

2016

**Board of
Directors
Remuneration
Policy Report**

ANNEX 1

ANNUAL REPORT ON REMUNERATION OF DIRECTORS OF LISTED PUBLIC COMPANIES
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DATA OF THE ISSUER

YEAR ENDING ON

DECEMBER 31, 2016

TAX NUMBER

A-817787889

NAME

REALIA BUSINESS S.A.

ADDRESS

PASEO DE LA CASTELLANA, 216, MADRID

ANNUAL REPORT FORM ON THE REMUNERATION OF DIRECTORS OF LISTED
PUBLIC COMPANIES

A - REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT
YEAR

A.1 Explain the remuneration policy of the Company. This section must include information on:

- Main principles and criteria of the remuneration policy
- Most significant changes made to the remuneration policy compared to the policy implemented the previous year, and changes made during the year to the conditions for the use of the options given.
- Criteria and composition of groups of comparable companies whose remuneration policies have been examined to establish remuneration policy of the company.
- Relative importance of the variable remuneration concepts with respect to the fixed remuneration concepts used to determine the different components of the directors' remuneration package (remuneration mix).

Explain the remuneration policy

Realia's remuneration policy aims to promote the profitability and sustainability of the company's long-term basis to do so, on principles of transparency, moderation, compensation for the dedication and correspondence with the results evolution. Accordingly, the remuneration of directors is applied taking into account the following grounds:

1. It must be adequate to attract and retain directors of the desired profile and reward the dedication, qualification and responsibility required by the office, without compromising the independence of judgment of non-executive directors.
2. It must serve a market approach.
3. It must attend the dedication and responsibility of the directors.
4. Regarding executive directors, it should recognize their ability to increase the value of the company for their impact on the results, their skills and their professional profile, recognizing a specific remuneration for their executive work, and independently and consistent with their work as directors.
5. Regarding the non-executive chairman, it should recognize the responsibility and criticality of position, with a specific remuneration for the performance thereof.

During fiscal 2017, the remuneration policy to be applied is the one approved by the General Meeting of Shareholders held on June 21, 2016, for the years 2016, 2017 and 2018, in which the policy was changed, previously approved at the Annual General Meeting of 2015. That amendment was prompted by changes within the Board of Directors and Delegates Committees of the company during the year 2015, as a result of the changes undergone in the shareholder structure.

The definition of the new Remuneration Policy has taken into account both the recommendations contained in the Good Governance Code of Listed Companies and the Policies of other companies with similar characteristics in terms of the sector, size or shareholder structure.

Regarding remuneration, the policy for directors consists of a fixed annual amount based on criteria of responsibility (fixed remuneration) and dedication (per diem) inherent in the position. On the other hand, the remuneration policy of the directors for the performance of their executive duties will be similar in structure to the management of the company, being composed of a fixed remuneration that can be completed with benefits derived from the pension system and other social benefits.

A.2 Information about the preparatory work and the decision-making process followed to determine the compensation policy and the role played, if applicable, the Remuneration Committee and other control bodies in the definition of the compensation policy. This information must include, if applicable, the mandate and the members of the Remuneration Committee, and the names of the external advisors whose services have been used to establish the compensation policy. The type of directors who have participated in the definition of the compensation policy shall also be indicated.

Explain the process of establishment of the remuneration policy

Article 45 of the Regulations of the Board provides that the functions of the Appointments and Remuneration Committee is to propose to the Board the remuneration policy for directors, general managers or those who develop their senior management functions, reporting directly to the Board of Directors, the Executive Committee or Chief Executive Officers, as well as individual remuneration and other contractual conditions of executive directors, ensuring their observance.

During fiscal year 2016, in accordance with the provisions of the Bylaws and the Regulations of the Board of Directors regarding the composition of the Nomination and Remuneration Committee, this has been composed of the following members:

Chairwoman:

- Mrs. Maria Antonia Linares Liébana. (Independent director)

Members:

- EAC Inversiones Corporativas, S.L., represented by Mrs. Esther Alcocer Koplowitz. (Proprietary director)

- Meliloto, S.L., represented by Mrs Alicia Alcocer Koplowitz. (Proprietary director)

- Mrs. Carmen Iglesias Cano. (Independent director)

- Don Juan Rodríguez Torres. (Proprietary director)

Non-member Secretary:

- José María Richi Alberti.

Non-member Undersecretary:

- Jesús Rodrigo Fernández.

As indicated in section A.1 above, it was the modification within the Board of Directors and its delegated committees that motivated the Appointments and Remuneration Committee to propose to the Board of Directors, for its subsequent approval by the General Meeting of

Shareholders, a change in the Remuneration Policy. The new composition of the board and its committees, and the replacement of the previous two executive directors for one, made become obsolete the maximum limit of remuneration, approved by the General Meeting of June 2015. It made logical its reduction to adjust it to the new circumstances of the company. As a result, in February 2016 the Commission began work on a new draft of the Remuneration Policy, which was finally approved in April 2016.

In the preparation of the current Remuneration Policy, each and every member of the Appointments and Remuneration Committee, under the direction and coordination of its Chairman, took part and actively participated, taking into consideration the comments, assessments, opinions and suggestions expressed in such process by all of them. Information and advice from the company's internal departments was also available, although the advice of external consultants was not necessary.

A.3 Indicate the amount and type of fixed components, with its corresponding breakdown, of the remuneration for the senior management positions of executive directors, of the additional compensation as Chairman or member of any of the committees of the Board, the attendance allowances for attending Board or committee meetings or other fixed remunerations to directors, as well as an estimate of the annual fixed remuneration. Identify other benefits that are not paid in cash and the main parameters for their allocation.

Explain the fixed components of remuneration
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Remuneration of Directors as Members of the Board.

The remuneration policy of the directors, as members of the Board, consists of a fixed annual amount that is based on criteria of responsibility and dedication inherent to the position.

The maximum amount of the annual remuneration for all directors as members of the Board is set to 590,000.00 euros, which will remain valid while amendment is not approved.

The Board of Directors shall distribute the maximum amount among all its members in accordance with their functions and responsibilities within the Board of Directors and its Delegated Committees. Thus, among the circumstances that will be assessed are the following:

- Membership of the Board itself and each Committee. It is considered that mere membership of these bodies, with the responsibility that entails, justifies the perception of remuneration according with that responsibility.
- An amount in the form of fees for attending both sessions of the Board and each of its Committees. It is reasonable that those directors who spend more time on the company receive more than those who, for various reasons, cannot dedicate so much time.
- Non-executive Chairman of the Board. It is considered reasonable to remunerate specifically the position of non-executive Chairman of BD, in order to recognize the responsibility and critical nature of the position. This remuneration shall be added to the fixed remuneration received for membership of the Board and its Committees.

However, the Board of Directors may take into account other circumstances, which must be equally objective, when determining the remuneration of its different members.

Remuneration of Directors for the performance of executive duties:

The remuneration policy of the directors for the performance of executive duties will be similar, in structure, to that of the company managers, and will be composed of the following concepts:

- Fixed remuneration. The Board of Directors considers that the ability of executive directors to increase the value of the company by its impact on results, by its competencies and by its professional profile, should be consequently recognized with a specific remuneration for their executive work, and independent and compatible with their work as members of the Board.

For this reason, a maximum annual remuneration is established for each director who also performs executive duties in the company, of 175,000 euros. Such amount will be compatible and independent of the remuneration for the position of director.

- Social welfare and social benefits. In addition, directors who perform executive duties may receive supplementary benefits derived from the social pension system in the form, terms, conditions and assumptions established by the company itself for its managers. In terms of life and health insurance, the company may take them out in similar conditions to those of its employees.

A.4 Explain the amount, type and main features of the variable parts of remuneration systems.

Specifically:

- Identify each one of the remuneration schemes that the Directors are beneficiaries of, their scope, their date of approval, date of implementation, period of validity and their main features, In case of stock-option plans and other financial instruments, the main features of the plan must include information about the conditions to exercise those options or the financial instruments for each plan.
- Indicate any compensation in the form of profit sharing or premiums, and the reason why they were granted.
- Explain the main parameters and the rationale behind every premium system (bonuses).
- They type of directors (executive directors, external proprietary directors, external independent directors or other external directors) who are beneficiaries of compensation schemes or plans that include variable remuneration.
- The explanation of these variable pay schemes or plans, the criteria chosen to assess performance, and the evaluation components and methods to determine whether these evaluation criteria have been met, and an estimate of the total amount of variable pay that the current remuneration plan would generate, according to the degree of compliance with the objectives or hypotheses that it uses as reference.

- If applicable, information must be provided on the periods of postponement or deferral of payments established and/or the periods of withholding of shares or other financial instruments, if any.

Explain the variable components of the compensation systems

N/A

- A.5 Explain the main features of the long-term saving systems, including retirement and any other survivor's benefits, financed totally or in part by the company, either internally or externally provided, with an estimate of their amount or equivalent annual cost, indicating the type of scheme, whether it's a fixed payment or benefit, the conditions for the consolidation of economic rights in favor of directors, and their compatibility with any type of compensation for early termination or termination of the contractual relationship between the company and the directors.

Indicate also the benefits of fixed-contribution pension schemes in favor of the director; or the increase in the consolidated rights of the director, in case of contributions to defined benefit plans.

Explain the long-term savings systems

N/A

- A.6 Indicate whatever compensations agreed or paid in case of termination of the functions as a director.

Explain the compensations

N/A

- A.7 Indicate the conditions that must be respected by those who have senior managerial functions as executive directors. Among others, the duration, limits to compensation sums, permanence clauses, advanced notice periods, as well as payment in lieu of said advanced warning, and any other clauses related to contracting premiums, as well as compensation or binding agreements for early termination of the contractual relationship

between the company and the executive director. They must also include, among others, agreements or covenants of non-competence, exclusiveness, permanence or loyalty, and post-contractual non-competence.

Explain the terms and conditions of the contracts of executive directors

The contract of the CEO (chief executive officer of the company) is a contract of service, with a duration of one year after of its coming into effect on 9 October 2015, and renewable for successive periods of one year. Otherwise, three months' notice by both parties is established. The contract does not provide indemnity and permanence clauses, and contains exclusivity or non-attendance agreements, with exceptions appraised.

A.8 Explain any additional remuneration earned by directors as compensation for services paid different from those inherent to his position.

Explain the additional remunerations

N/A

A.9 State any remuneration in the form of advanced payments, loans and guarantees granted, indicating the interest rate, their essential features and the amounts eventually returned, as well as the obligations assumed in the form of guarantees.

Explain the advances, loans and guarantees granted

N/A

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

Explain the payments in kind

N/A

A.11 State the remunerations earned by the director as a result of payments made by the listed company to a third party in which the director is providing his services, when said payments are intended to pay for his services to the company.

State the remunerations earned by the director as a result of payments made by the listed company to a third party in which the director is providing his services

N/A

A.12 Any other remuneration items different from the above, whatever their nature or the entity of the group that pays for it, especially when it is considered as a related-party transaction or its payment distorts the true image of the total remuneration earned by the director.

Explain the rest of remuneration items

N/A

A.13 Explain the actions adopted by the company regarding the remuneration system to reduce the exposure to excessive risks and adapt them to the long-term objectives, values and interests of the company, which will include, if applicable, a reference to: measures foreseen to guarantee that the remuneration policy considers the long-term results of the company, measures that establish the right balance between the fixed and variable components of remuneration, measures adopted on those job categories whose professional activities have a material impact on the risk profile of the company, recovery formulae or clauses to claim the refund of variable components of performance-based pay when those components have been paid in accordance with data which have subsequently proven to be manifestly inaccurate and measures foreseen to prevent conflicts of interest, if any.

Explain the actions adopted to reduce the risks

As explained in previous sections, the only remuneration the Directors of the Company will receive, including the CEO, is a fixed compensation, which prevents exposure to excessive risks.

B REMUNERATION POLICY FORESEEN FOR FUTURE YEARS

Repealed

C OVERVIEW OF THE IMPLEMENTATION OF THE COMPENSATION POLICY DURING THE YEAR THAT JUST ENDED

C.1 Explain in a summarized manner the main features of the remuneration structure and items of the compensation policy implemented during the last year, which produces the detailed individual compensations earned by each of the directors referred to in section D of the current report, and a summary of the decisions taken by the board for the implementation of those concepts.

<p>Explain the remuneration structure and concepts of the remuneration policy implemented during the year</p>

As explained in section A.1 above, in FY 2016, the remuneration policy, approved by the General Shareholders' Meeting held on June 21, 2016, was applied. As a result, regarding the remuneration of directors as members, it consisted of a fixed annual amount; the distribution corresponded to the Board itself and was shared between the members of the Board of Directors and the different Committees.

The criteria taken into account by the Board to carry out the distribution were:

- Membership of the Board and membership of each Committee. It was considered that simple membership of such bodies, with the responsibility that this entails, justifies the payment of remuneration commensurate with that responsibility. Thus, in 2016, each member of the Board received a fixed annual amount for their membership of 20,843.00 euros; For their membership in the Executive Committee, a fixed annual amount of € 10,419.00; For their membership of the Appointments and Remuneration Committee, a fixed amount of 3,049.00 euros; And for their membership in the Audit and Control Committee, a fixed amount of 3,049.00 euros.
- Attendance allowances, both to the sessions of the Board of Directors and each of its Commissions. It was considered reasonable that those directors who spent more time in the company in 2016 received a higher reward than those who had less dedication. Thus, in that year, each member of the Board of Directors received 1,894.00 euros for each meeting they personally attended; 1,158.00 euros for each meeting of the Executive Committee personally attended; 600.00 euros for each meeting of the Appointments and Remuneration Committee personally attended; And 600.00 euros for each meeting of the Audit and Control Committee personally attended.
- The non-executive Chairman of the Board. It was considered reasonable to specifically remunerate the position of non-executive Chairman, in order to recognize the responsibility and criticality of the position. Thus, the Board assessed the position of non-executive Chairman of this body in the amount of 225,000 euros per year. This remuneration was added to the fixed amount received for membership of the Board and Commissions.

On the other hand, regarding the remuneration of directors for the performance of executive tasks, the Board has recognized the ability of the CEO to increase the value of the company, as well as his competencies and professional profile, recognizing a specific remuneration of 175,000.00 euros, independent and compatible with his work as a member.

D DETAILS OF INDIVIDUAL REMUNERATIONS EARNED BY EACH OF THE DIRECTORS

Name	Type	Accrual period – 2013
MELIOTO, S.L.	Proprietary	From 01/01/2016 to 12/31/2016
CARMEN IGLESIAS CANO	Independent	From 01/01/2016 to 12/31/2016
MARIA ANTONIO LINARES LIÉBANA	Independent	From 01/01/2016 to 12/31/2016
EAC INVERSIONES CORPORATIVAS, S.L.	Proprietary	From 01/01/2016 to 12/31/2016
MR. GERARDO KURI KAUFMANN	Executive	From 01/01/2016 to 12/31/2016
MR. JUAN RODRIGUEZ TORRES	Proprietary	From 01/01/2016 to 12/31/2016
MR. CARLOS MANUEL JARQUE URIBE	Proprietary	From 01/01/2016 to 12/31/2016

D.1 Fill in the following tables on the individual compensation of each one of the directors (including compensation for the performance of executive duties) accrued during the year

a) Remuneration earned in the company covered in this report:

i. Remunerations in cash (thousand Euros)

Name	Salaries	Fixed payment	Attendance allowances	Short-term variable payment	Long-term variable payment	Remuneration for membership in Board's Committees	Compensations	Other concepts	Total 2016	Total 2015
EAC INVERSIONES CORPORATIVAS S.L.	0	21	23	0	0	13	0	0	57	54
MELIOTO, S.L.	0	21	18	0	0	13	0	0	52	55
CARMEN IGLESIAS CANO	0	21	19	0	0	6	0	0	46	52
MARIA ANTONIA LINARES LIÉBANA	0	21	24	0	0	6	0	0	51	55
GERARDO KURI KAUFMANN	175	21	20	0	0	10	0	0	226	87
JUAN RODRIGUEZ TORRES	0	246	28	0	0	17	0	0	291	16
CARLOS MANUEL JARQUE URIBE	0	21	13	0	0	0	0	0	34	11

ii. Share-based remuneration systems

iii. Long-term savings systems

b) Remuneration earned by the Company's directors for their condition of Members of the Board of other companies in the group:

i) Cash remuneration (thousand €)

Name	Salaries	Fixed pay	Attendance allowances	Short-term variable pay	Long-term variable pay	Remuneration for membership in Board's Committees	Compensations	Other concepts	Total 2016	Total 2015
EAC INVERSIONES CORPORATIVAS S.L	0	0	0	0	0	0	0	0	0	0
MELILOTO, S.L.	0	0	0	0	0	0	0	0	0	0
CARMEN IGLESIAS CANO	0	0	0	0	0	0	0	0	0	0
MARIA ANTONIA LINARES LIÉBANA	0	0	0	0	0	0	0	0	0	0
GERARDO KURI KAUFMANN	0	0	0	0	0	0	0	0	0	0
JUAN RODRIGUEZ TORRES	0	0	0	0	0	0	0	0	0	0
CARLOS MANUEL JARQUE URIBE	0	0	0	0	0	0	0	0	0	0

ii) Share-based remuneration systems

iii) Long-term savings plans

c) Summary of remunerations (in thousands of €):

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

In the case of long-term savings systems, the contributions or payments made to this type of systems must be included:

Name	Remuneration accrued in the company				Remuneration accrued in companies of the Group				Total		
	Total remuneration in cash	Sum of shares granted	Gross profit of options exercised	Total Company 2016	Total remuneration in cash	Sum of shares granted	Gross profit of options exercised	Total Group 2016	2016	2015	Payments to the saving system during the year
EAC INVERSIONES CORPORATIVAS,S.L.	57	0	0	57	0	0	0	0	57	54	0
MELILOTO, S.L.	52	0	0	52	0	0	0	0	52	55	0
CARMEN IGLESIAS CANO	46	0	0	46	0	0	0	0	46	52	0
MARIA ANTONIA LINARES LIÉBANA	51	0	0	51	0	0	0	0	51	55	0
GERARDO KURI KAUFMANN	226	0	0	226	0	0	0	0	226	87	0
JUAN RODRIGUEZ TORRES	291	0	0	291	0	0	0	0	291	16	0
CARLOS MANUEL JARQUE URIBE	34	0	0	34	0	0	0	0	34	11	0
TOTAL	757	0	0	757	0	0	0	0	757	330	0

- D.2 Report on the relationship between the remuneration earned by the directors and the results or other measures of the company's performance, explaining, if applicable, how the variations in the performance of the company might have influenced on the variation of Directors' remunerations.

The remuneration of the Members of the Board of the Company are not linked to the Company's results, since the remuneration is of a fixed nature and is related to the attendance to the different meetings of the Board and its Committees.

- D.3 Report on the result of the consultative vote of the General Shareholders' Meeting on the remunerations of the previous year, indicating the number of negative votes cast, if any:

	Number	% of total
Votes cast	331,982,486	72.19%

	Number	% of total
Votes in favor	331,140,831	99.56%
Votes against	60,771	0.02%
Abstentions	780,911	0.23%

E – ADDITIONAL INFORMATION OF INTEREST

If there is any relevant aspect regarding directors' remuneration that has not been included in the rest of sections of the current report, but which must be included to record a more accurate and reasoned information on the remuneration structures and practices regarding its directors, please describe them briefly and in detail.

D.1.c) Although the amount shown in the section 'Total fiscal year 2015' in this report is 330 thousand euros, the total amount actually paid in that year was 2,446 thousand euros, plus the contribution to the savings system during the year, which amounted to 67 thousand euros. Therefore, by comparing the amounts actually paid in 2016 (€ 757 thousand) and in 2015 (€ 2,446 + € 67 thousand) there is a reduction in Directors' remuneration of € 1,756 thousand (that is, almost 70%).

The difference between the amount actually paid in FY 2015 and that shown in this Report is due to the fact that in the latter, the remuneration of the Directors who ceased to be employed during the fiscal year 2015 can not be collected.

Finally, it should also be noted that the difference between "Total FY 2016" and "Total FY 2015" included in this Report (considering that both refer to directors that were members in both years) is due to Mr. Juan Rodríguez Torres and Mr. Carlos Manuel Jarque Uribe were appointed members of the Board in October 2015, so in that year they only received their salary for two months. In addition, in that year Mr. Rodríguez Torres did not receive any amount for his status as a non-executive Chairman, while in 2016 he did. On the other hand, the Chief Executive Officer, Mr. Gerardo Kuri Kaufmann, was elected to that position in October 2015, so he only received his remuneration for executive duties since then.

D.3 In the section "Abstentions", it has also included the "Blank votes", the breakdown between both is the following:

- Abstentions: 779 182 (0.2343%).
- Blank votes: 1,729 (0.0005%).

This Annual Remuneration Report has been approved by the Board of Directors of the company, in its session held on March 9, 2017.

Please indicate whether there have been members of the Board who have voted against or have abstained in the approval of this report.

Yes

No