

# 2019

## Corporate Responsibility and Annual Report



**REALIA**



## About this Report



C.C.. Ferial Plaza (Guadalajara)

*REALIA present this Corporate Responsibility and Annual Report para to account for its social and economic performance during 2019.*

*This Report offers Complete and truthful information on the economic, social and sustainability management of REALIA and its subsidiaries during the 2019 financial year.*

REALIA  
Realia Business, S.A.  
Av. del Camino de  
Santiago, 40 28050 Madrid  
913 534 400  
[www.realia.es](http://www.realia.es)  
[comunicacion@realia.es](mailto:comunicacion@realia.es)





# Contents

## 1. Letter from the Chairman

## 2. REALIA today

Main aggregates  
Financial indicators  
Company Profile

## 3. Evolution of the Company

Economic and sectoral environment  
Strategy  
Results for the year  
Financial Situation  
Asset valuation  
Consolidated Balance Sheet  
Stock price evolution

## 4. Business Lines

### Property Business

- Offices
- Shopping Centers
- Homebuilding Development

### Development & Land Business





Realia Parque del Ensanche  
Alcalá de Henares (Madrid)

# Contents

## 5. Corporate Governance

Corporate Governance Bodies  
Annual General Meeting  
Board of Directors  
Chief Executive Officer  
Remuneration Policy  
Ethical framework  
Ethical Code  
Criminal compliance and prevention model  
Internal Code of Conduct  
Fiscal Policy  
Risk Management

## 6. Corporate Responsibility

REALIA, a responsible company  
Achievement of objectives  
Stakeholders  
Shareholders and Investors  
Employees  
Customers  
Suppliers  
Community  
Charities  
Environmental Management / Sustainability





# 1. Letter From the Chairman



Dear shareholders,

I would like to start this letter hoping that all our shareholders, their families and friends are in good health in these difficult times and thanking all the people who are working tirelessly all over the world to overcome this pandemic, for their dedication and selfless work, even putting their own lives at risk. Their behavior and their bravery must serve as a source of inspiration to all of us.

First of all, I would like to emphasize that REALIA generated revenues of 97.03 M € in 2019, a 3.4% increase compared to 2018. 82.4 M € (+5.6% over last year) were generated by the property segment, which is the largest of all (85%). On the contrary, revenues from the development business accounted for 12.3 M € (-10.9 M € from last year) due to the gradual reduction in the finished residential housing stock and to the fact that no deliveries were made from new developments.

This increase in revenues, together with the 7.7% decrease in overhead, generated an EBITDA of 49.53 M €, a 9.4% increase over 2018.

After accounting for provisions/amortizations (44.4 M €) and financial expenses (-13.5 M €), earnings before taxes amounted to 80.5 M €, and 60.2 M € after taxes, versus 55.0 M € in 2018 (+9.5 M €) and the profit attributed to the Parent was 44.9 M €, a 11.7% increase over the previous year.

At 31 December 2019, real estate assets of the REALIA Group had a market value of 1,943.8 M €, 4.9% higher than in 2018. Out of these, 1,540.8 M € correspond to assets valued by CBRE in the property area, and the rest, valued by TINSA, to residential housing assets (land, developments and finished product), amount to 394.1 M €. It is important to mention that the impact of the change from ECO to RISC in the methodology for the determination of the fair value in 2019, has not been significant.

At year-end 2019, the company had more than 300 homes in construction which, as a result of the delays from the lack of activity due to COVID-19, will be completed in the first months of 2021. Additionally, REALIA had 216 units of finished homes at year-end. REALIA has 6 other projects in progress for the construction of an additional 452 homes. Finally, the current land portfolio of REALIA, in their different stages of planning, amounts to 5,752,433 m<sup>2</sup> of gross surface area, with an estimated building area of 1,619,033 m<sup>2</sup>, most of them in Madrid, Central Region and Andalusia.

The property business has continued to prove its strength in 2019 and increased occupancy by 1.8% compared to 2018, up to 93.6%, with the corresponding increase in revenues.

During 2019, we completed the development of housing for rent in Tres Cantos, Madrid, with 85 homes to be rented during the current year, and acquired two additional land lots for the construction of 195 more homes. The total investment made by the company at 31 December 2019 on this BTR (Built to Rent) segment amounted to 25.2 M €, and an additional investment of 28.3 M € is considered as necessary to finalize these projects.

All these actions had the purpose of improving the financial economic ratios (revenues, EBITDA, results, borrowings...) in such a way that the market may recognize the value of these fundamentals of the REALIA Group and even though they have not been translated yet in a higher share price, we are convinced that this is bound to happen, despite the exceptional situation the world is going through due to this terrible pandemic. Despite not being the biggest company in terms of volume, REALIA is striving to become of the most profitable companies in the sector.



Today, given the exceptional nature of the current situation, and its fast and unknown evolution, it is not possible to make forecasts about the prospects for the year 2020. We are all aware of the forecasts made by the IMF in April 2019 of a worldwide recession (-3%) and the lack of consensus about the possible recovery (Type V, U, L curves...). This report predicted a drop in the Spanish GDP close to 8% and an unemployment rate around 20%, even though it also forecast a recovery of 5.8% for 2021; nonetheless, the evolution of the impact of COVID-19 is under constant review, since its impact is still unknown.

Despite these predictions, we must be positive since, once we leave 2020 behind, we may witness a strong recovery that will allow our sector and our company to continue to grow in terms of volume and profitability.

I would like to conclude this letter thanking all our shareholders, on my own behalf and on behalf of the Board of Directors and the REALIA team for their support and trust, and I wish to extend to them my commitment to continue to drive the company forward.

We will overcome this crisis, let us improve and seize the opportunities that will undoubtedly arise.



Juan Rodríguez Torres

Chairman







## 2. REALIA today

Main aggregates

Financial indicators

Company Profile



## 3 Business Lines

TOTAL REVENUES  
97,03 M.€

85%



Property



2019 ASSET VALUATION  
(GAV) AND PERCENTAGE



80%

1.540,8 M.€

15%



Development & Land



20%

394,1 M.€

TOTAL INVESTMENT 2019:  
25,2 M.€



Residential Housing For Rent



HOMES BUILT: 85 Viv.  
HOMES UNDER  
DEVELOPMENT:



40 PROPERTIES FOR RENT

575 UNITS  
(HOMES & RETAIL PREMISES)



1,6 MILLION M2 OF  
BUILDABLE AREA, 30% IN LAND  
READY FOR CONSTRUCTION

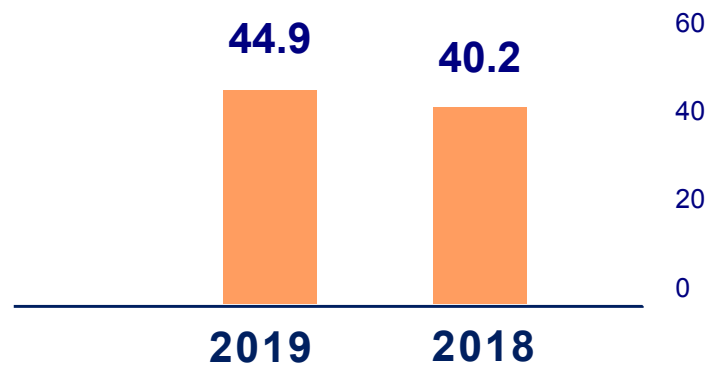


## NUMBER AND LOCATION OF ASSETS

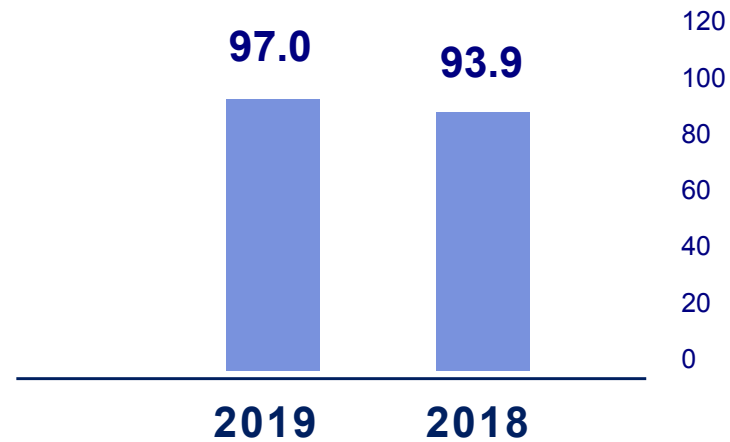




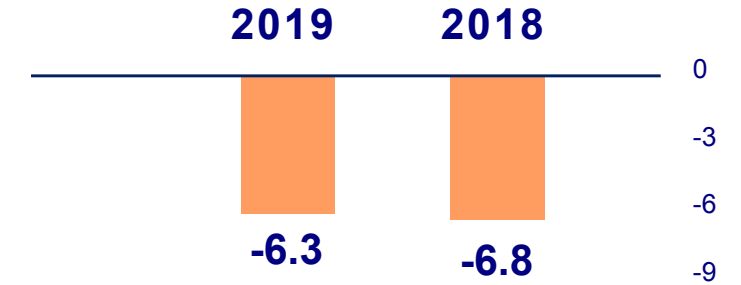
## NET EARNINGS (Million Euros)



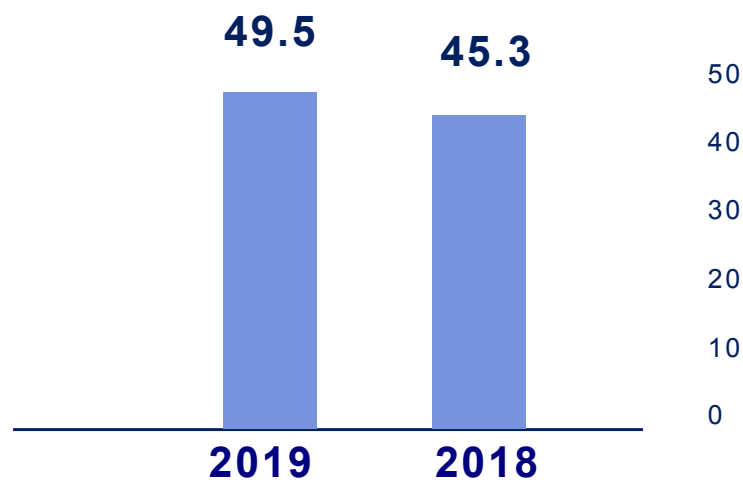
## REVENUES (Million Euros)



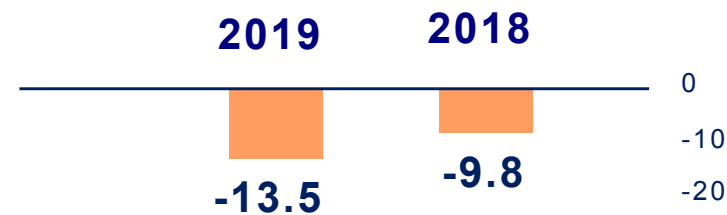
## RECURRING OVERHEAD (Million Euros)



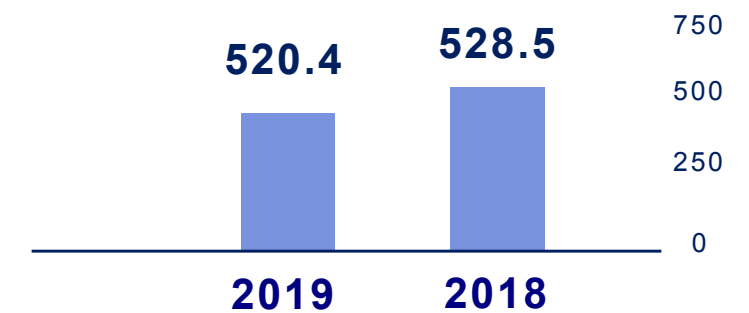
## EBITDA (Million Euros)



## FINANCIAL PROFIT/LOSS (Million Euros)



## NET BANK BORROWINGS (Million Euros)



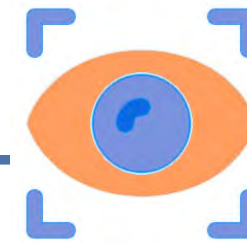


## Mission



To develop, manage and operate all types of real estate assets, and to offer high-quality real estate services to companies and individuals with the purpose of creating value for the shareholder, through efficient asset selection and management, excellent service, innovation linked to eco-efficiency and responsible management.

## Vision



REALIA works for the purpose of maintaining its status as a reference in the sector, recognized and admired by society, which it serves through the establishment of relations of trust and mutual benefit with its stakeholders.

## Values



### CUSTOMER SERVICE

One of our most critical assets in our satisfied customers. In our customer relations, we place the interests of our customers at the same level as our own.



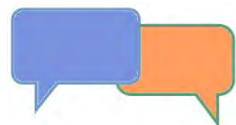
### TRANSPARENCY AND GOOD GOVERNANCE

Realia wants to be recognized in the sector as the company with the best Corporate Governance standards. We strive to act honestly, fairly and transparently, with impeccable conduct in our relations with our stakeholders.



### LEADERSHIP VOCATION

All the employees of REALIA are distinguished for their vocation to achieve excellence in all areas of activity of the company.



### DIALOG

To maintain relations of trust and mutual benefit with its stakeholders.



### INNOVATION

Constant search for solutions that contribute added value to the company and to society. Quality as the basis for growth.



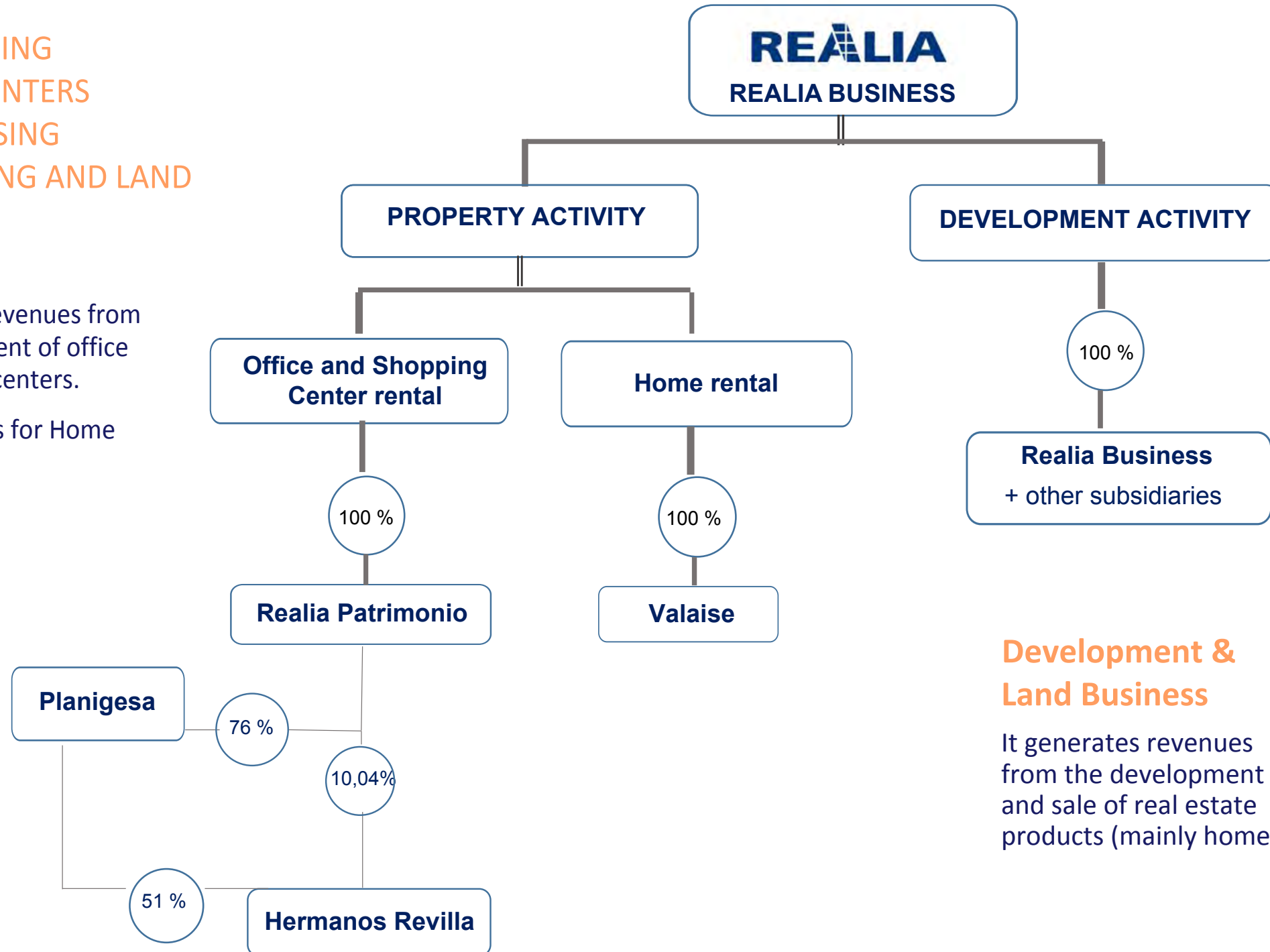
REALIA IS DEDICATED TO THE DEVELOPMENT, MANAGEMENT AND OPERATION OF:

- OFFICE BUILDING
- SHOPPING CENTERS
- RENTAL HOUSING
- HOMEBUILDING AND LAND

## Property Business

It generates recurrent revenues from the lease and management of office buildings and shopping centers.

Development of projects for Home rental.



## Development & Land Business

It generates revenues from the development and sale of real estate products (mainly homes).





*Torre Reialta Barcelona*

## 3. Evolution of the Company

Economic and sectoral environment  
Strategy  
Results for the year  
Financial Situation  
Asset valuation  
Consolidated Balance Sheet  
Stock price evolution

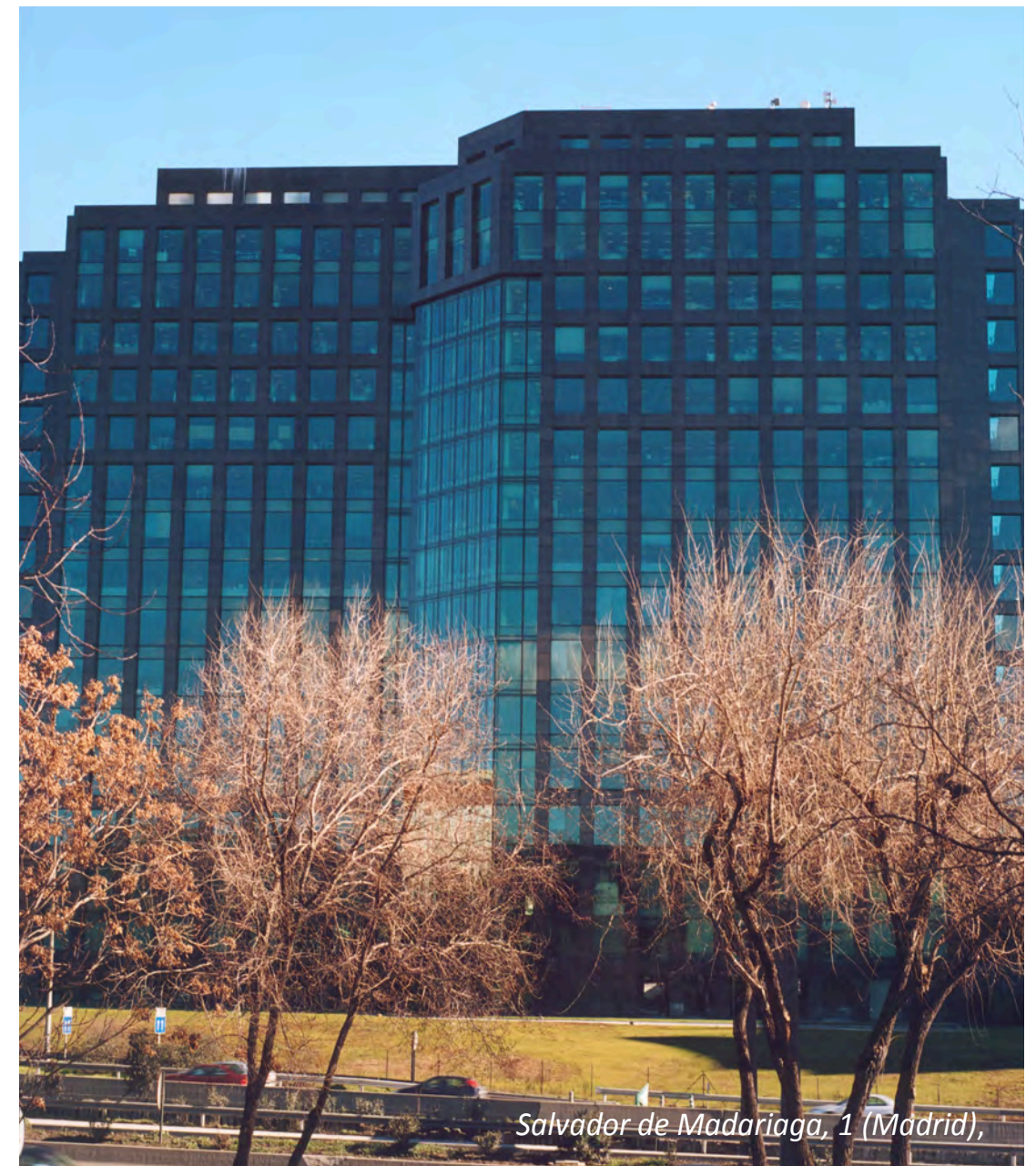


In 2019, Spanish GDP growth rates were quite moderate (+2%) and showed signs of slowdown compared to 2018 (2.4%); however, Spain continued to grow above the average of the Euro zone (+1.4%), and was ranked 13th in the world among 196 countries. Another interesting figure, crucial for the real estate sector, is the evolution of the unemployment rate, which grew seven tenths below that of 2018, and created 358,000 FTE jobs, thus confirming the same trend of GDP growth.

All the initial GDP growth and employment creation forecasts (1.7% and 1.6% respectively) had taken into account the continued slowdown that not only affected our economy, but was a reality worldwide; however, all these indicators have been disrupted by the COVID-19 pandemic and the effects it can have on the different economies around the world.

It's still too early to know the final impact of this pandemic, but it will undoubtedly be very negative, especially for the Spanish economy. The IMF has recently forecast a worldwide recession of 3%, with a negative impact of 8% on the Spanish economy, and an unemployment rate around 20%. Nonetheless, we must be positive and focus on the 5.8% growth forecast for 2021, and for this reason we wish to mention some of the more optimistic estimates that predict that COVID-19 will have a serious impact, albeit not as severe as the 2008 crisis, since it is believed that recovery will be much faster (following a V, U or L shaped curve); for this reason, some analysts believe that consumption and investment can recover in the short term, even though the foreign sector and tourism may struggle longer, and the evolution of the oil price will probably have a positive impact. However, a major effort must be made in terms of indebtedness, which is expected to shoot up to 114% of GDP.

Finally, given the provisional nature of the macro forecasts mentioned, we need to continue to work on the implementation of measures that, once we leave this pandemic behind, minimize its social and economic impact and allow the production system of our country to continue its activity as usual; that will be the right moment to assess its impact and to give visibility to the macro forecasts. Realia is working in close collaboration with its customers and supporting them with measures that will help us minimize the impact of COVID-19 on the viability of their businesses, their investments and our company.



Salvador de Madariaga, 1 (Madrid),



## Investment Market in Spain

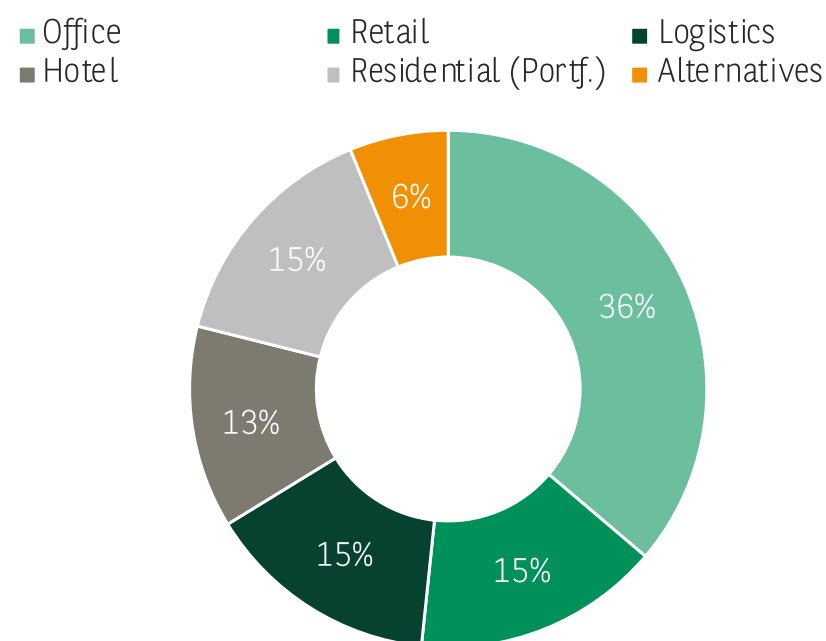
Spain continues to be one of the most attractive markets for international investors. High liquidity, low interest rates, attractive yields compared with other financial products and other markets in our region, together with the good health of the market fundamentals, put Spain on the radar of the major investment funds.

According to the 4T Spain Investment Report published by BNP Paribas Real Estate, 2019 hit a new record in direct investment on profitable assets (offices, retail, logistics, hotels, home portfolios and alternative assets), and transactions amounting to 12,725 M €, a 5% increase over 2018 (12,069 M €), partly thanks to the large volume transactions carried out during the final days of the year.

This figure emphasizes the strength of the sector in an economically and politically troubled year, both nationally and internationally, with 60% of the investment was made by international investors, 9% by REITs (Real Estate Investment Trusts) and the rest by national investors.

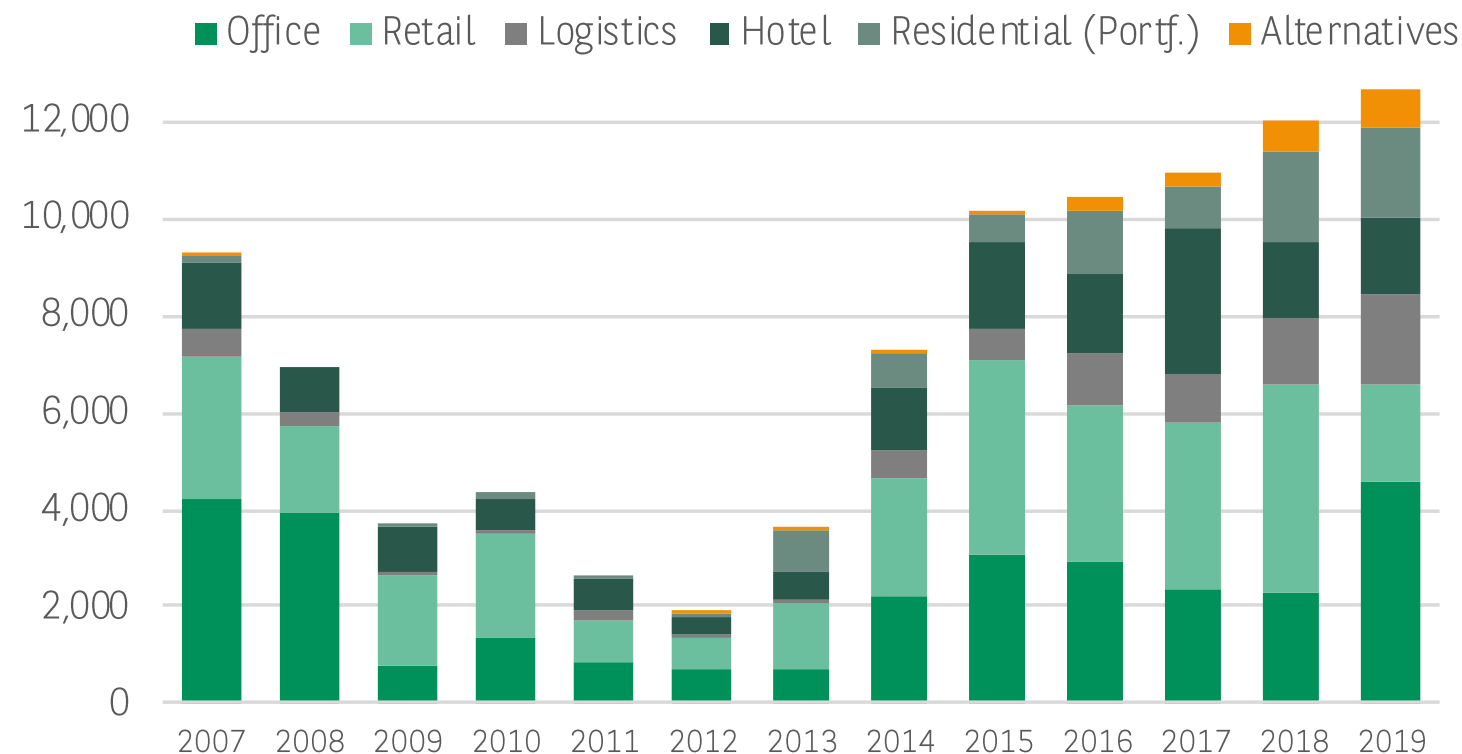
Multi-product investors need to invest in the real estate sector to make up for the low profitability of sovereign bonds. There is a general consensus that the low or negative interest rates will persist, and there is a renewed interest for core (lower risk) assets, despite their all-time low profitability.

### INVESTMENT BY TYPE OF ASSET—2019



Source: BNP Paribas R.E.

### DIRECT INVESTMENT EVOLUTION (million euros)

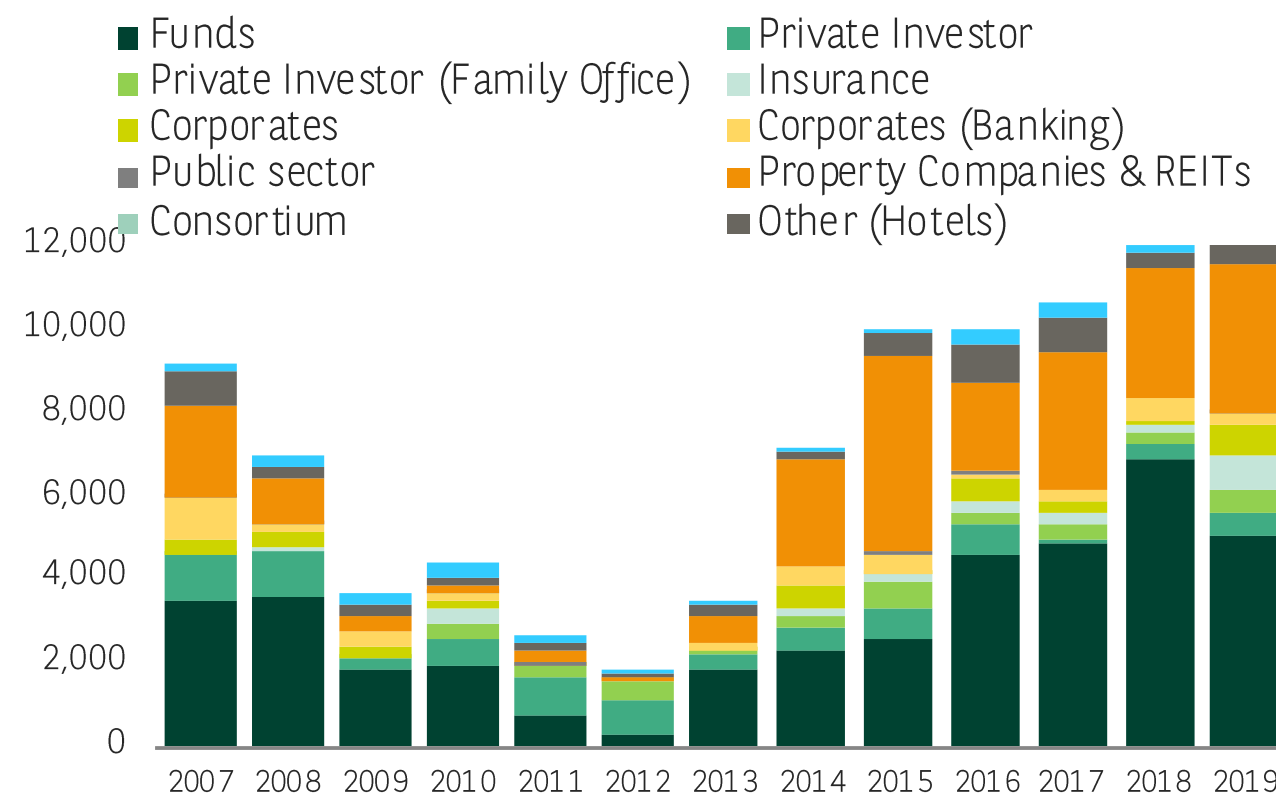


Investors continue to diversify their portfolios and invest on alternative assets. In 2019, investments reached 720 M €, 15% higher than in 2018. Students' residences and elderly homes are the product with the highest demand from investors. The fact that life expectancy continues to rise and the attraction of retiring in Spain for citizens from other countries are growing the interest of specialized funds on elderly homes. Another type of asset increasingly attractive for investors is the residential phenomenon of "co-living", a natural evolution of students' residences during their first years in the labor market, with several operations conducted in the last quarter of the year.

Regarding institutional and market actors, REITs continue to be the main players, accounting for 66% of the total volume of operations. Additionally, insurance companies are increasingly active in profitable assets and in developing new products, especially in the office market. Another interesting aspect is the activity of private investors, "family offices" in transactions usually below 20 M € in office markets, commercial premises, hotels and alternative assets.

After finishing 2019 with the highest figures in the investment market in the historical series, in which the trust of investors in the Spanish real estate market was stronger than the existing economic and political uncertainties, forecasts for 2020 (before the outbreak of the pandemic) were positive.

### INVESTMENT BY TYPE OF BUYER (M€)



Source: BNP Paribas R.E.



## The Office Market

2019 was a historical year for the office market, which recorded its best investment levels ever, 4,600 M €, the highest activity level of the historical series, above the figures of 2007 and 2008, and doubling the volume recorded in 2018.

This increase is due to the fact that the office market continues to be a target for investment funds that rely on this segment and account for 50% of the transactions made in Madrid and Barcelona. The main actors were the “value add” and “Core+” funds, as well as insurance companies. The markets with the greatest demand were Madrid, with 63% of transactions, and Catalonia, with 30%. Other interesting markets were Malaga, Valencia or Bilbao. Appetite for investment is visible in the reduction of yields, 3.50% in Madrid, and 3.75% in Barcelona.

During the last months of the year, the Central Business District (CBD) of Madrid was again the area with the highest volume of surface area contracted. The prime average rent remained stable at 31€/m2/month, with spaces in the CBD registering the highest average rent: 35€/m2/month.

Lease contract volumes remain strong, with levels way above the average of the last 10 years: 600,000 m2 in Madrid and 475,000 m2 in Barcelona. Non-occupancy is currently at its lowest level in the last 10 years.

Madrid y Barcelona are positioned as strategic cities for large international corporations attracted by the high level of professionalism, excellent infrastructures and office rent prices lower than in other cities in Europe. VPP, Cisco Systems, Amazon, Facebook, Google, Oracle, SAP, Jull Labs, Nintendo, LinkedIn and Netflix are clear examples of the trend towards internationalization that is expected to increase in the short and medium term.

Many tenants are attracted by the flexibility of spaces and the contracts offered by Co-working. The future will bring a new formula, a traditional office building housing a Co-working operator on 20-30% of the building space offering a flexible service to all the other tenants of the building, and thus maintaining high levels of occupancy during a whole cycle.



## Shopping Center Lease

According to data from AECC, there are currently 568 shopping centers in Spain, with a gross leasable surface area of 16.4 Million square meters. The sector contributes more than 8,400 Million Euros to the Spanish Gross Domestic Product (GDP) and generates 730,000 jobs, 46% of them direct jobs.

The development of shopping centers picked up after the crisis, but there are few new openings. Last year, output was quite low again, with the opening of 4 new shopping centers, 2 malls and 3 extensions, with a total of 220,000 m2 of gross leasable surface area of new retail space; the main new projects were the opening of the Lagoh (Seville) and X-Madrid (Alcorcón) new shopping centers. There are currently 15 construction projects in progress with 510,000 m2 of gross leasable surface area.

Shopping centers in Spain recorded very positive results in 2019, with 1,998 million visitors, a 1.5% increase in the number of visitors compared to 2018. Sale volumes reached 46,613 Million Euros (1.6% more than in 2018). As a result of the improvement in the number of visitors and sales, the average expenditure per visitor increased from 14.0€ in 2018 to 14.4€ in 2019.

The occupancy level continued its improvement in 2019, albeit moderately, with an average of 95.3%, higher than in 2018 (94.9%).

E-commerce will continue to grow strongly, and it's expected to grow above 25% in 2020. The percentage of online sales in retail will go up to 6%, above the current 5%. More adjustments are expected in the retail chains as offline sale shares decrease.

Many current shopping centers are upgrading their facilities and preparing for the era of omni-channel retail, since their goal is to become social meeting points in the future, and not just a mere shopping place.



C.C. As Cancelas  
(Santiago de Compostela)

RATIO	2019 (*)
Visitors (annual var./TD)	2.1%
Sales (annual var./ TD)	1.8%
Occupancy rate	95.2%
Spend per visitor	13.7 €

Source: CBRE (\*) 2019



## Residential Market

After the strong growth of last years, demand for housing has started to slow down. Sales of housing dropped 3.3% over the previous year, due partially to the impact of the amendment of the Mortgage Law, the delays in the granting of work permit or occupation licenses in many municipalities in Spain and the political and legal uncertainty that affects the residential housing sector.

In actual terms, and according to official statistics, homebuilding investment decreased by 0.9% in the 3rd quarter of 2019 (+1.8% YoY), the first drop since the start of the positive trend in 2014. Sales of housing in 2019 will be close to 542,000 units, 92,800 of them new homes (18% of the total) 1.2% higher than in 2018, even though this increase is concentrated on a few areas and communities.

Regarding motivation for sales, the first access to a new home continues to be the main motivation. 54% of the buyers reported this was the purpose for the purchase.

In 2018, investment gained relevance and was reported as the second reason for the purchase of both first homes and holiday homes, but this is no longer the case now. In 2019, 19% of holiday home sales were the result of an investment, versus 17% in the case of main residences. Housing replacement became the second reason for the purchase of a main residence, 25%, and climbed to the second position, above the purchase of housing as an investment.

The age of emancipation of young Spaniards is among the highest in the EU, due to the difficulty in accessing a home. Rent affordability rate has increased, and youngsters under 30 must dedicate over 94% of their pay to paying the rent, twice as much as ten years ago. This highlights the need for legislative changes that promote the development of affordable housing.

We are currently witnessing an increase in the development of housing for rent, a much needed initiative that requires the support of the Administration in order to avoid an exponential increase in rent prices. The increase in the number of Built to Rent (BtR) agreements will increase the housing stock for rent and will promote the professionalization of the multifamily & residential living sector. Not only the difficulty in purchasing a home will drive up the demand for rental housing, but it will become a social reality brought about mainly by social and cultural changes. In view of the growing demand for rental homes (according to official INE statistics, 23.9% in 2018 versus 19.4% in 2007) and the lack of housing stock, the development of new buildings 100% for rent is bound to increase.



## Land Market

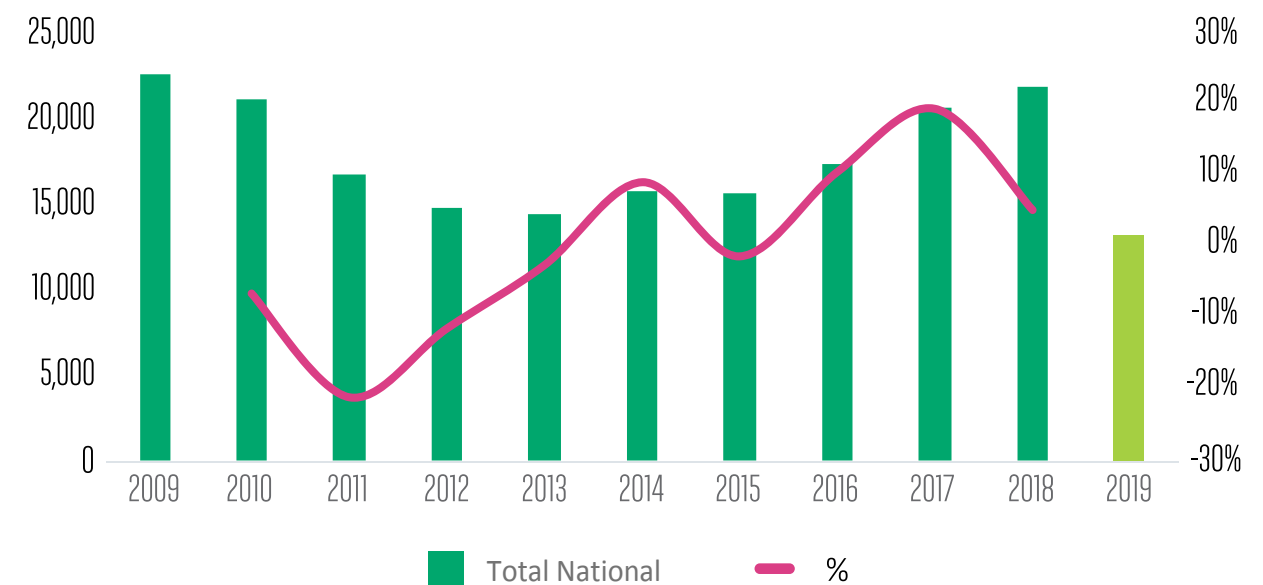
Regarding land, 13,290 sale transactions took place in Spain until September 2019, 17% lower than in the same period of 2018. The supply of land has struggled since the years before the crisis, since no sufficient land has been developed to cater to it, due to the fact that most of the land ready for construction had already been used up. As a consequence, due to the lack of land ready for construction, especially in big cities like Madrid or Barcelona, investors are turning their attention to alternative markets such as Palma de Mallorca, Malaga, Seville or Valencia.

The shortage of land is pressing prices upwards, especially in the most consolidated markets. Developers have found their margins shrinking down 8-10% in some cases, mainly due to the high costs of construction and land which, together with the delays in the granting of permits (up to 18-20 months in Madrid), is forcing them to adopt less conventional strategies to ensure the viability of their projects, acquiring land lots pending urban management.

In Madrid, land transactions are taking place mainly outside the M30, in districts such as Cañaveral or Valdebebas. In the urban area of Barcelona, with the exception of some transactions in districts such as La Sagrera, Gracia, or La Meridiana, most of the transactions concentrate on the Zona Franca and L'Hospitalet de Llobregat.

On the other hand, due to the lack of land ready for construction in the market, which increased its price 10.1% last year and 7.0% compared to the second quarter of the year in municipalities of more than 50,000 inhabitants, there is a growing number of purchases of land pending management, at lower prices. Land under zoning are increasingly demanded by the major developers, which favor attractive prices with a chance to generate capital gains, while they wait for the final approval of the appropriate licenses, the zoning of the lots by the Compensation Board and other administrative proceedings, which may take two or three years.

EVOLUTION IN TRANSACTIONS OF URBAN LAND



Source: Ministerio de Fomento







Over the last five years, REALIA has focused its strategy on the compliance with a financial rationalization plan that has generated stable recurrent revenues for the company and a balanced debt that will help it take on new projects in the future.

The philosophy prevailing over the activities of the company in its two lines of business, Property and Developments & Land, is not based upon a position of leadership in the market in terms of revenues, for the highly cyclical nature of the sector and the long period of maturation of investments have proven in the past the high risks this approach involves. On the contrary, the pillar of REALIA's current strategy is the value generation. Both for our customers, offering them products and services adapted to new habits and trends and our shareholders, maximizing the profit.

Accordingly, the Group is looking for investment opportunities, both individual assets and asset portfolios, both for their rental operation and for potential development projects, and only carries out these investments when they generate value and profits for the Company based on realistic parameters.

Regarding the Property business line, or rent asset operation, we have observed a continued recovery of the demand for space, an upward trend in office rent, and stability in shopping centers. Furthermore, 2019 has manifested the need for traditional office spaces for rent with the supply of spaces under flexible lease models (co-working or flexible space). Accordingly, the Realia Group has leased a large volume of space to some of the best operators in the flexible space segment, in order to offer its tenants both lease options in its main office buildings.

On the other hand, and in order to maintain our assets in line with the new requirements of demand and society, we are implementing capex plans oriented towards improving the experience of both tenants and users, promoting environmentally sustainable buildings and optimizing operational costs. Digitalization based on IoT (Internet of things) is playing a key role in the achievement of these three objectives.

Additionally, considering the unstoppable trend of residential housing for rent, in view of the active demand in this segment and the scarce professional supply of this product in Spain, Realia has instructed its subsidiary Valaise to invest on three BtR (Built to Rent) operations on subsidizes assets in the municipality of Tres Cantos (Madrid). A total of 280 homes for rent will be built, 85 of which were completed at the end of 2019, pending first occupation license and expected to start commercial operation in the first quarter of 2020. We intend to continue to develop and increase the investment in this residential housing segment in the following years.

In its Development & Land business line, Realia has reduced notably its portfolio of finished units, although it is prioritizing the attraction of value through sale prices over the speed of turnover of those assets.

Furthermore, we are working on main residence developments in locations where demand is consistent and dynamic, with special emphasis on their design and their energy efficiency and sustainability characteristics.

Finally, we have continued to provide value to our land portfolio advancing on the process of urban development management even though, much to our chagrin, the speed of progress is far from ideal, due to the endless urban procedures, the lack of coordination among the different public bodies involved in the process and lastly, to the legal uncertainty around the process.



The strategy for 2020 can be summarized as follows:

## Property Business



- To optimize the level of occupancy of the portfolio and its rent prices, on the basis of meeting the expectations of current and potential tenants.
- To prioritize the right mix of tenants to generate synergies among them and to promote the stability of leases, even combining complementary uses in them whenever possible.
- To prepare CAPEX plans supported by the use of technological tools and oriented towards improving the experience of tenants and users, to promote environmentally sustainable buildings and to optimize operational costs.
- To promote healthy conditions in our buildings, conducting audits of air quality, water and light, and creating spaces that promote the practice of sports (fitness rooms, dressing rooms and showers, use of stairs, etc.)
- Continued monitoring of the market to detect investment opportunities in line with our philosophy (profitability) and our portfolio. With special attention to the BtR (built to Rent) segment.
- Potential sale of assets that have reached certain degree of maturity.
- Optimization of asset operating costs, making them compatible with a high level of maintenance and service and adequate cost control.

## Development & Land Business



- To prioritize the attraction of value through the selling price over the speed of asset turnover.
- Construction of developments in locations with consistent and dynamic demand, with special emphasis on their design and their energy efficiency and sustainability characteristics.
- To generate value for our land portfolio through the progress in their urban management, both in land not ready for construction, through an active role in the Compensation Boards in which we are present, and in land ready for construction, through the development of construction projects and the request for work permits.
- Constant monitoring of the market to detect investment opportunities in line with our philosophy (profitability) and our geographic positioning, prioritizing main residence locations with sustained and dynamic demand (Madrid, Barcelona, Canaries, Valencia, Alicante, Balearic Islands and Seville).
- Explore alternative uses for some of our land ready for construction in order to maximize their value.

## REVENUES

Realia recorded total revenues of 97.03 M € in 2019, 3.4% higher than in 2018 (93.88 M€).

In the property area, total revenues amounted to EUR 82.40 M €, a 5.6% increase over the previous year. Of this figure, 2.12 M € correspond to the refund of the municipal value added tax generated by the sale of a property asset in previous years.

Revenues in the development area amounted to 12.30 M €, 10.9% lower than in 2018 (-1.5 M €), justified by the gradual reduction of finished residential housing stock, since its average price was lower than in previous years. No new developments in progress were delivered during 2019.

Additionally, the Group generated 2.33 M (+14.2%) in revenues from the provision of services and others, corresponding to the turnover of marketing, technical management and administrative and fiscal management contracts in developments and/or third party companies beyond the Realia business group.

Overhead costs have also positively evolved and reached 6.27 M € (-7.7 %) compared to 2018.



Torre Realia\The Icon (Madrid)



## EBITDA AND CONSOLIDATED INCOME

- Realia Group's EBITDA reached 49.53 M. €, a 9.4% improvement over 2018. This increase in Ebitda is based on the improvement of the revenues of the property area and the reduction of operational and structural costs.
- The net recognition/reversal of provisions went up to a total of 11.52 M € in 2019 (5.92 M € in 2018).
- The valuation criterion with RICS methodology of real estate investments (leased assets) at their fair value resulted in a positive result of 30.77 M € in 2019 (including 2.28 M € for the reversal of the provision for the capital gain from the sale of the "Los Cubos" building in October 2017), compared to 28.93 M € for the same period in 2018.
- Net financial results at year-end 2019 amounted to -13.47 M € (+37.6% over the same period in 2018, -9.79 M €) due to the drop of financial revenues in 2019, as a result of the recognition in 2018 of the payment of the interest on arrears, 6.9 M €, from a litigation sentenced in favor of Realia Patrimonio S.L.U. Excluding this effect and the valuation of hedging on derivatives, the financial result for 2019 is 14.45 M €, 16.5 % lower than in 2018 (17.30 M €).
- Earnings before taxes in 2019 reached 80.50 M €, versus 72.53 M € in 2018, an 11% increase.
- Earnings after taxes in 2019 amounted to 60.18 M €, versus 54.96 M € in 2018 (9.5 % increase).
- Net attributed profit in 2019 amounts to 44.88 M €, versus 40.16 M € in 2018, an 11.8% increase.

(M €)	2019	2018	Var. (%)
<b>Total Operational Revenues</b>	<b>97.03</b>	<b>93.88</b>	<b>3.4</b>
Rents	62.22	60.76	2.4
Provision for Expenses	17.44	17.03	2.4
Results from the sale of plant, property and equipment	2.12	-	-
Developments	11.18	14.01	-20.2
Land	-0.1	-1.0	87.5
Services	3	4	14.2
Other revenues (development and property)	2.3	2.0	73.1
<b>Gross Margin</b>	<b>55.80</b>	<b>52.06</b>	<b>7.2</b>
Rents	57.88	55.01	5.2
Developments	-2.78	-3.39	18.0
Services	0.70	0.44	59.1
Structural Costs	-6.19	-6.70	7.6
Other Costs	-0.08	-0.09	11.1
<b>EBITDA</b>	<b>49.53</b>	<b>45.27</b>	<b>9.4</b>
Amortizations	-0.40	-0.35	-14.3
Provisions	11.52	5.92	94.6
<b>EBIT</b>	<b>60.65</b>	<b>50.84</b>	<b>19.3</b>
Result valuation property investment at fair value	30.77	28.93	6.4
Net financial result	-13.47	-9.79	-37.6
Equity consolidation	2.55	2.55	0.0
<b>Earnings before taxes</b>	<b>80.50</b>	<b>72.53</b>	<b>11.0</b>
Taxes	-20.32	-17.57	-15.7
<b>Earnings after taxes</b>	<b>60.18</b>	<b>54.96</b>	<b>9.5</b>
External partners	15.30	14.80	3.4
<b>Net Attributed Profit</b>	<b>44.88</b>	<b>40.16</b>	<b>11.8</b>

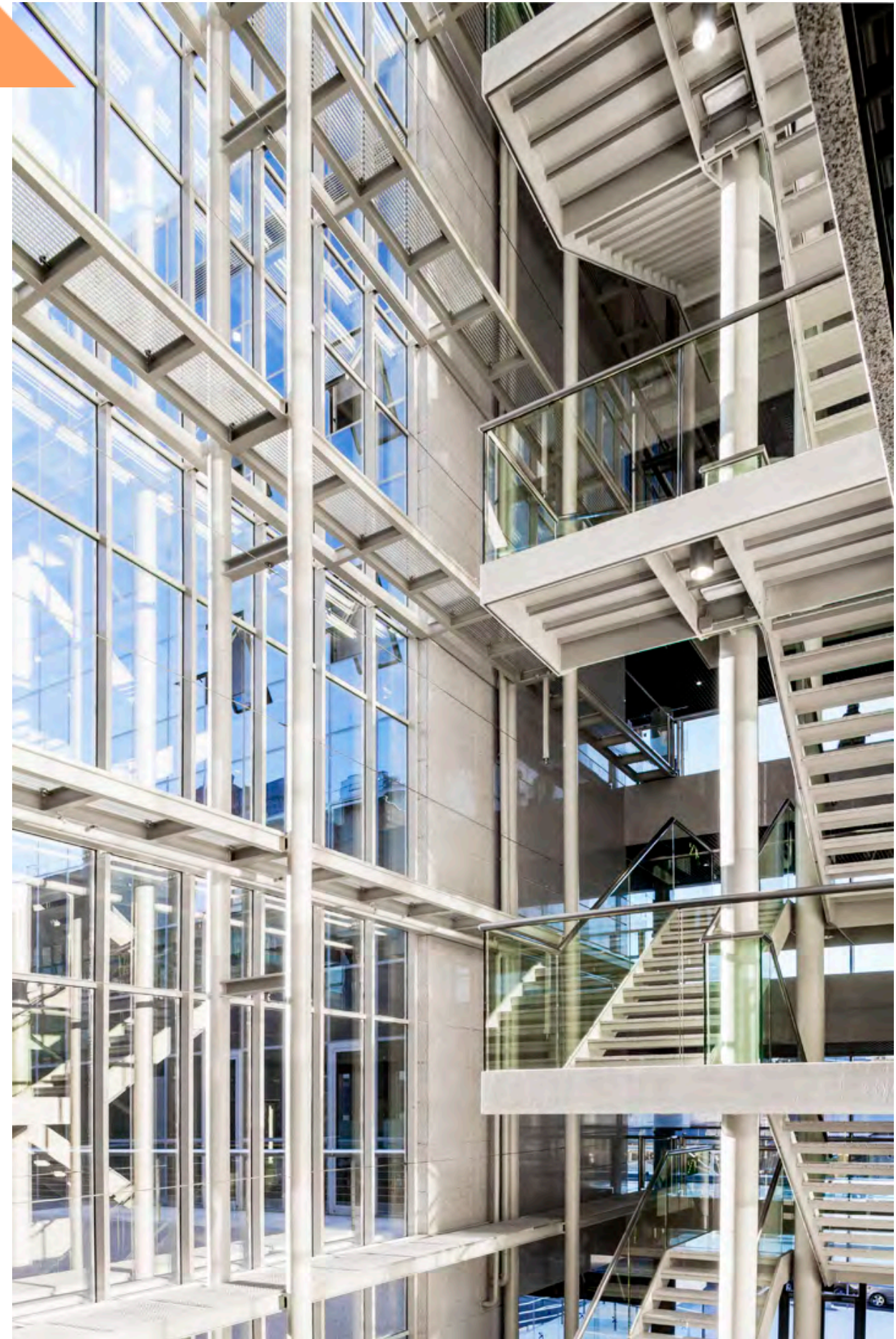


## SUMMARY OF OPERATIONAL DATA

	2019	2018	Var. (%)
<b>Property Area</b>			
<b>Total Surface Area (m<sup>2</sup>)</b>	<b>406,782</b>	<b>405,699</b>	<b>0.3</b>
<b>Occupancy (%)</b>	<b>93.6%</b>	<b>91.8%</b>	<b>1.9</b>
<b>Development Area</b>			
<b>Units (homes + premises + offices +lots) delivered</b>			
M. €	11.18	14.01	-20.2
Units	82	89	-7.9
<b>Land</b>			
Consolidated land reserve (m2)	1,619,033	1,877,207	-4.2%
<b>No. Employees</b>	<b>90</b>	<b>91</b>	<b>-1.1</b>

The most significant changes in the buildability of the land reserve are the following:

- 1) The reduction in buildability is mainly the results of the incorporation of the urban development parameters of the Partial Plan of the “Guadalquiron”, estate, currently being processed, instead of the parameters of the General Urban Management Plan of San Roque. This has been classified as land under planning due to the uncertainties regarding its consolidation, since it is situated within the extension of the Alcornocales Nature Park.
- 2) Reduction of the buildable space of the land ready for construction by 29,324 m2 due to the transfer of three land lots to product in progress.





## BORROWINGS

At year-end 2019, the Realia Group had reduced its gross bank borrowings down to 596.29 M €, from 615.96 M € at 2018 year-end, 3.2% lower. All the borrowings are associated to the property business. In December 2018, Realia Business, S.A. cancelled its indebtedness completely, after the repayment of its only loan.

Cash and cash equivalents at December 2019 amounts to 75.89 M €, versus 87.50 M € at 31 December 2018.

At 31 December 2019, the Realia Group had net bank borrowings amounting to 520.40 M € (including the valuation of derivatives at 9.5 M €), 1.5% lower than in December 2018, which was 528.46 M € (including the valuation of derivatives at 6.08 M €), with a loan to value (LTV) of 26.9%.

The cash flow generated by the Group during the reporting period and the available cash have made it possible to reduce the net bank borrowings, to invest in the construction of new developments and to cover the future resources allocated to new developments so that resources can be allocated to the acquisition of new assets.

Net financial result amounted to -13.47 M € (including the valuation of derivatives), higher than in 2018 (-9.79 M €), due to the drop in financial revenues in 2019 resulting from the recognition in 2018 of the payment of accrued interest for 6.9 M € in a litigation ruled in favor of Realia Patrimonio S.L.U.

The weighted average interest of net bank borrowings at 31 December 2019 (including derivatives) is 2.12%, versus 2.13% in 2018.

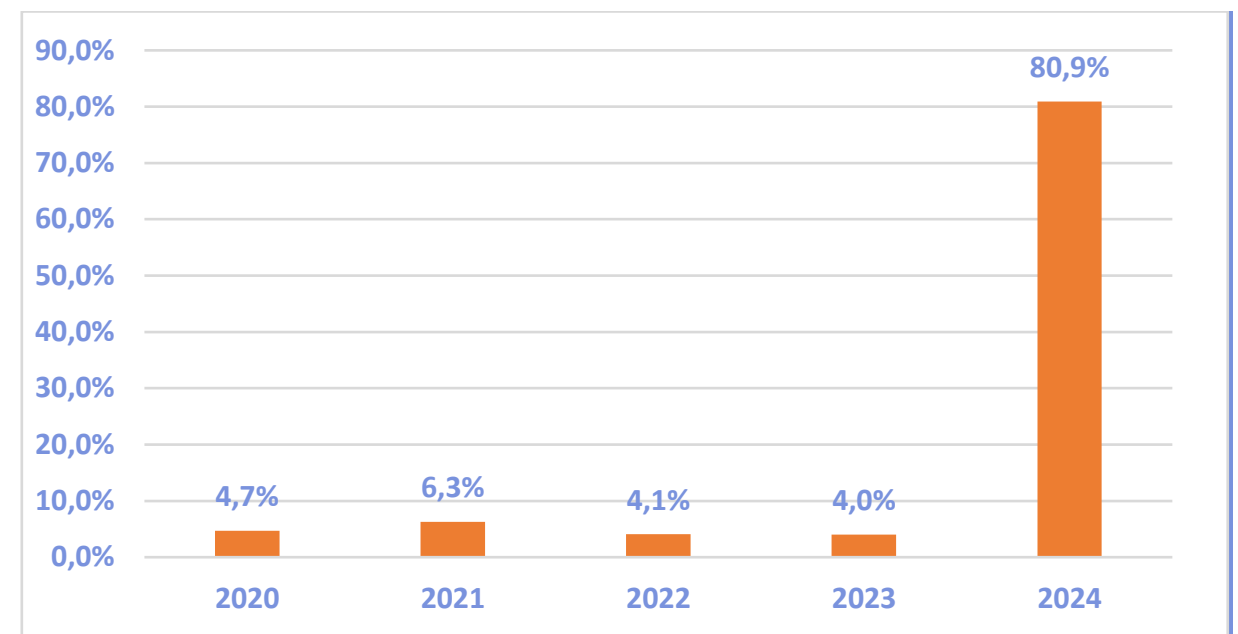


## FINANCIAL STRUCTURE

	REALIA PATRIMONIO	REALIA BUSINESS			
(M €)	Property	Development and Land	TOTAL 2019	TOTAL 2019	VAR (%)
Syndicated	546.09	-	546.09	562.35	-2.9
Other Loans	49.10	-	49,10	58.30	-15.8
Valuation Derivatives	9.45	-	9.45	6.08	55.5
Interest	1.74	-	1.74	1.78	-2.5
Arrangement costs	-10.09	-	-10.09	-12.55	19.6
<b>Net bank borrowings</b>	<b>596.29</b>	<b>-</b>	<b>596.29</b>	<b>615.96</b>	<b>-3.2</b>
Cash	29.63	46.26	75.89	87.50	-13.3
<b>Net bank borrowings</b>	<b>566.66</b>	<b>-46.26</b>	<b>520.40</b>	<b>528.46</b>	<b>-1.5</b>

At year-end 2019, the maturity of the Group's bank borrowings is distributed according to the following table:

### MATURITY OF GROSS BANK BORROWINGS





At 31 December 2019, Realia's real estate assets had a market value of 1,934.80 M €, 4.9% higher than in December 2018 in absolute terms.

79.6% of the asset value corresponds to the property activity (1,540.8 M €) and 20.4% (394.1 M €) to the residential homebuilding business.

The valuation of the property asset portfolio of the Realia Group has been made by two independent experts: CBRE (CB Richard Ellis) and TINSA.

The fair value of property assets reached 1,540.8 M €, versus 1,479.1 M € in December 2018, a 4.2% increase, and three new assets under development for housing rental were added in 2019 for 25.5 M €.

All property assets (both at December 2019 and December 2018) have been valued by CBRE (CB Richard Ellis) following the RICS methodology.

The fair value of residential housing assets (land, developments in progress and finished product) amounts to 394.1 M € at December 2019, a 7.9% increase over the valuation at December 2018 (365.2 M €).

Residential housing assets were valued by TINSA in December 2019 using the RICS methodology, following the agreement of the Board of Directors (reported as a relevant event on 21 March 2019), which decided on the change of valuation methodology of development assets, whereas in 2018 the ECO methodology was applied in both cases for the determination of the same fair value.



The impact that this change in methodology had on the valuation of residential housing assets was not significant. The increase in valuation of residential housing assets in 2019 amounted to 28.9 M €, after consolidation adjustments and the removal of investments made in building lots and developments in progress during the year, which amounted to 18.6 M €, and the adjustment of the value of the finished product delivered during 2019, approximately 10.5 M €, increase the adjusted consolidated fair value between December 2019 and December 2018 by 20.8 M €, with the following detail:

- 11.8 M.€ from changes in the situation and/or urban development expectations of land in 2019.
- 9.0 M.€ from the update of valuation of residential housing assets.

	2019		2018		Jun 19-Dec 18
	Valuer/Method	Amount M €	Valuer/Method	Amount M €	% var.
Rental assets	R.Ellis/RICS	1,452.3	R.Ellis/RICS	1,420.0	2.3%
Assets under development	R.Ellis/RICS	25.5			
Land pending development	R.Ellis/RICS	63.0	R.Ellis/RICS	59.1	6.6%
<b>TOTALPROPERTY ASSETS <sup>(1)</sup></b>		<b>1,540.8</b>		<b>1,479.1</b>	<b>4.2%</b>
Land property <sup>(2) (3)</sup>	Tinsa/RICS	274.0	Tinsa/ECO	286.5	-4.4%
Developments in progress <sup>(3)</sup>	Tinsa/RICS	72.7	Tinsa/ECO	21.7	235.1%
Completed developments <sup>(4)</sup>	Tinsa/RICS	34.2	Tinsa/ECO	43.8	-22.0%
Residential Land and others <sup>(5)</sup> in Property Companies	R.Ellis/RICS	13.2	R.Ellis/RICS	13.2	0.0%
<b>TOTAL RESIDENTIAL ASSETS</b>		<b>394.1</b>		<b>365.2</b>	<b>7.9%</b>
<b>TOTAL ASSETS</b>		<b>1,934.8</b>		<b>1,844.3</b>	<b>4.9%</b>

(1) Includes 54 M € of asset value of the company As Cancelas, consolidated through the equity method.

(2) Includes 18.2 M €, value of the land portfolio of the company IRU, consolidated through the equity method.

(3) During 2019, three developments were transferred from the land portfolio to developments in progress, for an amount of 28.9 M €

(4) During 2019, finished products for 10.5 M € were delivered to buyers.

(5) Includes 2.5 M €, the value of the golf course Hato Verde asset, assigned to the development area together with the developments in progress in the municipality of Guillena (Seville).

The net net asset value (NNAV), at 31 December 2019, amounts to 1,064 M €, versus 1,022 M € at 31 December 2018. In unit terms, the share price is 1.30 euros per share, 4% higher than in December 2018.



# Consolidated Balance Sheet



- REALIA's balance sheet reports total assets of 2,120 M € in 2019 compared to 2,064.20 M € in 2018.
- In the asset side of the balance, the most relevant figure is the increase in property investments for an amount of 61.22 M €
- In the liabilities side, the most relevant figure is the increase in attributable net equity from 997.53 M € in 2018 up to 1,037.22 M € in 2019, due to the result of the year attributed to the parent for an amount of 44.88 M € and other valuation adjustments assigned to net equity for an amount of - 5.19 M.€.
- Bank borrowings have gone from 615.96 M € in 2018 down to 596.29 M € in 2019, as described in the section on bank borrowings.

(M.€)	ASSETS	2019	2018
	Property, plant and equipment	2.47	3.05
	Investment property	1,483.55	1,422.33
	Inventories	342.96	318.19
	Trades and other receivables	15.58	12.54
	Cash and cash equivalents	75.89	87.50
	Other assets	199.55	220.59
	<b>Total Assets</b>	<b>2,120.00</b>	<b>2,064.0</b>

	LIABILITIES	2019	2018
	Net attributed equity	1,037.22	997.53
	Minority shareholders	243.13	235.98
	Bank borrowings	596.29	615.96
	Trade and other payables	34.78	23.72
	Other liabilities	208.58	191.01
	<b>Total Liabilities</b>	<b>2,120.00</b>	<b>2,064.20</b>



## REALIA EVOLUTION

Share price at year-end (€/share): 0.93

Stock market capitalization at year-end (€): 766,128,162

Maximum share price during the year (€ / share): 0.95

Minimum share price during the year (€ / share): 0.84

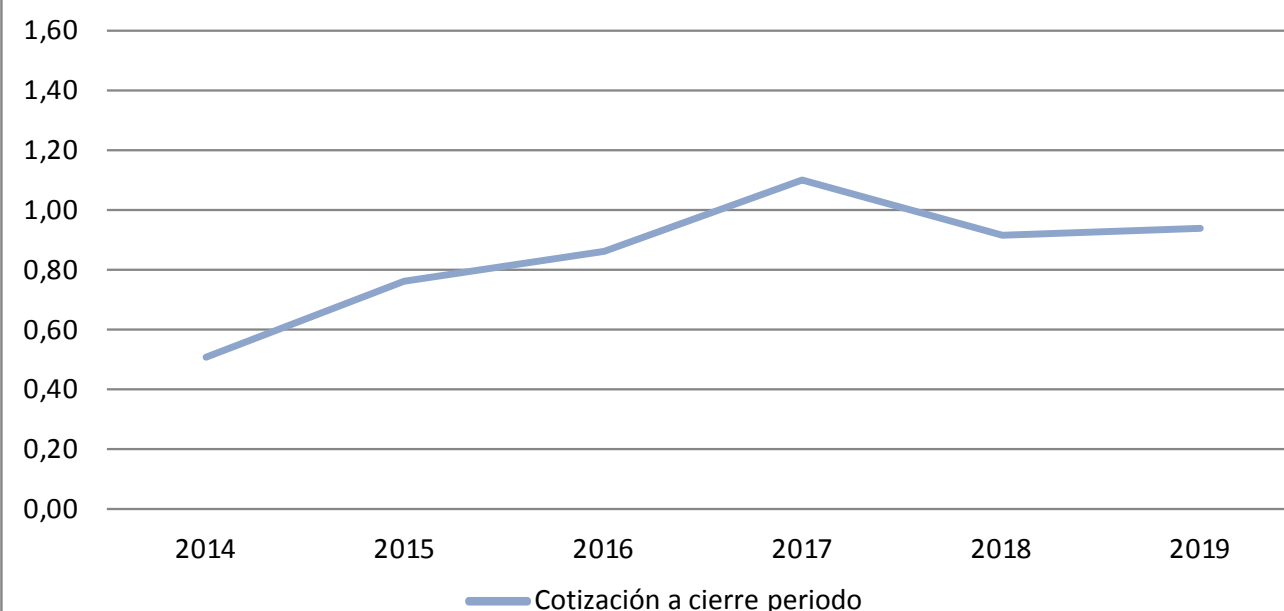
Average share price during the year (€ / share): 0.90

Average daily volume traded (thousands of €): 117

Average daily volume traded (thousands of shares): 131

*Realia's shares ended the year 2019 at a price of 0.93 euros, an increase of 2.6% over the closing price at the end of 2018.*

## REALIA'S SHARES







## 4. BUSINESS LINES

### PROPERTY BUSINESS

Offices  
Shopping Centers  
Homebuilding

### DEVELOPMENT & LAND BUSINESS

The REALIA Group holds a surface area for tertiary use under commercial operation of 406,782 m2 according to the following detail:

	2019	2018	2017
Surface area in operation by type (m2)	406,782	405,699	405,862
Offices	226,858	226,674	226,729
Shopping Centers	136,667	135,767	135,876
Logistics, leisure and others	43,257	43,257	43,257
Parking spaces	10,132	10,120	10,115
Occupancy	93.6%	91.8%	94,6%

Additionally, there is a land reserve for mainly tertiary use of 127,291 m2, to which the three projects for residential housing rent, with capacity for 380 units must be added, that will be mentioned later.



*Albasanz, 16 (Madrid)*



The value of its property assets increased in 2019 up to 1,540.8 M €, 4.2% higher than in December 2018, and includes three new assets under development for housing rental for an amount of 25.5 M €.

The property activity generated total revenues for 82.4 Million Euros, 62.22 M € of which are rent revenues, with a gross margin of 93%, 2.8% higher than in 2018. This increase is due to the improvement of unit rents and to the increase in occupancy.

The following table shows the consolidated data of the property activity of the Group, excluding those attributable to the company As Cancelas Siglo XXI, which does not consolidate its results, and their results are part of the financial result:

(M €)	2019	2018	Var. (%)
Rents	62.22	60.76	2.4%
Provision for Expenses	17.44	17.03	2.4%
Result from sales of property, plant and equipment	2.12	-	-
Other revenues	0.62	0.25	148.0%
<b>Total Revenues</b>	<b>82.40</b>	<b>78.04</b>	<b>5.6%</b>
Common expenses buildings	-20.85	-20.87	0.1%
Rest of expenses	-3.67	-2.16	-69.9%
<b>Total Gross Margin</b>	<b>57.88</b>	<b>55.01</b>	<b>5.2%</b>
<b>Gross margin / rents (%)</b>	<b>93.0%</b>	<b>90.5%</b>	<b>2.8%</b>

Total revenues of the Property Area include an amount of 2.12 M €, corresponding to the refund of the municipal value added tax from the sale of a property asset in prior years.

The following table includes business aggregates that include the contribution, both in terms of rent and in costs, of the As Cancelas Shopping Center, in which the REALIA Group has a 50% ownership interest. The data in this table are different to the data in the consolidated data table above, for this company does not consolidate globally:

(M €)	2019	2018	Var. (%)
Rents	66.89	65.38	2.3%
Provisión for Expenses	19.04	18.59	2.4%
Result from sales of property, plant and equipment	2.12	-	-
Other revenues	0.62	0.25	148.6%
<b>Total Revenues</b>	<b>88.68</b>	<b>84.22</b>	<b>5.3%</b>
Common expenses buildings	-22.52	-22.48	-0.2%
Rest of Expenses	-4.57	-3.05	-50.0%
<b>Total Gross Margin</b>	<b>61.59</b>	<b>58.70</b>	<b>4.9%</b>
<b>Gross margin /rents (%)</b>	<b>92.1%</b>	<b>89.8%</b>	<b>2.6%</b>

Net bank borrowings of the Property business amounted to 566.66 M € at 31 December 2019. Out of this amount, the gross borrowings amounted to 596.29 M € and 29.63 M € to cash and cash equivalents.

These net borrowings are mainly concentrated on 2 companies: Realia Patrimonio, with net borrowings of 519.5 M €, maturing in 2024 and with interest rate hedge on 70% of the debt, and Hermanos Revilla, with net borrowings of 49.1 M €, maturing on 3 years on average.

The average cost of the consolidated borrowings of the property area, including the cost of interest rate hedging, is 2.12%.

# Property Business

The REALIA Group has office buildings located in Madrid, Barcelona and Seville and shopping and leisure centers in the city of Madrid, Leganés, Murcia, Guadalajara, Soria and Santiago de Compostela.



CN Eisenhower (Madrid)



CC La Noria (Murcia)

BUILDING	CITY	Surface area Dec 2019
PLAZA NUEVA PARQUE COMERCIAL	Madrid	52,675
EL SEQUERO	Logroño	40,544
C.C. FERIA PLAZA	Guadalajara	32,507
TORRE REALIA BARCELONA	Barcelona	31,964
TORRE REALIA \ THE ICON	Madrid	28,424
SALVADOR DE MADARIAGA, 1	Madrid	25,398
C.C. AS CANCELAS (50%)	Santiago Compostela	25,150
ALBASANZ, 16	Madrid	19,550
LA NORIA FACTORY OUTLET	Murcia	13,908
ACANTO, 22	Madrid	13,248
MARIA DE MOLINA, 40	Madrid	9,684
ALBASANZ, 14	Madrid	9,125
AV. BRUSELAS 36	Madrid	8,856
PRÍNCIPE DE VERGARA, 132	Madrid	8,821
C.N.KANSAS CITY	Seville	8,735
MANUEL BECERRA CENTRO WELLNESS	Madrid	6,645
GOYA 29	Madrid	5,060
C.N. EISENHOWER III	Madrid	5,004
C.N. EISENHOWER II	Madrid	5,004
PASEO DE LA CASTELLANA, 41	Madrid	4,584
C.N. EISENHOWER IV	Madrid	4,543
C.N. EISENHOWER I	Madrid	4,519
ALBASANZ, 12	Madrid	4,160
ALFONSO XII, 30	Madrid	4,007
SERRANO, 21	Madrid	3,865
GOYA,8	Madrid	3,782
GOYA,6	Madrid	3,688
MARQUÉS DEL DUERO, 4	Madrid	3,000
MUSGO, 1	Madrid	2,916
Pº DEL ESPOLÓN, 10	Soria	2,900
CC GOYA, 6 AND 8	Madrid	2,882
PRIM, 19	Madrid	2,786
MUSGO, 3	Madrid	2,475
JORGE JUAN, 35	Madrid	2,121
MARIA TUBAU	Madrid	1,539
GARCÍA DE PAREDES, 94	Madrid	909
JOSÉ ABASCAL, 2	Madrid	681
MANUEL FERRERO	Madrid	597
CLOT	Barcelona	361
VILLANUEVA, 15	Madrid	165
<b>GRAND TOTAL</b>		<b>406,782</b>



## RENT REVENUES - RENTS BY USES (Like for like surface areas)

(M €)	2019	2018	Var. (%)	GLA (m <sup>2</sup> )	Occup. 2019 (%)	Occup. 2018 (%)
<b>Offices</b>	<b>46.02</b>	<b>44.50</b>	<b>3.4%</b>	<b>226,858</b>	<b>93.8%</b>	<b>92.8%</b>
CBD	22.90	21.49	6.5%	84,550	98.9%	94.9%
BD	8.25	8.02	3.0%	42,653	100.0%	100.0%
Periphery	14.87	14.99	-0.8%	99,655	86.9%	88.0%
<b>Shopping Centers</b>	<b>18.75</b>	<b>18.78</b>	<b>-0.2%</b>	<b>136,667</b>	<b>91.2%</b>	<b>87.6%</b>
<b>Other</b>	<b>2.12</b>	<b>2.09</b>	<b>1.3%</b>	<b>43,257</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Revenues</b>	<b>66.89</b>	<b>65.38</b>	<b>2.3%</b>	<b>406,782</b>	<b>93.6%</b>	<b>91.8%</b>

Global occupancy of the buildings in operation reached 93.6% at 2019 year-end versus 91.8% in 2018. Rent revenues at year-end 2019 amounted to 66.89 M €, a 2.3% increase over December 2018.

The percentage of occupancy in Offices increased by 1%, mainly due to contracts with new tenants in buildings within the CBD area (Torre Realia – The Icon). A drop in occupation has taken place in assets located in the “Periphery”, due to the rearrangement of lease contracts of the 3 buildings on the Nudo Eisenhower to relocate non-occupancy on to a single building and to negotiate the future commercial operation with a single client. Rent revenues have gone up 3.4%, mainly due to the increase in unit rents and the occupancy in offices located within the CBD.

The percentage of occupancy of Shopping Centers has increased by 3.6% at December 2019 compared to December 2018, mainly due to the remarketing of the medium-sized surface areas in Shopping Centers. Rent revenues decreased by 0.2%, but new rents will have an impact on the following years.

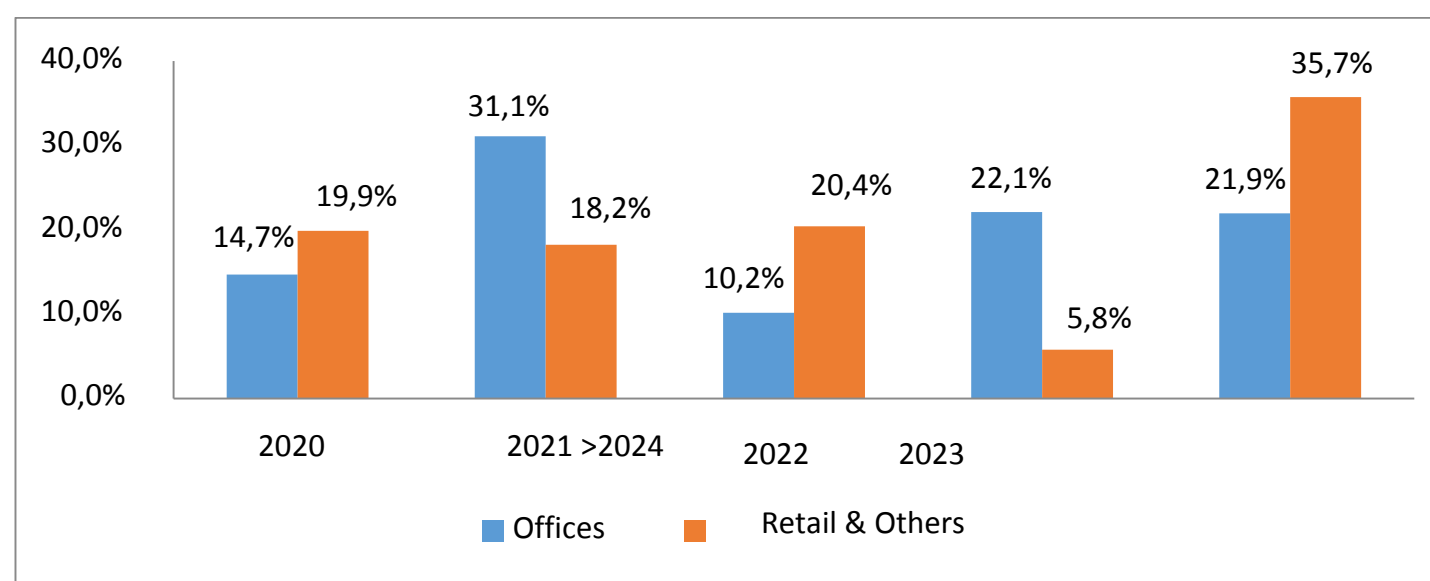


## RENTS BY CITIES (Like for like surface areas)

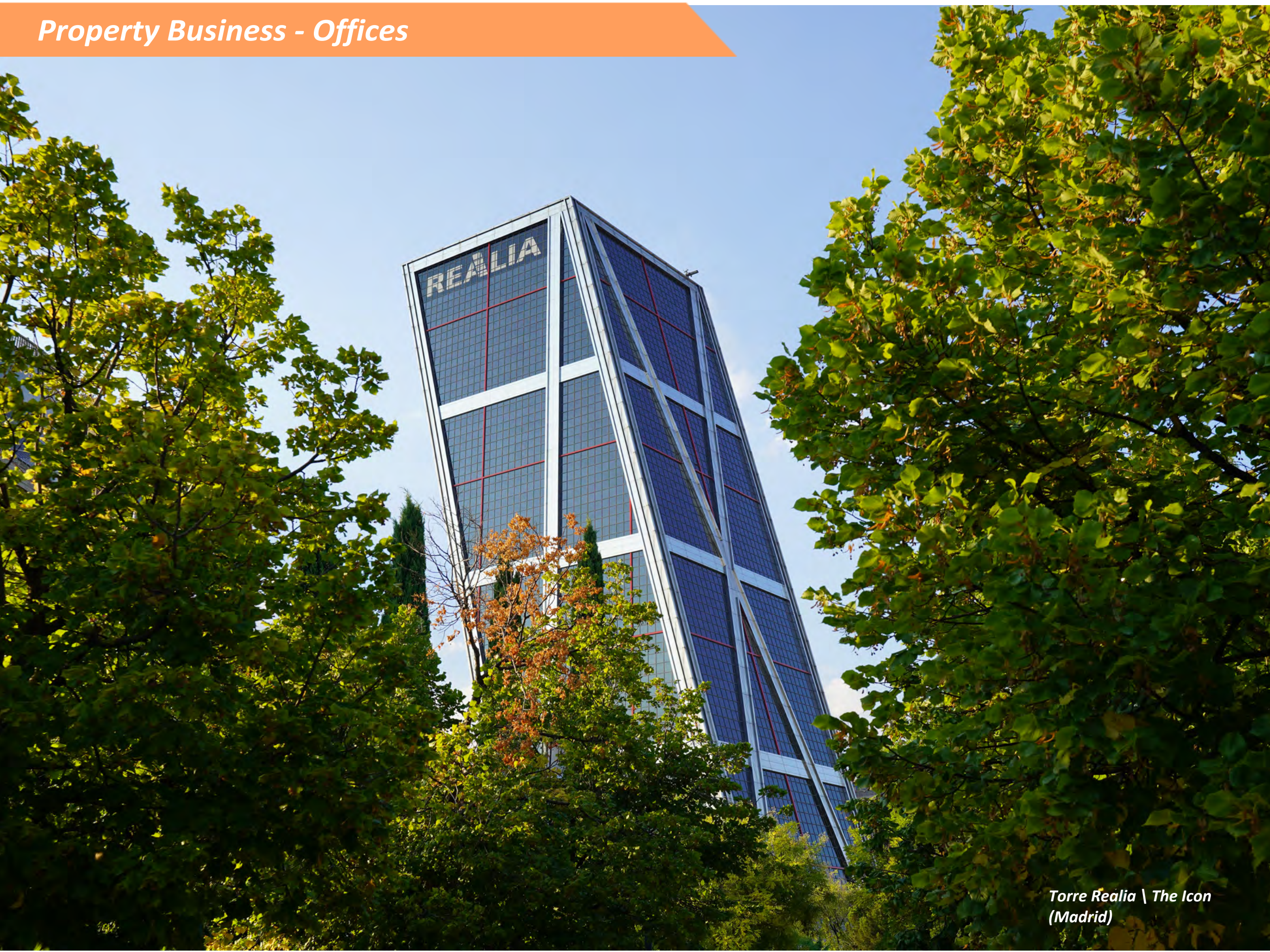
(M.€)	2019	2018	Var. (%)	GLA (m <sup>2</sup> )	Occup. 2019 (%)	Occup. 2018 (%)
<b>Madrid</b>	<b>47.12</b>	<b>46.19</b>	<b>2.0%</b>	<b>250,713</b>	<b>94.0%</b>	<b>92.4%</b>
CBD	23.60	21.94	7.6%	80,452	99.3%	94.7%
BD	9.81	9.56	2.7%	49,895	100.0%	100.0%
Periphery	13.71	14.69	-6.7%	120,366	88.0%	87.7%
<b>Barcelona</b>	<b>6.24</b>	<b>5.76</b>	<b>8.4%</b>	<b>32,325</b>	<b>97.7%</b>	<b>97.6%</b>
<b>Rest</b>	<b>13.53</b>	<b>13.43</b>	<b>0.7%</b>	<b>123,744</b>	<b>91.7%</b>	<b>89.2%</b>
<b>Total Revenues</b>	<b>66.89</b>	<b>65.38</b>	<b>2.3%</b>	<b>406,782</b>	<b>93.6%</b>	<b>91.8%</b>

A marked rise in sale is observed in Barcelona (+8.4%), due to the increase in rents in Torre REALIA BCN, both in new contracts and in contract extensions with existing tenants.

## EXPIRATION OF CONTRACTS OVER ANNUALIZED RENTS







*Torre Realia \ The Icon  
(Madrid)*





C/ Acanto, 22 (Madrid)

Lease contracts in office buildings included in the property business of the REALIA Group are agreed upon according to the usual market terms and conditions. The main characteristics of these contracts are usually the following:

- Three-year contracts without an early termination option.
- Rent increase according to inflation.
- Update of rents to market prices upon contract renewal.
- The tenant is responsible for the payment of all expenses.

The following table shows the expiration of the office lease contracts of the REALIA Group at 31 December 2019 by volume of annualized rents over the total rents, considering the early termination options:

Contract Expiration (termination option)	% over annualized rents offices	% over total annualized rents
2020	14.71%	9.55%
2021	31.8%	20.18%
2022	10.18%	6.61%
2023	22.10%	14.35%
>2023	21.93%	14.24%
<b>Total General</b>	<b>100.00%</b>	



## Property Business - Offices

Some of the main clients of the REALIA Group at 31 December 2019 include premium tenants and major companies such as Amadeus, Grupo Marsh, Gómez-Acebo & Pombo Abogados, KPMG, etc., even though none of them accounts for more than 8% of the total annualized rents of the REALIA Group office portfolio.

The following table lists the top ten tenants of the REALIA Group in office lease and their relative relevance over the total rents of the Group at 31 December 2019:

Tenant	City	% Total Annualized rents
Tenant 1	MADRID	7.95%
Tenant 2	MADRID	4.66%
Tenant 3	BARCELONA	4.12%
Tenant 4	MADRID	2.95%
Tenant 5	MADRID	2.49%
Tenant 6	MADRID	2.48%
Tenant 7	MADRID	2.35%
Tenant 8	MADRID	2.09%
Tenant 9	MADRID	1.87%
Tenant 10	MADRID	1.51%
<b>Total Top 10</b>		<b>32.49%</b>

Leasable office surface area in operation of the REALIA Group at 31 December 2019 reached 226,858 m<sup>2</sup> above ground. Occupancy rate at 31 December 2019 stood at 93.8%.



The following table includes a summary of the main characteristics of the offices under operation owned by the REALIA Group at 31 December 2019, by location:

Area	Surface area 2019	GAV 2019	% Occupancy 2019	% Occupancy Dec. 2018	% Occupancy Dec.2017
CBD	84,550	605.7	98.9%	94.9%	97.0%
BD	42,653	192.3	100.0%	100.0%	100.0%
Periphery	99,655	326.6	86.9%	88.0%	93.9%
<b>Grand total</b>	<b>226,858</b>	<b>1,124.6</b>	<b>93.8%</b>	<b>92.8%</b>	<b>96.2%</b>

In 2019, the occupancy of the office portfolio reached 93.8 %



A major investment in capex took place in 2019 with the purpose of improving the experience of tenants and users, promoting environmentally sustainable buildings and optimizing operational costs. Digitalization based on IoT (Internet of Things) is playing a key role in the achievement of these three objectives.

It is worth noting that, as part of this effort at upgrading our property, the building on Albasanz 12 in Madrid was fully renovated, and is now connected to the Albasanz 14 building, owned also by the REALIA Group.





## Property Business - Shopping Centers



CC As Cancelas  
(Santiago de Compostela)



## Property Business - Shopping Centers

In the case of shopping centers, the usual terms and conditions in the sector are also applied in contracts, even though their specialization and diversity, and the high number of operators in a single location (there can be up to 100 tenants or more in the same center), require that contracts have to be negotiated individually with each tenant. Generally, the main characteristics of these contracts are the following:

- Minimum duration between three and five years.
- Rent increases according to inflation. Rent updates to market prices upon contract renewal.
- Variable percentage of rents according to the revenues of the tenant.
- All expenses are passed on to the tenants.

Some of the main clients of REALIA in this business area at 31 December 2019 include premium firms across all sectors, such as Grupo Inditex, Carrefour, Decathlon, Uniqlo, Bricomart, Primark, etc.; none of them however, accounts for more than 12% of the total annualized rents of the REALIA Group.

The following table lists the top ten tenants of the REALIA Group in shopping centers, and their relative relevance over the total rents of the Group at 31 December 2019:

Top 10 tenants	City	% Total annualized rents
Tenant 1	MADRID/SANTIAGO	11.14%
Tenant 2	MADRID	6.17%
Tenant 3	MADRID	5.85%
Tenant 4	SANTIAGO	5.83%
Tenant 5	GUADALAJARA/SANTIAGO	3.84%
Tenant 6	MADRID	3.67%
Tenant 7	MADRID	3.04%
Tenant 8	SANTIAGO/GUADALAJARA/MURCIA	2.24%
Tenant 9	SANTIAGO	1.91%
Tenant 10	SANTIAGO/GUADALAJARA	1.62%
Total Top 10		45.32%





## Occupancy 91.2%

The following table shows the physical characteristics and locations of the shopping and leisure centers.

	Location	Leasable surface area (m2)	Parking Spaces
Plaza Nueva Leganés	Madrid	52,675	2,987
Ferial Plaza	Guadalajara	32,507	1,068
As Cancelas (1)	Santiago de Compostela	25,150	1,054
Manuel Becerra, 17	Madrid	6,645	49
La Noria Outlet	Murcia	13,908	1,483
Goya, 6 - 8	Madrid	2,882	--
Espolón, 10	Soria	2,900	--
<b>TOTAL</b>		<b>136,667</b>	<b>6,641</b>

(1) As Cancelas Shopping Center is a joint property of the REALIA Group and Carmila S.A. and the leasable surface area indicated refers to the m2 corresponding to REALIA

## 7 Shopping and Leisure Centers





# Property Business - Shopping Centers

Following is a table containing information about the GAV and occupancy of shopping and leisure centers in operation in Spain owned by the REALIA Group at 31 December 2019, according to their location

Area	2019			Occupancy	
	Surface area	GAV	2019	2018	2017
CBD	5,782	33.4	85.8 %	84.2 %	85.7 %
BD	39,152	79.3	84.5 %	83.0 %	83.2 %
Periphery	91,733	247.2	94.4 %	89.8 %	93.4 %
<b>Total</b>	<b>136,667</b>	<b>359.9</b>	<b>91.2 %</b>	<b>87.6 %</b>	<b>90.2 %</b>



Finally, this table shows the expiration of lease contracts of the REALIA Group shopping centers in terms of annualized rents over total rents at 31 December 2019, taking into account the early termination options:

Contract Expiration	% over annualized rents S. Centers	% over total annualized rents
2020	21.25%	6.93%
2021	17.80%	5.80%
2022	22.56%	7.36%
2023	4.52%	1.48%
>2023	33.86%	11.04%
<b>Grand Total</b>	<b>100.00%</b>	





## Property Business - Shopping Centers

Just like in the case of the offices, a major investment effort was made in 2019 on capex, with the same objectives.

The complete renovation of the old shopping center “Jardín de Serrano”, located on two 19th century townhouses in the Salamanca District, known as the Golden Mile of Madrid, is worthy of mention. This center has gone from a multi-retailer configuration with common areas, to hold just three stores, accessible independently from the street. The main store has become the flagship of the Uniqlo brand in Madrid, and opened last October.









Taking into account the unstoppable trend in residential housing for rent, in view of the active demand in this segment and the scarcity of a professional offering of this product in Spain, Realia has instructed its subsidiary Valaise to invest in three BtR (Built to Rent) operations on subsidized assets in the municipality of Tres Cantos (Madrid), to build a total of 280 homes for rent, with the following detail:

- Lot 1.6 A at Tres Cantos (Madrid), where a development with 85 homes, 85 storage units and 132 subsidized parking spaces, at basic prices, has been built. The investment made during the year amounted to 15.2 M €. At 2019 year-end, the development was complete and awaiting the granting of the first occupation license to start its commercial operation.
- Lots VPPL 2.1 and VPPB 1.4 B in Tres Cantos (Madrid): for the construction of 195 subsidized limited price homes, 196 storage units and 318 parking spaces. The investment made during the year amounted to 10.10 M €.

The investment planned for the development of the projects located in the last two lots of these projects amounts to 28.3 M. €.









82 units were delivered during 2019 for an amount of 11.18 Million euros, 20.2% lower (2.83 Million euros) than in 2018, when deliveries amounted to 14 Million euros. This reduction is due to the gradual decrease in completed residential housing stock, and to the lower average price of the product delivered in prior years. No new deliveries of housing from new developments in progress took place in 2019, and therefore did not contribute to an increase in revenues.

Total revenues from development and land in 2019 amounted to 12.30 Million €, including secondary revenues from the development and land activity, amounting to 1.12 M €.

(M €)	2019	2018	Var. (%)
<b>Revenues</b>			
Developments	11.18	14.01	-20.2%
Land and others	1.12	-0.21	633.3%
<b>Total Revenues</b>	<b>12.30</b>	<b>13.80</b>	<b>-10.9%</b>
<b>Expenses</b>			
Costs of sales	-12.80	-13,94	8.2%
Rest of costs	-2.28	-3.25	29.8%
<b>Total Expenses</b>	<b>-15.08</b>	<b>17.19</b>	<b>12.3%</b>
<b>Gross margin Developments</b>	<b>-2.78</b>	<b>-3.39</b>	<b>18.0%</b>
<b>Gross margin Developments (%)</b>	<b>-22.6%</b>	<b>24.6%</b>	<b>8.1%</b>
<b>Use/Reversal provisions Finished product</b>	<b>3.42</b>	<b>3.00</b>	<b>14.0%</b>
<b>Gross margin (excluding provisions)</b>	<b>0.64</b>	<b>-0.39</b>	<b>264.1%</b>





*Realia Hato Verde  
(Guillena - Sevilla)*



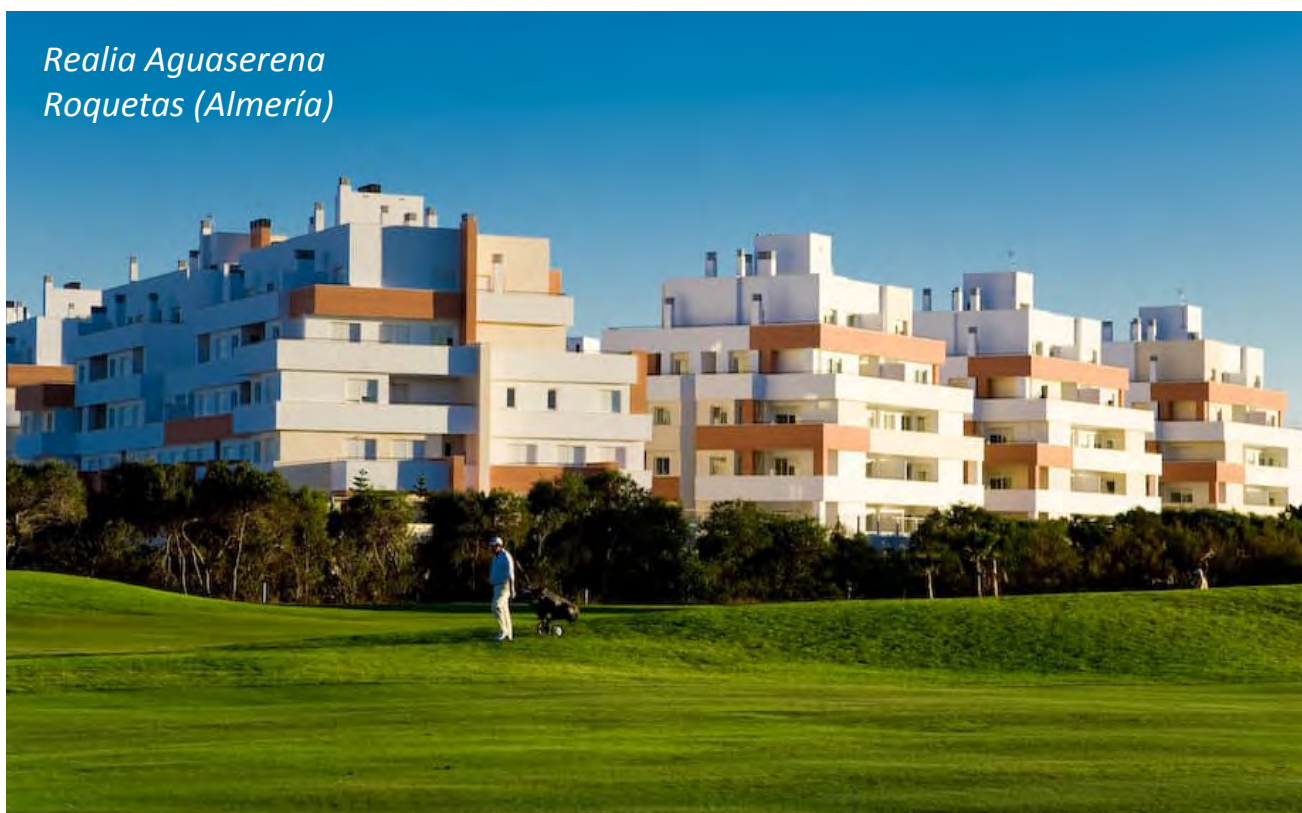
Additionally, fees were charged for the provision of marketing and management services to third-party companies outside of the REALIA business group for 2.33 M €.

The distribution of units delivered by the different territorial offices at December 2019 is as follows:

Offices	No. Units	Revenues €)
Madrid/Central	14	1.71
Levante	13	2.50
Catalonia	12	1.85
Andalusia	43	5.12
Poland	-	-
Portugal	-	-
<b>Total</b>	<b>82</b>	<b>11.18</b>

The following table shows the evolution of the residential housing portfolio of the Group:

Evolution housing portfolio	2019	2018	Var. (%)
<b>Pre-sales period</b>			
Number of units	175	109	60.1%
M €	44.53	23.04	93.3%
<b>Deliveries in the period</b>			
Number of units	82	89	-7.9%
M €	11.18	14.01	-20.2%
<b>Reserves/Sales pending delivery</b>			
Number of units	125	37	241.1%
M €	44.30	12.40	257.3%
<b>Total portfolio available at the end of the year</b>			
<b>Finished product</b>			
Number of units	244	327	-25.4%
<b>Product in progress</b>			
Number of units	247	121	100.0%



*Realia Aguaserena  
Roquetas (Almería)*



At 31 December 2019, REALIA has a stock of 575 units (homes, retail premises and offices) completed or in progress and pending delivery (125 of them reserved/sold). Additionally, it holds 41 single-family housing lots for residential housing self-development. There are currently developments in progress in Madrid, Palma de Mallorca and Barcelona.

Realia's current land portfolio, in its different stages of urban development, amounts to 5,752,433 m<sup>2</sup> of gross surface area, with an estimated buildable area of 1,619,033 m<sup>2</sup>, most of them in Madrid, Central region and Andalusia.

The fair value of development assets (land, developments in progress and completed product) amounts to 394.1 Million euros at December 2019, a 7.9% increase over the valuation at December 2018 (365.2 Million euros).

The independent expert TINSA determined the fair value at December 2019 applying the RICS methodology to the residential housing portfolio, according to the agreement of the Board of Directors than approved the change from the ECO valuation to RICS (relevant event dated 21 March 2019). In December 2019, the same assets were valued according to the Order ECO 805/2003 of 27 March, amended by EHA3011/2007, EHA 564/2008 and Royal Decree 1060/2015. The purpose of the valuation in both years was the determination of the fair value.

The impact this change in methodology had on the valuation of residential housing assets was not significant. The increase in valuation of these assets in 2019 amounted to 28.9 Million euros, after consolidation adjustments and the removal of investments on land lots and developments in progress during the year, amounting to 18.6 Million euros, and the adjustment of the value of the finished product delivered during 2019, which amounts to approximately 10.5 Million euros, the increase in the adjusted fair value between December 2019 and December 2018 amounts to 20.8 Million euros. This increase is broken down into 11.8 Million euros from changes in the management situation and/or land development expectations in 2019, and 9.0 Million euros from the update in valuation of residential housing assets.

(M €)	GAV Dec. 2019	GAV Dec. 2018	YoY Var. (%)
Land portfolio <sup>(1)</sup>	274.0	286.5	-4.4 %
Developments in progress <sup>(1)</sup>	72.7	21.7	234.9 %
Completed developments <sup>(2)</sup>	34.2	43.8	-22.0%
Land portfolio <sup>(3)</sup> and others in property companies	13.2	13.2	0.0 %
<b>Total Value Residential Housing Assets</b>	<b>394.1</b>	<b>365.2</b>	<b>7.9 %</b>

(1) Three developments we transferred during 2019 from the land portfolio to developments in progress, for an amount of 28.9 M €

(2) Completed products for an amount of 10.5 M were delivered during 2019.

(3) The amount corresponding solely to the land portfolio is 10.7 M €



The following table shows the value of land according to the different status of urban development:

	Gross surface area m <sup>2</sup> - Dec. 2019	Buildable area m <sup>2</sup> - Dec. 2019	Buildable area m <sup>2</sup> - Dec. 2018	GAV Dec. 2019 M €	GAV Dec. 2018 M €	Var. GAV (%) Dec.19 / Dec.18
Zoning (1)	3,563,718	387,598	606,065	11.8	10.8	9.1%
Planning	1,218,687	488,962	497,595	25.9	26.8	-3.3%
Urban development	489,148	253,161	267,036	62,6	75.9	-17.6%
Ready for construction (2)	480,881	489,312	506,511	184.5	183.7	0.4%
<b>Total</b>	<b>5,752,433</b>	<b>1,619,033</b>	<b>1,877,207</b>	<b>284.7</b>	<b>297.2</b>	<b>-4.2%</b>

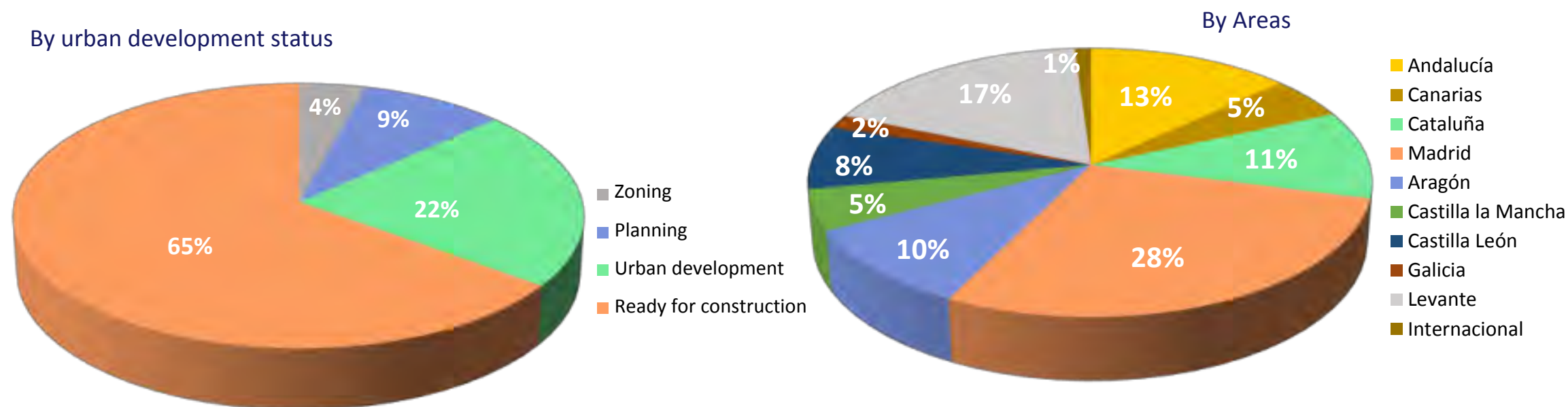
The main changes in the buildable surface area of the land portfolio correspond to:

- (1) The decrease in the buildable area allocated to the estate “Guadalquítón”, as a result of the incorporation of the urban development parameters of the Partial Development Plan in progress, instead of the parameters of the General Zoning Plan of San Roque. This asset was classified as land under zoning, in view of the uncertainties about its consolidation, due to its being situated within the extension of the Alcornocales Nature Park.
- (2) Transfer of 29,324 m2 of land ready for construction due to the transfer of three lots to developments in progress





The following table shows the distribution of the land GAV by type of land and location, according to their valuation:



The following table shows the distribution of land, by their status and location, according to their buildable surface area:

By urban development status		By Areas	
	Buildable area (m <sup>2</sup> )		Buildable area (m <sup>2</sup> )
Zoning	387,598	Andalusia	460,851
Planning	488,962	Canaries	18,541
Urban development	253,161	Catalonia	76,385
Ready for construction	489,312	Madrid	474,546
		Aragón	154,508
		Castilla la Mancha	222,886
		Castilla León	64,451
		Galicia	6,184
		Levante	129,768
		International	10,912
<b>Total</b>	<b>1,619,033</b>	<b>Total</b>	<b>1,619,033</b>





## 5. Corporate Governance

Corporate Governance Bodies  
General Shareholders' Meeting  
Board of Directors  
Chief Executive Officer  
Remuneration Policy  
Ethical Framework  
Ethical Code

Criminal compliance and prevention model  
Internal Code of Conduct  
Fiscal policy  
Risk management



REALIA has a Corporate Governance system focused on the sustainable achievement of its corporate goals, that is permanently updated according to the applicable legislation and good governance recommendations from the Comisión Nacional del Mercado de Valores (CNMV).

## Governance Bodies

The Corporate Governance system is structured around its main bodies of governance, the Annual General Meeting of Shareholders and the Board of Directors, which are regulated by the By-Laws and their respective regulations and which, in turn, establish the rules of conduct of the company with third parties, according to the corporate values and goals.

The Chief Executive Director, by delegation from the Board of Directors, is responsible for the design and review of the organizational structure of the group.

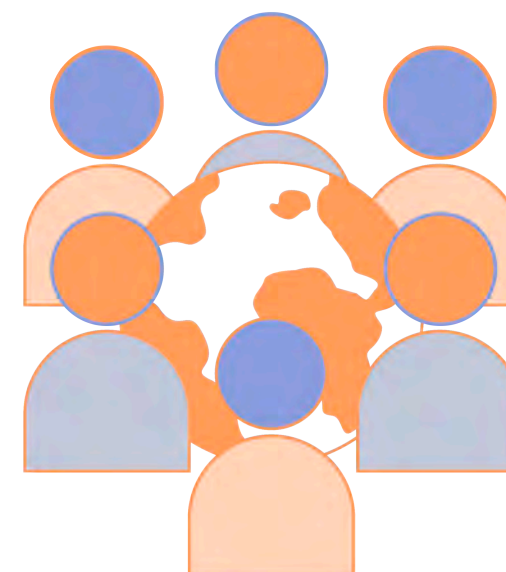
Both the content of the Board Regulations and the By-Laws are in line with the content of the Law on Corporations and related legislation, and accordingly, in 2019, just like in 2018 and 2017, it was not necessary to introduce additional amendments to them.

## Compliance with the Good Governance Code of the CNMV

DURING 2019, REALIA Business, S.A. fully complied with 30 out of the 64 recommendations of the CNMV; partially complied with 15; and 18 were not applicable, whereas 1 of them required an explanation. Therefore, taking into account the percentage of Recommendations it complied with fully or partially (a total of 70.31% of the recommendations, or 97.83% of the recommendations applicable) and the recommendations that required explanation (1.75% of the total), the degree of compliance with the Good Governance Code of Listed Companies is considered to be satisfactory.

REALIA submits to the Comisión Nacional del Mercado de Valores (CNMV) an annual Corporate Governance Report, and a Directors' Remuneration Report, available at the corporate website, [www.realia.es](http://www.realia.es).

This report summarizes REALIA's economic, social and environmental performance, and it seeks to describe the progress made in the area of Corporate Governance.





## General Meeting of Shareholders

The General Meeting of Shareholders is the highest body of representation of the share capital. It meets at least once a year, within the first six months of every year.

It held one single Annual General Meeting in the year, on 8 May. The meeting approved the statements of the previous year, the corporate management and decided on the allocation of profit of the previous year. Additionally, it approved the following agreements:

- To reduce the number of Members of the Board, and establish it at 6.
- To appoint Mrs. Ximena Caraza Campos and Mr. Elías Fereres Castiel as new Independent Directors of the Company.
- To authorize the convening of Annual General Meetings at least fifteen days before each meeting, provided that the company offers its shareholders the possibility of voting through electronic means accessible to all of them.
- And to reappoint Ernst & Young as auditor of the financial statements of the Company and the Consolidated Group for 2020.



General  
Shareholders'  
Meeting

## Board of Directors

The Board of Directors of REALIA, since the Annual General Meeting of 2019, is composed by six members, one of whom is an executive director, three are proprietary directors and two are independent.

The duties of the Board of Directors include the investment and financing policy, the establishment of the structure of the group, the Corporate Governance policy and the Corporate Social Responsibility policy. Additionally, the Board is responsible for the definition of the management and budgetary goals, and the remuneration policy. It also evaluates the performance of senior managers, and is in charge of the risk control and management policy, and the dividend policy.

The Board met on eight occasions during 2019, and adopted an agreement in writing without holding a session. During the year, it carried out the following actions: self-assessment and evaluation of the performance of its committees, and the performance of the Chairman of the Board and the Chief Executive Officer; review of its total payroll; preparation of the financial statements of the previous year and approval of the mid-term financial reports of the year; approval of the Annual Governance Report and the Annual Remuneration of Directors Report; analysis of the Risk management and control systems; analysis of the composition of the Board; review of the money laundering and terrorism financing prevention system; approval of several related party transactions, preparation of the Annual General Meeting; change in the valuation methods of its development assets; and approval of the Anticorruption Policy of the Group.

The Board of Directors organizes its work on three committees: Executive Committee, Appointments and Remuneration Committee, and Audit and Control Committee.



## Executive Committee

The Executive Committee takes on the duties and competences delegated by the Board of Directors. Generally, it is responsible for the follow-up and supervision of the management and administration aspects of the company that require continuous attention and, where appropriate, a fast and swift adaptation, and of those matters which may influence the positioning and future prospects of the company and the Group in the market.

The Executive Committee held three meetings during 2019.

## Appointments and Remuneration Committee

It is responsible for the remuneration of directors and senior managers, the appointment and termination of the members of the Board, and the annual evaluation, among other matters.

It met on five occasions during 2019.

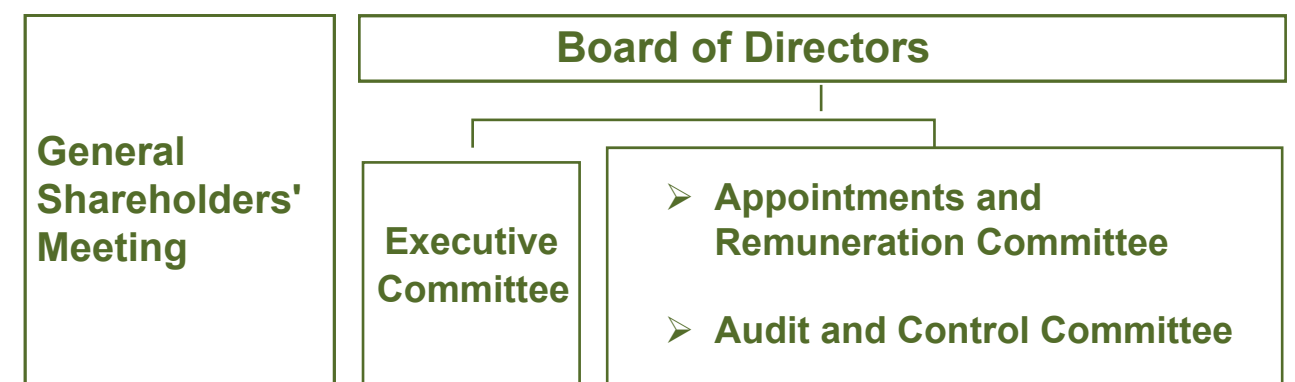
## Audit and Control Committee

The main role of the Audit and Control Committee is to support the Board of Directors in its duties of supervision, through the periodic review of the process of preparation of the economic and financial information, the internal audit function and the independence of the external auditor.

The Audit and Control Committee held nine meetings during 2019.



### CORPORATE GOVERNANCE BODIES





## DIRECTORS' PROFILE

One of the characteristics of REALIA's Board of Directors is the diversity of its members. Thus, the Company has a Board where gender diversity is present (three women and three men); with ages ranging from the 35 years of the Chief Executive Officer to the 85 years of its Chairman; where the working experience of its members covers sectors as diverse as real estate, shoes, international relations, agriculture and ecology or energy, and includes professionals in the fields of law and senior management, economy and finance professionals, and expert engineers in several disciplines, who have professional experience in both the public and the private sector.

REALIA's Directors are professionals of proven integrity, solvency, technical competence and experience, appointed on the basis of a report from the Appointments and Remuneration Committee.

The company considers that the number of independent directors on the Board adequately guarantees the interests of the free float, which at year-end, accounted for 24.3% of the share capital.

It is also worth noting that, as mentioned above, three of the Members of the Board are women (50% of the total), a higher percentage than in most of the Spanish listed companies.

Name	Position	Type of director	Executive Committee	Appointments & Remuneration Committee	Audit and Control Committee
D. Juan Rodríguez Torres	Non-Executive Chairman	Proprietary	Chairman	Member	Member
D. Gerardo Kuri Kaufmann	CEO	Executive	Member		
Dña. Ximena Caraza Campos	Member	Independent		Chairwoman	Member
EAC Inversiones Corporativas, S.L. Represented by Dña. Esther Alcocer Koplowitz	Member	Proprietary	Member	Member	
D. Elías Fereres Castiel	Member	Independent		Member	Chairman
Melilito S.L. Represented by Dña. Alicia Alcocer Koplowitz	Member	Proprietary	Member	Member	

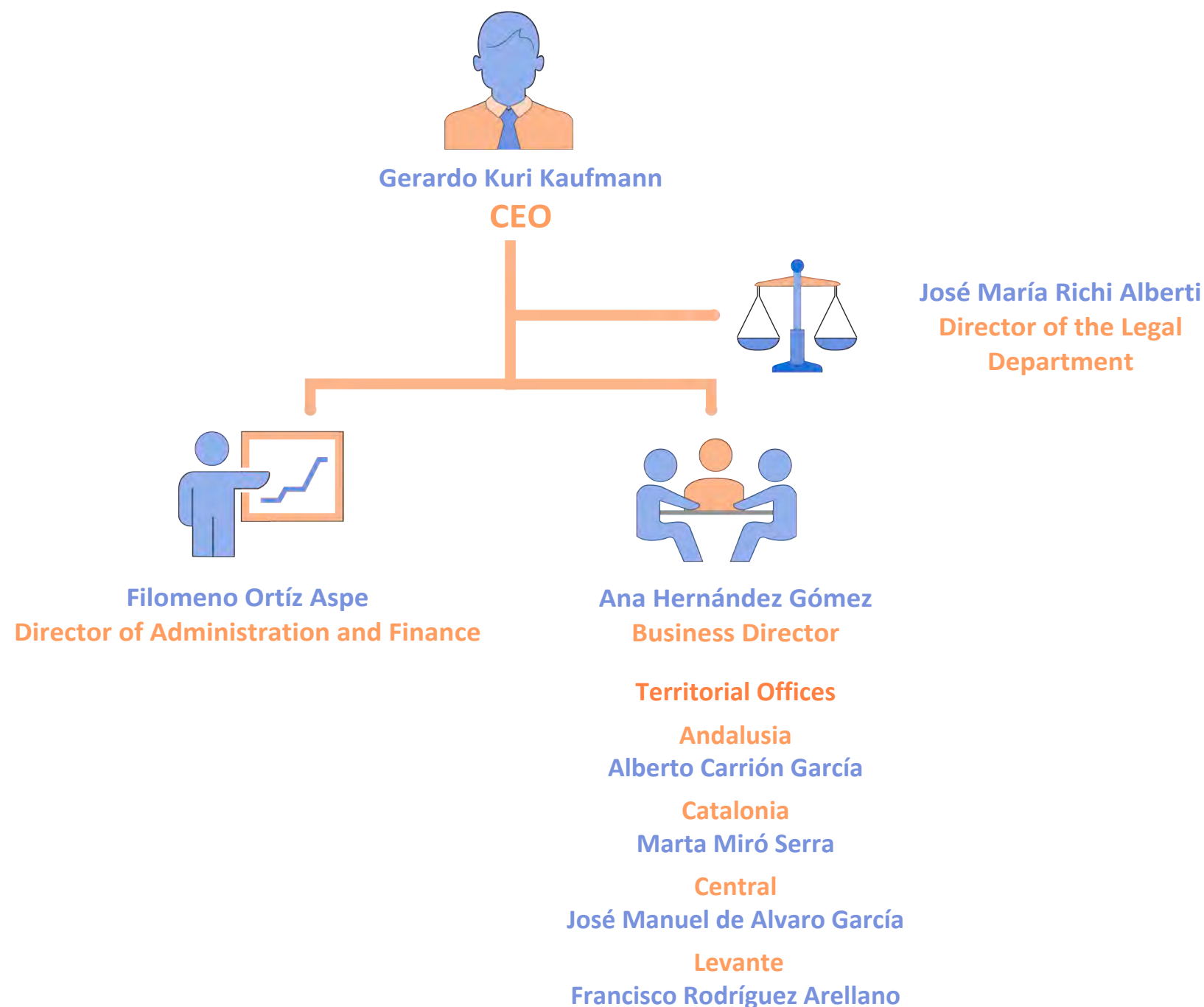
*Board of REALIA at 31 december 2019*



## Chief Executive Officer

The Chief Executive Officer, Mr. Gerardo Kuri Kaufmann, is responsible for the design and review of the organizational structure of the group, under delegation from the Board of Directors.

He is also responsible for the establishment of the objectives and the strategy of the organization and controlling its execution to guarantee the feasibility of the business.





## Remuneration Policy

REALIA'S remuneration policy seeks to promote its profitability and long-term sustainability, based on the principles of transparency, moderation, remuneration based on dedication and according to the evolution of results.

The Board of Directors approved in May 2018 the renewal of the remuneration policy for the period 2019-2021, with no changes with respect to the policy approved in 2016 for the years 2016, 2017 and 2018. This resolution was ratified by 99.64% of the votes present or represented at the Annual General Meeting of Shareholders held on 27 June 2018; the policy will be applicable in 2019, 2020 and 2021, unless amended by the Annual General Meeting.

Considering the recommendations of the Good Governance Code of Listed Companies and those of companies with similar characteristics in terms of sector of activity, size or shareholding structure, the following remuneration criteria have been established:



- I. It must be adequate to attract and retain the directors of the desired profile, and to remunerate their dedication, qualification and responsibility required by the position, without prejudice to the independent judgement of non-executive directors.
- II. It must respond to a market criterion.
- III. It must respond to the dedication and responsibility of the directors.
- IV. Regarding executive directors, it must recognize their capacity to increase the value of the company for their impact on results, their skills and professional profile, and they must be recognized a specific remuneration for their executive duties, independent and compatible with their duties as directors.
- V. Regarding the non-executive Chairman of the Board, it must recognize the responsibility and critical nature of the position, through a specific remuneration for the position.
- VI. As to the remuneration concepts, the remuneration policy consists in an annual amount based upon criteria of responsibility (fixed remuneration) and dedication and corresponding allowances (variable remuneration)

## Remunerations in 2019

In 2019, the Directors received a total of 521,975.28 €, 11.53 % lower than the amount approved by the Annual General Meeting. This figure does not include the remuneration of the CEO for his executive duties.

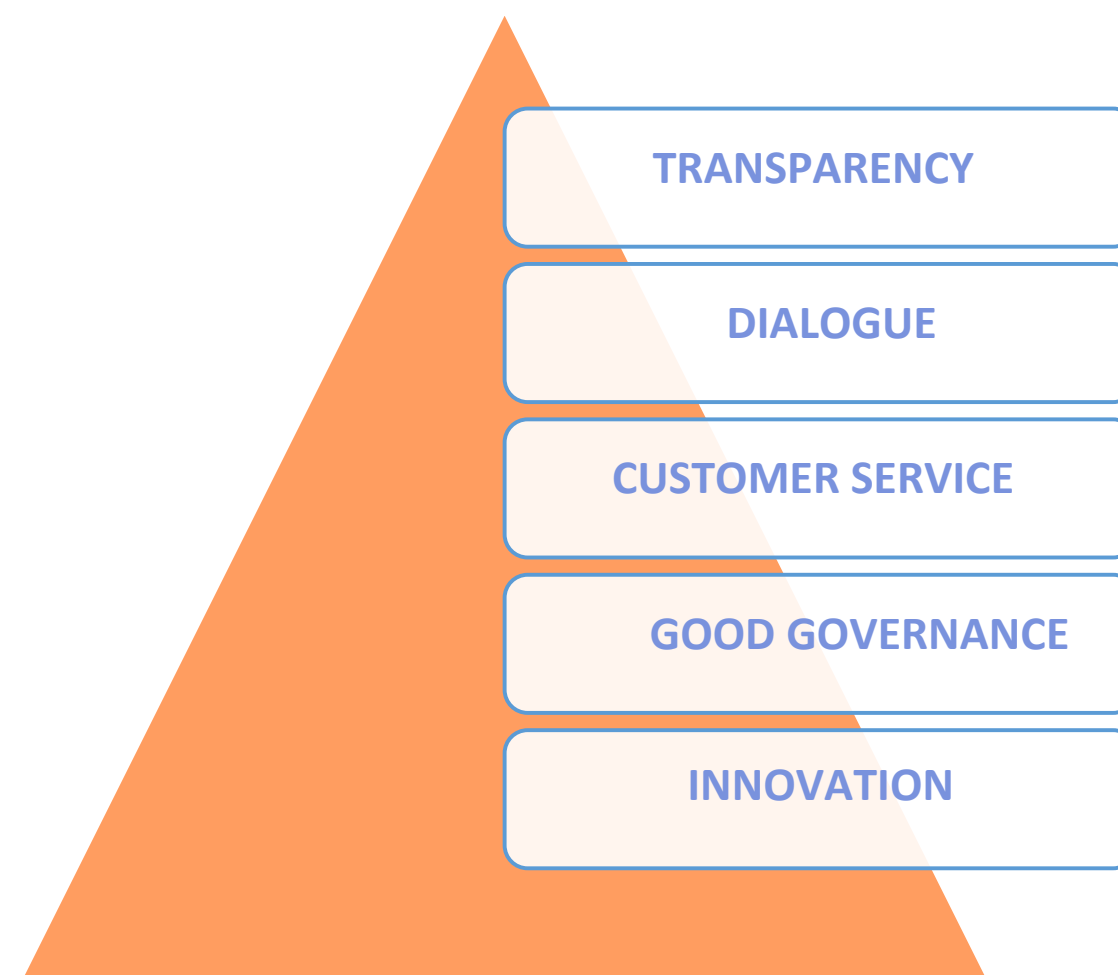


The activity of REALIA is subject to the current legislation and is governed by a number of rules and procedures that ensure ethical conduct. Additionally, REALIA guides its conduct according to the values of Transparency, Dialogue, Professionalism, Good Governance and Innovation.

Based on these principles, it has established a set of internal rules to ensure the honest conduct of its employees, tools for its monitoring, and mechanisms to apply in case of non-compliance. The first step was the approval of the new Ethical Code by the Board of Directors in its session held on 4 April. This document was distributed to all employees of REALIA. The activity of the Organization is subject to the current legislation and is governed by a number of rules and procedures than ensure an ethical conduct.

The backbone of the ethical framework is the Ethical Code, which establishes the principles, values and rules of conduct that must prevail in all activities of the Group. Additionally, as a listed company, it has an Internal Code of Conduct for its activities in the stock markets, and a Fiscal Policy that establishes principles and good tax practices the company must follow. Additionally, since May 2019, it has implemented an Anticorruption Policy, which establishes the principle of “zero tolerance” to activities involving fraud and corruption.

Additionally, the Audit and Control Committee has supported the implementation of a Criminal Compliance and Prevention Model with the purpose of strengthening the culture of compliance in this respect, and which can serve as a disclaimer in case of crimes committed within the Organization. This initiative started in 2018, continued its development during 2019, completing the planning and structuring phases of the Model, and starting its dissemination, training and implementation (as will be described hereunder). It is expected to be fully implemented and operational during 2020. During 2019, REALIA started all the necessary work to implement a criminal compliance model.



## ETHICAL CODE

The backbone of this ethical framework is the Ethical Code, which establishes the conduct of all employees of the Group, regardless of their position or location. As a listed company, it also has an Internal Code of Conduct for its activities in the stock markets, and since October 2016, a Fiscal Policy that establishes the principles and good fiscal practices that the company must follow.

REALIA's Ethical Code, approved by the Board of Directors in its meeting of 4 April 2018, is the fundamental rule that guides the behavior of all the employees of the group in the performance of their activities and in relation to third parties, regardless of their position or location. This document has been distributed to all employees (with acknowledgement of receipt), and is available at the company's website.

The values included in the Ethical Code are the following:

- **Customer service:** Satisfied customers are one of our most critical assets. In our relations with customers, their interests are at the same level as our own.
- **Transparency:** REALIA aims to be recognized by the sector as the company with the best Corporate Governance standards. We strive to act honestly, fairly and transparently, maintaining impeccable behavior with our stakeholders.
- **Leadership vocation:** All REALIA employees are distinguished for their vocation to achieve excellence in all areas of activity of the company.

- **Innovation:** We are constantly searching for solutions that provide value to the company and the society we serve. Quality as the foundation for growth.
- **Dialogue with stakeholders:** REALIA's culture and values are based on keeping relations of trust and mutual benefit with our stakeholders.

## THE VALUES OF THE REALIA GROUP





The Ethical Code establishes also basic principles of conduct and action, which create the basis for the company's activity, and which served as its inspiration. These basic principles include regulatory compliance and respect for ethical values, respect for people, internal control and fraud prevention, personal data protection, caring for people and customers, and commitment with the market, the company, the community and the environment.

All the employees of REALIA have received a copy of the Ethical Code, also available at the corporate Intranet and the company's website, and have formally pledged to comply with it.

The company will gradually extend these principles to its suppliers, and for this reason it reserves the right to contract goods and services to companies that comply with them.

Additionally, two documents were drafted during 2019: "Anticorruption and Fraud Policy" and "Partners relations policy regarding compliance". These documents were reviewed by the Audit Committee and were submitted to the Board of Directors for approval in May and October, respectively. The "Anticorruption and Fraud Policy" was distributed to all REALIA employees, with acknowledgement of receipt.

The purpose of REALIA is to extend the culture, values and ethical conduct principles to its main partners. Accordingly, the Ethical Code of HERMANOS REVILLA, S.A. was drafted at the end of 2019. This is one of the main partners of REALIA, which operates in the property area (rental assets). This document was approved by the Board of Directors of HERMANOS REVILLA, S.A. in February 2020.

## Ethical Channel

One of the requirements of any regulatory compliance system is the establishment of a mechanism for any employee to report to the persons responsible for compliance, any breach or unethical practices or conducts which may entail a punishment and therefore, an economic or reputational damage to the legal entity.

Specifically, in the description of the minimum requirements that any organizational and management model for the prevention of crimes must fulfill (criminal compliance models), article 31 bis of the Criminal Code establishes that they must "impose the obligation to report potential risks and non-compliances of the body in charge of monitoring the operation and compliance with the prevention model".

Accordingly, the establishment of a Channel that allows to report or denounce practices against the Ethical Code approved by the Board of Directors on 4 April 2018, becomes an essential element of the prevention and compliance management system (and specifically in the prevention of criminal risks). The Communication Channel (Ethical Channel) is thus created with the purpose of preventing and detecting conducts that may generate criminal responsibility for the company, for it allows to undertake an internal investigation to counter criminal conduct or non-compliance risks.

Regarding this, in 2019 the draft of the new Whistleblowing Channel Procedure Regulation for the Reporting of Incidences (Ethical Channel) was reviewed and written to adapt it to the new Ethical Code, to applicable regulations and to the Criminal Compliance and Prevention Model (since it is one of its essential components). The new Ethical Channel Regulation (internal communication channel, or whistleblowing channel) was approved by the Board of Directors of REALIA on 20 March 2019.

This ensures compliance with the requirement established by Law 10/2010 on the prevention of money laundering and terrorism financing introduced by Royal Decree 11/2018 that urges the establishment of internal procedures that allow REALIA employees to report – even anonymously – alleged violations in this respect. The Ethical Channel is an internal channel for reporting incidences open to all employees of the Realia Group, which allows them to:

- Report to the Audit and Control Committee any inappropriate conduct or action, according to the recommendations of the Ethical Code (Ethical Code violations)
- Report irregularities of potential relevance, especially of a financial and accounting nature; and those related (or which show signs of) the crimes of fraud, corruption, bribery, influence peddling, crimes against urbanism and the environment, and any other illicit activity which may have criminal consequences for the Organization.
- Report relevant information on potential violations of the applicable regulations on Money Laundering and Terrorism Financing.
- Prevent and/or report situations of workplace or sexual harassment, or any discrimination for gender, ideology or race.
- Present proposals for improvement of the internal control procedures and systems in force in the Realia Group related to the matters mentioned above.
- Raise questions about the application of the patterns of conduct described in the Code.

The company guarantees the confidentiality of all communications made through this channel, which is under the mandate and supervision of the Audit and Control Committee.

No incidences were recorded through this channel during 2019.

This channel is available both at the Corporate Intranet and the following address:

### GRUPO REALIA

Att. Delegado procedimiento de comunicación del Comité de Seguimiento del Reglamento Interno y Ético. Avda. del Camino de Santiago, 40 - 28050 Madrid





**BASIC PRINCIPLES OF  
CONDUCT AND ACTION**

Compliance with the rules

Respect for people

Protection of personal data

Taking care of customers

Fraud prevention

Commitment with the market, the  
company and the community

Commitment with Society and  
the Environment

## Criminal Compliance and Prevention Model

Ethical behavior and respect and compliance with regulations, both internal and external, are the pattern of conduct of the REALIA Group.

On the other hand, the reform of the Criminal Code of 2015 was especially relevant, with the introduction of the “criminal liability of legal entities” and the possible exemption of liability in case entities meet a number of requirements, one of which is the establishment of a criminal prevention model that must fulfil a number of requirements.

The Board of Directors, through REALIA’s Audit and Control Committee promoted the establishment of a Compliance and Criminal Prevention Model in the Organization.

The idea is to design and develop the “Criminal Compliance Management System” or “Criminal Risk Management System” in such a way that it meets the conditions mentioned on art.31 bis 5 of the Criminal Code, that describe the “Requirements Prevention Models must meet”, which establishes that “the organization and management models must identify the activities where the crimes that they seek to prevent may be committed”.

Additionally, the system has been designed in such a way that it contains the guidelines and recommendations of the UNE 19601 standard “Criminal Compliance Management Models. Requirements with recommendations for use”, since this rule is a good reference for the design, implementation, development, review and continuous improvement of a Criminal Risk Management System.

The Audit Committee is the Criminal Prevention Body of REALIA; it has the necessary authority to guarantee the credibility and the binding nature of the decisions taken. This makes the Committee the guardian body for the supervision, surveillance and control of the duties related to criminal compliance.

The duty of the Audit and Control Committee of REALIA in relation to crime prevention, is the supervision of the adequate operation and effectiveness of the Criminal Prevention Model and to report to the Board on this matter. The Head of Compliance is in charge of this tasks.

The first step was the approval of the new Ethical Code in April 2018.

The most relevant actions carried out in 2019 in the area of regulatory compliance and the planning, design and implementation of the Criminal Compliance and Prevention Model and the Criminal Risk Prevention System were the following:

- Drafting of the new Ethical Channel Regulation (internal whistleblowing channel) regarding regulatory compliance and criminal prevention, approved by the Board of Directors in March 2019 and disseminated to all the employees of Realia Business S.A. and Realia Patrimonio SLU, with an attached document explaining its operation.
- Ethical Channel Management and six-monthly report of the activity of the channel.
- Drafting of the “Anticorruption and Fraud Policy” and the “Partners Relations Policy regarding compliance”. These documents were reviewed by the Audit Committee and submitted to the Board of Directors for their approval in May and October, respectively. The “Anticorruption and Fraud Policy” was distributed to all REALIA employees, with acknowledgement of receipt.
- Identification, Analysis and Evaluation of Criminal Risks: drafting of a “Catalog (inventory) of criminal risks” of the “Procedures, policies, controls and criminal risks Matrix”; “Criminal risks and impact on processes Matrix”. Drafting of the “Criminal Risks Map” (inherent and residual).
- Drafting of the “Control Inventory Matrix” and Risk and Criminal Control Matrix”. This process has several stages: Identification of “Risks” and “Risk Events”. Identification of “Process Owners” and “Control Owners”.



## Criminal Prevention Manual

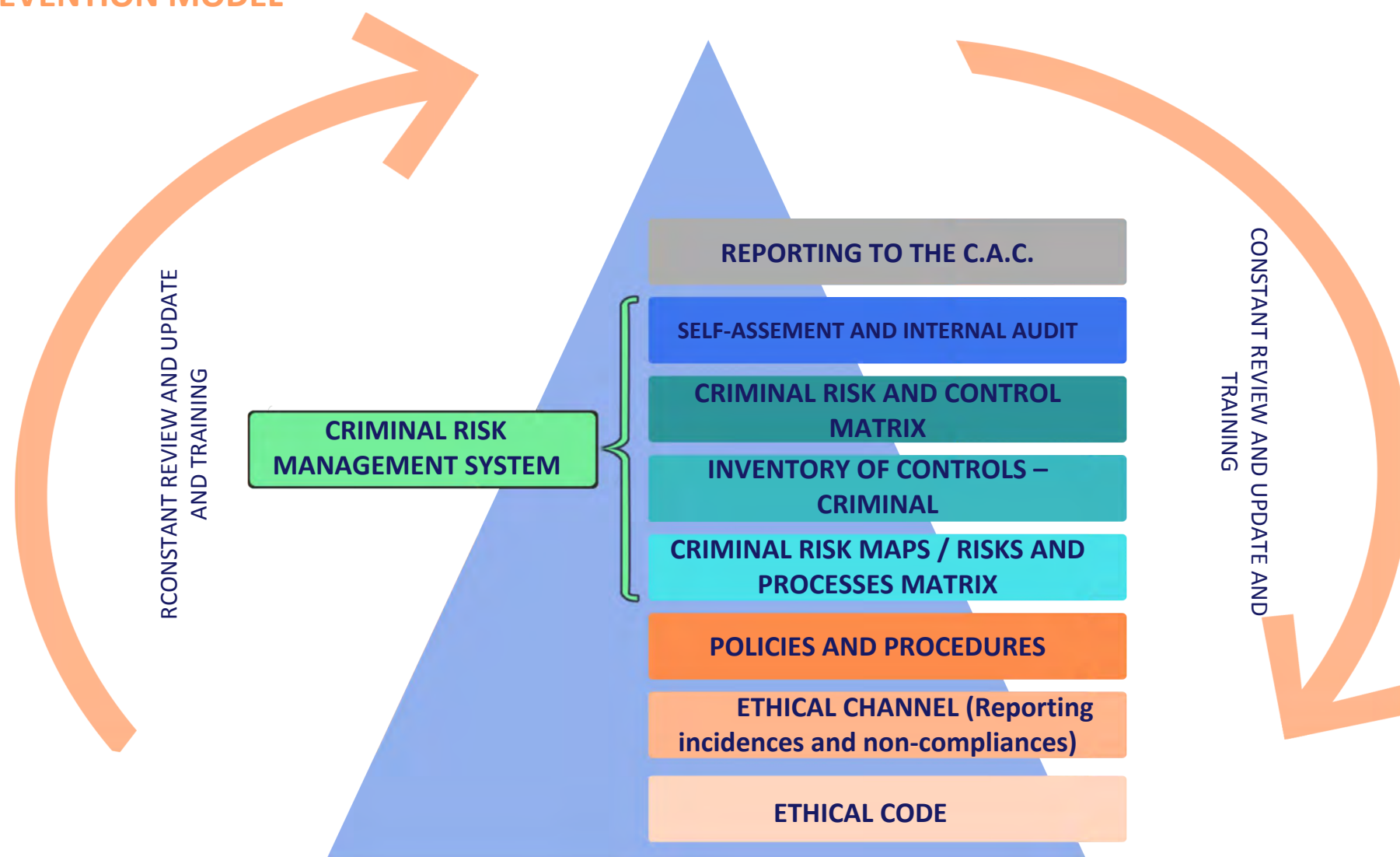
The Criminal Prevention Manual was drafted early in 2020, and after review by the Audit Committee, was submitted to the Board of Directors meeting in February for approval. This document seeks a dual purpose: on one hand, to define the design, structure and patterns of operation of the Criminal Compliance and Prevention System of REALIA, and the Criminal Risk Prevention System; on the other, to detail and regulate its bodies and procedures regarding regulatory compliance in the criminal domain.

The procedures in this Manual are mandatory and will be applied to: managers, administrators and representatives with the authority to make decisions on behalf of the legal entity and who have organizational and control duties, and the rest of employees of REALIA. Furthermore, they are also applicable to companies in which REALIA has a majority interest, either national or international, joint ventures and joint ownership companies (in which it has a majority interest) and acquired companies, as of the effective date of the acquisition.

This document, together with the Ethical Code and the Code of Conduct, express the strong stand of REALIA against unethical conduct which, even though they may benefit the Organization, may represent a criminal offence.

## CRIMINAL COMPLIANCE AND PREVENTION MODEL – REALIA

The following graph shows the structure and composition of the Criminal Compliance and Prevention Model, expected to be fully implemented and operational in 2020.



## Internal Code of Conduct

In order to favor transparency in the activities of the group and the appropriate information and protection of investors, REALIA has an internal code of conduct that establishes the criteria and procedures to follow in Stock Market transactions, and in the use and dissemination of relevant information.

The Code establishes, among other obligations, the treatment of privileged information and confidential documents, the procedure for transactions of own shares, or the duties of the Audit and Control Committee.

The code is addressed to directors, managers, external advisors and the staff of the Stock Market and Investor Relations departments. The person in charge of informing them of their obligations is the Chairman of the Audit and Control Committee, who is responsible for compliance with the provisions of the Internal Code of Conduct. He is also responsible for recording the situations of Directors and senior managers, and must report periodically to the Board of Directors or the Executive Committee.

Even though the obligation of issuers to have an Internal Code of Conduct does no longer exist, after the approval of Royal Decree-Law 19/2018, of 23 November, on payment services and other urgent measures on fiscal matters, the company keeps the Code in force.

## Periodic training

In order to guarantee the quality of financial information and its adaptation to the current legislation, REALIA develops periodic training programs for the personnel involved in drawing up such information, and in the evaluation of the Internal Control System on Financial Information, that includes accounting standards, audit, internal control and risk management.

Several training events were organized in 2019 on accounting, fiscal, labor and business standards, risk management and on the internal auditor profession, and the role the internal auditor must play in the new business and technological scenario, as well as other aspects of regulatory compliance, criminal risk management systems, whistleblowing channels, and money laundering and terrorism financing prevention.

Additionally, training was provided on regulatory compliance, money laundering and terrorism financing prevention, and on aspects related to personal data protection.





## Fiscal Policy

As part of the development of its ethical framework and at the request of the Audit and Control Committee, the Board of Directors unanimously approved the Corporate Fiscal Policy of the group in its session held on 24 October 2016, which includes its commitment with the application of the following best tax practices:

- Not using contrived structures alien to the company's activities with the sole purpose of reducing its tax burden.
- Avoid opaque structures for tax purposes.
- Not establishing or acquiring companies based on tax havens.
- Collaborate with the Tax Authorities in the detection and search for solutions regarding fraudulent fiscal practices that the company is aware of.
- Performing transactions with related parties always at market value.
- Regarding taxes that the companies of the group pay as their main contribution to the public charges and, therefore, one of its contributions to society.
- Provide the information and documentation of fiscal relevance requested by the competent Tax Authorities, in the shortest possible time and with the appropriate scope.
- Evaluate properly the investments and transactions which in principle seem to entail a special fiscal risk. Control over the Fiscal Policy is the duty of the Audit and Control Committee, which reports to the Board the fiscal policies applied and the consequences of the corporate transactions from the point of view of taxes.





REALIA has created a risk management system that involves the whole organization to identify, analyze and respond to any contingency that may affect its corporate goals. During 2019, the company continued with the internal evaluation of the operational efficiency of the controls in place, a process that will continue in 2020.

REALIA's risk management model is structured around three main axes:

- A clear organizational structure that defines roles and functional responsibilities.
- A framework for the identification, quantification and evaluation of risks.
- Response to the risks supervised by the Audit and Control Committee.

The control system is developed through several stages. Initially, the key business process is identified, as well as the critical risks associated according to their nature and likelihood of occurrence. Then, risks are analyzed according to their potential impact on management objectives. Finally, the policies, guidelines and limits associated to the risks are established and implemented.

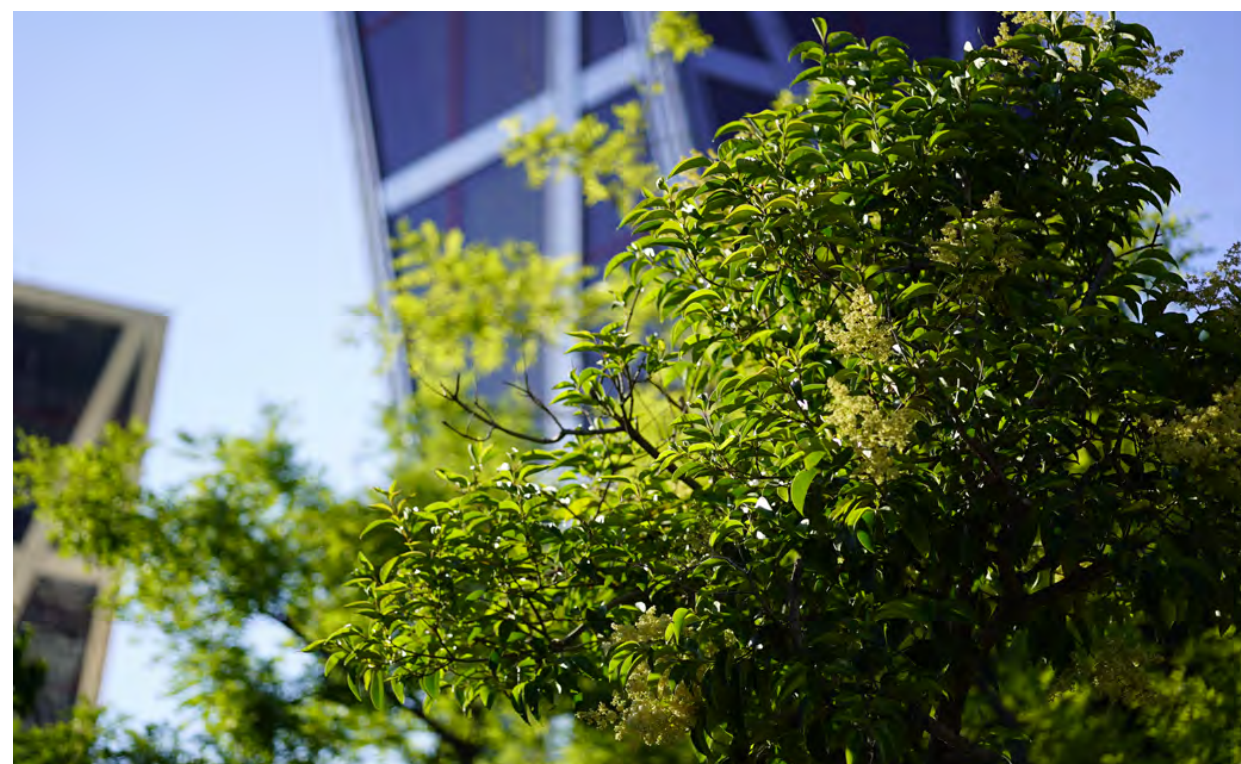
The whole organization is involved in the risk management effort. The Board of Directors establishes the risk control and management policies, procedures, limits and structures; the management of each of the functional areas analyzes their evolution and takes the corrective measures it deems necessary; the Internal Audit Area provides an independent evaluation of the appropriateness, adequacy and efficacy of the internal control system and the risk management system and reports the results to the Audit and Control Committee.

Finally, the External Auditor holds a number of meetings with the Audit and Control Committee to present the conclusions of their work.

The Risk Control and Management Policy includes the need to establish a control system for the financial information that brings together the corresponding criteria, policies, procedures, controls and related documentation.

The implementation of this System was carried out based on the identification of 21 key processes that distinguish the dual nature of REALIA's businesses: property development and property management.

During 2019, the operational efficiency of the controls implemented continued to be evaluated through selective sampling and specific analyses, and the evaluation of the different cycles of activity was also updated.





## Main Risks for 2019

In both its real estate and property related activities, we may come across different types of risks:

### 1. Financial Risk

Due to the nature of its activity and the operations through which it performs these activities, the Group is currently exposed to the following financial risks:

#### a) Credit risk:

The main activities of the Company are real estate development, the sale of land and the lease of property assets through its subsidiaries and investees. The first of these activities does not involve any credit risk, since the delivery of the product automatically entails the collection of its price. Regarding the sale of land, it is standard practice to grant payment deferrals to clients. Currently, the amount of unsecured retail loans for the sale of land amount to EUR 8.2 Million, which the company has fully written down, and remains at similar levels than in the previous year. Finally, the risk in the lease of property assets is negligible. The Company management has made provisions for potential default or insolvency.

#### b) Interest rate risk:

At 31 December 2019, Realia Business S.A. does not have any net bank borrowings, and therefore there is no such risk in the company, even though it does exist in its investees. The Group of companies has entered into interest rate hedging contracts with 5 of the 6 banks that make up Realis Patrimonio Syndicated Loan. The total amount hedged is 70% of the outstanding balance of the loan; at 31 December 2019, it amounted to 383.5 M € maturing on 27 April 2024.

The type of hedging instrument is an IRS plus a Euribor floor option at 0%. At year-end 2019, this hedge, valued at market price, had a positive impact on the profit and loss account of 0.43 Million Euros, and negative by 2.9 Million Euros on net equity.

The purpose of interest rate risk management is to reach a balance in the debt structure that allows to minimize the cost of borrowing throughout several years with reduced volatility on the profit and loss statement. The comparative analysis of the financial cost and yield curve trends lead the company to decide on whether to hedge for interest rate risk in order to minimize the cost of borrowings for that period.

The Management of the Parent closely monitors yield curve trends for the next years, and does not rule out the convenience of hedging for interest rate changes in the future.

#### c) Liquidity risk:

The global financial system is characterized by its high level of liquidity. Liquidity is also high in the real estate sector, but only for projects with a low commercial risks and for developers with proven financial solvency, which has led some developers to seek alternative sources of funding, albeit at much higher costs.

Realia Business and the companies in its Group did not need to resort to new leverage in 2019, and whenever any of its companies needed to renew or refinance some of the existing lines, they could it without difficulty in the traditional banking system, at very low and competitive interest rates, thanks to the solvency of the company and the commercial quality and profitability of their projects.

Additionally, at year-end 2019, Realia Business S.A. had a positive working capital of EUR 359 Million.

#### d) Exchange rate risk:

The Realia Business Group does not have significant exchange rate risk, since most of its investments and activities take place in Spain.

#### e) Solvency risk:

At 31 December 2019, Realia Business, S.A. does not have any net bank borrowings, and has cash and cash equivalents for an amount of EUR 43,203 thousand.

## 2. Market Risks

Positive growth rates (investment volumes, pre-sales levels, prices...) recorded since 2015 have slowed down in 2019, when price increases have not been so generalized and the levels of sales and deliveries have suffered the negative impact of the coming into force of the reform of the Mortgage Law.

The process of obtaining work permits and first occupation licenses from the Public Administrations has been strained and this, together with the tensions among constructors (lack of labor, increased costs) have resulted in the sector not fulfilling its expectations in terms of deliveries. However, demand continues to be consistent in some areas of cities such as Madrid, Barcelona, Valencia, Malaga, Palma de Mallorca...where the supply is scarce and demand is consistent, albeit selective in terms of product and price. In view of this, Realia plans to launch new developments in these cities and in other location with an interesting demand for residential housing.

However, despite the situation described above, there is still a high stock of product in most of the national territory and therefore the recovery of prices to levels before the crisis is still selective and concentrated on areas with demand, and access to lending by developers and buyers is still very restricted.

Regarding the rental market, in which Realia Business, S.A. operates through its subsidiaries Realia Patrimonio, S.L.U. and Hermanos Revilla, S.A., demand for space is picking up, rent prices are stabilizing and incentives for settlement demanded by customers are lowering. On the other hand, capex investment activity in the property segment has been quite significant, especially in Hermanos Revilla, S.A. and Realia Patrimonio, S.L.U.

One of the markets with strong expectations for growth is the rental residential housing market; Realia has accordingly instructed its subsidiary Valaise, S.L.U. to acquire 3 subsidized land lots in the municipality of Tres Cantos (Madrid), for the construction of a total 280 homes for rent, 85 of which are finished and pending first occupation license, to start their commercial operation in the first quarter of 2020. The Realia Group is interested in continuing to develop and increase the investment in this segment in the coming years.

For all these reasons, the Realia Group believes it must focus its efforts on its three current lines of business. In the property area, where its extraordinary real estate portfolio gives it an outstanding position, it must optimize its asset management to increase operational margins and create value for the assets. In the developments and land area, it must optimize the value of its current assets through price increases of the finished product, the management of land in its portfolio and the construction of developments in locations where there is consistent demand. Finally, on the construction of developments for residential housing rent in areas with consistent demand and attractive yields.

## 3. Operational Risks

The development and housing sale activity is vulnerable to certain risks, such as the cost of projects overshooting initial estimates, especially in a situation in which construction labor costs may increase without the option to pass them on to the end buyers, or delays in projects that may lead to the payment of penalties to homebuyers or to bear higher lending costs.

These risks are attempted to be mitigated through the contracting of construction companies of known prestige and solvency which have on the one hand, the capacity and the resources to fulfill all their commitments and on the other, the necessary solvency to respond to potential damages that may arise from non-compliances.



## 4. Legal and fiscal Risk

The activities of the group are subject to legal and fiscal provisions and urban requirements. Local, regional, national and European administrations may impose sanctions for noncompliance with these rules and requirements. A change in this legal and fiscal scenario may affect the overall planning of the group's activities. The group, through the appropriate internal departments, monitors, analyzes and, if necessary, applies the necessary measures.

The risks associated to regulatory compliance are the following:

### a) Judicial and extrajudicial claims

Realia's activity may give rise to legal actions being taken against the company related to the materials used or the finishing of the properties sold, even if they are derived from the actions of third parties contracted by Realia (architects, engineers, construction contractors and subcontractors).

To mitigate these risks, the company has taken ten-year insurance policies, mandatory for real estate developers, before handing over the houses to their buyers.

Furthermore, all work contracts include a 5% withholding in every certification issued by contractors to vouch for the exact performance of their duties and especially, for the defects observed at the provisional acceptance of the product, and repair costs derived from poor execution or defects in the quality of works or facilities during the warranty period from the date of provisional acceptance of the works. Additionally, during the execution of works, Realia's technicians monitor the work to ensure that they are being carried out according to plan. Furthermore, withholdings are made on the payments to engineering companies and technical control bodies.

### b) Exchange rate risk

It may be the case that the contractors hired by Realia do not fulfil their commitments, are late with deliveries or go through financial difficulties that prevent them from meeting the deadlines agreed upon in their contracts, and Realia may be obliged to incur additional expenses in order to meet its own commitments to third parties. In order to reduce this risk, contracting for the execution of works has been restricted to contractors of proven solvency.

### c) Realia's liability arising from litigations that may affect the urban development plan or construction permits.

Realia's activity may give rise to third parties taking legal action legitimately seeking to render void the urban planning or the permits granted. In order to reduce this risk, Realia hires planners and architects of known prestige and competence, and monitors their work thoroughly.

In case these legal actions are taken, Realia assigns its legal representation to expert lawyers in the corresponding competence and geographical territory where the proceedings take place, whose work is also supervised by the legal services of the company.

## 5. Money laundering and Terrorism Financing Prevention Risks

These risks are controlled through the prevention and control system the Group has implemented, according to the applicable legislation, and with the Manual that establishes the internal procedure rules on this matter; a Control, Information and Communication Body, that coordinates its activities with the employees and the Prevention Services; and a Technical Unit responsible for the processing and analysis of information, and to analyze and channel the communications on potentially suspicious transactions. This Manual is updated annually in order to adapt its wording to legal developments and the recommendations of an independent expert or just to implement the measures included in the manual.

As in previous years, the company was subject in 2019 to an annual audit performed by an independent expert as established by the Law. Once again, no significant risks for the company were identified in the area of money laundering and monetary crimes.

## 6. Personal Data Protection Risks

These risks are controlled by special standard clauses included in the contracts in different situations which, according to the Rule governing this matter, allow for the limitation or even extinguish any liability from Realia Business, S.A.

During 2019, the Group adapted its personal data protection system to the provisions of the General Data Protection Regulation (EU Regulation 2016/679 of Data Protection).

Additionally, the company was subject in 2019 to the two-year audit by an independent expert, as provided by the Rule, and the result was very positive.

## 7. Consumer and user Protection Risks

The Group meets the demands of the different national and regional legislations on the subject of consumers and users. In fact, it has specific contract templates for those Autonomous Communities with specific legislation on this subject. Additionally, the Group responds customarily to all possible claims that it may receive from public consumer bodies, in a spirit of conciliation and reparation.

Additionally, Realia Business, S.A. is equipped with a set of tools to ensure ethical behavior, the main ones being, apart from the money laundering prevention tool, the following:

**The Internal Code of Conduct** was approved by the Board of Directors of Realia in April 2007, focuses of matters related to the Stock Markets. This Code regulates the criteria for conduct and action that employees must follow in relation to transactions, and to the processing, use and dissemination of relevant information, to favor transparency in their activities and the appropriate information and protection of investors. The Code is applied at the very least to Directors and Managers of the Realia Group, external advisors and the staff of the Stock Market and Investor Relations department.

**The Ethical Code** was approved for the first time in November 2010, and a new version of the Code was approved by the Board of Directors of the Company in its session held on April 2018. Its purpose is to establish the principles, values and rules of conduct that must govern the action of the companies of the Realia Group and all its employees, and to define the criteria for the actions of managers and employees of the Realia Group. This Code is mandatory.

**The Corporate Fiscal Policy**, which reflects the commitment to apply good tax practices.

**The Anticorruption Policy**, approved by the Board of Directors in May 2019, which establishes the principle of “zero tolerance” to fraud and corruption.

During 2019 Realia started all the necessary work to implement a model of criminal compliance, expected to be concluded and operational in 2020.

**The PRINEX System** is a global business solution that combines the characteristics of a business management software with the advantages of an ERP customized to the needs of real estate companies. Its usefulness to ensure ethical behavior is that it allows the commercial area to identify customers who have performed fraudulent transactions in the past to avoid doing business with them.

**COVID-19:** On 11 March 2020, the World health Organization elevated the situation of public health emergency caused by the outbreak of the coronavirus (COVID-19) to an international pandemic. The fast evolution of facts, nationally and internationally, has brought about an unprecedented health crisis, which will have an impact of the macroeconomic environment and the evolution of businesses. In order to face this situation, the Government of Spain, among other measures, declared a national state of alarm through the publication of Royal Decree 463/2020, of 14 March, and approved a number of extraordinary urgent measures to face the economic and social impact of COVID-19, through Royal Decree-Law 8/2020 of 17 March. The Company is taking appropriate actions in order to face this situation and minimize its impact.



# Corporate Responsibility



**REALIA**

*Aguaserena Residencial  
Roquetas (Almería)*





**REALIA is committed to the protection of the natural environment, takes into consideration the expectations of its stakeholders and maintains its commitment to ethics, integrity and good governance. During 2018, it continued to progress in these areas, according to its Corporate Responsibility (CR) Master Plan.**

REALIA's CR Master Plan establishes three lines of action: commitment with the environment and environmental protection; commitment with the groups and communities it relates with; and commitment to ethics and good governance.

The company is aware of the importance of preserving the environment for future generations, and manages its buildings for lease and its developments under the principles of energy efficiency and sustainable construction. According to these parameters, it monitors annually its energy consumption, processes its waste adequately, and incorporates energy efficiency measures in its buildings.

REALIA's activity contributes to the advancement of society and its stakeholders through job creation, paying taxes, contracts with suppliers and the preservation of value of its assets. The company is in permanent contact with its stakeholders through different channels.

### Bases of the Corporate Responsibility policy



**Commitment with the environment and environmental protection, through an adequate use of natural resources.**



**Commitment to the groups and communities it has relations with, through job creation, payment of taxes, contracts with suppliers and collaboration in charities.**



**Commitment to ethics, integrity and good governance, thanks to a transparent and efficient organizational structure, designed to achieve the global corporate objectives and satisfy the expectations of its stakeholders.**

REALIA has kept up to date its control mechanisms associated to the Ethical Code and the incidence reporting channel, and is committed to continue to improve its Corporate Governance system, adapting it to the best national and international practices.

Ethical conduct and respect and compliance with the regulations, both internal and external, are the pattern of conduct of the REALIA Group, materialized in its ETHICAL CODE.

Since its first edition (Nov 2010), some important changes have been made both in the regulation (the reform of the Criminal Code of 2015 is especially relevant, since it introduced the “liability of legal entities”) and in the socio-economic and technological scenario.

The Board of Directors of the REALIA Group promoted, through the Audit and Control Committee, the review and update of the Ethical Code to adapt it to the new business, regulatory and corporate reality; and to serve as the pillar of the compliance risk prevention system. Accordingly, REALIA drafted a new Ethical Code, approved by the Board of Directors of the REALIA Group on 4 April 2018. The document was distributed to all the employees of REALIA, and is available at the company’s website.



The main objectives of the new Ethical Code are the following:

- To establish the principles, values and rules of conduct that must govern the conduct of the companies of the REALIA Group and all their employees, with the purpose of ensuring ethical and responsible conduct in the professional performance of their activities; it also reflects the commitment of the company with the principles of business ethics and transparency, consolidating a culture and patterns of conduct shared, accepted and respected by all its employees.
- To define the criteria for the conduct of managers and employees; drawing the red lines that must never be crossed even when they could generate profit for the company; to prevent and avoid conducts that entail fraud, bribery and corruption in businesses.
- Is the axis and the pillar of the regulatory compliance system; the fundamental rule that guides the conduct of all the employees of the group in the performance of their activities and in relation to third parties.

The Ethical Code is addressed to all directors, managers and employees of the REALIA GROUP, regardless of their type of contract that determines their employment relation, their position or their geographic location. It complements the Corporate Social Responsibility, the Internal Code of Conduct on matters related to Stock Markets, and the Board Regulations. These, together with the legal rules, make up the framework that must govern the conduct of its managers and employees.



During 2019, REALIA has kept a fluid and transparent communication with its stakeholders to identify, prioritize and respond to their expectations. The corporate website is the common channel for all stakeholders, even though the company promotes dialogue with all of them through different communication channels.



## Shareholders and Investors

As a listed company, REALIA guides its action in the stock market under the principle of compliance with the applicable legislation (Stock Market Law); acquiring the commitment of meeting as much as possible (always under a criterion of proportionality) with the recommendations of the Good Governance Code of Listed Companies of the CNMV.

In order to prevent possible imbalances and conflicts of interest between the majority and minority shareholders, REALIA has a Corporate Governance system that guarantees the rights of shareholders and investors, regulates the representation of minority shareholders in the governance bodies and restricts their power, through the use of checks and balances.

### Communication Channels

Additionally to Good Governance practices, the Company has information and accounting mechanisms that help investors, shareholders and the market in general to make sound decisions in the purchase or sale of shares.

- **Corporate Website**

The main communication channel is the corporate website, [www.realia.es](http://www.realia.es), which meets the technical and legal specifications of Circular 3/2015 of the Comisión Nacional del Mercado de Valores (CNMV). This site, accessible from all mobile and fixed devices, offers relevant information about the evolution of the Company to the investor community and the rest of stakeholders. Through its “Shareholders and Investors” section, visitors may access information about share price and share capital, the main financial aggregates, stock market information and the Company’s results. Additionally, it provides access to the main aspects of “Corporate Governance”.

- **Email**

Shareholders and Investors may contact directly with the Investor Relations Area through its email.

- **FShareholders’ Electronic Forum**

The company makes a Shareholders’ Electronic Forum available before the Annual Meeting of Shareholders. This Forum publishes the proposals submitted for their incorporation to the agenda, the requests for endorsement of such proposals, and the initiatives to reach to required percentage to exercise the right of a minority, as well as offers, requests or voluntary proxies.

- **Transparency of Information**

Throughout the year, REALIA has maintained a policy of information transparency with the investor community, offering information to the markets, in compliance with the Law on Corporations and their internal regulation. 15 relevant events were reported to the CNMV during the year.

All the information actions undertaken by the company have complied with the Internal Code of Conduct.

### Investor Relations Contact:

**Address:**

Avda. del Camino de Santiago, 40  
28050 Madrid

**Telephone:**

+34 913534400

**Email:**

[accionistas@realia.es](mailto:accionistas@realia.es)  
[inversores@realia.es](mailto:inversores@realia.es)



Employees

REALIA’s workforce is composed by 90 experienced professionals specialized in the real estate business, who contribute their experience and dedication to achieve the corporate objectives. The company is aware of their importance, and offers them the best possible conditions, and an adequate climate to favor their professional development.



EQUAL OPPORTUNITIES

REALIA is actively involved in the defense of equal opportunities and non-discrimination; accordingly, recruitment and promotion processes, just like remuneration, are related to performance and are conducted with the appropriate publicity.

The company promotes equality between men and women in access to employment, training, promotion and working conditions. Three of the six members of the Board of Directors are women.



SOCIAL BENEFITS TO RETAIN TALENT

REALIA tries to offer its employees optimal conditions to retain the best talent, and offers a number of social benefits to this end. These include medical insurance, life insurance, meal tickets, and contributions to pension plans.

DEFENSE OF FUNDAMENTAL RIGHTS

Besides a strict respect for the applicable labor legislation, REALIA embraces the labor rights universally recognized by the United Nations Global Compact, including respect for fundamental rights, the support to the freedom of association and collective bargaining, and non-discrimination at work.

In accordance with these principles, the company manages its human resources on the basis of three axes: equal opportunities, development of the skills of its employees, and protection of their health and safety.



CONCILIATION

The company tries to help employees to balance their personal life and work, and to this end it rearranged their working hours and it established flexible working hours in 2018.



HEALTH AND SAFETY AT WORK

REALIA has an external Prevention Service to protect the health and safety of its employees. During 2019, it evaluated the risks of the workplaces and conducted medical examinations to employees.

## Employees

### DEFENSE OF FUNDAMENTAL RIGHTS



#### TRAINING

REALIA is aware that the intellectual capital of the company relies on its workforce, and promotes learning and training accordingly.

**INTERNS:** Realia is an associate partner of the REAL ESTATE STUDIES DEGREE, the Degree of the Universidad Politécnica de Madrid. This training initiative is the result of an idea proposed by ASPRIMA (Association of Real Estate Developers of Madrid) in collaboration with the University, and promotes a curriculum defined according to the actual needs of developers, and a dual training methodology, which combines University classes and paid internships in the companies associated to the REAL ESTATE DEGREE during the whole year. The purpose is to provide quality education that facilitates the incorporation of students to working life.

Accordingly, during the term 2019-2020, Realia received two students of the Real Estate Degree, mentored by one person in our organization, in order to ensure they have a productive and enriching experience with us.



#### COMMUNICATION WITH EMPLOYEES

The company maintains a dialogue with its employees through the corporate Intranet, email and internal memos, to communicate relevant news and decisions. Employees may report violations of the Ethical Code or report incidences regarding economic and financial information through the Intranet.



## Customers

REALIA aims to be perceived as a rigorous and professional real estate company, and to that end it strives to offer quality properties and excellent services suited to all types of customers: homebuyers, tenants and users of shopping centers.

REALIA's commercial network serves potential customers from its regional delegations, sales offices and its headquarters. The network is composed by expert and well-trained professionals who show the properties to customers, explain the economic conditions and if necessary, provide their support through the process of rental or sale.

Customers can also access the properties offered by the company through the website [www.realia.es](http://www.realia.es), where they can see images and large size drawings of the properties, take a virtual tour, access 3D renders and will offer shortly the possibility of having virtual visits with salespeople. Customers can request information on every property by filling in a simple form; additionally, they can access a personal online advisor, which responds within 24 hours to the questions asked, even though the company guarantees a response within 72 hours.

## Homebuyers

The omni-channel strategy is intensified in the case of homebuyers.

On one hand, the salespeople who work in sales offices provide excellent service to customers, helping them before, during and after the handover of keys. Besides showing the homes and offering them information about their specifications, in most developments, they also facilitate access to mortgage loans referring their customers to a bank to analyse their financing options best suited to their needs.

In 2019, REALIA's sales network organized several actions to promote engagement with the company and solidarity, such as the Seville Race organized by the Maryward Foundation with the support of REALIA in its organization and communicated through all the social media of the Company.



*Infografías Realia Valdebas Único (Madrid)*

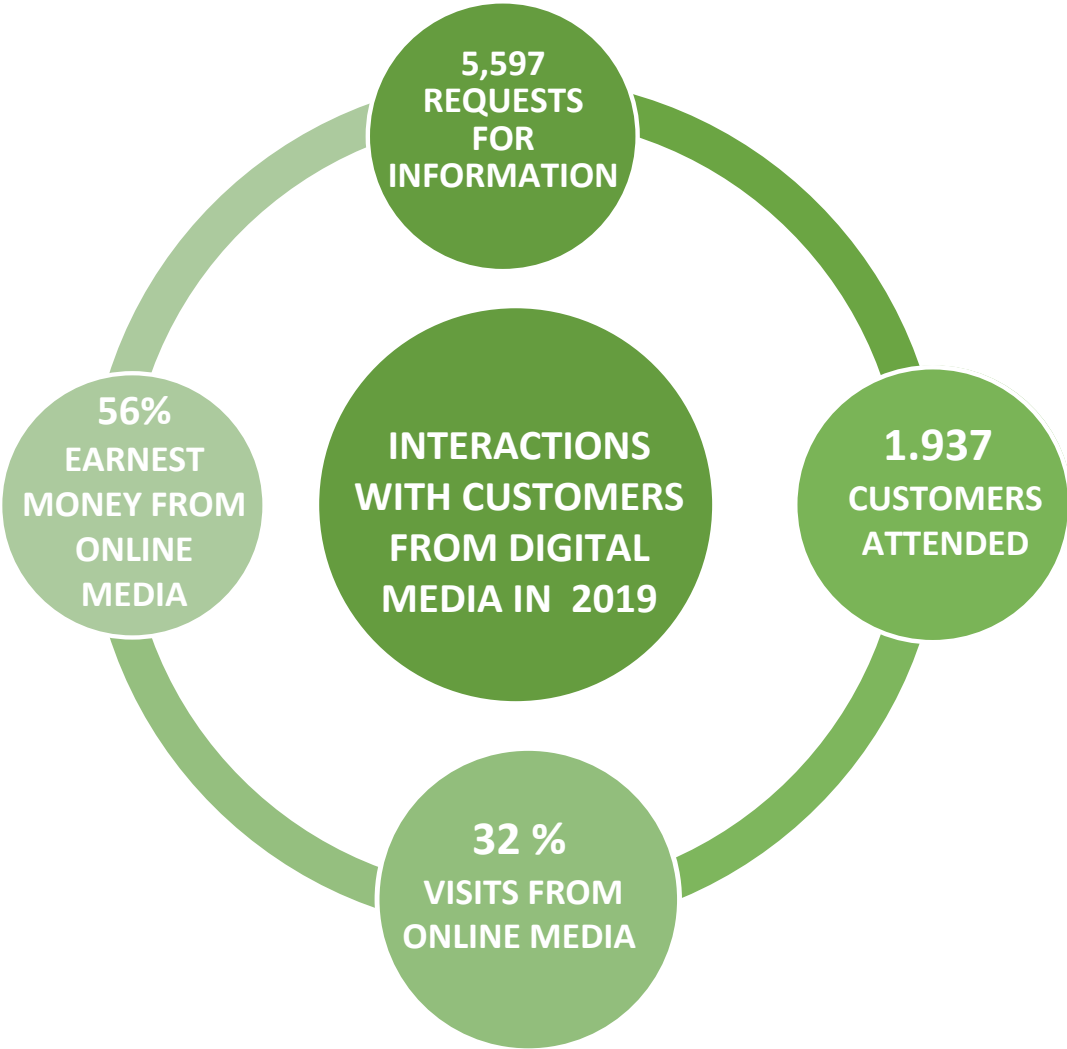


The company interacts with potential buyers sending the users registered in its database a newsletter with interesting articles on housing, home decoration, mortgage loans or information about the location of its properties. These articles are published at the online REALIA blog. 48 articles were posted in 2019.

In parallel to these initiatives, the company contracts advertising space in the media, mainly online media and real estate websites. Additionally, it uses other digital marketing tools to present its developments, such as SMS landing, Google Ad Words campaigns, social media, Facebook Ads, advertising on Instagram stories and will shortly start to use Rent to Buy purchasing (RTB) as a further step for the attraction of leads (an essential phase to turn them into buyers).

Through this omni-channel strategy, REALIA responded to 5,597 requests for information about its own developments, including phone calls and emails, and 1,937 customers were attended at the sales offices (including first and second visits).

Out of these interactions, 32% of the first visits received by the salespeople were customers from digital media, and 56% of the earned money agreements signed were with customers from online media (website, Internet marketing campaigns and real estate websites).





Additionally, several high quality photographic reports were produced during the year both in show flats and through drones or 360º routes providing user with a view of their future home. Work is currently underway to implement 3D views of Realia's new developments.

## Tour 360

Visita nuestro piso piloto



## Valdebebas, your home in a strategic location

Valdebebas Único is strategically located just 10 minutes from Plaza de Castilla, and its north side borders La Moraleja and Encinar de los Reyes. Additionally, this Madrid neighbourhood is surrounded by important motorways such as the M-40, the M-11, the R-2 and the M-12, which connects T-4 of Barajas airport with the centre of Madrid.

Thanks to the new 3D images incorporated to the sections on developments in commercial operation, it is possible to see the aspect of new housing developments once they are finished, and how they will be integrated in the environment.





COMMUNICATION CHANNELS

Corporate Website

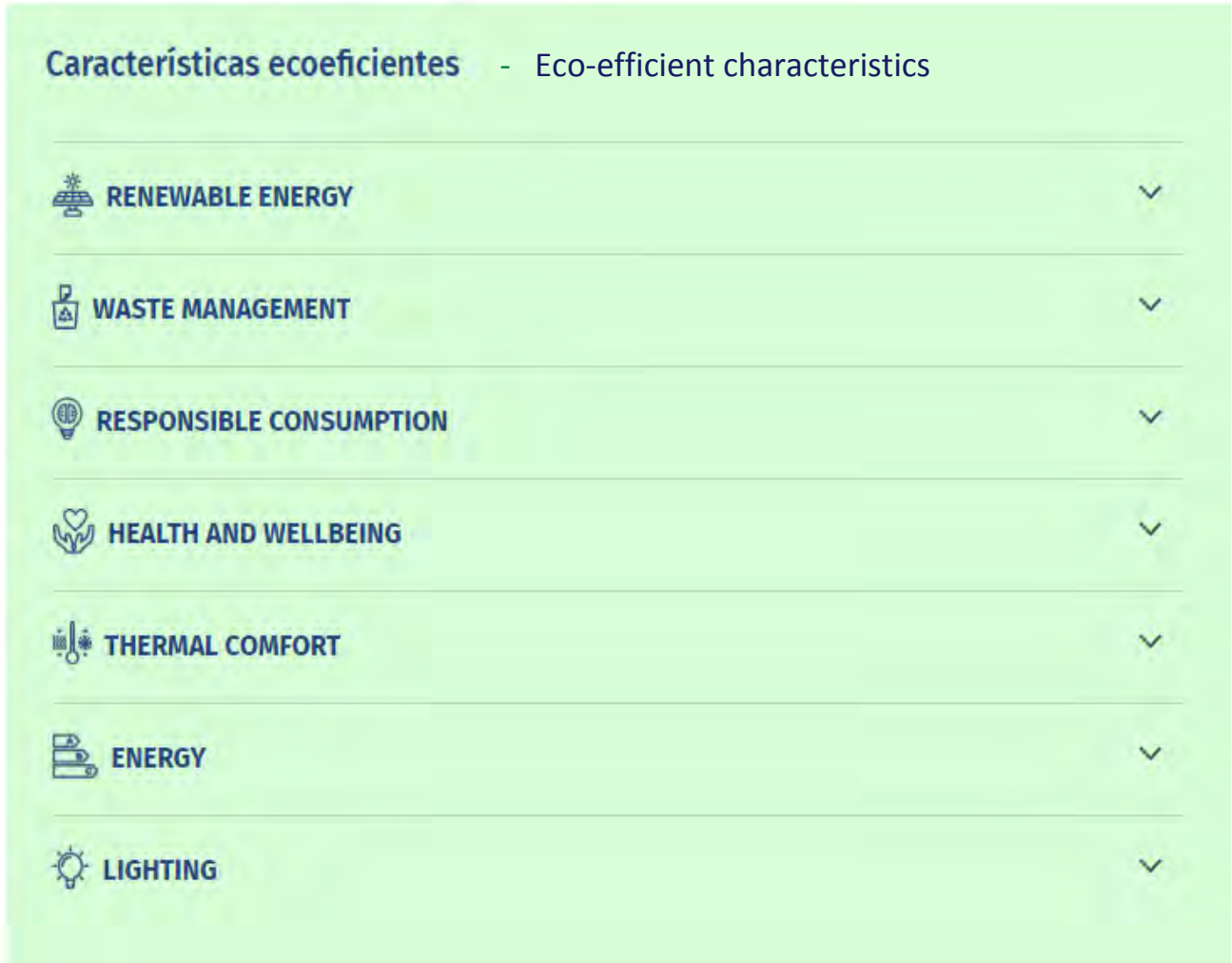
During 2019, a great effort was made to optimize the product sheets of the developments and the whole website. The purpose was to enrich its content and offer new functionalities to the users. The contact forms are now simpler and shorter to promote the registration of leads on the database; catalogs and lists of specifications have been included with a new image, more elegant and exclusive.

REALIA supports eco-sustainability, as shown by the incorporation of technical product sheets containing eco-efficiency and sustainability characteristics of the developments. These product sheets are detailed and their design is clearly different in developments such as Essència de Sabadell or Realia Parque del Ensanche. This offers not only a much more committed vision with the environment, but also the interest to offer customers an added advantage in the purchase of these properties. This eco-sustainable content has been also included in the blog posts and online advertising, and was received with great interest by the audience.

A new business area is currently being developed (residential housing for rent), and to that end, the website is being extended, and content for desktop and mobile devices is being improved.

Social Media

Social Media play an important role as the communication channel of REALIA. During 2019, its presence on social media has reached a large number of followers, which helps us create valuable content and get closer to the new trends among the community of followers of the Company to offer them our products and services, as well as interesting information and articles on housing, homes, mortgage loans, etc., and the possibility of having direct conversations through Facebook and Instagram as new channels to attract customers.







## Tenants

REALIA provides quality services to its tenants that improve the appeal of its properties.

It offers customized solutions for all tenants in its offices, according to their needs and rent level; is flexible in the adaptation of working spaces and promotes the constant improvement of common services, such as concierges, cleaning or security.

In order to preserve the value of its properties and increase the comfort of its tenants, it performs proactive maintenance of each building, applying efficiency measures, economies of scale, etc., that reduce costs.

Professional teams in different areas (maintenance, legal, commercial, urbanistic and economic-financial), assisted by external professionals, provide these services to tenants.

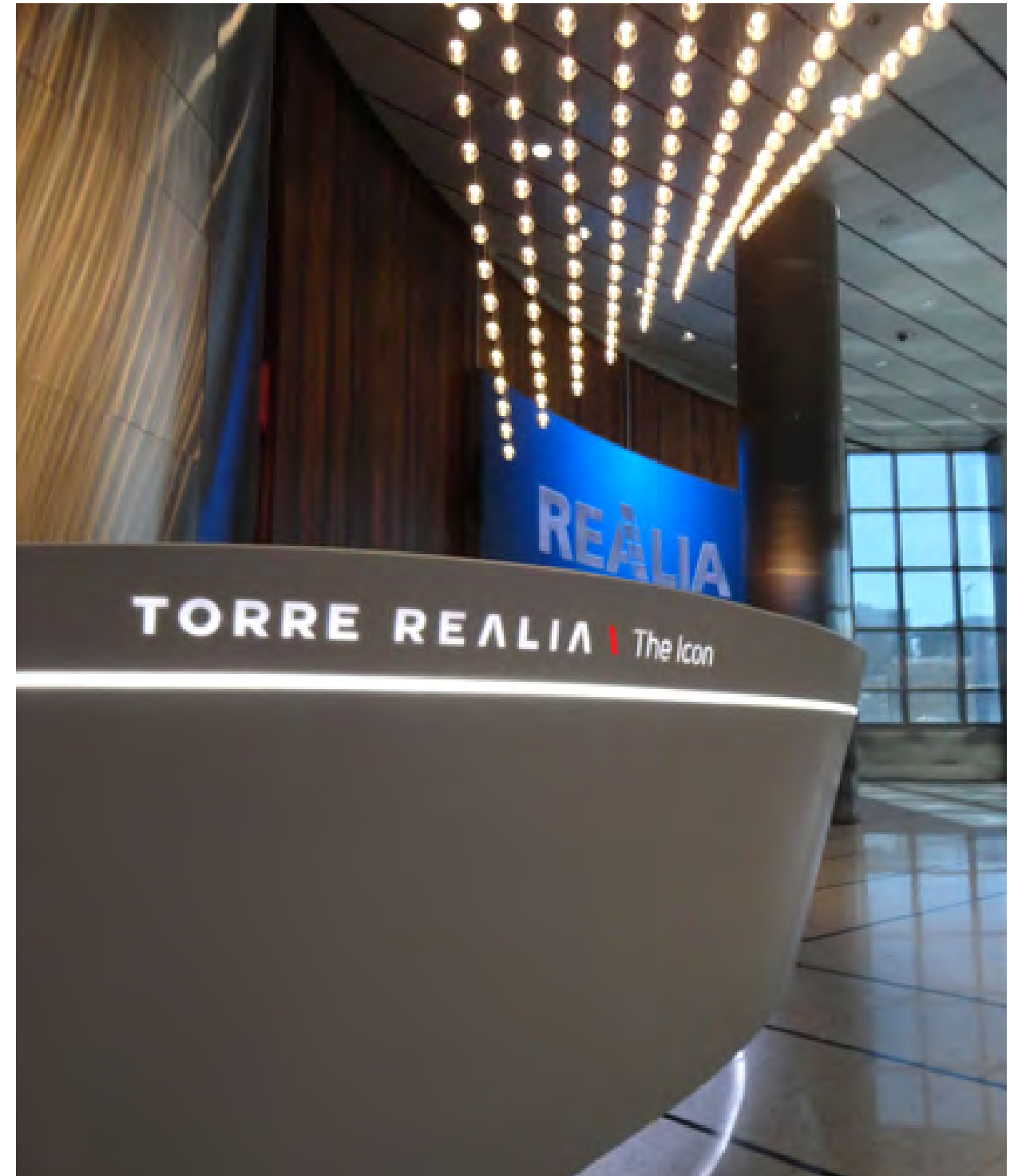
Specialized consultants under the supervision of the company are in charge of the management of shopping centers.

Several improvements have been made in recent years on the common areas of buildings to offer a renewed image and to improve the comfort of visitors and tenants, and to increase the satisfaction and wellbeing of the companies and individuals who occupy them.

An outstanding example is the renovation and modernization project carried out on the building located on Paseo de la Castellana, 216 (Madrid). It revealed its new image in 2019 in an event with the presence of Realia's main partners, in which Ana Hernández, Business Manager, explained that the technology, sustainability and flexibility of the space were the three main elements of this upgrade, as reflected in:

- A new and spectacular lobby incorporating sustainable (two large vertical gardens) and technological features (two curved video walls of 27 m2 each), according to the most innovative workspace trends, albeit extremely respectful to the concept and the original materials of the building.

- The achievement of the BREEAM certification for sustainable operation buildings.
- The incorporation of a co-working space with a surface area of 5,000 m2.





In 2019, Realia presented a new communication concept through the installation of some 400 LED lamps in the facade of Torre Realia \ The Icon. Thanks to this, Torre Realia \ The Icon plays a key role in dates such as Christmas, Hispanicity Day, and special social, cultural and health occasions dates, such as Women's Day (the Tower was lighted in purple in support of that celebration), the day of Autism, the Day of the Armed Forces, etc. This was quite an innovation in the city, and became trending topic in Twitter, where many users uploaded photos and videos of the Tower. Additionally, the company Signify (in collaboration with Philips) is monitoring and following up on this lighting installation, already in place in other cities of the world, such as New York.

Additionally, several improvements and upgrades took place in 2019 in several office buildings:

## TORRE REALIA\THE ICON

- Decorative lighting of the southern facade of the building.
- Construction of a new fitness room available to the users of the building.
- Installation of new bathrooms adapted to the needs of persons with reduced mobility.

## TORRE REALIA BCN

- Installation of new lamps in the hall and technical rooms.
- Installation of a water softener system to improve its quality.
- Installation of air intake ducts in the cooling towers to improve their energy efficiency

## ACANTO 22

- Installation of frequency shifters in the air conditioning and plumbing pumps to improve the energy efficiency of the system.
- Renovation of the CCTV systems.
- Replacements of lamps by LED technology lamps.

## NUDO EISENHOWER

- Renovation of reception halls with the installation of information screens with the list of companies in the Business Center, real-time news, motivational quotes and videos of interest for the tenants.
- Installation of bathrooms adapted to people with reduced mobility.

## BRUSELAS 36

- Renovation of CCTV systems.
- Replacement of lamps by LED technology lamps.

## KANSAS CITY

- Replacement of the pavement in garage ramps.
- Replacement of lamps by LED technology lamps.

## ALBASANZ, 12

- Full renovation of the building. ción integral del edificio.

## GOYA 6 y 8

- Full renovation of the retail space to turn it from a multi-brand to a single-brand shopping center.



## Users of Shopping Centers

In the case of shopping centers, they are managed by specialized consultants under the supervision of the company.

All of REALIA's centers have been designed following criteria of functionality and accessibility, in order to guarantee a pleasant shopping experience. Thus, they combine recreation and shopping areas, and are equipped with spacious common areas and adequate spaces for the movement of vehicles and visitors.

Some examples of REALIA's focus on sustainability and Corporate Social Responsibility in Shopping Centers are the following major renovations:

### CC. FERIA PLAZA (Guadalajara)

- Customer service desk
- Improved mobility for people with reduced mobility through the installation of a stair lift and adaptation of a hallway with two new lifts for public use.

### CC. PLAZA NUEVA (Leganés - Madrid)

- Project for the improvement of signage in the underground car park that will improve the journey and identification and will provide more information to customers.
- Improvement of the lighting on the street-level car park of the Mall and its access roads and southern access to the shopping center through the installation of LED lamps
- Weatherproofing of roofs with material that improves the insulation of the roofs and improves energy efficiency.

### CC. LA NORIA (Murcia)

- Replacement of the signs with the new image: panels, pennants and external signage.
- Change of the exterior image of the showcases on loan to the Association of Artisans of the Region of Murcia.
- Lowering of the height of store access steps, removing the steps and turning them into ramps (mobility and accessibility).
- Renovation of all the awnings of stores and pergolas.

### CC AS CANCELAS (Santiago Compostela)

- Replacement of the whole external evacuation signage.
- Installation of hydro alcohol gel and hand cream dispensers in bathrooms, and installation of emergency boxes equipped with anti-choking systems.
- Replacement of the lighting system by LED technology lamps; in 2019, the SAS lights of the 2nd basement and the exterior facade spotlights will be replaced in 2019.
- Installation of the real time water consumption monitoring system by zones, in order to detect unusual consumption readings or water leaks.
- Performing thermographs in all electrical boxes to detect anomalies that may cause electrical leakages or losses.
- Implementation of water saving measures, replacement of faucets in bathroom by new ones with 70% lower consumption.





## Suppliers

REALIA has contributed to the creation of wealth in the locations where it is present through contracts with local suppliers. Most of its suppliers are Spanish companies that offer their services in the Spanish territory. Abroad, it has suppliers in Poland, Portugal and Romania to meet the needs of its residential homebuilding in Warsaw, Lisbon and Bucharest, respectively.

### Selection criteria

Historically, the selection and contracting of REALIA's suppliers is based on economic and technical criteria in both works and building rehabilitation. In these cases, general conditions are defined and included in the corresponding building specifications, for bidding and awarding of work contracts. The Procurement Area is governed by the following principles:

- Strict selection of work contractors, according to technical criteria.
- Assuming responsibility for the health and safety conditions of the works.
- Drawing up of the Construction Plan, guaranteeing compliance with the contract milestones.
- Guaranteeing REALIA's quality standards.
- Compliance with legal environmental requirement.



## Community

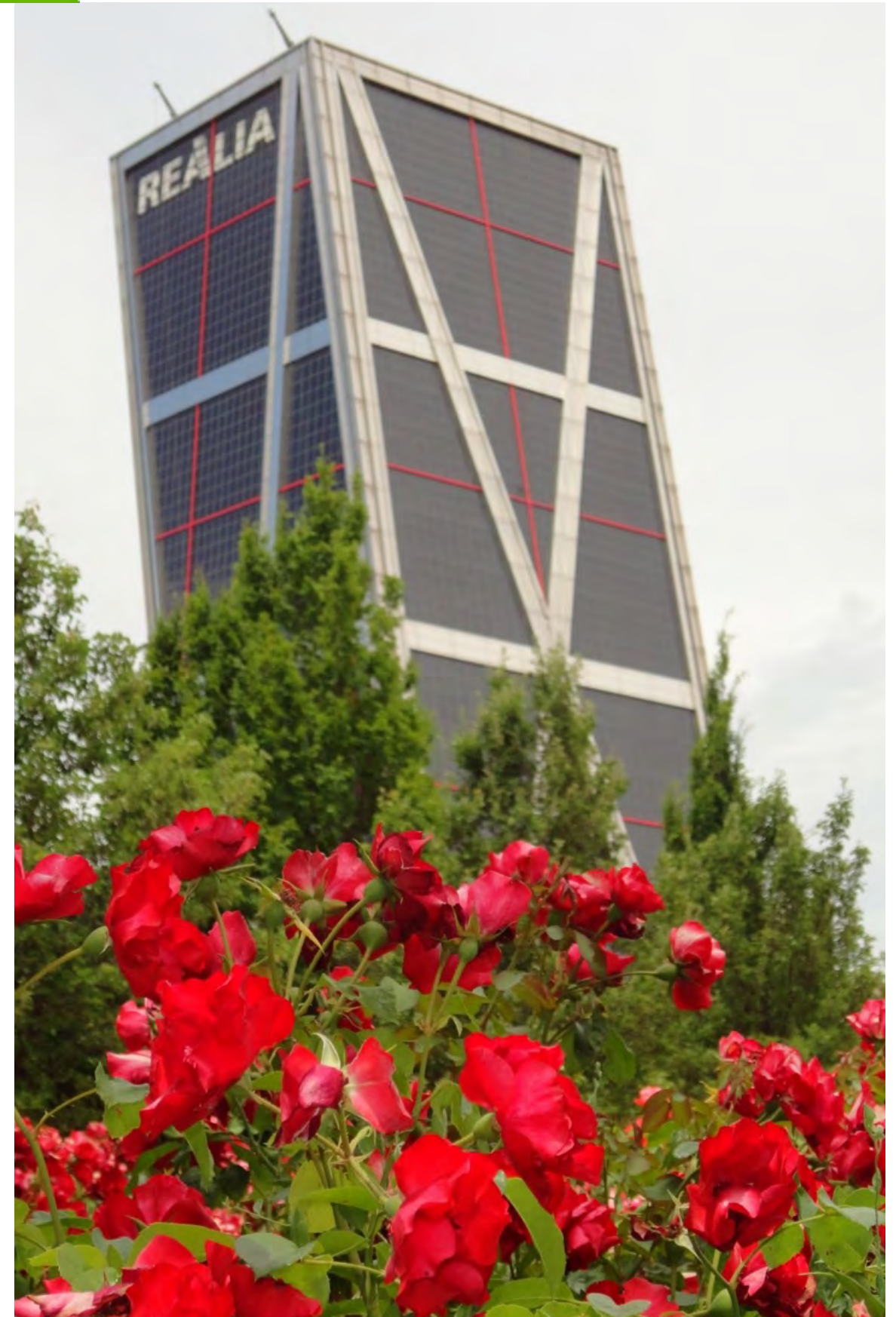
REALIA aims to involve the community in the planning and management of its property developments to minimize the potential negative impact they may have on the locations where it operates.

Before starting construction of a new development or the rehabilitation of a rental building, the company contacts all stakeholders to listen to their concerns and consider their proposals for improvement.

Citizen participation is essential for REALIA in the planning of a development, since it provides it with a 360° view of the impact of its activity on the environment.

The creation of spaces for recreation and the improvement of the roads are some examples of the initiatives from neighbor associations, retailers and public administrations that the company takes into consideration in its project designs.

Throughout the year, the group continued its urban management of land, and it has established contacts with local and regional authorities to that end. These contacts took place under the utmost legality and transparency, according to the principles contained in the Ethical Code.





## Community – Social Work

### CAMPAIGNS IN SHOPPING CENTERS

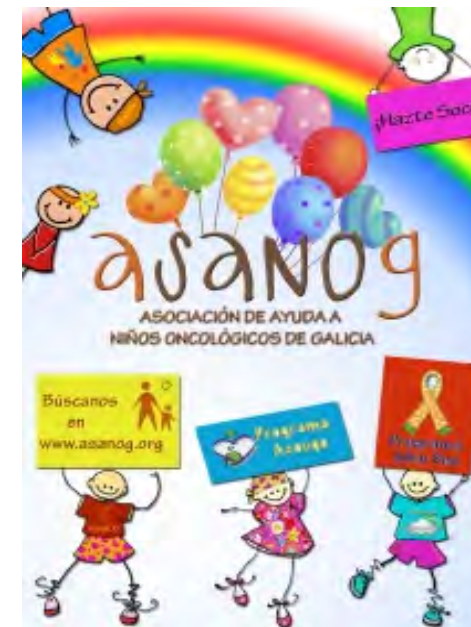
Under the supervision by REALIA, shopping center managers loan their space to different foundations and NGOs for social, cultural and scientific projects, and to attract new members of raise the awareness of the public on some social issues. Numerous social actions were organized in our shopping centers during 2019.

Some of the institutions and non-profit organizations involved were:

- Red Cross (Blood donation drives).
- Food Bank (Food donation campaigns).
- Collaboration in the International Day of Down Syndrome.
- “Back to School” solidarity campaign: in collaboration with Carrefour supermarkets in this campaign for the collection of school supplies organized in September 2019, to be donated to disfavored groups with children in school age.
- Workshops for children: Programs focused on responsible education on environment, nutrition, coexistence, personal development, relaxation techniques, physical activity, recycling, etc.
- #freeplastic. Events designed to minimize the environmental impact of plastic. Biodegradable merchandising, reduction of paper and plastic.
- Collaboration with the association CEOM: Association for the Integration of People with Intellectual Disabilities.
- Collaboration with the City of Santiago on the “Colecamiños” projects for safe school routes, a pioneer experience in Compostela with the purpose of promoting a change in the mobility patterns of the boys and girls of our community.



- International Day against gender violence: providing support through social media and vinyl panels on showcases and signs (CC As Cancelas)
- International Water Day: committed to the environment and this valuable resource for our survival. Reducing water consumption and promoting water saving in a job for each and every one of us, but if we do it together, we can have a great impact.
- Action against Children's Cancer, on the occasion of the International Day against Children's Cancer, the CC As Cancelas organized a photo-call; for each photo uploaded to social media using the hashtag #AsCancelasDandoLaCara, the Shopping Center donated 1€ to the Association of Aid to Oncological Children of Galicia (ASANOG).
- Environmental Action: Planting of a forest of indigenous tree species to stop and mitigate desertification. Thanks to this solidary initiative between the shopping center La Noria de Murcia and the regional association Bosqueo2, the customers of the mall sponsored the specimens planted; 500 saplings were planted of wild olive trees, Mediterranean buckthorns, buckthorns and mastic tress. In the long term, this new forest will absorb 20 Tons of CO2 every year, a polluting gas responsible for climate change in the planet.
- San Silvestre Race: collaboration in the San Silvestre race, with the delivery of numbers at the shopping center As Cancelas, and the gift of a customized Santa Claus hat to every runner.



## Other solidarity actions:

### Sponsorship of the VIII Solidary Race of the Mary Ward Foundation.

For the second consecutive year, REALIA Hato Verde sponsored a solidarity race in Seville against human trafficking, to expose a scourge that affects more than 20 million people all over the world, most of them women and girls.





## Collaboration in the Program for the Protection of the Peregrine Falcon

Realia collaborates since 2010 in the protection of the peregrine falcon in Hospitalet de Llobregat. This project is part of the biodiversity program of this city, which seeks to establish a viable breeding population of the peregrine falcon, contributing to increase the richness of the wildlife and regulate the populations of urban birds.

In 2010, a falcon nest was installed in the cornice of the penultimate floor of the Torre REALIA Barcelona, located at the plaza Europa in l'Hospitalet. Additionally, a camera was installed to monitor the birds more closely and watch them live through the municipal website.

Since then, the nest has served as a shelter for several pairs of peregrine falcons that seek a safe place to mate from March to May. Since this species keeps the same partner throughout their lives, and mate in the same place, the managers of Torre Realia are familiar now with the pairs of peregrine falcons that settle in the nest and we can now monitor their evolution. To us, seeing them arrive at the building every year means that our small contribution represents a great help for them.

As part of the project, in 2019 biologists and experts from the Natural Spaces and Biodiversity Section of the City of Hospitalet accessed the building to work on the improvement and reinforcement of the nest to increase the safety of the falcons and their offspring, and band the young chicks.

Realia is proud of the work done and our positive impact on the wellbeing of these birds. And of course, we hope many more pairs of peregrine falcons will choose the nest of the Torre Realia in Barcelona to mate, so that we can contribute to remove this bird from the list of endangered species.





REALIA is strongly committed to environmental protection. In 2019, it continued the implementation of efficiency measures and defined the constructive characteristics of future developments according to the principles of sustainable architecture and implementing strategies to improve the sustainability of its buildings.

REALIA's Corporate Responsibility Master Plan establishes the need to manage the environment in a way that it reduces the footprint of its activities on the environment and favors the sustainable use of resources

Following the Basic Principles of Environmental Protection included in the Guide of Good Practices of the group, the company applies the 3R rule (Reduce, Reuse and Recycle) and maintains a preventive rather than corrective approach to its projects.

REALIA's environmental management is structure around four lines of action:



Energy efficiency



Adequate management of resources



Sustainable construction



Promotion of responsible conduct

Thanks to these actions, and just like in previous years, no incidences or sanctions took place related to environmental protection.

## Energy Efficiency

REALIA's building were subject to an energy audit in 2016, in keeping with Royal Decree 56/2016 of 12 of February, which transposes Directive 2012/27/UE of the European Parliament and Council of 25 October 2012, related to energy audits, certification of service providers and the promotion of efficiency in energy supply.

According to the law, the company must audit the buildings again 4 years after the last audit.

During the year, REALIA continued to evaluate its consumptions ad CO2 emissions and introducing efficiency measures in the buildings under its management. Thanks to this policy, during the last five years it maintained a downward trend in both consumption and emission of polluting gases.

## Adequate waste management

REALIA promotes selective waste collection in its offices and shopping centers, and provides all tenants with a recycling station in every building for the sorting and selective recycling of waste.

This system allows for the recycling of paper, cardboard and toner, and to segregate toxic and hazardous waste for its subsequent collection and delivery to authorized waste managers.

The company collaborates with several companies and organizations in the collection of waste, depending on the type of waste.

Historically, REALIS follows the 3R Principle (Reduce, Reuse and Recycle) in its construction and renovation work. From the planning stage of a project to the end of construction, it strives to manage its waste efficiently.

To that end, it sorts the waste, it stores them in designated zones, gives special treatment to hazardous waste and reuses the material from excavation in rehabilitation works. Finally, it transports construction and demolition waste to deposits, crushing plants or authorized waste managers.





## Sustainable Construction

The buildings constructed by REALIA meet the principles of sustainable construction: respect for the environment, use of low impact materials throughout their life cycle, and incorporation of energy efficiency measures. All residential homebuilding projects meet the standards of the Building Code.

In order to obtain a better energy rating in future homebuilding projects, REALIA intends to implement a number of improvements in construction and quality of the materials used, to favor energy savings in the homes. With these measures, a “B” rating will be obtained routinely, so that REALIA’s future homes will have lower energy consumption with the same degree of comfort, or even higher, reducing at the same its environmental impact.

## Promotion of responsible conduct:

REALIA promotes environmentally responsible conduct within the company, among its customers and in its supply chain.

To this end, it has drafted a guide of Good Environmental Practices addressed to employees, external personnel, suppliers and subcontractors, which brings together the best practices in the use of materials and products, energy management, waste treatment and transport.

At the same time, the company favors recycling in the workplace under the slogan “When you recycle, you win”.

In shopping centers and offices, it promotes sustainable conduct among its uses through posters about the preferential use of elevators, water saving in the restrooms, or the correct use of waste collection stations, among others.

In shopping centers, maintenance personnel inform retailers and store managers about the possible measures to adopt to reduce energy consumption, such as opening hour adjustments or improvements in insulation.





## BASIC PRINCIPLES OF ENVIRONMENTAL PROTECTION







## More sustainable homes

Having water saving systems in the home is an increasingly important and valued feature, since they provide environmental, social and economic advantages. If we wish to help the planet, save resources, respect the environment and ensure the future of the younger generations, we must adopt certain habits and an awareness for sustainability in order not to waste resources and safeguard the resources that help us enjoy and maintain our quality of life.

Realia favors the construction of more sustainable homes respectful of the environment and their location, and for this reason we emphasize the water saving systems available in our housing developments:

**Realia Essència de Sabadell:** This housing development, located in Sabadell (Barcelona) will be equipped with flow rate control and rainwater reuse systems, as well as a water treatment and recovery plant, in order to maximize water savings.

**Realia Parque del Ensanche:** This housing development located in Alcalá de Henares (Madrid), currently under construction and commercial operation, will be equipped with a home water saving system incorporating consumption control mechanisms in all water outlets, within the homes and in the common areas.

Water is one of the most necessary resources and with greater use during our whole lives and is however one of the most wasted ones. Many people are not aware of its importance and neglect to use it wisely, for we have the obligation to use water rationally and responsibly, both at home and industrially. We in Realia continue to be committed with a responsible use of resources as vital as water through actions that help to respect and care for the environment and the planet where we live.

Apart from the two developments mentioned, REALIA has installed a pioneer water management system in its Altos de Santa Bárbara housing development in Rocafort (Valencia), the first of its kind in the province and known as the storm tank, which allows to recycle rainwater and to avoid the risks of flooding resulting from heavy rainfalls.



*Realia Essència de Sabadell*





## More sustainable buildings.

### BREEAM® SUSTAINABILITY CERTIFICATE

Realia obtained its first BREEAM® certification last year, after a rigorous process of analysis and improvements that took several months to complete. The buildings selected, Torre Realia\The Icon, one of the most iconic buildings in Madrid, is an architectural reference in the city and is currently also a reference in sustainability, after obtaining its BREEAM® certification, with an Excellent Management rating, a distinction shared with only 13 office buildings in Madrid and 19 in the whole of Spain.

The BREEAM® certificate is an international sustainability evaluation and certification program, in operation since 1990 and present in 77 countries, which allows for the evaluation of the actual behavior of a non-residential building through information about environmental performance, invoices and other consumption records of the building.

The process includes the analysis of the initial condition of the building, and implements a number of strategies to optimize its sustainability, in a continuous improvement system, in which a consulting firm authorized to issue BREEAM® certifications audited the sustainability performance, broken down into the following categories:

- Energy.
- Health and Wellbeing.
- Materials and waste.
- Ecology and pollution.

Additionally, several upgrades and improvements were carried out in 2019 on the different office buildings in order to optimize sustainability.

Some of these improvements were:

Replacement of lights to LED lamps, installation of air intake ducts on cooling towers to improve energy efficiency, installation of frequency shifters in air conditioning and plumbing pumps to improve the energy efficiency of the system, renovation of CCTV systems, installation of bathrooms adapted to persons with reduced mobility, etc...







**REALIA**