurs within six months of the date of the change of control, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In the event of the agreement's termination at the unilateral request of the Company, the Managing Director shall be entitled to receive gross compensation equivalent to two years' fixed salary in the amount he is receiving at the time of termination.

In cases in which the agreement is terminated at the sole request of the Company, as set out in a resolution by the Board of Directors or as the result of the partial or total revocation by the Board of Directors of the powers delegated by the Board or the Company in the Managing Director's favour, three months' advance notice must be given. During the advance notice period, the Company may release the Managing Director from the performance of his/her duties, though it shall continue to pay him/her the relevant salary. In the event of a breach of the obligation to give the required advance notice, the Company must compensate the Managing Director in an amount equivalent to the fixed payment that applies at the time of the Agreement's termination for the period of advance notice not given.

Notwithstanding the foregoing, the Managing Director shall not be entitled to receive any compensation or indemnification, nor shall the Company be obliged to respect any advance notice term, in the event that his/her termination is caused by an infringement of the Law, the Company's Bylaws, the Board of Directors' Regulations, the Regulations governing the General Shareholders' Meeting or any other company rule or resolution that applies to the performance of his/her duties, or that is caused by a breach of his/her obligations under the terms of this Agreement, including the duty of good contractual faith, provided that the infringement or breach in question is classified as very serious and can be attributed to the Managing Director in the form of a serious or wilful offence.

By way of compensation for the obligation not to compete, the Managing Director shall receive a gross amount equivalent to one year's fixed salary in the amount he/she is being paid at the time of termination. This amount shall be paid in full at the time at which the Agreement is terminated.

**Indicate whether these agreements must be reported to and/or authorised by the governing bodies of the company or its group:**

	<b>Board of Directors</b>	<b>General Meeting of Shareholders</b>
<b>Body that authorises clauses</b>	-	-
	<b>YES</b>	<b>NO</b>
<b>Is the General Shareholders' Meeting informed of such clauses?</b>		X

## C.2 Fees of the Board of Directors

**C.2.1 Give details of all of the fees paid to the Board of Directors, its members, and the proportion of executive, proprietary, independent and other external directors that they represent:**

### AUDIT COMMITTEE

The Audit Committee of AEDAS Homes was appointed by the Board of Directors at a meeting held on 27<sup>th</sup> of September 2017. It first met [in written session without a physical meeting on 17<sup>th</sup> of October 2017. Its composition, general delegated powers and regulations are set out below.

<b>Name</b>	<b>Position</b>	<b>Category</b>
Mr. Javier LAPASATORA TURPÍN	Chairman	Independent
Mr. Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. Santiago FERNÁNDEZ VALBUENA	Member	Independent

<b>% of proprietary directors</b>	33.3 %
<b>% of independent directors</b>	66.6%
<b>% other external members</b>	0%

**Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.**

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors and who must be non-executive directors. The majority of the members of the Audit and Control Committee shall be independent, and one of them shall be appointed with regard to his/her knowledge and experience in accounting or auditing matters, or both.

The Board of Directors shall also appoint a Chairman of the Audit and Control Committee from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Member of the Board of Directors who sit on the Audit and Control Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors. The position of Chairman shall be held for a maximum of four years, and the same person may not be re-elected at the end of this term until a year has passed following their cessation, without prejudice to their continuation or re-election as a member of the Committee.

The Audit and Control Committee shall meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation. It shall also meet when requested to do so by any of its members and whenever it is convened by its Chairman, who shall convene a meeting whenever the Board or the Chairman of the Board requests the issue of a report or the adoption of proposals and, in all cases, when this is advisable for the proper performance of its duties.

The Audit and Control Committee shall issue an annual report on its own activities, making particular mention of any incidents that have arisen, where applicable, in relation to the duties for which it is responsible. In addition, when the Audit and Control Committee deems this appropriate, its report shall include proposals for the improvement of the Company's governance rules.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Audit and Control Committee shall be responsible for the following basic duties:

- (i) Informing the General Shareholders' Meeting on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information and the role that the Audit and Control Committee played in the process.
- (ii) Overseeing the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussing with the external accounts auditor any significant weakness in the internal monitoring system that it has detected during its own audit, without compromising its independence. To this end, in the event that it identifies significant weaknesses, it shall submit recommendations or proposals to the administrative body and indicate the corresponding term for monitoring such weaknesses.
- (iii) Overseeing the process for the preparation and submission of the regulatory financial information and submitting recommendations or proposals to the Board Of Directors, aimed at safeguarding the integrity of such information.
- (iv) Proposing to the Board of Directors, for submission to the General Shareholders' Meeting, the selection, appointment, re-election or replacement of the accounts auditors, pursuant to the applicable regulations, along with the conditions for their engagement, and regularly compiling information on the auditing plan and its execution, as well as ensuring its independence in the performance of its duties.
- (v) Establishing the appropriate relationship with the accounts auditors in order to receive information on any matters that could endanger its independence, so that such information may be examined by the Audit and Control Committee, along with any other matter relating to the accounts auditing process and, where applicable, authorising services other than those that are prohibited, in the terms set out in the applicable regulations, along with any other communications provided for in the auditing regulations and other provisions governing accounts audits. In any case, the Audit and Control Committee must receive an annual written declaration from the auditor confirming its independence, both direct and indirect, from the Company and its related organisations, together with detailed and personalised information on any additional services of any kind provided and the corresponding fees received from these organisations by the auditor, or by persons or organisations related to it, in accordance with the provisions contained in the legislation governing accounts audits.
- (vi) Issuing an annual report, prior to the external auditor's report, expressing an opinion as to whether the independence of the external auditors or auditing firms has been compromised. This report must contain information, in all cases, on the provision of the additional services referred to in the preceding paragraph, both individually and jointly considered, aside from the legal audit itself, with regard to the rules governing independence and the regulations governing accounts audits.
- (vii) Providing prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to: (i) the financial information that the Company is required to publish



periodically; (ii) the creation or acquisition of shares in organisations with a particular purpose or organisations domiciled in countries or territories classified as tax havens; and (iii) operations with related parties.

- (viii) Overseeing the Company's internal auditing activities.
- (ix) With regard to internal reporting and monitoring systems:
  - a) monitoring the preparation and the integrity of the financial information relating to the Company and, where appropriate, the group, checking for compliance with legal provisions, the proper demarcation of the consolidation perimeter, and the correct application of accounting principles.
  - b) monitoring the independence of the unit handling internal auditing duties; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its guidelines and work programmes, receiving regular information on its activities, and checking that senior management take account of the findings and recommendations of its reports; and
  - c) establishing and overseeing a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities.
- (x) With regard to the external auditor:
  - a) in the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision;
  - b) ensuring that its payment does not compromise its quality or independence.
  - c) ensuring that the Company notifies any change of external auditor to the CNMV as a significant event, accompanied, where applicable, by a statement regarding any potential disagreements with the outgoing auditor and the relevant reasons;
  - d) ensuring that the external auditor has an annual meeting with the Board of Directors in full session to inform it of the work undertaken and of any developments in the Company's situation;
  - e) ensuring that the Company and the external auditor adhere to current regulations on the provision of non-auditing services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.
- (xi) Monitoring compliance with the Company's internal codes of conduct and corporate governance rules, and any information relating to compliance therewith.
- (xii) Monitoring compliance with Corporate Social Responsibility Policy and evaluating relations with the various stakeholder groups.
- (xiii) Meeting with any Company employee or manager, even ordering their appearance without the presence of another senior officer.
- (xiv) Any other duties entrusted to it by the Board of Directors in the relevant Regulations.

The most important actions taken by the Audit and Control Committee of AEDAS Homes during the 2017 financial year are listed below:

- Two meetings were held, on 17<sup>th</sup> of October and 8<sup>th</sup> of November 2017.
- Coordination with the Internal Auditing and Risk & Compliance Departments.
- Design of a framework for relations between the Audit and Control Committee and the relevant officers within the Company.
- Approval of the appointment of Raquel Pilares Gutiérrez as Director of Internal Auditing.
- Approval of the Action Plan for the Audit and Control Committee for 2018. This plan will focus on the following areas for action:
  - a) Economic and financial information.
  - b) Relations with the accounts auditor.
  - c) Review of the annual accounts and Half-Yearly Financial Report.
  - d) Independence of accounts auditor.
  - e) Internal Monitoring Procedures.

- f) Internal Auditing.
- g) Risk analysis and systems for monitoring risk.
- h) Actions in the area of corporate governance and compliance.

**Name the Board Member who has been appointed to sit on the Audit Committee, bearing in mind his/her knowledge and experience of accounting matters, auditing, or both and state how many years the Chairman of this Committee has been in the post.**

<b>Name of experienced Board Member</b>	Mr. Javier LAPASTORA TURPÍN
<b>Number of years Chairman has been in post</b>	3 months

### **APPOINTMENTS AND REMUNERATION COMMITTEE**

The Company's Appointments and Remuneration Committee was appointed by the Board of Directors at a meeting held on 27<sup>th</sup> of September 2017. It first met [in written session without a physical meeting on 17<sup>th</sup> of October 2017. Its composition, general delegated powers and regulations are set out below.

<b>Name</b>	<b>Position</b>	<b>Category</b>
Mr. Miguel TEMBOURY REDONDO	Chairman	Independent
Mr. Evan Andrew CARRUTHERS	Member	Proprietary
Ms. Cristina ÁLVAREZ ÁLVAREZ	Member	Independent

<b>% of proprietary directors</b>	33.3 %
<b>% of independent directors</b>	66.6%
<b>% other external members</b>	0%

**Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.**

The Appointments and Remuneration Committee shall comprise a minimum of three and a maximum of five members, who shall be appointed by the Board of Directors at the proposal of the Chairman of the Board, and who must be non-executive directors. At least two members of the Appointments and Remuneration Committee shall be independent directors.

The Board of Directors shall also appoint a Chairman from among the independent directors who sit on the said Committee. In addition, the Board of Directors may appoint a Deputy Chairman if it deems this appropriate, and the rules governing the appointment of the Deputy Chairman shall be the same as the rules governing the appointment of the Chairman.

Directors who sit on the Appointments and Remuneration Committee shall continue in this post for the term of their appointment as directors of the Company, unless otherwise agreed by the Board of Directors. The renewal, re-election and dismissal of the Committee's members shall be governed by the decisions of the Board of Directors.

Notwithstanding any other tasks that may be assigned to it by the Board of Directors, the Appointments and Remuneration Committee shall be responsible for the following basic duties:

- (i) Assessing the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the skills and duties require from candidates in order to fill each vacancy, as well as evaluating the time and dedication required for them to be able to effectively perform their duties.
- (ii) Establishing a target for representation on the Board of Directors of the gender that is least represented, and preparing guidelines on how to meet this target.
- (iii) Submitting proposals to the Board of Directors regarding the potential appointment of independent directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.

- (iv) Providing information regarding proposals for the appointment of the remaining directors, either for appointment by co-option or for submission for deliberation by the General Shareholders' Meeting, along with proposals for the re-election or removal of such directors by the General Shareholders' Meeting.
- (v) Providing information on proposals for the appointment and removal of management personnel and the basic conditions for their engagement.
- (vi) Examining and organising the process for successors to the Chairman of the Board of Directors and the Company's chief executive and, where applicable, making proposals to the Board of Directors to ensure that succession occurs in a planned and orderly way.
- (vii) Submitting proposals to the Board of Directors regarding payment policy for directors and general management and for those people who perform senior management duties and report directly to the Board of Directors, Executive Committees or Managing Directors, and regarding the individual payment and other contractual conditions for executive directors, confirming and monitoring compliance with such conditions.
- (viii) Monitoring compliance with the Company's payment policy.
- (ix) Periodically reviewing the payment policy for directors and senior officers, including share-based payment systems and their application, and ensuring that their individual payment is proportionate to the amounts paid to other directors and senior officers.
- (x) Ensuring that conflicts of interest do not undermine the independence of any external advice the Committee engages.
- (xi) Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual directors' payment statement.

During Fiscal Year 2017, the more relevant actions taken by the Appointments and Remuneration Committee are the following:

- Two meetings held, the first one on the 17<sup>th</sup> of October, and the second one on the 8<sup>th</sup> of November
- Received a report from the Member of the Board of Directors Mr. Javier Lapastora Turpín on his private business activities and ruled the lack of conflicts of interest between them and his duties as Member of the Board of Directors of the Company
- Reviewed the Long-Term Incentive Plan (LTIP) of the Company and made some recommendations
- Arranged a benchmarking study on the LTIP in relation to similar sized companies in Spain and other countries

## TECHNOLOGY COMMITTEE

The Technology Committee held its first meeting on 14<sup>th</sup> of November 2017. Its composition, general delegated powers and regulations are set out below.

Name	Position	Category
Ms. Cristina ÁLVAREZ ÁLVAREZ	Chairman	Independent
Mr. Oscar DE LA TORRE MUÑOZ DE MORALES	Member	Executive
Mr Eduardo Edmundo D'ALESSANDRO CISHEK	Member	Proprietary
Mr. David MARTÍNEZ MONTERO	Member	Delegate
Mr. Javier SÁNCHEZ GUTIÉRREZ	Member	Executive

  

<b>% of executive directors</b>	20 %
<b>% of proprietary directors</b>	20 %
<b>% of independent directors</b>	20 %
<b>% other external members</b>	40 %

**Explain the duties attributed to this committee, describe and provide a summary of its main actions carried out by the committee during the year.**

In 2017, there were no formally approved Regulations for the Technology Committee. However, on the date of this Annual Corporate Governance Report, there is an agreed draft of these Regulations which is pending approval at the next meeting of the Technology Committee. Notwithstanding any other tasks that may be assigned to it by the Board of Directors, this document establishes that the Technology Committee shall be responsible for the following basic duties:

- (i) Reviewing and submitting its recommendations regarding the Strategic Technology Plan to the Director of Technology, the Managing Director and, where applicable, the Board of Directors, in such a way that the Technology Committee may respond to the Company's needs and, in addition, offer a competitive advantage.
- (ii) Overseeing implementation of the Strategic Technology Plan, informing the Managing Director and the Board of Directors of its progress and proposing any changes or adjustments to the Plan that may be required in order to meet the Company's needs.
- (iii) Advising the Director of Technology with regard to the selection of staff, the design of tools and the implementation of technologies and corrective or preventive measures, inter alia, ensuring the incorporation of technological tools and trends that will provide optimum support for the operation of the Company's business and that will allow it to maintain a competitive and sustainable advantage for the Company.

During Fiscal Year 2017, the more relevant actions taken by the Technology Committee are the following:

- Two meetings held, the first one on the 14<sup>th</sup> of November and the second one on the 1<sup>st</sup> of December.
- Review of the action plan and projects planned for Fiscal Year 2018 with a view to integrate them into the Company's business targets.
- Action plan on cybersecurity agreed.
- Creation of a specific strategy for the governance of the Innovation area agreed.
- Launched control process for guaranteeing compliance with the General Data Protection Regulation (GDPR), which enters into force on the 25<sup>th</sup> of May 2018.
- Advised on the separation of the Technology Department from the Marketing Department, with direct report to the Company's CEO.
- Requested the Technology Director an update of the status of projects.

**C.2.2 Complete the following table with information on the number of female Board members sitting on the Board's committees at the close of the last four financial years:**

	Number of female Board Members							
	2017		2016		2015		2014	
	Number	%	Number	%	Number	%	Number	%
<b>Audit Committee</b>	0	0.00%	0	0.00%	0	0.00%	0	0.00%
<b>Appointments and Remuneration Committee</b>	1	33.33 %	0	0.00%	0	0.00%	0	0.00%
<b>Technology Committee</b>	1	20.00 %	0	0.00%	0	0.00%	0	0.00%

**C.2.3 Section removed.**

**C.2.4 Section removed.**

**C.2.5 Indicate, where appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any changes have been made during the year. Also, indicate whether an annual report on the activities of each committee has been prepared voluntarily.**

The Board of Directors' Regulations, approved on 11<sup>th</sup> of September 2017, include the regulation of the board's committees with regard to the Audit and Control Committee and the Appointments and Remuneration Committee.

The Board of Directors' Regulations are available for consultation on the Company's website ([www.aedashomes.com](http://www.aedashomes.com)) under the section headed 'Shareholders and Investors', sub-section 'Board of Directors', 'Board of Directors' Regulations'.

The Board of Directors' Regulations were approved on 11<sup>th</sup> of September 2017, before the Company was listed for trading on the markets, and they had not been changed in any way by the close of the 2017 financial year.

**C.2.6 Section removed.**

## **D RELATED PARTY TRANSACTIONS AND INTER-GROUP TRANSACTIONS**

**D.1 Explain, where applicable, the procedures for approving related-party or inter-group transactions.**

### **Procedure for reporting approval of related party transactions**

Pursuant to Article 34 of the Board of Directors' Regulations, the Company's engagement in any transaction with directors or shareholders that own shares in an amount considered significant under the terms of the stock market regulations in force from time to time or, where applicable, with directors or shareholders that have proposed the appointment of any of the Company's directors, or the Company's engagement in any transaction with the respective related parties (understood to mean the parties listed in Article 29 of these Regulations), shall be subject to authorisation by the Board of Directors or, in situations of extreme urgency, the Executive Committee or the Managing Director (where appointed), in each case following a report by the Audit and Control Committee.

Prior to authorising the Company's engagement in transactions of this nature, the Audit and Control Committee and the Board of Directors or the Executive Committee shall evaluate the transaction from the perspective of the equal treatment of all shareholders and current market conditions.

The Board's authorisation shall not, however, be required for related party transactions that simultaneously comply with the following three conditions:

- (i) they are governed by agreements containing standard conditions that apply en masse to a large number of clients;
- (ii) they are completed at prices or rates that are generally established by parties acting as a supplier of the goods or services in question; and
- (iii) their value does not exceed 1% of the Company's annual turnover.

Where these are transactions that fall within the Company's ordinary business and involve usual or recurring activities, a general authorisation from the Board of Directors shall be sufficient. Authorisation shall necessarily be agreed by the General Shareholder's Meeting when the transaction is made with a director or related party in a value exceeding 10% of the Company's assets.

The Company shall report any transactions engaged in with directors, significant shareholders and related parties when it publishes its half-yearly financial information, and it shall also report any such transactions in its Annual Corporate Governance Report, with the detail required by Law in each case. Similarly, the Company shall include information in the notes to its annual accounts relating to any transactions between the Company or Group Companies and directors or parties acting on their behalf, when these fall outside the Company's normal business or are not made under usual market conditions.

**D.2 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and significant shareholders in the company:**

The following table contains a breakdown of the transactions engaged in between the Company and its significant shareholders from the date it was floated on the Stock Market, 20<sup>th</sup> of October 2017 until 31<sup>st</sup> of December 2017:

Name or corporate name of significant shareholder	Name or corporate name of the group company or entity	Nature of the relationship	Type of operation	Amount (thousands of euros)
HIPOTECA 43 LUX S.A.R.L.	Aedas Homes, S.A.	Shareholder	Funds contribution	9,957

**D.3 Give details of transactions deemed significant due to their value, or relevant due to their subject matter, carried out between the company or companies in its group and the company's directors or executives:**

Name or corporate name of administrators or board members	Name or corporate name of the related party	Relationship	Nature of the operation	Amount (thousands of euros)
-	-	-	-	-

**D.4 Give details of any significant transactions between the company and other entities in the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the company's normal business with regard to purpose and conditions.**

**In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:**

Name of the group company	Brief description of the operation	Amount (thousands of euros)
-	-	-

**D.5 Indicate the value of operations engaged in with other related parties.**

There have not been any related party transactions.

**D.6 Provide details of any mechanisms in place to detect, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.**

Pursuant to the Conflict of Interest Policy established by AEDAS Homes, all the people subject to this Policy (board members, managers, employees and related parties) must adopt the measures required to ensure compliance with the criteria for action and decision-making set out in the Policy itself, in order to avoid situations that may result in a conflict between their own personal interests and the interest of the Company.

In this regard, all affected parties, particularly members of the Board of Directors, must refrain from the following:

- a) Entering into transactions with the company, unless these relate to ordinary operations, made in standard client conditions and of little importance (this being understood to mean operations that do not have a significant impact on the Company's net worth, financial position or results). In this regard, the affected parties may acquire housing developed by AEDAS Homes provided that it is acquired for their own use as a residence. All other requests (apart from those for acquisition as a primary residence) shall require the approval of the Compliance Committee, and when such requests are made by members of the Management Committee, the approval of the Audit and Control Committee shall be required.
- b) Using the name of the Company or referring to their condition as director, manager or employee to unduly influence the result of a private operation.
- c) Making use of the company's assets, including its confidential information, for private purposes.
- d) Taking advantage of the Company's business opportunities, whether current or under consideration.
- e) Obtaining benefits or payments from third parties other than the Company in relation to the performance of their duties, unless these are offered out of mere courtesy.
- f) Engaging in activities, either personally or on behalf of others, that effectively compete, either immediately or potentially, with the activities of the Company, or that in any other way place them in permanent conflict with the interests of the Company.
- g) Awarding any kind of agreement or mandate relating to AEDAS Homes to suppliers who have some kind of relationship with people who have a first or second degree of kinship with employees of the Company.

The foregoing provisions also apply in cases in which the beneficiary of the prohibited act or activity is a person related to the affected person. AEDAS Homes, and specifically its Board of Directors, may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy, and safeguarding the interests of AEDAS Homes.

#### Communication

The affected party must immediately give notice of any situation or circumstance that could give rise to a potential conflict of interest, giving details of its scope, the situation that has given rise to the potential conflict and any related parties, where applicable. If there are doubts regarding whether this involves a conflict of interest or not, the affected party must refrain from continuing to engage in any activity relating to the situation in question and seek advice.

In the case of employees, they must give notice of the situation to their direct superior, who will analyse and resolve the situation together with the Compliance Department. Where necessary, the Compliance Committee shall be asked to make a decision. In the case of members of the Board of Directors, they must give notice of the situation to the Secretary to the Board of Directors, preferably in writing, and the Secretary shall pass on any communications received to the Board of Directors, which shall decide on the situation and, where necessary, seek an opinion from the Audit and Control Committee.

In addition, AEDAS offers all affected parties an Incident Reporting Channel. This represents a further channel for reporting any circumstance involving a breach or infringement of the Code of Conduct, which includes the principle of objectivity and an obligation to prevent conflicts of interest.

Conflicts of interest that affect the Company's directors shall be reported in the notes to the Company's annual accounts and in the Annual Corporate Governance Report, which shall give details of all related party transactions between the Company and its shareholders or directors.

#### Management of conflicts of interest

AEDAS Homes has adopted a series of measures that are designed to ensure the correct management of conflicts of interest by the Board of Directors or the employees' immediate superiors, as appropriate under the terms of this Policy, thus ensuring the objectivity and transparency of the process. To this end, once the existence of a conflict of interest has come to light:

- a) We take all the measures necessary to distance the affected party from the management of the transaction or situation in question.

- b) We ensure independence in the decision-making process, in such a way that the affected party must take part in this process, and measures are employed to implement the appropriate controls to ensure impartiality.
- c) Where required, the Board of Directors will take a decision on the potential conflict of interest, recording its decision and taking the appropriate measures in this regard.

Related party transactions

In line with the general principles set out above, affected parties must avoid becoming involved in any situation from which a conflict of interest might arise in relation to their participation in related party transactions, and they must comply with the previously established rules.

The Company's Board of Directors is the body that is responsible for approving any related party transactions, following a positive report from the Audit Committee. In addition, the Board of Directors may analyse and dispense with such prohibitions in specific cases, taking account in all cases of the principles contained in this Policy.

In duly justified situations of urgency, approval may be given by the delegated bodies or people / the Company's management, though it must be ratified at the first meeting of the Board of Directors held after the decision is adopted.

However, authorisation is not required from the Board of Directors for related party transactions in which the following three conditions are simultaneously met:

- a) They are governed by agreements containing standard conditions that apply en masse to a large number of clients,
- b) They are completed at market prices or rates that are generally established by parties acting as a supplier of the goods or services in question, and
- c) Their value does not exceed 1% of the Company's annual turnover.

**D.7 Is more than one of the companies in the group listed in Spain?**

Yes

No

**Identify the subsidiaries that are listed in Spain:**

Listed subsidiaries
-

**Indicate whether they have provided public information on the respective business activities in which they engage, and any business dealings between them, as well as between the listed subsidiary and other group companies;**

Yes

No

Describe any potential business relations between the parent company and the listed subsidiary, and between the listed subsidiary and other companies in the group
-

**Indicate the mechanisms in place to resolve potential conflicts of interest between the listed subsidiary and other group companies:**

Mechanisms to resolve any potential conflicts of interest
-



## **E** RISK CONTROL AND MANAGEMENT SYSTEMS

### **E.1 Explain the scope of the Company's Risk Control and Management System, including measures relating to tax risk.**

AEDAS Homes uses a risk management system that is regulated under the Company's Risk Management Policy. This Policy was approved by the Company's Board of Directors on 17<sup>th</sup> of October 2017.

The purpose of the risk management model is to identify, manage and report any risks that may affect AEDAS Homes's pursuit of its business objectives.

The risk management model is based on the following stages:

- Identification: any significant risk to AEDAS Homes is identified.
- Evaluation: inherent probability, inherent impact and the robustness of the control environment are evaluated for all significant risks. The AEDAS Homes risk management model includes three risk categories: "critical", "to be monitored" and "to be maintained".
- Management: risk classified as "critical" and "to be monitored" is included as part of the risk management mechanism, which means taking measures such as identifying material risk events, monitoring their development through the use of indicators and analysing response/control protocols, among other measures.
- Reporting: a report is submitted every six months to the Management Committee and the Audit and Control Committee on the way that the model is working.
- Updating: the model is subject to an annual review and update.

### **E.2 Identify the bodies responsible for preparing and implementing the Risk Control and Management System, including measures relating to tax risk.**

#### Board of Directors

Defines, updates and approves the Risk Management and Control Policy at AEDAS Homes and sets the acceptable risk level at all times.

#### Audit and Control Committee

Oversees the internal monitoring and management of risk, ensuring that the main risks are identified, managed and maintained at the planned levels.

#### Management Committee

Assigns responsibility for risk, receives the results of risk assessments for the purposes of determining how critical the risk level is, and approves actions or responses to the risk defined.

#### Risk & Compliance Department

The Compliance Department provides support for the Audit and Control Committee and the Management Committee in the performance of its duties, particularly through the coordination of the activities set out in the Risk Management and Control Policy, ensuring the correct implementation of the risk management system and consolidating reports relating to the risk model.

#### Managers and other parties responsible for risk

Identify and evaluate the risks that fall within their area of responsibility. In addition, they propose and report on the indicators used to monitor risk, in addition to proposing and implementing plans of action to mitigate risk and reporting on the effectiveness of such plans.

**E.3 Indicate the main risks, including tax risk, which may prevent the company from achieving its business targets.**

Strategic risk

- Real estate market
- Portfolio of development land
- Competition
- Availability of financing
- Reputation
- Stock markets

Operational risk

- Acquisition of development land
- Transformation of development land
- Development
- Marketing
- Securing and retaining talent
- Technology
- Cyber security
- Safety in the workplace
- Asset security

Financial risk

- Interest rates
- Liquidity
- Credit risk
- Asset valuation
- Reliability of financial information

Compliance risk

- Breach of the Money Laundering Prevention Act
- Breach of criminal regulations
- Breach of the Spanish Stock Market Act
- Breach of tax regulations
- Breach of environmental regulations

**E.4 Indicate whether the company has a risk tolerance level, including against tax risk.**

Implementation of the AEDAS Homes risk management model is still in its relatively early stages, and the first exercise to establish the risk tolerance level is therefore scheduled to take place during 2018. Information may be reported in the Corporate Governance Report for the 2018 financial year.

**E.5 Identify any risks, including tax risk, which have emerged during the year.**

There is no record that any significant risk (identified and evaluated using the risk management model) emerged during the financial year in question.

**E.6 Explain the plans for responding to and monitoring the main risks facing the company, including tax risk.**

Plans to respond to and monitor significant risk are currently being developed at the present time, and information may therefore be reported in the Corporate Governance Report for the 2018 financial year.

**F INTERNAL RISK MONITORING AND MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING (ICFR) PROCESS**

**Describe the mechanisms that form part of the risk monitoring and management system relating to the company’s financial reporting (Internal Control over Financial Reporting, ICFR) process.**

**F.1 The company’s control environment**

**Provide information on at least the following, describing their main characteristics:**

**F.1.1. The bodies and/or officers responsible for: (i) the existence and maintenance of appropriate and effective ICFR; (ii) its implementation; and (iii) its monitoring.**

The ICFR process is one that affects all levels of the organisation and all the people working for it. The main duties relating to the Internal Monitoring System that deals with financial information at the Aedas Homes Group are summarised in the following points:

- The Board of Directors is responsible for approving ICFR.
- Overseeing ICFR is the responsibility of the Audit and Control Committee, through the internal auditor.
- The Finance Department is responsible for designing and implementing ICFR.

The following table contains a summary of the offices responsible for ICFR:

OFFICE		RESPONSIBILITIES
<b>Management Bodies</b>	Board of Directors	- Preparing Financial Information
	Audit and Control Committee	- Supervising financial information. - Supervising auditing activities. - Approving what to supervise and when, and how to evaluate supervision of ICFR. - Supervising the effectiveness of ICFR.
<b>Finance Department</b>	Financial Management	- Designing, implementing and evaluating ICFR and its overall monitoring. - Reporting on the operation of ICFR.
<b>Departments and Divisions</b>	Parties responsible for processes	- Identifying any risks in their processes that may affect the Financial Information. - Proposing and implementing the most suitable controls to mitigate risk. - Ensuring that these controls are working effectively. - Reporting on the operation of internal controls in their processes. - Resolving incidents in their processes.
	Parties responsible for control	- Executing the controls for which they are responsible. - Reporting on any incidents that arise.
<b>Internal Auditing Department</b>	Internal Auditing	- Planning audits. - Auditing ICFR and communicating the results. - Following up recommendations.

The Board of Directors, which is ultimately responsible for supervising ICFR, has established the organisational structure necessary to allow monitoring by delegating this duty to the Audit and Control Committee. Thus, the Audit and Control Committee must ensure due compliance with the responsibilities defined and assigned to the Finance Department and other departments and divisions with regard to the Company’s Internal Financial Control Reporting System.

The organisational structure that AEDAS Homes has defined with regard to the main duties involved in overseeing ICFR is as follows:

Audit and Control Committee

To achieve reasonable security with regard to the reliability of the financial information, the Audit and Control Committee will oversee:

- The proper demarcation of the consolidation perimeter.
- The correct application of accounting principles.
- The suitability of the control policies and procedures implemented.
- The process for the preparation and reporting of financial information, reviewing the correct design, implementation and efficient operation of the ICFR System and compliance with the regulatory requirements.

The Audit and Control Committee has various sources for establishing whether Management has implemented an effective system for supervising ICFR. The main sources for its analyses are:

- Asking questions and observing the way that Management manages the Company.
- Engaging specialists or specialist resources.
- External auditors.

The Audit and Control Committee will principally rely on the work of the internal auditor and hold any meetings with external auditors that may be necessary.

The duties entrusted to the Audit and Control Committee with regard to the internal controls set out in the AEDAS Homes Board of Directors' Regulations are as follows:

- Regularly reviewing the Company's internal monitoring and risk management systems and, in particular, the correct design of the internal monitoring system and the management of financial information (ICFR), to ensure that the main risks are identified, managed and adequately made known.
- Approving the internal auditing plan for evaluation of the ICFR System and its modifications and receiving regular information on the results of this work, as well as approving the action plan for correcting any weaknesses observed.
- Reviewing, analysing and commenting on the Financial Statements and other relevant financial information with senior management and internal and external auditors, in order to confirm that this information is reliable, comprehensible and relevant, and that the accounting principles followed are consistent with those applied at the close of the preceding year.

#### Finance Department

The Group's Finance Department is responsible for identifying any risk of error or fraud in the financial information using the whole range of the ICFR System. It is also responsible for designing the necessary controls. It is also responsible for informing the internal and external auditors of any changes to the perimeter of the Internal Monitoring System relating to Financial Information.

The AEDAS Homes Finance Department is responsible for establishing the design, implementation and global follow-up of the Internal Monitoring System for the Group's financial information. It will therefore establish the system and implement the structure required for its supervision, thus ensuring that the said system operates effectively.

In order to comply with this responsibility, the people in charge of each associated process or sub-process and any key controls must monitor these and report back to the AEDAS Homes Financial Management.

#### Internal Auditing Department

Internal Auditing will plan the supervision and evaluation of the ICFR System with the scope and frequency required to ensure its effectiveness, taking account of the duties included in the Annual Internal Auditing Plan.

Internal Auditing will determine the nature and extent of the tests to be carried out in order to identify any potential weaknesses in the relevant controls, and it will analyse the causes giving rise to these weaknesses in order to determine the control systems' level of compliance and efficacy. To this end, the people responsible for these controls must keep the relevant documentation and evidence to show both that controls have been carried out and that they have been reviewed.

Internal Auditing may also rely on the self-evaluation and direct supervision processes developed by those responsible for the control systems.

Part of the oversight process will involve communication of the results obtained, using the following procedure:

- Any results relating to control weaknesses must be notified to the person in charge of the process and the manager who is at least one rank higher than the person in charge of the process.
- Any significant weaknesses that have a material impact on the financial information must be notified to the AEDAS Homes Financial Management and to the Audit and Control Committee.
- The weaknesses identified must be resolved, dealing with them according to their priority and taking appropriate action for their correction.

It is important that this information is received by the appropriate personnel so that the relevant corrective action can be taken and so that each of the people responsible can provide sufficient oversight to ensure that such action is actually taken.

In the event of any suspicion of fraud, the person directly responsible for the control operation should not be notified, but this information should instead be passed on to higher levels including the General Management and the Audit and Control Committee.

#### **F.1.2 The following elements, where they exist, especially in relation to the process of preparing the financial report:**

- **Departments and/or mechanisms in charge of: (i) designing and revising the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an appropriate distribution of duties and tasks; and (iii) ensuring the existence of sufficient procedures for their correct reporting throughout the company.**

The design and review of organisational structure and lines of responsibility and authority within the Group is the responsibility of the Managing Director. This structure includes the departments charged with preparing the financial information.

The formulation and review of the criteria to be followed for the selection of the Group's senior executives will be carried out by the Appointments Committee, which is mostly made up of independent directors.

The structure, scope and description of the duties and tasks to be carried out by each person in the finance department is defined by the Financial Management and communicated by the Corporate Resources Department.

For the purposes of the process involved in preparing financial information, the Company has clearly defined lines of authority and responsibility. Principal responsibility for the preparation of financial information lies with the Financial Management.

The Group has financial organisational structures that are adapted to its needs and headed up by a Financial Director, whose duties include ensuring compliance with the procedures set out in the ICFR System.

- **Code of conduct, approval body, level of dissemination and instruction, principles and values included (indicating whether there is specific mention of the recording of transactions and the preparation of financial information), the body in charge of analysing breaches and of proposing corrective actions and sanctions.**

AEDAS Homes has a Code of Conduct that has been approved by the Company's Board of Directors. All of the Company's employees have been informed about this Code of Conduct, and it can be accessed via both the Employee Portal and on the investor pages of the AEDAS Homes website.

The AEDAS Homes Code of Conduct sets out the Company's values:

- Integrity: all members of AEDAS Homes undertake to behave with integrity and in a way that contributes to maintaining the Company's reputation.
- Excellence: AEDAS Homes has a team that has wide-ranging experience of the residential real estate sector and that is trained to offer an excellent client experience.

At AEDAS Homes we carry out our duties with professionalism, respect and impartiality. We are committed to achieving our objectives through honest means and do not tolerate any unethical behaviour.

- Transparency: the Company undertakes to provide stakeholders with comprehensive, appropriate and truthful information in order to facilitate the decisions they need to make, in each and every one of the markets in which we operate.
- Innovation: we try to ensure that our residential properties incorporate innovations that will improve the quality of life of the people who live in them, in terms of both their fittings and the materials used, equipping them with technologies that make life easier and more comfortable.

The Code of Conduct establishes the following principles:

- Compliance with regulations: AEDAS Homes's employees comply strictly with the provisions of the regulations in force in the performance of their duties.
- Combatting corruption: the company adopts a zero tolerance policy against any kind of corruption. We are entirely honest in our dealings with both the public and private sectors, and integrity is one of the fundamental values in the way we conduct our business.
- Responsibility in respect of taxes: AEDAS Homes complies rigorously with its tax obligations and works with the Tax Authorities to provide them with any information they may require.
- Healthy working environment: AEDAS Homes complies strictly with the regulations governing health and safety, and we have implemented initiatives both for the prevention of accidents and illness and for the promotion of healthy living. We reject any kind of violation of basic human rights or public freedoms.
- Equal opportunities: AEDAS Homes promotes activities to encourage the professional advancement of its employees. Principles of fair treatment, non-discrimination and equal opportunities all form part of the Company's relations with its employees.
- Objectivity: at AEDAS Homes we anticipate and manage conflicts of interest with the aim of ensuring the impartiality and objectivity of any decisions taken.
- Gifts, considerations and entertainment: as a general rule, we do not accept gifts, favours or considerations from third parties, either in cash or in kind, unless these are merely symbolic in nature and not offered with the aim of influencing the objectivity that must govern all of our actions. We completely forbid the offer of gifts, rewards, invitations or any other item of value to public officials, politicians and other representatives of public institutions that may compromise their independence or integrity. Similarly, no-one at AEDAS Homes may offer gifts or services in advantageous conditions to the employees of private institutions, aside from the consideration offered within the bounds of ordinary politeness whose corresponding financial value is symbolic and founded on principles of prudence and sensitivity.
- Use of AEDAS Homes equipment and assets: the items that AEDAS Homes makes available to its employees so that they may perform their duties may not be used for private or illegal purposes. The incurrence of any expense must conform to the principles of need and efficacy. The Company takes care to ensure that its assets do not suffer any damage that could affect their valuation.
- Protection of the image of AEDAS Homes: AEDAS Homes is committed to ensuring the proper use of the Company's name, brand, image and reputation, acting in a way that is always faithful to AEDAS Homes and in defence of its interests. We also respect the intellectual property rights of all third parties.
- Confidentiality and controlling information: at AEDAS Homes we regard information as an intangible asset of great worth, and we therefore believe that it is fundamental to preserve and manage it confidentially, especially where inside information is concerned. We also guarantee the protection of any personal data to which we have access as a result of the links between private individuals and our own business activities, and we undertake not to divulge their data unless we have obtained their consent or are bound by some kind of legal obligation.

- True picture of financial information: at AEDAS Homes we have a control environment and specific procedures that ensure that our financial information is prepared in accordance with the applicable principles and rules governing valuation, in such a way that all of our transactions are clearly and accurately reflected in our accounts ledgers and records and in the preparation of the relevant financial information.
- Free competition: at AEDAS Homes we ensure the exercise of free competition through the application of ethical business practices and observance of the law. With a view to avoiding any unfair competition, we safeguard our own confidential information, along with that of our co-workers, suppliers, clients and any other third parties.
- Collaboration with official institutions and public bodies: at AEDAS Homes we work together with official institutions and public bodies, undertaking to provide any information that they may require, transparently and clearly.
- Respect for the environment and planning ordinances: we comply at all times with the regulations governing protection of the environment and respect for planning ordinances. Furthermore, AEDAS Homes goes beyond mere compliance with the law and is committed to the rational use of natural resources and the design and construction of sustainable and energy-efficient building projects that respect the environment. AEDAS Homes only develops projects that have been granted the relevant licences, and it expressly prohibits the development of building projects in specially protected areas or construction in common planning zones.

The Compliance Committee is the body responsible for managing any complaints received in relation to breaches of the Code of Conduct, the Company's internal policy or the legislation in force. The Committee may act at the request of any complainant or on its own initiative, and it will take the necessary measures in respect of any complaints in the event that the circumstances in question are confirmed.

- **Whistle-blowing channel, which enables the reporting of irregularities of a financial and accounting nature to the Audit Committee, in addition to potential breaches of the code of conduct and irregular activities in the organisation, indicating whether these are confidential.**

AEDAS Homes has a complaints channel that can be used both by employees and by third parties who are unconnected with the Company to report any behaviour that contravenes the Code of Conduct, the Company's internal policy or the legislation in force, including financial and accounting irregularities. Any information received as a result of such complaints is treated by the Compliance Committee in the strictest confidence, and all of the Company's employees have been informed of this fact.

- **Training programmes and regular updates for the personnel involved in the preparation and revision of financial information and evaluation of the Internal Control over Financial Reporting (ICFR) System, which should at least cover accounting regulations, auditing, internal risk monitoring and management.**

The Corporate Resources Department works together with each of the areas that reports to the Finance Department to prepare training programmes and updates for the people involved in preparing and overseeing financial information. The programmes include both general training programmes designed to provide a knowledge of the business and the various inter-related departments from which the Company is formed, and specific programmes aimed at providing training and updates on any regulatory developments that have been newly introduced in relation to the preparation and supervision of financial information.

It is planned to provide a training course on ICFR-related issues for all the areas involved in the preparation and review of financial information.

## F.2 Financial reporting risk assessment

Provide information on at least the following:

### F.2.1. The main characteristics of the process for identifying risk, including risk of error or fraud, in respect of:

- **Whether the process exists and is documented.**

The Company has a risk identification process, which covers risks such as mistakes and fraud. This process is documented in the ICFR Policy of AEDAS Homes, which is currently being implemented.

- **Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; and rights and obligations), whether it is updated and how frequently.**

The evaluation process covers all financial reporting objectives: (i) existence and occurrence; (ii) integrity; (iii) evaluation; (iv) presentation and breakdown; (v) rights and obligations.

Once the potential risks have been identified, they are evaluated annually on the basis of the management's knowledge and understanding of the business and the criteria by which their severity is judged.

Evaluation criteria are established: (i) from a quantitative point of view, based on parameters such as turnover, total assets and pre-tax profits; and (ii) from a qualitative point of view, based on a variety of factors, such as the standardisation of operations and the automation of processes, composition, changes compared with the previous financial year, the complexity of the accounting process, possibility of fraud or error and the degree to which estimates are used in the accounting process.

- **The existence of a process for identifying the consolidation perimeter, considering, among other things, the potential existence of complex corporate structures, vehicle companies or special purpose entities.**

The Group has a corporate structure that is formed from all its individual organisations and that forms the basis for the consolidation perimeter. The management and review of the corporate structure is the responsibility of the Legal Department.

In the event of any change to the consolidation perimeter, the Legal Department provides information on the deeds for the new company and any operations involving holdings being taken in the share capital of other companies, or changes in the effective control of the company, together with a report on the operation and approval from the Finance Department.

Whenever a company is included within the Group's consolidation perimeter, the impact caused by this company on the different sections of the Financial Statements must be determined (under criteria of material effect), along with its impact on each of the processes and sub-processes in its sub-group.

Similarly, in the event that a company is removed from the Group's consolidation perimeter, the scope of the ICFR System must be updated, provided that the company in question was included within this scope on the date of its removal.

- **Whether the process takes account of the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) in the manner in which they affect the financial statements.**

Any potential risk identified through the ICFR Risk Template is taken into account when preparing the Company's Risk Map. This Map is updated on an annual basis by the Finance Department, with support from all areas of the organisation that are affected.



In this way, the Company can take account of the impact that other types of risk relating to categories such as business operations, reputation, legal and regulatory issues, human resources, financial operations, information required for decision-making, technology and IT systems and corporate governance may have on the financial statements.

- **Which corporate governance body supervises the process.**

Pursuant to Article 14 of the Board of Directors' Regulations, the Audit and Control Committee oversees the process for preparing and ensuring the integrity of the financial information. These duties include reviewing compliance with legal requirements, such as the accurate demarcation of the consolidation perimeter and the correct application of accounting principles.

### **F.3 Monitoring activities**

**Provide information on at least the following, describing their main characteristics:**

**F.3.1. Procedures for reviewing and authorising the financial information and the description of the ICFR to be disclosed to the markets, stating who is responsible in each case, along with the documentation describing the activities engaged in (including those relating to the risk of fraud) and the monitoring of the various types of transactions that could materially affect the financial statements, including account closure procedures and the specific revision of the relevant opinions, estimates, valuations and projections.**

Pursuant to the Board of Directors' Regulations, the Audit and Control Committee is responsible for reviewing the annual accounts and the periodic financial information that must be supplied by the Company to the markets and their supervisory authorities, at all times ensuring compliance with the legal requirements and the correct application of generally accepted accounting principles in the preparation of the accounts.

The said Regulations also indicate that this Committee must meet at least once every three months in order to review the periodic financial information that is to be submitted to the stock market authorities, along with any other information that the Board of Directors is required to approve and include among its annual public documentation.

The Audit and Control Committee submits this information to the Board of Directors, which has ultimate responsibility for approving it before it is made public to the markets.

The Group has procedures for the documentation of those processes that it believes involve material risk in the preparation of the financial information. These procedures describe the controls required to allow a suitable response to the risks associated with achieving the objectives relating to the reliability and integrity of the financial information.

The procedures are also represented in the form of flow charts, risk templates and controls that identify all the relevant monitoring activities. Each monitoring activity is assigned to an individual who is responsible for that activity, along with the frequency at which it is to be carried out.

**F.3.2. Policies and procedures for the internal monitoring of information systems (especially on safety and security of access, monitoring of changes, systems operation, operational continuity and separation of functions) that support the company's relevant processes relating to the preparation and publication of the financial report.**

The Policy for Internal Controls over Financial Reporting (ICFR) establishes that safe access is defined on the basis of secure groups. The modification of any permit or role is organised through a system of written authorisations which is overseen by the Finance Director, in order to provide recorded evidence in relation to any change to user permits.

The positions and groups of users with individual permits allow for the maintenance of a separation of duties in the process of approving the information flows described. Any changes that may be made on the platform are recorded in the application to provide evidence of the successive versions.

There is also a contingency plan to guarantee the operational continuity of the ICFR System.

**F.3.3. Policies and internal control procedures aimed at supervising the management of activities outsourced to third parties, including matters relating to valuation, calculation or assessment entrusted to independent experts, which could materially affect the financial statements.**

Third parties are engaged by the people responsible for the relevant area, and care is taken to ensure the competence, technical and legal skills and independence of any professional staff engaged.

The Company has a Code of Conduct for third parties that sets out the principles that they must observe, and compliance with this Code may be subject to audit by AEDAS Homes.

**F.4 Information and communication**

**Provide information on at least the following, describing their main characteristics:**

**F.4.1. A specific office that is responsible for defining and maintaining accounting policies (accounting policies division or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies that is regularly updated and communicated to all the company's operating units.**

The Administrative Department that reports to the Finance Department is responsible for preparing, publishing, implementing and updating the Company's Accounting Standards Manual.

This department is charged, among others, with the following duties in relation to accounting policy: defining the accounting processes for the operations that the Company engages in as part of its business, defining and updating accounting practices, resolving doubts and conflicts arising from the interpretation of accounting standards and standardising the accounting practices used by the Company.

**F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the company or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.**

The process for the consolidation and preparation of the consolidated financial statements is carried out centrally by the Administrative Department that reports to the Finance Department.

Preparation of the consolidated financial information begins with the aggregation of the individual financial statements for each of the companies included within the consolidation perimeter, for subsequent consolidation under the accounting regulations.

La financial information reported to the National Securities Markets Commission (CNMV) is prepared from the consolidated financial statements that result from this process, and from some additional information that is reported by the Management Control Department and is required for the preparation of the annual and/or half-yearly report.

**F.5 Monitoring the operation of the system**

**Provide information on at least the following, describing their main characteristics:**

**F.5.1. The ICFR monitoring activities undertaken by the Audit Committee, and whether the company has an internal audit function whose powers include supporting the Audit Committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted during the year and the procedure used by the person in charge to communicate their findings. State also whether the company has an action plan specifying potential corrective measures, and whether it has considered their potential impact on its financial information.**

As regards the monitoring of the ICFR, during the period covered by this report the Audit and Control Committee has engaged in the following activities:

- It has overseen the efficacy of both the Company's and the group's internal monitoring, internal audit and risk management systems, and discussed the internal monitoring system currently being implemented in 2017 with the external accounts auditor.
- It has monitored the process for the preparation and presentation of the regulatory financial information that must be submitted to the Board of Directors, the markets and the supervisory authorities, verifying compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- It has ensured the establishment of a mechanism whereby staff can confidentially or anonymously report any potentially significant irregularities that they detect within the Company, particularly financial or accounting irregularities. This mechanism is subject to its oversight.
- It has provided prior information to the Board of Directors regarding all the matters required in Law, the Company's Bylaws and the Board of Directors' Regulations, with particular regard to the financial information that the Company is required to publish periodically and operations with related parties.
- It has monitored compliance with the Company's codes of conduct, its corporate governance rules and its corporate social responsibility policy.
- It has overseen internal auditing activities and analysed and approved the internal auditing plan, which includes reviewing the efficacy of the internal system for monitoring the Company's financial information, among other lines of action.
- It will inform the General Shareholders' Meeting to be held during the first half of 2018 on questions raised by shareholders at the Meeting, where such questions fall within its competence and, in particular, on the results of the audit, explaining how this has contributed to the integrity of the financial information, and on the role that the Audit and Control Committee itself has played in the process.

As regards the way in which the Company's Internal Auditing process functions, its main purpose is to assist the Audit and Control Committee and the Group Management in evaluating and overseeing the internal control and risk management systems, including a review and assessment of the reliability of the information systems and, specifically, the system for the internal monitoring of economic and financial information, as set out in the Bylaws governing the Internal Auditing of AEDAS Homes.

To this end, the Internal Auditing Plan includes a review of both the efficacy and the effectiveness of the System (still being implemented in 2017) for the Internal Monitoring of Financial Information, in order to improve the efficacy of the ICFR and the control environment. The results of this work and the action plans will be reported to the Finance Department, the CEO and the Audit and Control Committee. Implementation of the plan of action will be subject to monitoring by Internal Auditing during the 2018 financial year.

**F.5.2. Whether the company has a discussion procedure whereby the auditor (pursuant to TAS), the internal audit office and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments to the company's senior management and its Audit Committee or Board of Directors. State also whether the Company has an action plan to correct or mitigate any weaknesses found.**

The Internal Auditing office will report any significant control weaknesses identified during its review processes to the Finance Department, the CEO and the Audit and Control Committee, along with the action plans proposed in order to mitigate such weaknesses. The Internal Auditing office will also be responsible for monitoring the proper implementation of any such actions plans introduced to resolve or mitigate these weaknesses.

**F.6 Other relevant information**

There is no further relevant information to report.

## F.7 External auditor's report

State whether:

**F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached as an appendix. Otherwise, explain the reasons for the absence of this review.**

The AEDAS Homes Group has not submitted any information on the Internal System for the Monitoring of Financial Information for 2017 to the external auditor, since the Group was still in a process of implementing its agreed procedures following the listing of the parent company during the month of October 2017.

## **G** DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree to which the company complies with Corporate Governance recommendations for listed companies.

In the event that the company does not comply with any of the recommendations or complies only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behaviour. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Compliant   Explain

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they respectively engage in, and any potential business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve any potential conflicts of interest that may arise.

Compliant  Partially compliant  Explain  N/A

3. During the annual general meeting, as a supplement to the written information circulated in the annual corporate governance report, the Chairman of the Board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, in particular:

- a) Any changes that have taken place since the previous annual general meeting.
- b) The specific reasons for the company not following a given Good Governance Code recommendation, and any alternative procedures followed in its stead, where applicable.

Compliant  Partially compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

4. The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant  Partially compliant  Explain

5. The Board of Directors should not make a proposal to the General Meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.

When the Board approves an issue of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant  Partially compliant  Explain

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not compulsory:

- a) Report on auditor independence.
- b) Reports on the operation of the audit committee, the appointments committee and the remuneration committee.
- c) Audit committee report on third-party transactions.
- d) Report on corporate social responsibility policy.

Compliant  Partially compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

7. The company should broadcast its general meetings live on the corporate website.

Compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018.

8. The audit committee should strive to ensure that the Board of Directors can present the company's accounts to the General Meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of the scope and content of such limitations or qualifications.

Compliant  Partially compliant  Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings of shareholders and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant  Partially compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, in the financial year referred to in this report there was no General Shareholders' Meeting.

The first General Meeting of the Company's Shareholders will be held in the second quarter of 2018. The Company intends to comply with this recommendation.

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals for agreement prior to the general meeting, the company should:

- a) Immediately circulate the supplementary items and new proposals for agreement.
- b) Publish the standard form of attendance card or proxy appointment or remote voting form with the necessary modifications so that new items on the agenda and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the general meeting, disclose the breakdown of votes on these supplementary items or alternative proposals.

Compliant  Partially compliant  Explain  Not applicable

11. In the event that a company plans to pay for attending general shareholders' meetings, it should first establish a general, long-term policy in this regard and this policy should remain stable.

Compliant  Partially compliant  Explain  Not applicable

12. The Board of Directors should perform its duties with a unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interests, understood as the creation of a profitable and sustainable business over the long term, and the maximisation of the company's economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to the principles of good faith, ethics and respect for commonly accepted customs and good practices, but should also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as reconciling the impact of its activities on the broader community and the natural environment.

Compliant  Partially compliant  Explain

13. The Board of directors should have an optimal size to promote its efficient operation and participation. The recommended range is between five and fifteen members.

Compliant  Explain

**14. The Board of Directors should approve a director selection policy that:**

- a) Is specific and verifiable.
- b) Ensures that appointment or re-election proposals are based on a prior analysis of the Board's needs.
- c) Favours a diversity of know-how, experience and gender.

The results of the prior analysis of the Board's needs should be written up in the appointments committee's explanatory report, to be published when the general meeting is convened to ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total Board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant  Partially compliant  Explain

We refer to section C.1.6.

**15. Proprietary and independent directors should represent a broad majority on the Board of Directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the percentage of share capital that they hold.**

Compliant  Partially compliant  Explain

**16. The percentage of proprietary directors over all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion may be relaxed:

- a) In large cap companies where few or no equity stakes attain the legal threshold to be considered a significant shareholding.
- b) In companies in which a plurality of shareholders is represented on the Board and they are not related to one another.

Compliant  Explain

**17. Independent directors should account for at least half of all Board members.**

However, when the company does not have a high level of capitalisation, or when a company with a high level of capitalisation has one or more shareholders that individually or jointly control over 30 percent of the share capital, independent directors should occupy at least a third of all Board positions.

Compliant  Explain

**18. Companies should post the following information about their directors on their websites, and keep them permanently updated:**

- a) Background and professional experience.

- b) Directorships held in other companies, listed or otherwise, and any other paid activities that they may engage in, of whatever nature.
- c) Information on the director category to which they belong and, in the case of proprietary directors, information on the shareholder they represent or have links with.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares that they hold in the company, and any options thereover.

Compliant  Partially compliant  Explain

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons why proprietary directors have been appointed at the request of shareholders who control less than 3 percent of capital; and explain the reasons why formal requests for a seat on the board has been refused to shareholders whose equity stake is equal to or greater than that of others that have applied successfully for a proprietary directorship.

Compliant  Partially compliant  Explain  Not applicable

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant  Partially compliant  Explain  Not applicable

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the Bylaws, except where they find just cause, as agreed by the Board of Directors itself based on information from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them from allocating sufficient time to the duties inherent in their position as Board Member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent, pursuant to the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided that the changes in membership of the Board of Directors ensue from the proportionality criterion set out in recommendation 16.

Compliant  Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the Board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The Board should give a reasoned account of all such deliberations in the annual corporate governance report.



Compliant  Partially compliant  Explain

23. Directors should express their clear opposition when they feel a proposal submitted for the Board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking Board representation.

When the Board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the following recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

Compliant  Partially compliant  Explain  Not applicable

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all members of the Board. Whether or not such resignation is disclosed as a material event, the motivating factors should be explained in the annual corporate governance report.

Compliant  Partially compliant  Explain  Not applicable

25. The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors' regulations should lay down the maximum number of company boards on which directors can serve.

Compliant  Partially compliant  Explain

26. The Board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant  Partially compliant  Explain

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. Where they must be absent, directors should delegate their powers of representation with the appropriate instructions.

Compliant  Partially compliant  Explain

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant  Partially compliant  Explain  Not applicable

29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense. (Article 23 of the RdC)

Compliant  Partially compliant  Explain

30. Regardless of the knowledge directors must possess in order to perform their duties, companies should also offer directors refresher programmes to update their knowledge, when circumstances so advise.

Compliant  Explain  Not applicable

31. The agendas of Board meetings should clearly indicate on which points the Board of Directors must reach a decision or adopt a resolution, so they can study the matter beforehand or gather together the information they need in this regard.

When, exceptionally and for reasons of urgency, the chairman wishes to present decisions or resolutions for Board approval that are not on the meeting's agenda, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant  Partially compliant  Explain

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.

Compliant  Partially compliant  Explain

33. In addition to the functions assigned to him/her by law and the company's Bylaws, the chairman, as the person charged with the efficient functioning of the Board of Directors, should prepare and submit to the Board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the Board and, where appropriate, the company's chief executive officer; exercise leadership of the Board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant  Partially compliant  Explain

34. When a lead director has been appointed, the Bylaws or Board of Directors' regulations should grant him or her the following powers over and above those conferred by law: the power to chair the Board of Directors in the absence of the chairman or vice chairmen; the power to give voice to the concerns of non-executive directors; the power to maintain contacts with investors and shareholders, hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and the power to coordinate the chairman's succession plan.

Compliant  Partially compliant  Explain  Not applicable

35. The secretary to the Board of Directors should strive to ensure that the Board's actions and decisions are informed by the governance recommendations of the Good Governance Code where they apply to the company.

Compliant  Explain

**36. The Board sitting in full session should conduct an annual evaluation, adopting, where necessary, an action plan to correct any weaknesses detected in respect of:**

- a) The quality and efficiency of the Board’s actions.
- b) The performance and membership of its committees.
- c) The diversity of Board membership and skills.
- d) The performance of the chairman of the Board of Directors and the company’s chief executive.
- e) The performance and contribution of individual directors, with particular attention to the chairs of Board committees.

The evaluation of Board committees should start from the reports they submit to the Board of Directors, while that of the Board itself should start from the report prepared by the appointments committee.

Every three years, the Board of Directors should engage an external consultant to aid in the evaluation process. This consultant’s independence should be verified by the appointments committee.

Any business dealings that the consultant or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant  Partially compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A. As a result, there was no annual evaluation of the Board of Directors or its delegated committees during the 2017 financial year.

The Company intends to comply with this Corporate Governance recommendation once a year has elapsed following its listing on the Stock Market, when it will make assessments of the Board of Directors and its committees, based on their operation, composition and skills and the performance of the Company’s directors and chief executive. These assessments will be submitted to the relevant governing bodies.

**37. When an executive committee exists, its membership structure by director category should resemble that of the Board. The secretary to the Board should also act as secretary to the executive committee.**

Compliant  Partially compliant  Explain  Not applicable

**38. The Board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee’s minutes.**

Compliant  Partially compliant  Explain  Not applicable

**39. All members of the audit committee, particularly its chairman, should be appointed with consideration for their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.**

Compliant  Partially compliant  Explain

**40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the Board’s non-executive chairman or the chairman of the audit committee.**

Compliant  Partially compliant  Explain

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant  Partially compliant  Explain  Not applicable

42. The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitoring the preparation and the integrity of the financial information relating to the company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.
- b) Monitoring the independence of the unit handling the internal audit function; proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the service's budget; approving its priorities and work programmes, ensuring that it focuses primarily on the main risks the company is exposed to; receiving regular information on its activities; and verifying that senior management take account of the findings and recommendations contained in its reports.
- c) Establishing and overseeing a mechanism whereby staff can report, confidentially and, where possible and considered appropriate, anonymously, any significant irregularities that they detect within the Company, particularly financial or accounting irregularities.

2. With regard to the external auditor:

- a) In the event of the resignation of the external auditor, examining the circumstances that gave rise to its decision.
- b) Ensuring that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensuring that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any potential disagreements with the outgoing auditor and the reasons for such disagreements.
- d) Ensuring that the external auditor has a yearly meeting with the Board of Directors in full session to inform it of the work undertaken and developments in the company's risk and accounting positions.
- e) Ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant  Partially compliant  Explain

43. The audit committee should be able to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Compliant  Partially compliant  Explain

44. The audit committee should be informed of any structural or corporate modifications the company is planning, so the committee can analyse the operation and report to the Board of Directors beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

Compliant  Partially compliant  Explain  Not applicable

45. Risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risk), with the inclusion under financial or economic risk of contingent liabilities and other off-balance-sheet risk.
- b) The determination of the risk level the company sees as acceptable.
- c) The measures in place to mitigate the impact of identified risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risk.

Compliant  Partially compliant  Explain

46. Companies should establish a risk control and management office that is run by one of the company's internal department or units and that falls under the direct supervision of the audit committee or, where applicable, some other dedicated Board committee. This office should be expressly charged with the following responsibilities:

- a) Ensuring that risk control and management systems are functioning correctly and, specifically, that any major risks the company is exposed to are correctly identified, managed and quantified.
- b) Participating actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensuring that risk control and management systems are mitigating risk effectively within the framework of the policy drawn up by the Board of Directors.

Compliant  Partially compliant  Explain

47. Members of the Appointments and Remuneration Committee (or the appointments committee and remuneration committee, if separately constituted) should have the right balance of knowledge, skills and experience for the duties they are called on to discharge, and the majority of their members should be independent directors.

Compliant  Partially compliant  Explain

48. Large cap companies should operate separately constituted appointments and remuneration committees.

Compliant  Explain  Not applicable

49. The appointments committee should consult with Chairman of the Board of Directors and the Company's chief executive, especially on matters relating to executive directors.

When there are vacancies on the Board, any director may approach the appointments committee to propose candidates that it may consider suitable.

Compliant  Partially compliant  Explain

50. The Remuneration Committee should operate independently and have the following functions in addition to those assigned by law:

- a) Proposing standard conditions for senior officer contracts to the Board .

- b) **Monitoring compliance with the remuneration policy set by the company.**
- c) **Periodically reviewing the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior officers in the company.**
- d) **Ensuring that conflicts of interest do not undermine the independence of any external advice provided to the committee.**
- e) **Verifying the information on director and senior officers' pay contained in the various corporate documents, including the annual statement on directors' pay.**

Compliant  Partially compliant  Explain

**51. The Remuneration Committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.**

Compliant  Partially compliant  Explain

**52. The terms of reference of supervision and control committees should be set out in the Board of Directors' regulations and aligned with those governing the legally mandatory committees as specified in the preceding sets of recommendations. They should include at least the following terms:**

- a) **Committees should be formed exclusively by non-executive directors, with a majority of independent directors.**
- b) **They should be chaired by independent directors.**
- c) **The Board should appoint the members of such committees in consideration of the knowledge, skills and experience of its directors and the duties to be performed by each committee; discuss their proposals and reports; and they should submit an account to the first full meeting of the board of directors after the committee in question has met, detailing their activities in response to the work carried out.**
- d) **Committees may engage external advice, when they feel it necessary for the performance of their duties.**
- e) **Meetings should be minuted and a copy made available to all Board members.**

Compliant  Partially compliant  Explain  Not applicable

**53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one Board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the Board of Directors under its powers of self-organisation, and the committee in question shall be attributed with the following minimum duties:**

- a) **Monitoring compliance with the company's internal codes of conduct and corporate governance rules.**
- b) **Overseeing the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.**
- c) **Periodically evaluating the effectiveness of the company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest, taking account, as required, of the legitimate interests of the remaining stakeholders.**

- d) **Reviewing the company's corporate social responsibility policy, ensuring that it is geared to value creation.**
- e) **Monitoring corporate social responsibility strategy and practices and assess compliance in this regard.**
- f) **Monitoring and evaluating the company's interaction with its stakeholder groups.**
- g) **Evaluating all aspects of the non-financial risk the company is exposed to, including operational, technological, legal, social, environmental, political and reputational risk.**
- h) **Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.**

Compliant  Partially compliant  Explain

**54. The corporate social responsibility policy should state the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:**

- a) **The goals of its corporate social responsibility policy and the supporting instruments developed.**
- b) **The corporate strategy with regard to sustainability, the environment and social issues.**
- c) **Specific practices in matters relating to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal behaviour.**
- d) **The methods or systems for monitoring the results of the practices referred to above, their associated risk and its management.**
- e) **The mechanisms for supervising non-financial risk, ethics and business conduct.**
- f) **Channels for stakeholder communication, participation and dialogue.**
- g) **Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

Compliant  Partially compliant  Explain

**55. The company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology for this purpose.**

Compliant  Partially compliant  Explain

The Company was first listed for continuous trading on 20<sup>th</sup> of October 2017 as Aedas Homes, S.A., and it plans to comply with this corporate governance recommendation in respect of the issue of a Corporate Social Responsibility report during the 2018 financial year.

**56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive director.**

Compliant  Explain

**57. Variable remuneration linked to the company and to individual performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement schemes or other welfare provisions should be confined to executive directors.**

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

**58. In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the sector in which the company operates, or other similar circumstances.**

In particular, variable remuneration items should meet the following conditions:

- a) They should be linked to predetermined and measurable performance criteria that factor in the risk assumed in order to obtain a given outcome.
- b) They should promote the long-term sustainability of the company and include non-financial criteria that are relevant to the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
- c) They should be designed to achieve a balance between the delivery of short, medium and long-term objectives, in such a way that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to sustainable value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant  Partially compliant  Explain  Not applicable

**59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.**

Compliant  Partially compliant  Explain  Not applicable

**60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that might reduce their amount.**

Compliant  Partially compliant  Explain  Not applicable

**61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

Compliant  Partially compliant  Explain  Not applicable

**62. Following the award of shares, share options or other rights on shares resulting from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights over shares for at least three years after their award.**



This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain  Not applicable

63. Contractual arrangements should include provisions that permit the company to reclaim variable remuneration components when payment is out of step with the director’s actual performance or based on data subsequently found to be misstated.

Compliant  Partially compliant  Explain  Not applicable

64. Termination payments should not exceed a fixed amount equivalent to two years of the director’s total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.

Compliant  Partially compliant  Explain  Not applicable

**H) OTHER INFORMATION OF INTEREST**

1. If you consider that there is any material aspect or principle relating to the corporate governance practices followed by your company or companies in its group that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or its group, explain briefly.

2. This section may include any other information, clarification or observation related to the above sections of this report, to the extent that they are relevant and do not repeat information already provided.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. The Company may also indicate whether it voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the code in question and the date of its adoption. In particular, state whether the company has signed up to the Good Tax Practices Code of 20 July 2010.

This annual corporate governance report was approved by the company’s Board of Directors at its meeting held on 22<sup>th</sup> of March 2018.

Indicate whether any director abstained or voted against the approval of this Report.

Yes  No

Personal or corporate name of board member that did not vote in favour of approving this report	Reasons (against, abstention, non-attendance)	Explain the reasons
-	-	-